



CIVIL AVIATION AUTHORITY OF SRI LANKA

ANNUAL REPORT – 2008

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

Theme Song of the Civil Aviation Authority

Sri Lanka, civil guwan seva adikariya
kith yasin sudile
heli kota heli hele //

Sakvithi ravana aadi yugen dhadu –
monarin guwana dina//
Vikmathi lakdana va-riya polinuth
pa vidu nuvana mana//

“Uvaduru thora bava sandaha mul vemu”
vei pera vakiya ape//
“Ikman aya maga negumehi mul vemu”
me vei dekuma ape//

Ratavesi yuthukam itu vana ayurin
mau bima ha bademu //
Samaja mehewara sara daham reka
vagateemen pudamu//

Lyrics: Pandith Arisen Ahubudhu
Singer: Dr. Pundit W. D. Amaradewa
Melody: Dr. Pundit W. D. Amaradewa

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 2008.

A handwritten signature in blue ink, appearing to be 'Lal Liyanaarachchi', written over a horizontal line.

Lal Liyanaarachchi
Chairman,
Civil Aviation Authority of Sri Lanka

27th February 2009

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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 |
| AME(BL) | Aircraft Maintenance Engineer (Basic Licence) |
| AML | Aircraft Maintenance Licence |
| AMO | Approved Maintenance Organization |
| AMT | Aircraft Maintenance Technician |
| ANR | Air Navigation Regulations |
| ANS | Air Navigation Services |
| 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 |
| ATC | Air Traffic Control/ Air Traffic Controller |
| 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 |
| CIA | Chief Internal Auditor |
| COSCAP-SA | Co-operative Development of Operational Safety and Continuing Airworthiness Programme – South Asia |
| Cp | Corporate |
| CSI | Cabin Safety Inspector |
| C of R | Certificate of Registration |
| DCA | Department of Civil Aviation |
| D | Director |
| DD | Deputy Director |
| DGCA | Director-General of Civil Aviation |
| DO | Documentation Officer |
| DPIG | Development Planning & Implementation Group |
| ELP | Equipment Loading Plan |
| EU-SA | European Union – South Asia |
| FAL | Facilitation |
| FIR | Flight Information Region |
| FOI | Flight Operations Inspector |
| FS | Flight Safety |
| GOI | Ground Operations Inspector |
| GSA | General Sales Agent |
| HR&OM | Human Resources & Office Management |
| HROMA | Human Resources & Office Management Assistant |
| HR&OMO | Human Resources & Office Management Officer |
| IA | Internal Audit |

| | |
|--------|--|
| ICAO | International Civil Aviation Organization |
| MEL | Minimum Equipment List |
| NOTAM | Notice to Airmen |
| Ops | Operations |
| PA | Personal Assistant |
| PEL | Personnel Licensing |
| PLO | Personnel Licensing Officer |
| PA-AAI | Programme Assistant- Aircraft Accident Investigation |
| PA-AE | Programme Assistant- Aviation Examinations |
| PA-IT | Programme Assistant- Information Technology |
| PA-SP | Programme Assistant – Special Projects |
| S/CAA | Secretary to the CAA |
| SAISO | Senior Aeronautical Information Service Officer |
| SARPs | Standards and Recommended Practices |
| SARAST | South Asia Regional Aviation Safety Team |
| SATO | Senior Air Transport Officer |
| SAwE | Senior Airworthiness Engineer |
| SFOI | Senior Flight Operations Inspector |
| SLCAP | Sri Lanka Civil Aviation Publication |
| SP | Special Projects |
| SEP | Safety & Emergency procedures |
| SPLO | Senior Personnel Licensing Officer |
| TRCSL | Telecom Regulatory commission of Sri Lanka |
| USTDA | United States Trade and Development Agency |
| USOAP | Universal Safety Oversight Audit Programme |

DIRECTORY

- Head Office : Civil Aviation Authority of Sri Lanka,
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Telephone: 94 -11-2433213
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Website: www.caa.lk
- Postal Address : P.O. Box 535, Colombo
- Telegraphic Address : AIRCIVIL
- AFTN Address : VCCCYAYX
- Branch Office : Civil Aviation Authority of Sri Lanka,
“Hilltop”, Naikanda,
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Katunayake.
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E-mail: katcaa@slt.net.lk
- Sub-office : Airworthiness Sub Office,
Civil Aviation Authority of Sri Lanka,
Bandaranaike International Airport Colombo,
Katunayake.
Telephone: 94 -11-2252269
E-mail : aidbcaa@slt.net.lk
- : Airworthiness Sub Office,
Civil Aviation Authority of Sri Lanka,
Colombo Airport,
Ratmalana.
Telephone : 94 – 11 – 2635756
E-mail : aidccaa@slt.net.lk
- Auditors : Auditor General, Democratic Socialist Republic of Sri Lanka
- Lawyers : Attorney General, Democratic Socialist Republic of Sri Lanka
- Banker : Bank of Ceylon
- Insurers : 1. Sri Lanka Insurance Corporation Ltd
2. Ceylinco Insurance Company Ltd.

PROFILE

Overview

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

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

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

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

Members of the Civil Aviation Authority of Sri Lanka

Members appointed by the Hon. Minister of Ports and Aviation

1. Mr. Lal Liyanaarachchi (Chairman)
2. Mr. H. Rajapaksha (Member)
3. Mr. Javid Yusuf (Member)

Members - ex-officio

1. Secretary, Defence
(*Mr. Gotabaya Rajapaksa- RWP RSP*)
2. Representative of the Ministry of Finance
(*Mr. A K Seneviratne, Director, Dept. of National Budget*)
3. Actg. Director General of Civil Aviation
(*Mr. Parakrama Dissanayake*)

MR. LAL LIYANAARACHCHI (Chairman)



Mr. Liyanaarachchi joined Sri Lanka Administrative Service in October 1971. When the age old DRO system which prevailed since colonial administration was replaced with the Government Agent system, Mr. Liyanaarachchi was posted as the Assistant Government Agent, Kolonnawa, in the District of Colombo, in 1972.

In July 1975 he was appointed as an Assistant Secretary to the Ministry of Foreign Affairs and Internal Trade. In 1976, he was selected to follow a Post Graduate Studies Course at the Curtin University, Western Australia. On his return he took up senior administrative positions in several Ministries prior to his appointment as Additional Secretary (Administration) of the University Grants Commission.

Mr. Liyanarachchi has, to his credit, a wide range of experience in varied sectors in the Public Service. In the school of social work under the Ministry of Social Services, he was instrumental in pioneering and restructuring the School of Social Work and replacing it with the National Institute of Social Development (NISD) which is a degree granting institute at present. He was the first Director General of NISD who pioneered most of the community based rehabilitation programmes. He introduced an English language course for the benefit of the social work students and it was appreciated by most of the professional social workers.

The World Conference of Social Workers-1994 of the International Federation of Social Workers (IFSW), Geneva, Switzerland was held in Kandy and Mr. Liyanaarachchi performed a prominent role in the National Organising Committee as the country representative.

Thereafter, in February 1995, he was selected by the then H.E the President to be in-charge of the administration of the President's personal office at the Temple Trees. Thereafter, he was appointed as the Director General of Civil Aviation by the Cabinet of Ministers in 1997.

As the DGCA, he was entrusted with the task of restructuring the Department of Civil Aviation with the support of the ICAO Technical Co-operation Bureau. The challenges he faced as the DGCA, as he says, were encouraging. He was able to lead the Organisation to a success with the support received from the staff of the DCA and the Industry of Civil Aviation.

The most significant challenge he faced was in the area of establishment of the State's authoritative role as 'the Regulator' in the Civil Aviation Sector. This aspect was completely neglected and deteriorated when he assumed duties as the Director General of Civil Aviation. His 'leadership role', in the process of transformation of the "DCA" into a more flexible organisation – an "Authority", is remarkable.

MR PARAKRAMA DISSANAYAKE

Actg. Director General of Civil Aviation – (Member ex –Officio)



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

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

He resigned from Airport and Aviation Services (S.L.) Ltd. in 1999 while serving in the capacity of a Supervisor at the Approach Radar Control Centre at BIA, in order to join the International Civil Aviation Organisation Safety Oversight Project conducted at the former Department of Civil Aviation as the National Professional Project Personnel in Personnel Licensing.

At the termination of the project, he joined Civil Aviation Authority– the Regulatory Body and was appointed as the Assistant Director- Aerodromes and Air Navigation Services in December 2003. Mr. Dissanayake was promoted as the Director- Aeronautical Services in August 2005. He was appointed as the Actg. Director General of Civil Aviation on 1st May 2007.

MR GOTABAYA RAJAPAKSA-RWP, RSP

Secretary Defence - Ministry of Defence – (Member Ex-Officio)



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

During his illustrious career in the Army Mr. Rajapaksa followed 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 this Operation. He successfully commanded the same Battalion during Thrivida Balaya, Jayashakthi operations in 1990. He also held the post of Deputy Commandant of Kothalawela Defence Academy.

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

MR. H. RAJAPAKSHA (Member)



Mr. H. Rajapaksha is a graduate from the Royal Air Force College Cranwell, UK. He retired having served in the Aviation sector for more than 50 years. The Royal Ceylon Air Force (in 1953) was his stepping stone into aviation followed by service in the British Royal Air force flying heavy transport aeroplanes in Air Support Command. He was the winner of the Hopewell Trophy for best instructor in the RAF and has received endorsements for saving aircraft on two occasions subsequent to total engine failure.

Followed by his career in civil aviation, he has been the Chief Instructor- Malaysian Flying Academy and a Senior Instructor- Flight Operations Training for entire fleet of Saudi Arabian Airlines for B737, A 300 and B747.

Later, in Sri Lanka, he served as the Executive Director- Flight Operations & Technical at Air Lanka and as a Consultant to the Airport and Aviation Services (S.L) Ltd. He continues to contribute from his extensive experience as a member of the present Civil Aviation Authority of Sri Lanka.

**MR. A K SENEVIRATNE (Ex- Officio)
Representative of the Ministry of Finance**



Mr. A K Seneviratne is a graduate from the University of Kelaniya with a B.Sc. Honors, specializing in Chemistry. He completed the post Graduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka. He worked for about three years in the University of Kelaniya as an Assistant lecturer. Thereafter, he entered the Sri Lanka Administrative Service and in 1996 he was appointed as an Assistant Director to the Department of Fiscal Policy of the Ministry of the Finance and Planning. In 2006 he was assigned to the Department of National Budget of the same Ministry as a Director.

MR. JAVID YUSUF (Member)



Mr. Javid Yusuf is an Attorney –at –law and has served as Sri Lanka’s Ambassador to Saudi Arabia from 1995 to 1998. He was the senior advisor to the Ministry of Foreign Affairs (2004-2005). He was the Principal of Zahira College, Colombo (1992 – 1995). Mr. Yusuf also has been a member of the National Human Rights Commission of Sri Lanka from 1997 to 2000.

***The above members of the Board have been functioning since May 2008.**

GOVERNANCE AND ACCOUNTABILITY

Role of the Authority

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

- Communicating with the Minister and other Government stakeholders to ensure their views are reflected in the planning of the Civil Aviation Authority;
- Employment of qualified and skilled personnel and determine their terms and conditions of service including remuneration to be able to perform CAA's functions and duties;
- Setting policies and goals in the field of civil aviation and monitoring organizational performance towards achieving the objectives of the CAA;
- Delegating responsibility for the achievement of specific objectives of the Director-General of Civil Aviation who is the Chief Executive officer, CAA ex-officio;
- Accountable to the Minister on plans and progress towards the implementation and;
- Ensuring systems of internal controls are maintained.

Structure of the Civil Aviation Authority of Sri Lanka

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

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

Committees of the Authority

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

Staff Committee

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

1. Adoption of an organizational structure and modification thereto as and when necessary;
2. Determination of salaries and cadre;
3. Staff matters pertaining to 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. Mr. Lal Liyanaarachchi, Chairman
2. Mr. Parakrama Dissanayake
3. Mr. Javid Yusuf

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. Mr. Lal Liyanaarachchi, Chairman
2. Mr. Parakrama Dissanayake
3. Mr. A K Seneviratne

Planning Committee

The Planning Committee is responsible for the following matters:

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

The Planning Committee comprises all eight Members of the Authority; However the CAA has only 6 members at present.

Audit Committee

The Audit Committee is responsible for the following matters:

1. Determination of the responsibility of the Internal Audit Unit and review the annual audit plan;
2. Review and evaluate internal control systems for all activities of the entity;
3. Review performance at regular intervals to ensure 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. A K Seneviratne-Chairman
2. Mr. Gotabaya Rajapakse
3. Mr. Javid Yusuf

Connection with Stakeholders

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

Division of responsibility between the Authority and Senior Management

Key to the efficient functions of the Civil Aviation Authority is that there is a clear demarcation between the role of the Authority and the Senior Management headed by the CEO. The Authority concentrates on setting high level policies and strategies, and then monitors progress towards meeting the objectives. The Senior Management is 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 3 year Business Plan.

Conflicts of Interest

The Authority maintains an Interests Register and ensures that the Authority Members are aware of their obligations to declare interests. 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 is aware of legislative requirements that are particularly relevant to them. The Authority has decided that application of general or specific circulars and /or directives issued by the Government 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 contained in the code of ethics. Good corporate citizenship involves the Authority, including its employees, acknowledging that it is a member of many communities outside of itself and the industry it oversees and making a commitment to act in a manner consistent with the morals and accepted rights and responsibilities of all citizens of those communities.

CIVIL AVIATION AUTHORITY OF SRI LANKA

Vision

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

Mission

To facilitate through strategic planning and effective regulation, the operation of a safe, secure and efficient national civil aviation system that conforms to International Standards and Recommended Practices.

Motto

“Safety First”

Philosophy

“Sri Lanka’s airspace is a public asset that shall be managed for the progress and well being of the posterity of Sri Lanka”.

Goals

- To achieve or exceed safety outcome targets set by the CAA;
- To be appropriately resourced;
- To be professional and competent;
- To attain wide credibility and recognition;
- To sustain its achievements; and
- To be a strong facilitator for planning and development of civil aviation.

Strategies

- Improved and consistent implementation of statutory functions and fulfillment of social obligations;
- Identification and implementation of solutions to significant aviation problems;
- Introduction of specific culture change initiatives;
- Working in co-operation and partnership with the Aviation Industry;
- Operating in a transparent manner & communicating effectively both externally and internally;
- Maintaining the effectiveness and consistency 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 thereby uphold teamwork;
- value everyone’s contribution;
- recognize social responsibilities and obligations;
- enjoy what is being done;
- take pride in the professional approach;
- have a balanced home and work environment.

CAA's immediate targets

- To prevent fatal accidents in the commercial aviation sector;
- To prevent hijacking and unlawful interference in civil aviation activities;
- To prevent general aviation accidents;
- To prevent fatal accidents on ground at airports;
- To reduce accidents in engineering/maintenance workshops;
- To achieve and maintain commercial flight incident ratio below 1 per 10,000 flying hours;
- To reduce the general aviation flight incident ratio below 1 per 5,000 flying hours;
- To reduce the flying incident ratio at flying colleges 1 per 10,000 flights;
- To reduce the number of commercial flight incidents ratio involving Ground Support 1 per 20,000 flying hours;
- To reduce the number of general aviation flight incidents involving ground Support 1 per 10,000 flights;
- To reduce the number of flight incidents ratio involving ATS Support 1 per 50,000 flights;
- To minimize delays in on-time departures;
- To make air travel affordable to people of average class;
- To improve the quality of service in air travel;
- To minimize congestion and expedite passenger processing at airports, whilst being mindful of the security requirements;
- To minimize operational costs in the air transportation and eliminate waste; and,
- To minimize adverse effects of aviation on the environment.

Outcome

- Fulfillment of the state's international obligations in the field of civil aviation and constant implementation and enforcement of international standards and recommended practices;
- International recognition of the civil aviation system of Sri Lanka which is free from embargoes / restrictions
- Enhanced Safety, security, efficiency and regularity in civil aviation and consequential public confidence in the air transport system;
- Optimum use of Sri Lanka airspace for the well being of the citizens of Sri Lanka;
- Socio-economic development of the country;
- Prevention of economic waste caused by unreasonable competition;
- Improved access and mobility of people and goods;
- Dependable services in the field of civil aviation;
- Education in the field of civil aviation;
- Promotion of all aspects of civil aeronautics;
- Protecting and promoting public health;
- Proper legal framework for effective regulation and enforcement;
- Environmental sustainability

Output

| Output Class | Output |
|--|---|
| Policy Advice | Advise the Government & other organizations Legislative Reforms Development of Rules Development and promulgation of Implementing Standards Development of Aviation Policy Development of manuals of procedures Master planning of aviation infrastructure |
| Safety Assessment & Certification | Risk management of: Airport/Airfield sector safety; Airlines sector safety; General aviation sector safety; Personnel licensing safety; Flying training safety; Aircraft maintenance safety and Aviation services sector safety risk management. |
| Safety Analysis, Information and Promotion | Safety investigation Safety analysis Safety information, education and promotion Aircraft Accident & Incident Investigations and implementation of safety recommendations |
| Authorization | Airline schedule approval Airfare approval Travel agent certification Registration of aircraft Authorization for import of aircraft spare parts Authorization of tall structure constructions Authorization for GSA Designation of local carriers for international operations |
| Security Assessment | Civil aviation sector security risk management |
| Enforcement | Responses to regulatory breaches Enforcement of public health and hygienic requirements |
| Assistance to the Government | Collection of embarkation levy from airlines |

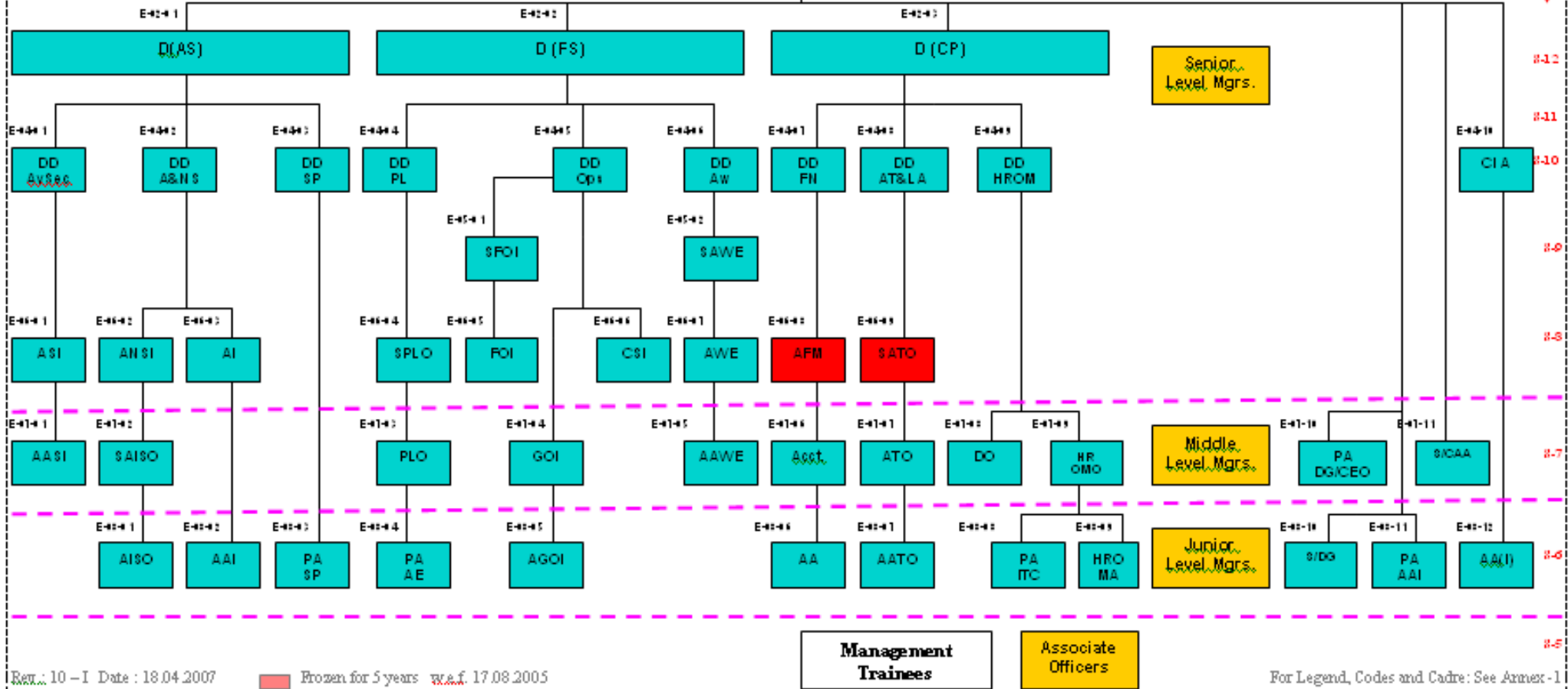
Organizational Structure of the CAA

Civil Aviation Authority of Sri Lanka

CAA Organizational Chart

CHAIRMAN & MEMBERS INCLUDING DGCA

CHIEF EXECUTIVE OFFICER



Rev.: 10 - I Date : 18.04.2007

Frozen for 5 years w.e.f. 17.08.2005

CHAIRMAN'S REVIEW

The Civil Aviation Industry in Sri Lanka has experienced many dramatic changes during the past ten years. The aviation industry was subjected to several audits by the International Civil Aviation Organization (ICAO) and the audit conducted in 1997 was significant in respect of many changes introduced in the Aviation Sector of the country.

After the audit of 1997, several recommendations were made by the ICAO to rectify many deficiencies found in the Aviation Industry, including that of the then Regulatory Authority, the Department of Civil Aviation (DCA). Most of the recommendations were focused on upgrading of the operating standards practiced by the industry partners and the standards used by the Safety Regulator, the DCA. The DCA was merely a powerless organization, which did not meet with the basic regulatory requirements of the industry at that time.

The recommendations of ICAO focused extra emphasis on the inadequate legislative instruments used during the past by the DCA and the professional competencies of the personnel of the DCA to monitor and regulate the operating standards of the aviation industry. Therefore, the Government of Sri Lanka was requested to up grade the regulatory mechanisms by introducing updated regulations, operational safety standards and best practices supported by an act of Parliament.

The DCA, which was not catering to and meeting with the required advanced technical standards of the aviation industry in the past was recommended to be restructured on priority basis to be a more flexible, independent, strong and autonomous organization. The Civil Aviation Authority of Sri Lanka Act No. 34 of 2002 was passed in the Parliament in December 2002 and the present Civil Aviation Authority (CAA) a Government appointed Board managed organization with the traditional Director General of Civil Aviation (DGCA) functioning as the CEO was formed to advise the Government in taking the aviation industry to be a much productive and vibrant industry that can support the National Economy.

The Civil Aviation Authority of Sri Lanka is currently working on several primary objectives to be met with on priority basis. A new draft Civil Aviation Bill is awaiting the approval of the Parliament for the past over two years now. This is to replace the old Air Navigation Act and many other subsidiary pieces of legislation and regulations created under the Air Navigation Act. The new Civil Aviation Act once passed by the Parliament will consolidate the authority of the DGCA who is expected to meet with many new regulatory standards in the Aviation Industry of the country.

The National Aviation Policy is being prepared for the approval of the Government and it is being done in consultation with the stake holders of the aviation industry. Absence of a National Policy on Aviation has lead to several complications in regulating the safety standards practiced by the aviation industry and has resulted in a number of sensitive issues which needs to be addressed with no adverse impact on the growth of the industry.

University of Moratuwa has generously contributed towards development of human resources required by the aviation sector of the country by introducing a degree program on aviation. This we consider as a timely made investment and a brave decision taken by the University taking into account the future requirements of the employment market.

The degree program offering many aviation related subjects is currently under way and the graduates with such academic background will definitely be much productive and add a new dimension in the work force of the aviation industry. Such action must not only be appreciated by the stakeholders of the aviation industry but also should be supported by providing them with employment in their work places and given them adequate training and help them to buildup required competencies from their young days to become professionals and future experts serving the Industry.

This degree program launched by the University of Moratuwa conducted in collaboration with the CAA has already been appreciated by many stake holders of the aviation industry. The first batch of students who are in their third academic year and are expected to complete their program to join the professionals in the aviation industry. Many stake holders of the industry have extended their generous support towards making the program a success by giving the students an opportunity to practice an internship period in their work places. Further the CAA has taken steps to employ a 'consultant on aviation' to assist the University to develop the required curriculums for the Degree Program conducted by the Department of Transports and Logistics Management of Moratuwa University.

All these changes taken place during the past few years have immensely contributed towards development of the aviation industry of Sri Lanka.

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 for carrying out their duties efficiently. I am also grateful to the Director General of Civil Aviation for his assistance and the Members of the Authority for their co-operation. DGCA/CEO has been a source of strength and direction to the staff and has shown remarkable qualities of good leadership.

A handwritten signature in blue ink, appearing to read 'Lal Liyanaarachchi', with a horizontal line underneath.

Lal Liyanaarachchi
Chairman,
Civil Aviation Authority of Sri Lanka

27th February 2009

PROGRESS REVIEW – 2008

Report of the Director General of Civil Aviation & Chief Executive Officer

World economies went through a severe recession in the year 2008 which shook almost entirely all industry sectors. The global airline industry suffered quite heavily, also because of the fuel crisis which forced airlines to park aircraft, cancel aircraft orders, cut down flight schedules, reduce staff in big numbers and finally record financial losses. Profit making in the year 2008 after seven years of losses for the airline industry as predicted by the International Air Transport in the beginning of the year never materialized, disappointing the whole industry.

The aviation industry of Sri Lanka was not spared of the global nightmare. Nevertheless, the local industry managed to face the downfalls and marked several major changes as well. The highlights of those were the Government of Sri Lanka taking over the management control of SriLankan Airlines from Emirates Airlines after ten years and re-commencement of Mihin Lanka Limited after a temporary cessation of operations. In relation to airports, the decision to change the location of the second international airport of the country needs to be mentioned. Further, foreign investment on domestic airport development took place with the approval of the Government. The Civil Aviation Authority performed required regulatory duties as applicable in connection with the above activities.

The CAA started the year with several important items in the work programme. Among these, the Audit planned to be conducted by the International Civil Aviation Organization (ICAO) on Sri Lanka under its mandatory Universal Safety Oversight Audit Programme, which was scheduled to take place in December 2008, was later postponed to October 2009. This activity drew high priority in 2008. The Audit is meant to assess the degree of implementation of the Standards and Recommended Practices contained in the Annexes to the Convention on International Civil Aviation and the capability of the country to address the eight critical elements in a civil aviation regulatory safety oversight system, both of which are the responsibilities of the CAA.

The new Civil Aviation Bill which went through a tedious legal and administrative process lasting eight years was finally presented to the Parliament in July 2008 by the Hon. Minister of Ports & Aviation. As a result of a last minute concerns raised by the Airport & Aviation Services (S.L.), an unexpected further delay occurred which prevented the processes at the Consultative Committee stage, impeding enactment of the Act. Work has been already undertaken in consultation with the Hon. Attorney General to expedite the incorporation of the necessary amendments. The new Act will provide for a most current primary legislation in the region.

The Civil Aviation Authority was formulated in year 2002 by an Act of Parliament in order to undertake serving the obligations of the State towards the international community by being a signatory to the Convention on International Civil Aviation, more efficiently and effectively. The CAA needed autonomy to fulfill the tasks assigned which are extensive and highly technical in nature. The Cabinet of Ministers granted approval to a Cabinet Paper presented by the Hon. Minister of Ports & Aviation in February 2008 authorizing the use of the provisions of the 'Staff Rules & Administrative Procedures Manual of the CAA' for the general administration of the CAA in order to effectively and efficiently undertake the duties and responsibilities cast upon the Organization which is a notable achievement in 2008.

The CAA is much dependant on the competence and skill of the technical staff to regulate the industry with safety and security having the number one priority. The Flight Operations Department which was critically understaffed without having properly qualified and trained Flight Operations Inspectors was strengthened in 2008 with the recruitment of two officers of high stature. Further planning has taken place to restructure the organization and also fill the remaining vacancies.

The major source of income which was the Pre-paid Travel Advisory (PTA) diminished to marginal levels in 2007 and continued to decline in the first half of 2008 as a result of the introduction of e-ticketing by IATA. This, in turn, resulted in the CAA being compelled to depending on financial allocations from the Treasury, which restricted the autonomy of the Organization. A new scheme known as Overseas Ticket Levy was implemented through a Gazette notification in July 2008 bringing back a new avenue of income, which is considered somewhat sufficient.

The Organization assigned priority to human resource development through training as an ongoing activity. It also continued to host the COSCAP- South Asia technical assistance Programme in Colombo at logistics cost to the CAA.

Towards the welfare of staff, Medical Insurance Scheme, Life Insurance Scheme for Inspectors and Loan Schemes continued. Much work went in to development of a Property Loan Scheme with the assistance of the National Savings Bank and a Pension Scheme with the assistance of the Social Securities Board which are expected to offer benefits to staff members while in service and after retirement as well.

The CAA actively conducted the routine functions such as inspections, audits, certification functions, monitoring and surveillance of the aviation industry, addressing and resolving the issue related to air transport industry, taking part in bi-lateral air services meetings and carrying out duties assigned by the Hon. Minister and the line Ministry from time to time.

Sri Lanka once again achieved good performance in safety in 2008 as well with no aviation accidents or fatalities recorded, although a few incidents occurred while the world aviation safety performance reported 109 accidents in 2008 compared to 100 in 2007. The fatality figures worldwide dropped from 692 in 2007 to 502 in 2008.

The CAA continues its efforts to maintain the best possible safety record to ensuing year as well.

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



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

27th February 2009

1. DIRECTION AND MANAGEMENT

1.1 THE CAA AND ITS COMMITTEES

Board of Members:

The 5th Board of the Civil Aviation Authority was appointed on 15th May 2008. It consists of the following members:

Mr. Lal Liyanaarachchi (Chairman)
Mr. Parakrama Dissanayake (Actg. Director General of Civil Aviation & Chief Executive Officer)
Mr. Gotabaya Rajapaksa- RWP RSP (Secretary, Defence)
Mr. P A Abeysekara (Representative of the Ministry of Finance)
Mr. H. Rajapaksha (Member)
Mr. Javid Yusuf (Member)

(As per the CAA Act no. 34 of 2002, Mr. Lal Liyanaarachchi, Mr. H. Rajapaksha and Mr. Javid Yusuf were appointed by the Honorable Minister of Ports and Aviation.)

The Board, which was appointed on 03rd April 2007, resigned on 28th April 2008. It consisted of the following members who were appointed by the H.E. the President who was also the Hon Minister of Ports and Aviation at that time.

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

Meetings of the CAA

The Civil Aviation Authority of Sri Lanka held ten (10) meetings during the period under review and passed hundred and forty five (145) resolutions for the progress and well being of both the CAA and the civil aviation industry that it regulates. The Staff Committee and Audit Committee of the CAA met four (04) and three (03) times respectively during the period under review.

6th Anniversary of the CAA

CAA's 6th anniversary was commemorated on 27th December 2008 with a general meeting of the CAA employees using audio visual presentations. At this occasion, several important presentations on Civil Aviation related subjects were conducted by Mr. H.M.C. Nimalsiri, Regional Programme Coordinator-COSCAP-SA, Wing Cdr. (retd.) L S B Cabral and Group Capt. S P Adikaram. The function was organized by the Aviation Club of the CAA.

1.2 SENIOR MANAGEMENT AND SECRETARIAT OF THE DGCA & CEO**Meetings held –**

| | |
|--|-----|
| DPIG Meeting | 02 |
| General Staff Meeting (Including Divisional/Sectional Meeting & Discussions) | 99 |
| Outside Meetings attended by DGCA and Meetings with outsiders in DGCA's Office | 207 |
| Others (Seminars/Interviews/Presentations/Conferences and Meetings/Discussion with Chairman/CAA | 56 |

CAA Staff Training

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

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

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

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

The CAA has also prepared a comprehensive Staff Training Plan for each of the Executive and Senior Executive Posts in its cadre identifying the areas in which the incumbent of the post should be trained in order to perform the tasks assigned to the post in terms of the Job Description. The CAA's Annual Training Programme is prepared based on the training requirements identified in the Staff Training Plan. However, there are occasions that the CAA has to send its officials to take part in overseas activities outside the

Annual Training Programme. This happens due to the lack of advanced notice of important training opportunities or due to the gravity of the subject matter on either safety or security aspects.

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

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

Universal Safety Oversight Audit by ICAO

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

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

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

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

1.3 ACCIDENT INVESTIGATION UNIT

The CAA released the final report of the incident involving a SriLankan Airlines flight UL 5302 (type DHC-3T, Registration 4R-ARB) on 05th June 2007 at Colombo Airport, Ratmalana and the copies were distributed to relevant Organization.

There were 66 incidents reported from SriLankan Airlines and 25 incidents were reported from Domestic Airlines to the CAA during the year 2008.

The investigation in to the incident involving SriLankan Airlines flight UL 554 (A340-300, 4R-ADF) Occurred at Frankfurt on 09th January 2008 was conducted by Air Canada.

The incident investigation involving Expo Aviation flight EXV 711 (F-27-500, 4R-MRA) on 21st February 2008 at Ratmalana Airport was conducted by the CAA and the investigation involving SriLankan Airlines flight UL 121 (A330-200, 4R-ALC) occurred on 13th October 2008 at Chennai Airport, India is being conducted by CAA. There were no injuries to crew or passenger.

There were no accidents reported to the CAA during the year under review.

1.4 INTERNAL AUDIT SECTION

A terrific effort was taken by the Internal Audit Section to enhance the knowledge on technical fields of the CAA by means of the self studies with the support of the CAA staff as well as the COSCAP-SA staff. During the year 2008, an attempt was taken to improve the quality of services rendered by the CAASL by carrying out 20 numbers of quality assurance audits. These surveys were on Financial Management, Human Resources Management and, all other Technical Sections in the area of systems and procedures. The staff of the Internal Audit Section was given on-the-job training to enhance knowledge on civil aviation regulatory matters.

2. AERONAUTICAL SERVICES DIVISION

2.1 AVIATION SECURITY SECTION

National civil aviation security programme (NCASP)

The approved NCASP was amended to meet current National security needs and the Annex 17-Eighth Edition (New Edition) Standards.

The following bench mark documents under the NCASP was finalized and published for implementation under the hand of DGCA- SL

- National Civil Aviation Security Quality Control Programme (NCASQCP)
 - Part I – National Quality Management System
 - Part II – National Standards and Specifications for Aviation Security Screening Systems
- National Civil Aviation Security Training Programme (NCASTP)
- National Civil Aviation Security Screener Certification Programme (NCASSCP)

ICAO aviation security audit follow-up visit of Sri Lanka

The audit follow-up visit of the State in connection with the State audit conducted under Universal Security Audit Programme in May 2006 was carried out by ICAO on 9th and 10th April 2008 in order to evaluate the implementation of the corrective action plan of the State.

The CAA had taken a reasonable amount of corrective actions for the recommendations mentioned in the final report of the audit.

An audit follow-up visit report was received in May 2008 detailing the findings of the visit and appreciating the effort that had been expended and the progress that had been made in addressing the recommendations of the corrective action plan.

Security oversight activities

CAA civil aviation security oversight activity was performed by civil aviation security inspectors to ensure implementation of the Standards stipulated in the National Civil Aviation Security Programme in conjunction with the International Standards stipulated in the Annex -17 'Security' to the Convention by Airport and Airline operators.

CAA Security Inspectors were called upon by the Presidential Security Division to supervise pre-departure aviation security procedures and practices during the Presidential (VVIP) flight, and to observe and report on the security measures of control, procedures adopted, and practices in place in the conduct of civil aviation related activities by the agencies performing such functions during Presidential VVIP pre-flight proceedings. This responsibility was undertaken by CAA AvSec inspectors throughout the year 2008.

Certification of aviation security instructors

Aviation Security section developed a special aviation security training programme to review and evaluate the existing training curriculums, instructional techniques, standard of instructions and to certify suitable personnel as AvSec instructors at National level. A Training programme was conducted in July 2008 for twelve AASL security personnel and eleven personnel were certified as AvSec instructors.

This was the first ever AvSec instructor certification undertaken by the Civil Aviation Authority

Provision of training for law enforcement officers

CAA Aviation Security Inspectors conducted a training programme for twenty Police officers of the Presidential Security Division on aircraft search & check techniques and related Aviation Security measures of control during the month of May 2008 in order to provide necessary competencies to perform Aviation Security duties for Presidential (VVIP) flights.

Provision of basic aviation security training for Sri Lanka air force personnel at BIA

Sixty five Sri Lanka Air Force personnel, including four officers attached to BIA, was trained during year 2008 on primary security measures of control in Civil Aviation Security under the training programme “Civil Aviation Security Operations at International Airports” to ensure compliance of International Standards related to civil aviation security in Sri Lanka.

Provision of special training sessions for newly recruited trainee security personnel of airport & aviation services of Sri Lanka (AASL)

CAA AvSec inspectors delivered special instructional sessions on International Obligations and National Legislations on Aviation Security, Crisis management and Security Contingency planning at BIA, Implementation of new security measures on Liquid Aerosol and Gels (LAGs) and Aircraft Security for the trainees of the AASL Aviation Security Department.

Implementation of security measures on liquids, aerosols and gels (lags) in Sri Lanka

The three State letters published by ICAO were received by CAA in 2006 and 2007 for the implementation of security measures of control on LAGs at international airports.

Aviation Security section of CAA-SL gathered all necessary and important information including the historical background of the use of liquid explosives against civil aviation. The world wide implementation was observed with caution due to the non harmonized approach in implementation. However in mid 2008, CAA had two preliminary meetings on this issue. One meeting was with the management of the Airport and Aviation Services (Sri Lanka) Ltd. The second was a combined meeting with the Duty Free retailers and the Airline community.

Even though 1st March 2007 was the implementation date, most contracting States are yet to implement, whilst the States that implemented have varying measures of control of differing standards on LAGs. This situation has caused confusion among the traveling public. The non harmonized process across the Globe continues. Therefore CAA decided to hold back the implementation process until ICAO takes positive control of the issue and spell out a Standardized approach.

Coordination and facilitation of transfer of Pakistani prisoners

Aviation Security section of CAA coordinated with relevant Ministries, Departments and other agencies involved in transferring of prisoners and provided necessary information for harmonizing operational procedures for air transportation of seventeen prisoners of Pakistani origin held in the custody of Sri Lanka Prisons.

This matter had to be handled by the CAA due to the initial transfer attempt running into a crisis.

Participation at international forums

An AvSec officer represented Sri Lanka at a key international forum, “The fourth Symposium and Exhibition on ICAO MRTDs, Biometrics and Security Standards” held at ICAO Headquarters, Montreal, Canada in October 2008

Human resource development in the field of aviation security

Aviation Security Inspectors attended National Civil Aviation Security Training Programme in Hong Kong and ICAO Regional Aviation Security Audit Seminar in Singapore during year 2008, in order to gain the required knowledge and experience for the effective implementation of International Standards and recommended practices contained in Annex 17 to the Convention on International Civil Aviation in Sri Lanka.

Aviation security document cell

Collection of Aviation Security reference material for the AVSEC document cell continued through the year 2008. The document cell is in possession of adequate amount of Aviation Security material for reference by the industry personnel.

Approval for carriage of munitions

Since the appropriate authority 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, a considerable amount of requests were made to the CAA. Requests were made by State organizations, private sector organizations and individuals for carriage of munitions for such purpose as VIP security, participation in United Nation Peace Keeping Force activities, acquisitions by the Defence and the Police forces, participation at International Sports Tournaments/competitions and imports by individuals for legitimate purposes and aircraft of other contracting States over flying the air space of Sri Lanka or designating Colombo as an alternate airfield.

All munitions imports and exports, on being approved by the Ministry of Defence, approval for carriage through the air space or to land or take off with munitions is technically evaluated and approval was granted by the DGCA under Air Navigation regulations 128 and 129 with Strict compliance with the applicable specifications laid down in ICAO document 9284 (2007-2008 edition) or the 49th edition of dangerous Goods regulations published by IATA.

Fifty three (53) approvals were granted on evaluation for carriage of munitions in the cargo hold and twenty six (26) approvals for carriage on board concerning VVIP/VIP International travel during year 2008.

Flight operation matters handled by aviation security section

Helicopter operations

The single commercial helicopter in Sri Lanka operated by Deccan Aviation, which was averaging 20 hours per month through out its operation since July 2004, experienced a dramatic increase in its operations passing 50 hours per month in December 2007. However year 2008 did not carry that momentum, and counted an average of 24 hrs per month.

Total flying hours in year 2008: 293 hrs 52 mts.

Balloon operations

Commercial balloon operation was shifted to an area within the Ruhunu Open Skies Project towards the south in the vicinity of the city of Galle, for November 2007-May 2008 season operations. The positive response from the tourists in the south western coastal belt was encouraging and therefore, the forthcoming hot air ballooning season might reach new heights in passenger travel and hours flown.

Total flying hours in year 2008: 5 hrs 15 mts

Aerial work operations

The single helicopter engaged in aerial work operations involving photography, video filming, aerial surveys involving electronic imaging, flower drops and leaflet drops for advertising purposes of corporate establishments.

Eleven (11) approvals were granted during year 2008.

2.2 SPECIAL PROJECTS

CAA Branch Office- Weerawila

To facilitate smooth conduct of safety oversight and surveillance functions in connection with the construction, and, subsequent operation of the second international airport at Weerawila, it was felt necessary that the CAA establishes its branch-office at close proximity to the airport. 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.

Accordingly, a land of 0.5 acres which is located close to Weerawila town was acquired by the CAA from the Lunugamwehera Divisional Secretariat division with the help of the District Secretary and UDA-Hambantota for the construction of the proposed branch-office. The land was fenced with barbed wires.

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

CAA Regional Training Centre- Weerawila

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

Participation at "Deyata Kirula-2008" National Exhibition



This year too the CAA participated at the above exhibition representing the Transport Sector stall cluster. The stall space was provided by the Airport & Aviation Services (Sri Lanka) Limited on complimentary basis for the CAA. In order to enhance the aviation knowledge of the general public, and, especially the students, the CAA exhibited all personnel licenses (specimens) issued by the CAA. The CAA Stall became a popular unit among all other units.

Introducing of Citizens / Clients Charter



A Citizens / Clients / Charter is a written commitment made by a public institution of its services rendered to the Citizens of the country. It should assure that the services rendered are complied with the general expectations of the public.

As per instructions given by the Ministry of Ports and Aviation, the organizing committee of the CAA Citizens / Clients / Charter managed to formulate and introduce a Citizens' / Clients' Charter for the CAA. in three steps, as follows;

- Displaying of a master-board at the entrance of the CAA to display CAA's vision and mission.
- Displaying activities relevant to each section at the entrance of the section.
- Making of a booklet containing all details pertain to each task conducted by each Section/Division.

Observing of the National Safety Day

The Ministry of Disaster Management and Human Rights had requested, through the Ministry of Ports and Aviation, to observe the national safety day commemorating the Tsunami of 26th December 2004. Accordingly, the CAA conducted a well organized programme to commemorate the event.

COSCAP-SA

The CAA continued to host the COSCAP-SA Programme, which was relocated from Katmandu, Nepal to Colombo in September 2005. The CAA paid the State contribution of US \$ 64,042 to the COSCAP-SA Programme for the year 2008, in addition the CAA contributed in kind to provide logistical support in terms of rent for office space, electricity, water and office support staff. In return, technical support in the fields of Flight Operations, Airworthiness, Personnel Licensing, Aerodromes and Air Traffic Management was provided by the Programme to strengthen and augment the safety oversight capability of the CAA.

The annual Steering Committee Meeting of COSCAP-SA for the year 2008 has been postponed to the first quarter of the year 2009 with agreement of all members, due to unavoidable circumstances. However, continuation of providing assistances is not interrupted as a fact. During the year under review, thirty two (32) of CAA technical staff has been trained in applicable technical disciplines in addition to twenty two (22) technical staff from the Industry. Further, the Technical Experts attached to the Programme assisted the CAA in performing tasks such as preparation and review of working manuals, surveillance activities, auditing, and certification of operator capabilities.

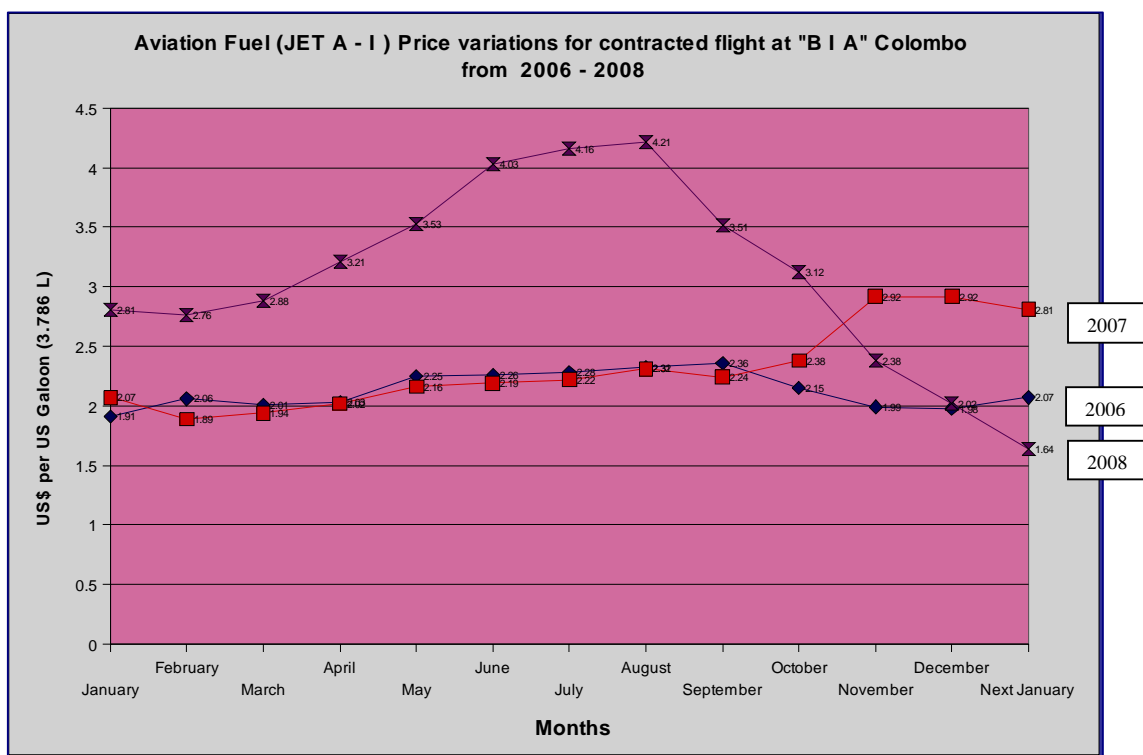
Sri Lankan Airlines maintained their record as the largest contributor of gratis air passage to experts employed by COSCAP-SA by providing gratis air tickets on request. The CAA is appreciative of the support of Cathay Pacific Airways, Thai Airways and Emirates for providing gratis travel for COSCAP-SA officials when so requested.

Surveys on Civil Aviation

During the last few years, ever escalating aviation fuel prices have adversely affected on the economies of airline operations. However, this trend was drastically inverted since August 2008, due to the fuel price fall in the world market.

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

Hopefully, the fuel price drop of the year 2008 was remarkably favorable for the operators.



Source: Ceypetco

CAATA

A total of 194 activity days were handled by the CAATA during the year 2008. These activity days include, 40 days for CAA's training, 01 day for a Bilateral meeting, 01 day EU SAARC CA Cooperation meeting with EU delegations, 01 day for EU SAARC meeting with airlines, 38 days for other meetings, 62 days for exams, 07 days for seminars, 07 days for COSCA-SA activities, and 36 days as CAATA premises hiring.

CAATA was also used on 02 days for free presentations made by experts to enhance the knowledge of personnel in the aviation industry.

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

2.3 AERODROMES & NAVIGATION SERVICES

The Airspace Management

The National Airspace is a precious asset to the Nation. A safe & efficient Airspace will continue to provide maximum benefit for the well being & economic development of the country. While being aware of the various security requirements of the Nation, every possible measure was taken by the Aerodromes & Navigation Services Section to emphasize the importance of this fact and continued to ensure safe & effective management of this valuable asset to optimize its use during the year 2008 too, within existing regulatory arrangements.

The CAA has improved its dialogue with the Sri Lanka Air Force through the A&NS section, in many areas of Airspace use. The overall result was that, during the year, the airspace has been managed relatively efficiently & safely. However Airspace Development is a continuing process.

Surveillance Activities

The Aerodromes & Navigation Services Section has conducted following inspections on Air Traffic services, Aerodromes and Aeronautical Information Services;

- 1) Air Traffic services 13
- 2) Aerodromes 09
- 3) Aeronautical Information Services 06

The findings of those inspections and recommendations have been sent to the service provider and carefully observed that whether the recommendations are implemented and corrective actions are taken for rectification of findings.

As a preparatory measure for the forthcoming ICAO USOAP, A&NS section conducted a pre-audit/survey on Air Navigation Service provider.

At the end of the year, it was observed that there was only one minor ATC incident and one Aerodrome related ground incident have taken place during the year. This is a good improvement compared to the last year.

406 MHz Emergency Locator Beacon Registration In Sri Lanka

A&NS section conducted meetings with the Telecommunication regulatory commission of Sri Lanka (TRCSL) with the assistance from Director/Flight Services to educate officials in the TRCSL and to prepare a procedure for the registration of 406 MHz Emergency Locator Beacons in Sri Lanka. Nomination of a local agency for the registration of 406 MHz Emergency Locator Beacons in the State is an ICAO requirement.

This task was completed during the year 2008 and TRCSL was nominated as the agency for the registration of 406 MHz Emergency Locator Beacons in Sri Lanka. Registration of beacons shall commence from 1st January 2009.

Over flying and Landing Permissions

During the year 2008, CAA has issued permission for 974 international flights to over fly Sri Lankan territory and 411 international flight to land in Sri Lanka. This figure does not reflect the total number of flights over flown/landed Sri Lanka as AASL also grants approvals for such requests on behalf of CAA during off duty and non working days of the CAA.

Aviation Safety Notices

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

- 1) Requirements for provision of Aeronautical Information Service
- 2) Requirements for Air Traffic Services
- 3) Implementation Standards on Units of Measurements
- 4) Requirements for provision of Meteorological Service
- 5) Registration of Beacons used in Aircraft
- 6) Requirements for Aviation Maps and Charts

Aeronautical Information Service

During the year 2008, CAA has initiated /issued following Aeronautical Publications.

| | |
|---|-----|
| NOTAM | 182 |
| Aeronautical Information Publication Amendments | 01 |
| Aeronautical Information Circulars | 07 |
| Total number of ASN issued by the CAA | 11 |

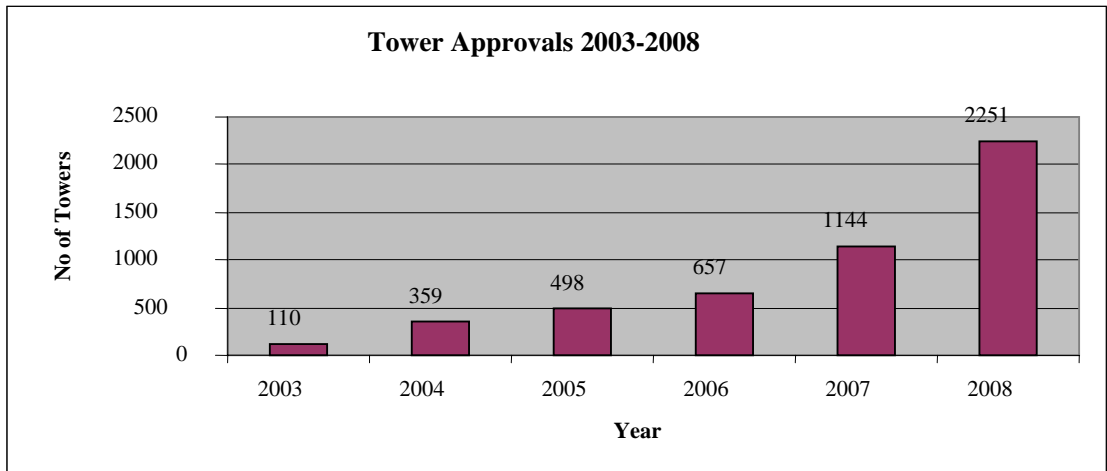
Aerodrome Certification

The Bandaranaike International Airport Certification Program recommenced with the assistance of the COSCAP-SA. The amended BIA Aerodrome Manual was reviewed in view of conducting the final audit of the airport in February 2009.

Approvals for Construction of High Rise Structures

The CAA has granted approvals for 2251 Telecommunication Towers and 57 high-rise buildings during the year 2008. The graph below shows the tower population in Sri Lanka during the period 2003-2008.

The number of telecommunication towers constructed during the year 2008 has been increased significantly due to the fact that the Indian telecom giant, “Airtel” established its presence as the 8th company to provide telecommunication facilities in Sri Lanka. The CAA for the year 2008 has approved approximately 800 telecommunication towers on behalf of Airtel only.



National Policy on Antenna Structures/Telecommunication Towers

The CAA represented the committee established under the Chairmanship of the Telecommunication Regulatory Commission to formulate and promulgate a National Policy on Antenna Structures/Telecommunication Towers. The CAA does not encourage the construction of vast number of Telecommunication Towers in Sri Lanka. The policy will facilitate and regulate the vastly developing telecommunication industry in Sri Lanka.

3. FLIGHT SAFETY DIVISION

3.1 PERSONNEL LICENSING

Certification of flying Schools

The proposed flying school “Open skies Flying Training (Pvt) Ltd” was granted initial approval to proceed with completion of requirement for certification as a training school. In addition Royal College of Aviation (RCA) is in the process of being certified as a flying school. The Authority has also accepted, in principle, the proposal for a flying and simulator training center for A320 type rating and gave provisional approval to progress with the plan for skyline Aviation (Pvt) Ltd.

Appointment of a nurse to the Aero Medical Center.

The administrative work of the Aero Medical Center of this Authority was attended by Civil Aviation officers who have no medical knowledge for nearly three years after the retirement of the nurse served in the section. Since July 2008, a qualified nursing officer Ex-employee of SLAF was recruited to the Personnel Licensing Section to assist the medical examiners in the conduct of medical examination and to do the administrative work of the center.

Aviation Safety Notices- Personnel Licensing Subjects

Aviation Safety Notices related to PEL subjects are being revised in compliance with amendments Nos.167&168 to ICAO Annex 1, for publication in early 2009.

Language Proficiency requirements of ICAO

Authority managed to setup a special language laboratory in Civil Aviation Authority Training Academy (CAATA) for the utilization to conduct English Language Proficiency Check (ELPC).

In compliance with ICAO standard with regard to Language Proficiency for Pilots and Air Traffic Controllers, nearly 500 current pilot licence holders and 70 Air Traffic Controllers were checked for English Language Proficiency and issued with ELP rating on their licences. Also all applicants who seek issuance of pilot licences and ATC licences have been checked for English Language Proficiency to fulfill this mandatory ICAO requirement since 5 March 2008.

In addition, Sri Lankan Aircraft Maintenance Technicians employed in Male have been checked and recommended for English Language Proficiency as required by DGCA, Male.

Prepared and established Citizens/Clients charter and the service to public is being carried out accordingly.

Pamphlets on procedures of all issuance and renewals of Personnel Licences and ratings have been issued to facilitate the public.

Issuance and Renewal of Personnel Licensing

In addition to all above, licensing section has accomplished its routine tasks as per the statistics below.

| Year 2008 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| Issuance of licence | | | | | | | | | | | | | |
| Student Pilot Licence | 6 | 4 | 7 | 6 | 9 | 5 | 5 | 4 | 10 | 15 | 11 | 6 | 88 |
| Private Pilot Licence | 6 | 2 | 2 | 4 | 2 | - | - | 2 | 4 | 3 | 4 | 1 | 30 |
| Commercial Pilot Licence | 1 | 2 | 3 | 1 | 3 | 6 | - | - | 1 | 2 | 6 | 3 | 28 |
| Airline Transport Pilot Licence | 3 | 1 | 2 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 5 | 2 | 24 |
| Aircraft Maintenance Engineer's Licence | - | - | - | - | - | - | 2 | - | 13 | 13 | 7 | - | 35 |
| Air Traffic Controllers Licence | - | - | - | - | - | - | - | - | - | 5 | - | - | 5 |
| Flight Operations Officer Licence | - | - | - | - | - | - | - | - | 3 | 3 | 7 | - | 13 |
| Validations | 3 | 4 | 2 | - | 5 | - | 1 | 2 | 3 | 6 | 10 | 4 | 40 |
| Cabin Crew Certificate | - | - | - | 17 | - | - | 7 | 14 | - | 137 | 94 | 92 | 361 |
| Aircraft Maintenance Licence | 4 | 3 | 4 | 3 | 3 | 1 | 1 | - | - | 1 | 1 | - | 21 |
| Flying School Licence | - | - | - | - | - | - | - | - | - | - | - | - | 0 |
| AME Category | - | - | - | - | - | - | - | - | 21 | 5 | 4 | 2 | 32 |
| Renewal of Licence | | | | | | | | | | | | | |
| Student Pilot Licence | 7 | 13 | 6 | 5 | 9 | 8 | 6 | 8 | 8 | 8 | 5 | 8 | 91 |
| Private Pilot Licence | 1 | 1 | 5 | 3 | 2 | 2 | 1 | 2 | 5 | 1 | 4 | 2 | 29 |
| Commercial Pilot Licence | 23 | 14 | 25 | 29 | 15 | 26 | 20 | 23 | 22 | 21 | 25 | 23 | 266 |
| Airline Transport Pilot Licence | 35 | 42 | 30 | 31 | 32 | 31 | 47 | 32 | 44 | 35 | 27 | 38 | 424 |
| Aircraft Maintenance Engineer's Licence | 51 | 56 | 52 | 80 | 41 | 15 | 19 | 24 | 22 | 26 | 43 | 47 | 476 |
| Air Traffic Control Licence | 2 | 3 | 4 | 1 | 4 | 6 | 4 | 9 | 7 | 6 | 16 | 7 | 69 |
| Aircraft Maintenance Licence | - | - | 1 | 13 | 19 | 3 | 5 | 3 | 3 | 2 | 6 | 4 | 59 |
| Flying School Licence | - | 1 | - | - | - | - | 1 | - | - | - | - | - | 2 |
| Validations | - | 2 | - | - | - | - | - | - | 6 | - | - | - | 8 |

3.2 OPERATIONS

Certification of Foreign Air Operators

04 new airlines, namely, Edelweiss Air from Switzerland, Best Aviation from Bangladesh, and Island Aviation from Maldives & FSUE “State Transport Company of Russia” were granted the International Airline License in pursuant to ANR 251 which commenced in 2004. A total of 31 Foreign Air Operators Licenses have been issued to date.

Surveillance Programme-

Senior Flight Operations Inspector conducted a Base Inspection at JS Air facilities in Karachi in order to sign the Article 83bis with the State of Pakistan, to take over the safety oversight function on Beech 1900 aircraft which is used by Deccan Aviation Lanka for passenger operations in Domestic Aviation. This aircraft was chartered by First Choice airways to transfer its crew to and from Maldives

Senior Flight Operations Inspector Inspected the Simulators in Hong Kong & Bahrain for A340 & A330 respectively for training of Pilots of SriLankan Airlines. All Synthetic Training Devices used by air operators have to be approved by the authority.

Capt U N Samarakoon was appointed as a Designated Check Pilot for SriLankan Airlines in year 2008. There is an aggregate of 18 Designated Check Pilots by now.

The Inspectors of the Operations Section carried out inspections on all Foreign Air Operator Certificate Holders for regulatory compliance.

A safety audit was conducted on Expo Aviation & Deccan Aviation Lanka by the Inspectors.

All airlines certified to carry Dangerous Goods were inspected for compliance prior to renewal of the certificate.

Ramp Inspections were carried out by CAASL Inspectors on SriLankan Airlines, Expo Aviation & Aero Lanka (Pvt.) Ltd.

Re-commencement of Mihin Lanka operation

A facility Inspection was carried out on Mihin Lanka which ceased operations in April 2008, to re-launch the airline operation. On the 30th December, a proving flight to Tiruvanandapuram was carried out on its new B-737 aircraft which was wet leased by Mihin Lanka for its operations.

Cabin Safety

ICAO’s first Cabin Safety Symposium in Asia was held in Bangkok in April 2008. Cabin Safety Inspector of the CAA conducted a Session on “Cabin Crewmember Manual Standards”.

All Cabin Crewmembers were issued with Certificates in a new format. Total Cabin Crewmembers in Sri Lanka registered aircraft is approximately 1000 nos.

The CAA published the second edition of the Cabin Crewmember Manual Standards in year 2007 and all airlines submitted their SEP manuals in the new format in year 2008.

Aviation Safety Notices

As required by Annex 06 to the Convention on International Civil Aviation, two (02) Aviation Safety Notices was issued by the section, namely, ASN 103 -Aircraft Collision Avoidance Systems (ACAS) and ASN 104- Ground Proximity Warning Systems (GPWS).

Approval & Revisions of Manuals & Training Programmes –

The following Training programmes & Manuals were approved by the section in 2008.

- Flight Operations Manual - Issue 02 of SriLankan Airlines.

For SriLankan Airlines:

- A330 - A340 Transition course
- A320 – A330 Transition course
- A 320 – A 340 Cross Crew Qualification course

SriLankan Airlines Training programme revisions:

- A 340 Reactivation course
- A 330 Reactivation Course
- A 330 – A340 Transition Course
- A 320 Junior First Officer course
- A 330 – A 340 Cross Crew Qualification course
- A 340 – A 330 Cross Crew Qualification course
- A 330 Reactivation course
- A 320 – A330 Cross Crew Qualification course
- A 340 – A 330 Cross Crew Qualification course
- A 320 – A 330 Transition course

3.3 AIRWORTHINESS

Developments

a) International Sector

Airworthiness section has inspected two Airbus A320 aircraft, to be inducted to SriLankan Airlines Ltd, the National Carrier. The first of those arrived on 30th November 2008. The new aircraft was inducted into the airline's existing fleet of A320s. With the addition of the new aircraft, SriLankan Airline currently has a fleet of 15 aircraft – six A320s, four A330s and five A340s..

Airworthiness engineers carried out inspections and certified a Boeing 737-800 aircraft which is a wet leased aircraft for Mihin Lanka, the State-owned airline for its international passenger operation. This is the second international passenger carrier and the budget air line in Sri Lanka. As a regulatory function, the CAA participated in the proving flight of Mihin Lanka to Mumbai on 30th December 2008 before starting its commercial operations to Dubai, on 1st January 2009.

b) Domestic Aviation Sector

Deccan Aviation and Expo Aviation conducts both training & Passenger Operations while Asian Aviation does mainly training of pilots and mechanics.

Skyline Aviation (Pvt.) Ltd, which is also an approved pilot training organization, purchased an ultra light aircraft (4R-SAT) for experimental purposes. The Airworthiness Section inspected the aircraft and issued with a certification of “permit to fly”.

Aircraft Maintenance Organization

Action was taken to grant approval for five new Aircraft Maintenance Organizations after conducting required inspections.. A total of 39 foreign base/line maintenance organizations and 05 domestic organizations were renewed for the year 2008.

Third Party Work for Airlines

After a careful review of capabilities, the CAA granted 02 approvals to Emirates Airline to carry out the third party maintenance activities for Thai Airways and Singapore Airlines.

C of R and C of A

During the period under review, after evaluating the documents, conducting tests and inspections, the CAA issued initial registration for two aircraft and also renewed the Certificate of Registration(C of R) of 29 aircraft. This office issued 03 initial Certificate of Airworthiness (C of A) and renewed 25 numbers. Two aircraft were deregistered on the request of owner and one Export Certificate of Airworthiness was issued during the year 2008. As per the owners request, changed the ownership of 01 aircraft which was operated by SriLankan Airlines.

Safety Oversight and Monitoring of Continuing Airworthiness

CAA paid more attention for the safety. Therefore the airworthiness engineers conducted systematic safety oversight programmes through out the year to monitor the safety risk of the airlines. In compliant to the continued random inspection schedule, 23 ramp inspections were carried out during the year.

Recommendation of Visa

To issue the landing endorsements and residence visas for Ground Engineers, twenty five (25) of such recommendations have been issued by the Section during the year under review.

Examinations Conducted By the Airworthiness Section

Airworthiness section has conducted one Aircraft Maintenance Engineers' (Basic Licence) Examination and two Aircraft Maintenance Licence Examinations for issuing of Licenses for maintenance personnel working in the industry. On the request of Asian Aviation Centre one Aircraft Maintenance Technicians's Examination was conducted for their students. 05 Air law Examinations were conducted for validation of foreign Aircraft Maintenance Engineers' License during the year 2008.

Spare Part Approvals

Airworthiness section has recommended and DGCA has authorized import & export approvals for spare parts. During the year, the Airworthiness Section has issued 130 approvals for Expo Aviation, 57 for Aero Lanka, 38 for Deccan Aviation, 14 for Asian Aviation, 8 for Daya Aviation and 4 for Skyline Aviation.

4. CORPORATE DIVISION

4.1 AIR TRANSPORT & LEGAL AFFAIRS

Aviation Statistics

CAASL's statistics unit is functioning under the purview of the Section. The statistics collected under different categories are provided to different parties, this includes providing of required statistics to ICAO, Central Bank annual report and for requests from airlines and other interested entities and personnel.

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

Slot Co-ordination

There was no major requirement to review the slot allocation for the year concerned due to there being no major increase in demand and there was adequate capacity to satisfy the requests of the operators. However, there was a good communication and relationship between the CAA and the slot coordinator throughout the year to ensure an efficient slot allocation. The members of the Slot Committee are from the Airport operator, Air traffic control, ground handler, schedules planning section of SriLankan Airlines, CEYPETCO as well as CAA staff.

Although the present runway can accommodate up to 25 movements per any given hour, other constraints will have to be eliminated to satisfy the expected future demand. The infrastructure developments at BIA over the past couple of years have greatly helped in enhancing the handling capacity of the Airport.

Foreign Airline Operations

During the year, Maldivian Airline (Island Aviation) and Best Air commenced operations to Sri Lanka from Male and Dhaka respectively. First Choice Airways (Thompson fly), ROSSIA (Federal State Unitary Enterprise), Aeroflot and Air Italy Polska were the Charter Airlines that operated during the period under review. There were also a few Ad-hoc charters operating from time to time.

During the year, LTU, Best Air and RAK Airways terminated their operations to Sri Lanka with Best Aviation operating to Colombo via Male up to December 2008.

Kingfisher Airlines from India which had plans to commence operations during the year commenced their daily services to Sri Lanka in January 2009.

Passenger and Cargo Movements

There were reductions recorded in the passenger and cargo movements during the year. With the global recession likely to affect Sri Lanka, the forecasted figures for 2009 also show a reduction.

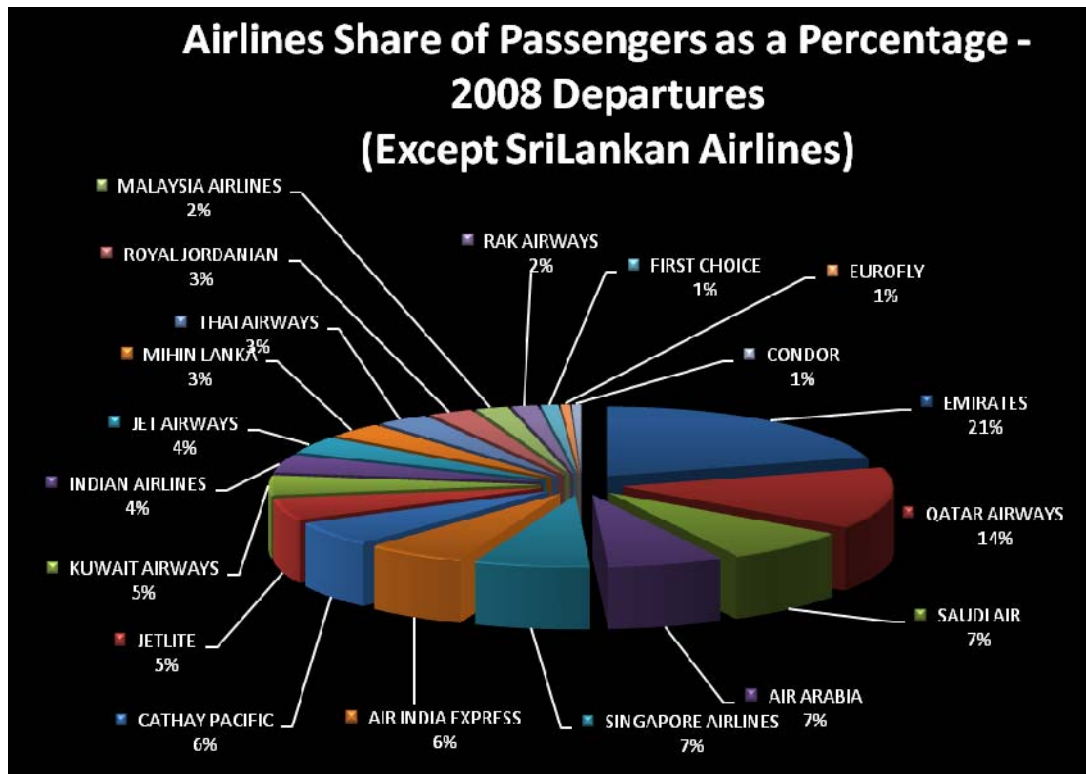
| | Passengers | | | Cargo (metric tons) | | |
|--------------------|------------|------------|-----------|---------------------|----------|---------|
| | Uplifted | Discharged | Total | Loaded | Unloaded | Total |
| 2005 | 2,133,413 | 2,105,748 | 4,239,161 | 84,849 | 57,505 | 142,354 |
| 2006 | 2,310,264 | 2,275,516 | 4,585,780 | 96,218 | 57,914 | 154,132 |
| 2007 | 2,444,277 | 2,398,666 | 4,842,943 | 97,361 | 57,051 | 154,412 |
| 2008 | 2,320,715 | 2,247,685 | 4,568,400 | 90,632 | 52,639 | 143,271 |
| 2009 (forecast) | 2,203,400 | 2,106,208 | 4,309,608 | 84,385 | 48,568 | 132,953 |

Transport industry continued to be seriously affected by the escalation of world oil prices till August 2008 and the overall global recession also had a bearing on the reduction in the passenger numbers.

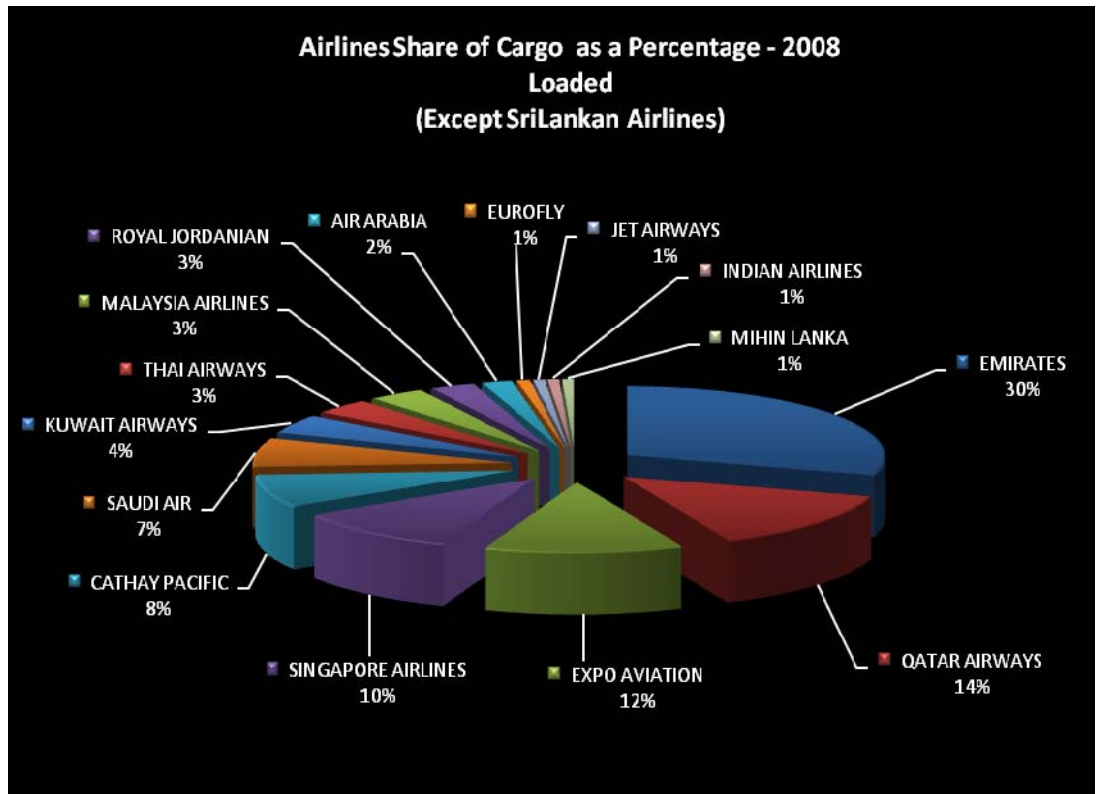
Performance of Airlines

Departures

Out of the total of 2,320,715 passengers that departed BIA in 2008, SriLankan Airlines uplifted 1,388,228 passengers claiming sixty percent (60%) of departing passenger traffic.

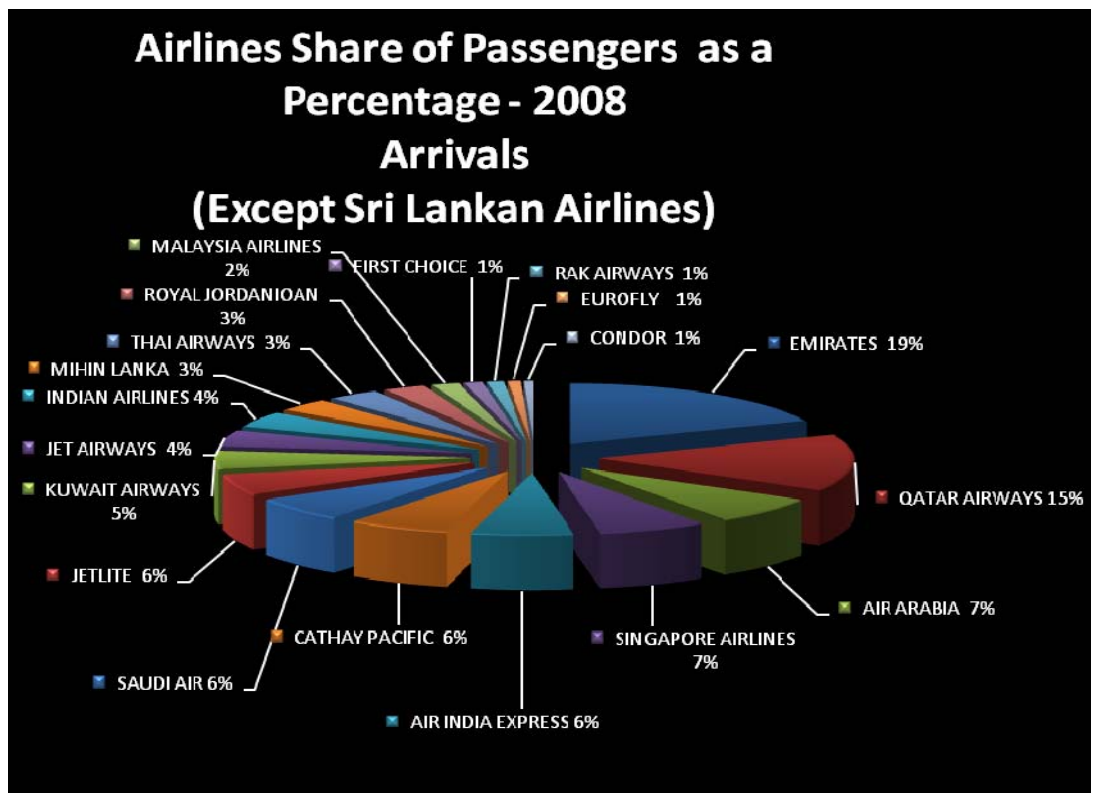


Out of a total of 90,632 cargo (metric tons) uplifted at BIA in 2008, SriLankan Airlines uplifted 49,415 cargo (metric tons) claiming fifty five percent (55%) of cargo uplifted from Colombo.

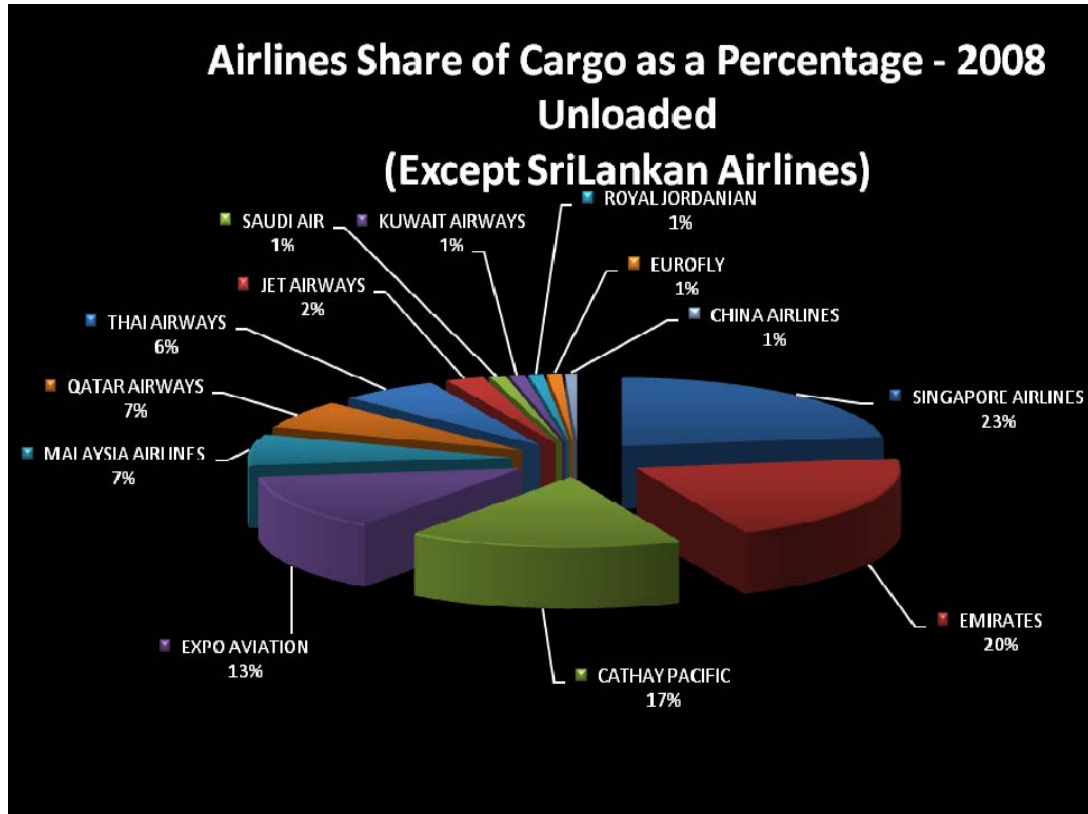


Arrivals

Out of the total of 2,247,685 passengers that arrived at BIA in 2008, SriLankan Airlines was responsible for 1,386,738 passengers claiming sixty two (62%) of arriving passenger traffic.



Out of a total of 52,639 cargo (metric tons) that was discharged at BIA in 2008, SriLankan Airlines discharged 32,530 cargo (metric tons) claiming sixty two (62%) of cargo discharged in Colombo.



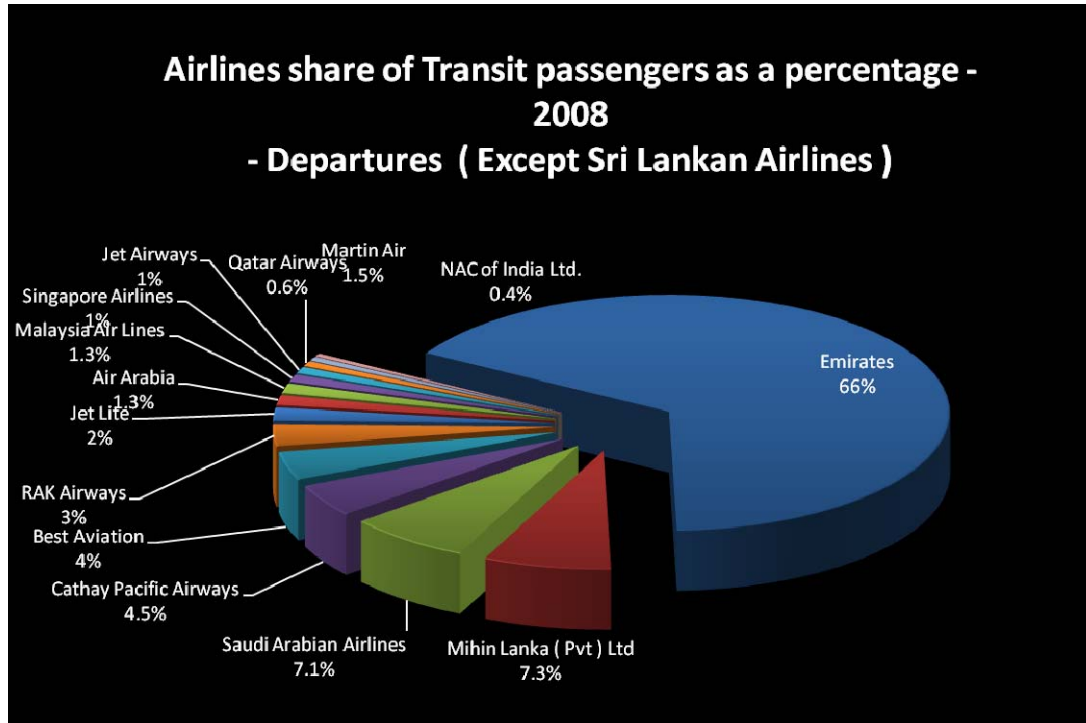
Transit Passengers

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

The top ten airlines bringing in transit passengers in 2008 are as follows.

| Airline | Number of Transit Passengers brought in |
|-------------------------|---|
| Sri Lankan Airlines | 799,671 |
| Emirates | 16,458 |
| Mihin Lanka (Pvt) Ltd | 1,819 |
| Saudi Arabian Airlines | 1,768 |
| Cathay Pacific Airlines | 1,110 |
| Best Aviation | 973 |
| Rak Airways | 740 |
| Jet Lite | 437 |
| Air Arabia | 339 |
| Malaysia Airlines | 329 |

Out of 823,644 transits passengers, 799,671 which form 97% of the total transits passenger were carried by the national carrier, SriLankan Airlines. The Airlines' share of the transits passengers' except SriLankan Airlines is as follows,



Domestic aviation

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

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

Statistics relating to passenger transportation by local operators in the year under review are as follows;

| Aircraft Type | Total number of flights | | Total number of flying hours | | Number of passengers transported | |
|---------------|-------------------------|------|------------------------------|-------|----------------------------------|------|
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
| Helicopter | 146 | 134 | 284 | 294.5 | 410 | 408 |
| Balloon | 15 | 05 | 14 | 5.25 | 103 | 36 |

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

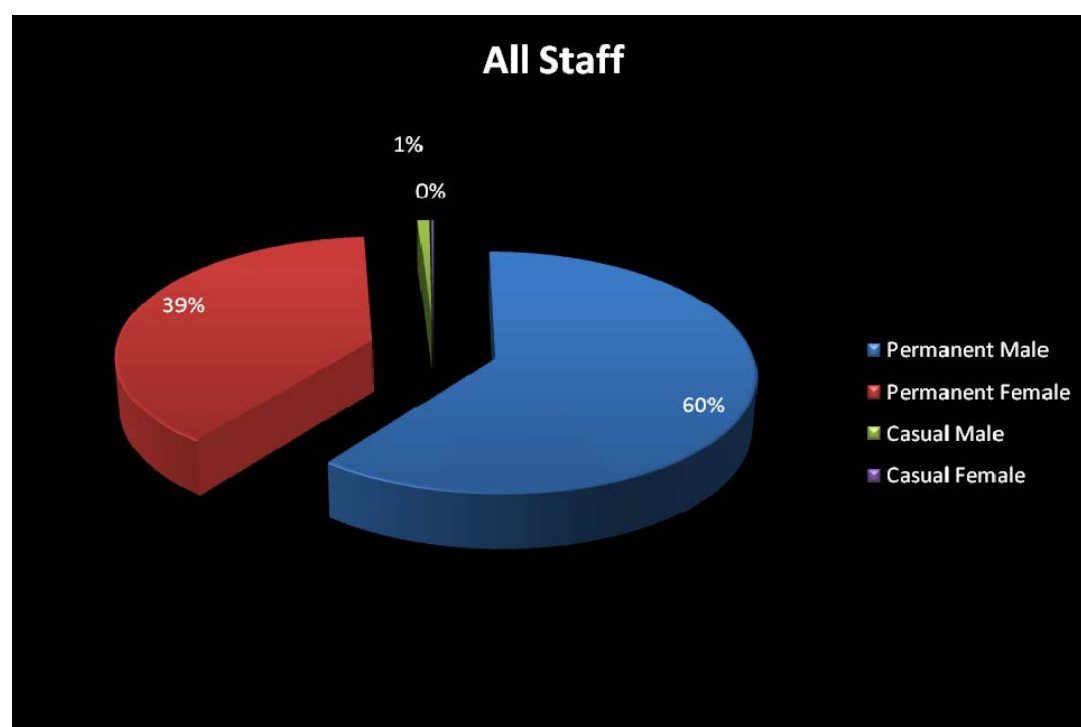
| Sector | 2006 | 2007 | 2008 |
|------------------------|--------|--------|--------|
| Ratmalana – Jaffna | 14,257 | 37,126 | 52,522 |
| Jaffna – Ratmalana | 14,797 | 48,362 | 57,094 |
| Ratmalana- Trincomalee | - | - | 57 |
| Trincomalee- Ratmalana | - | - | 39 |

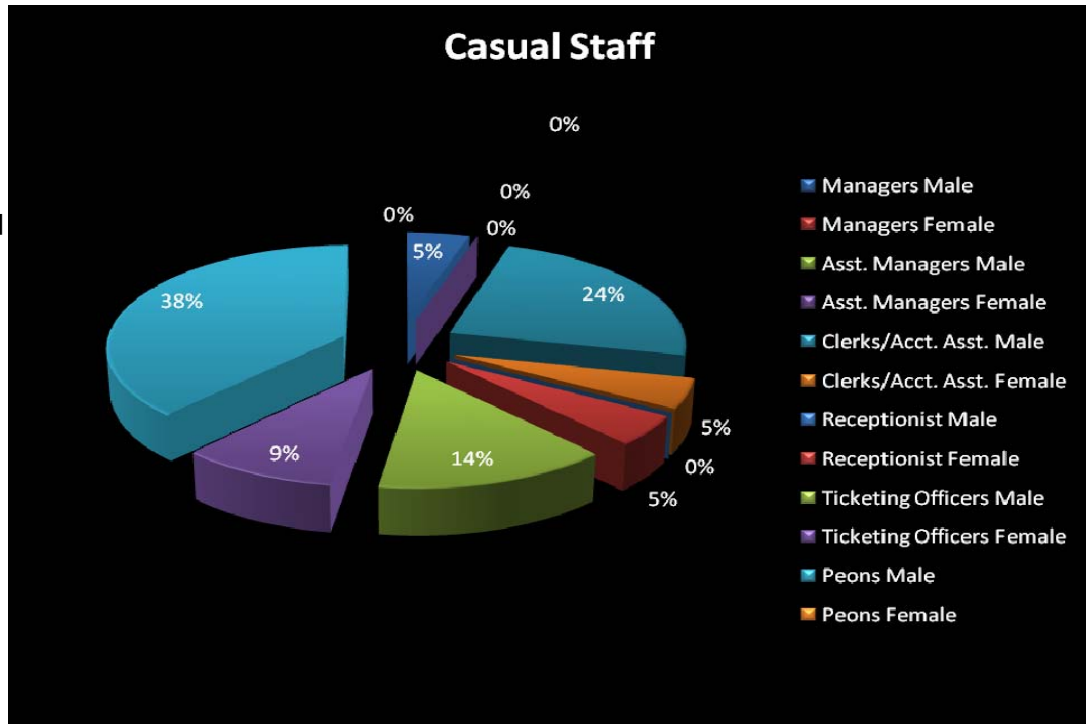
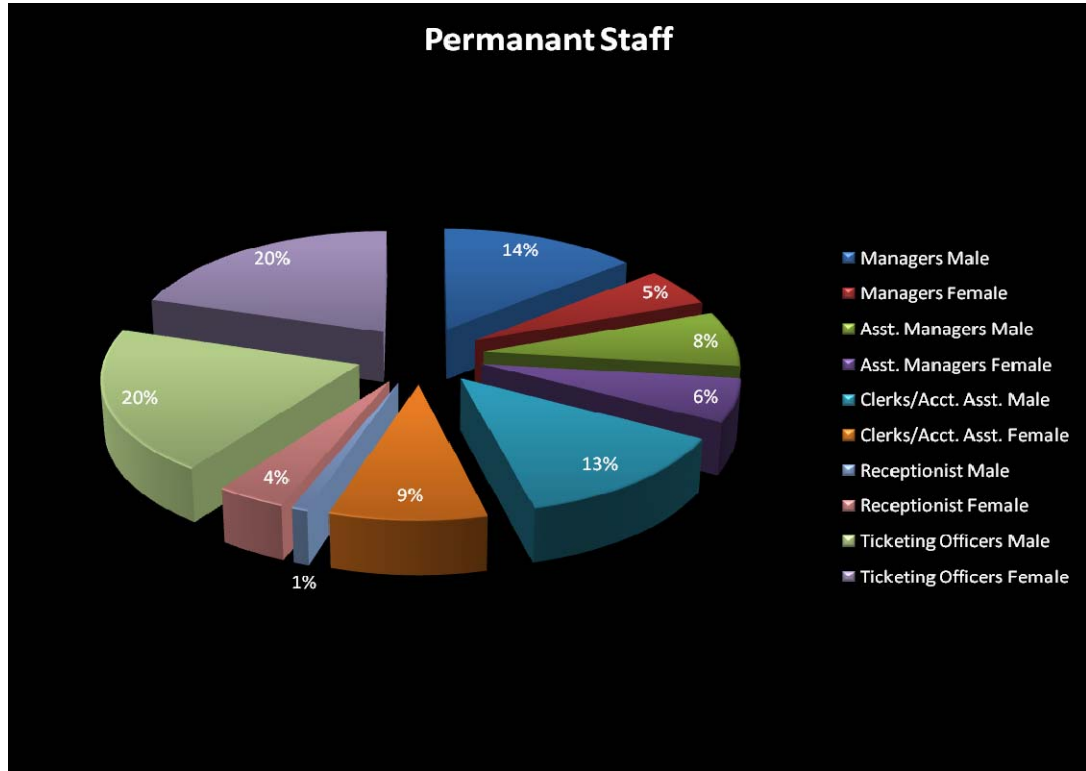
Performance of local airlines in the domestic air transport market in the year under review is as follows:

| Airline | 2007 | | | 2008 | | |
|-----------------|------------|-------------|-------------|------------|------------|-------------|
| | Seat km | Pax km | Load factor | Seat km | Pax km | Load factor |
| Expo | 23,827,856 | 18,859, 516 | 79.15 | 39,020,384 | 31,873,036 | 81.68 |
| Aero Lanka Ltd | 16,947,840 | 14,309,828 | 84.43 | 11,435,136 | 9,722,116 | 85.02 |
| Deccan Aviation | - | - | - | 1,286,050 | 1,004,498 | 78.14 |
| Daya Aviation | - | - | - | 39,783 | 35,546 | 89.35 |

Travel Agents

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





Bilateral Air Services Negotiations

During the year under review, Sri Lanka participated in bilateral air services negotiations with Pakistan, Bangladesh, Kenya, Turkey, Mauritius and Madagascar.

Sri Lanka was liberal in its approach with its bilateral partners and the bilateral arrangements were further expanded and liberalized with the aforementioned countries. There were also many arrangements that were further liberalized through correspondence through diplomatic channels

Draft Civil Aviation Act

The draft Civil Aviation Bill, which will replace the existing Air Navigation Act of 1950, was submitted to the line Ministry for enactment by Parliament. This Bill once enacted will provide for appointment of Service Providers for providing Aeronautical Services, issue of Air Operator Certificates to Airlines on satisfactory compliance with the legal, financial, technical and operational requirements, establishment of a Civil Aviation Development Fund etc.

There were many meetings held in this regard, however the bill was not passed as an Act in 2008, it is hoped that the bill will be passed in 2009.

4.2 HUMAN RESOURCES & OFFICE MANAGEMENT

Staffing

The CAA at present consists of one hundred and thirty five (135) positions in the approved cadre which comprises of a Chief Executive Officer, twenty five (25) Senior Executives, thirty four (34) Executives, forty seven (47) Action Officers and twenty eight (28) Support Staff. A total of one hundred and sixteen (116) were attached as at the end of December 2008 including eight (08) new recruits.

Staff Welfare

CAA continued with its Medical Insurance Scheme as a welfare facility offered to employees and their immediate family members .A total of 116 employees enjoyed the medical insurance Indoor facility worth Rs. 291,998.74 and Out Door facility worth Rs. 422, 553.28 during the period commencing from May.

The Accident Insurance Policy was also continued in the year under review after an evaluation process of the benefits offered by different companies.

As a helping hand to the staff, the CAA has granted a sum of Rs.3, 223,739/= as distress loans for twenty four (24) employees during period under review. Besides this, sums of Rs 700, 000/=, Rs. 50, 000/=and Rs. 190, 000/= loans have been granted to purchase Vehicle, Motor bike and Pushbike respectively during the year.

Outdoor workshop



Having continued with the development of human resources for effective and efficient delivery of service, the Annual Staff Outdoor Workshop was conducted for the 11th occasion in 2008 at the Swiss Tourist Hotel, Kandy under the theme of “Championing Change”. The workshop was carried out successfully which was also attended by the Chairman, DGCA & CEO (on leave), Actg. DGCA & CEO.

The evening entertainment event ‘Prathibha Prabha, as usual, brought enlightenment to the workshop by divulging hidden talents of the staff with a considerable development of personalities as well as inter personnel relationships.

Trainings, Seminars, Workshops, Meetings, Conferences

A total of Rs. 7, 008,205.24 was spent on local and foreign trainings, seminars, workshops, meetings, conferences for the staff of CAA during the year. The training requirements, as identified in the Programme Budget 2008 and the Training Programme 2008 were facilitated within the annual budgetary allocation. In all, forty three (43) foreign trainings, seminars, workshops, meetings and conferences opportunities were offered to Executives; whilst thirty nine (39), twenty nine (29) and two (02) local trainings, seminars, workshops, meetings and conferences opportunities were offered to Executives, Action Officers and Support staff respectively. Accordingly, a total of one hundred and thirteen (113) trainings, seminars, workshops, meetings and conferences opportunities were offered in the year.

Technical Library

Serving the interested parties in Aviation being the major objective of the Technical Library, the CAA library has been patronized by a number of users both within the staff of the CAA and aviation industry personnel. There is an increase of 28% in the year under review with regard to the number of outside users of the library. It serves as a resource and knowledge centre. A sum of Rs. 95, 336/= was spent on the purchase of new publications to the library for the year 2008.

CAA Website

Improvements were made to the CAA website www.caa.lk and continued with updated information. Duties & functions of the CAA, important data & information about the CAA and all current activities are published in the website. Surfers are able to browse the Aviation Safety Notices (ASNs) issued by the CAA and one hundred and five (105) in number have been published at present with improved functionalities such as viewing as categories and efficient searching which also improves the user friendliness.

CAA Business Plan and Work Programmes

Aiming at the specific objectives to be achieved during the year, the Annual Work Programmes of each section of the CAA had been prepared according to the three year Business Plan 2007-2009,. Accordingly each section carried out the duties assigned to them during the year under review.

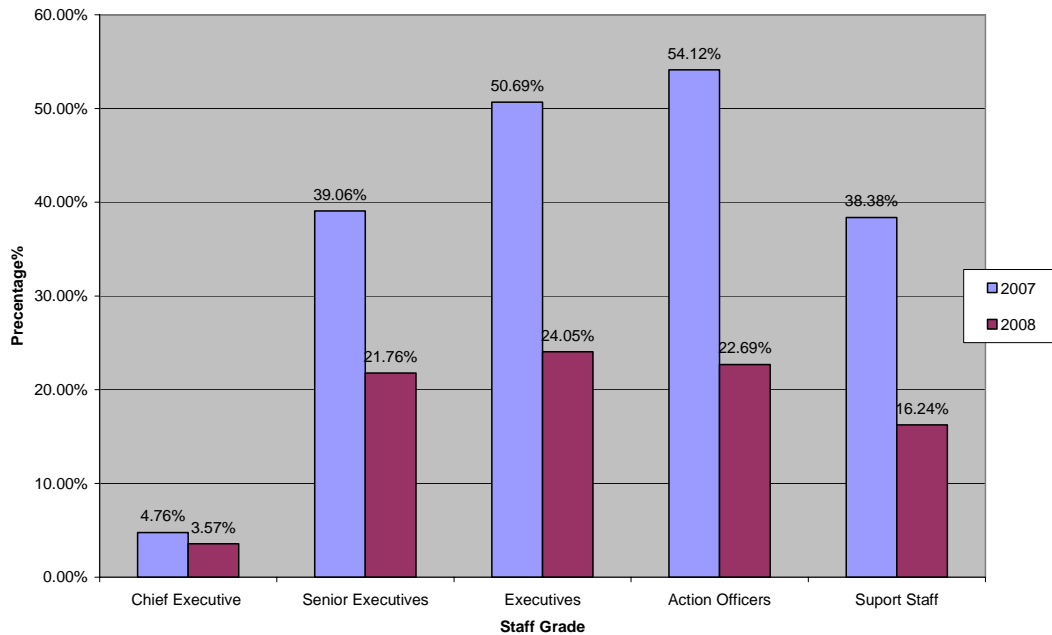
Automation of CAA

A computer network was established within the CAA to provide ADSL facility for all executives within the CAA concerning organizational requirements. As a part of the existing network, an e-mail server was installed to provide official e-mail facility for employees within the CAA. Initially e-mail facility was provided to all executive grade staff in the CAA.

Leave availed by the CAA employees

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

percentage of Leave availed by CAA Staff 2007/2008



4.3 FINANCE MANAGEMENT

Programme Budget

CAA prepared the Programme Budget- 2009, which sets out the expenditure of the ensuing year under four major programmes viz. Direction and Management, Aeronautical Services, Flight Safety and Corporate. The forecast income is Rs. 68 million as against the estimated expenditure, which is Rs. 257 million, reflecting a deficit of Rs. 189 million. The estimated expenditure has shown an increase of 1.2% compared to the last year and the forecast revenue has shown a decrease of 83.8% compared to the forecasted revenue in year 2008.

CAA Revenue

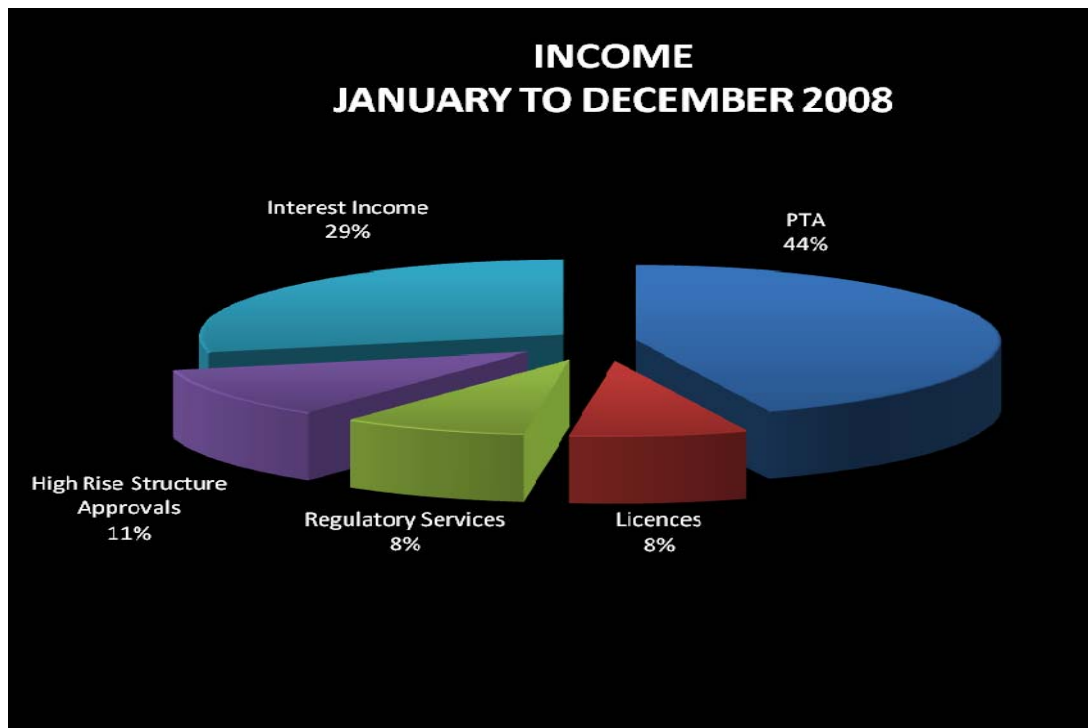
The revenue collected from Pre Paid Travel Advices (PTA) has been shown a diminishing trend in the first three quarters of the year due to implementation of e-ticketing. During the year under review, an action has been taken to amend the regulations to match the current market practices of passenger air ticketing and, therefore, the revenue source has been re-named as “Overseas Sales Surcharge (OSS)” instead of “PTA”. The new regulation was fully implemented effective 01st October 2008 and, thereby the PTA/OSS revenue of the last quarter has been tremendously increased, which is 08 times greater than the such income of the first three quarters of the year under review.

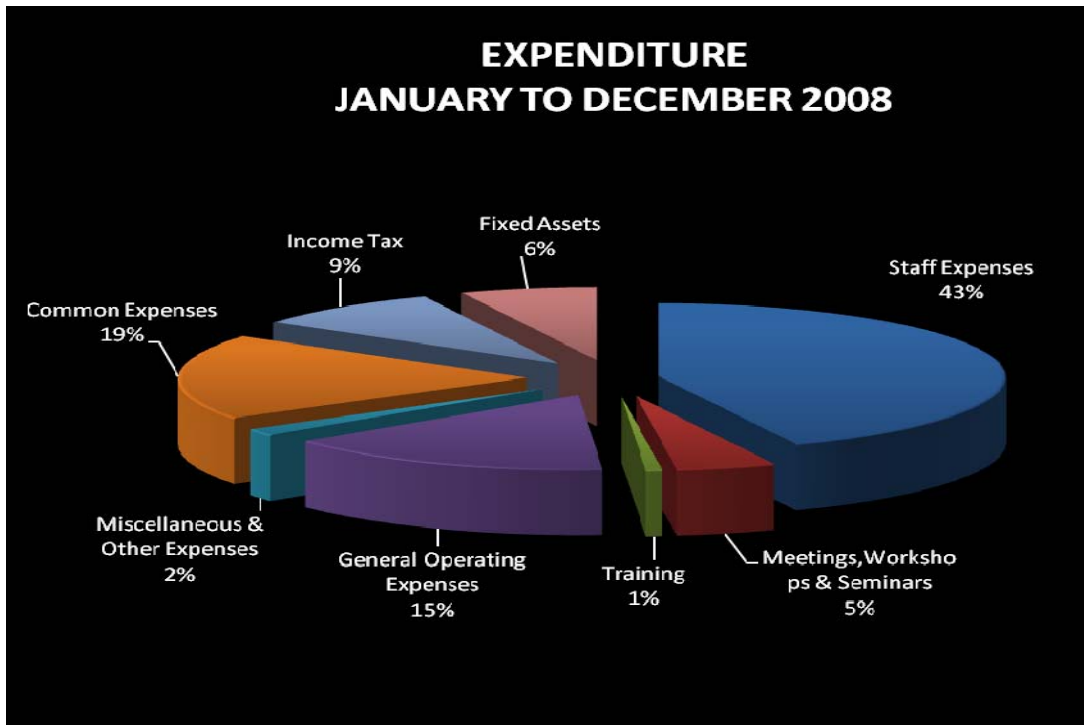
The process of collection of Embarkation Levy (EL) is done by the CAA through respective airlines and the proceeds disbursed among two organizations: Airport and Aviation Services (Sri Lanka) Limited and Sri Lanka Tourism Development Authority as per the percentages specified by the Deputy Secretary to the Treasury. The CAA has requested 5% of EL as service charge to compensate for the responsibility that the CAA holds on collection and disbursement of the Levy. The matter is still pending.

Collection of Embarkation Levy

| Beneficiary | 2006 (Rs. Mn.) | 2007 (Rs. Mn.) | 2008 (Rs. Mn.) |
|--|-------------------|-------------------|-------------------|
| General Treasury | 1,077 | 653 | - |
| AASL. | 776 | 1,418 | 1,479 |
| Ceylon Tourist Board / Sri Lanka Tourism Development Authority. | 243 | 56 | 739 |

Financial Performance – 2008





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 Members of the CAA for their unstinted support and co-operation for the effective functioning of the CAA.

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

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

27th February 2009

PERFORMANCE INDICATORS

| AUTHORITY REVIEW | 2007 | 2008 |
|--|-------------|-------------|
| Number of Regulations/Notices/Rules issued | | |
| Air navigation | 07 | 07 |
| Personnel licensing | - | 02 |
| Aircraft operation, | 07 | 04 |
| Safety and Security Oversight duties and functions carried out | | |
| New entry certification | 01 | - |
| Ramp Inspections-Airworthiness | 65 | 23 |
| Ramp Inspections-Operation | 07 | 09 |
| Ramp Inspections-Combined | - | 02 |
| En-route inspections-Operation | 05 | 04 |
| Maintenance Organization Inspections | - | 07 |
| Flying Schools Inspections | 05 | 04 |
| Aerodrome Inspections | - | 09 |
| Aviation Security inspections | 11 | 11 |
| Simulator inspections | 06 | 06 |
| Audits Completed | | |
| Airworthiness | 02 | - |
| Operation | - | 02 |
| Combine | - | 01 |
| Air Navigation Services | - | 01 |
| Documents Approvals | | |
| Manuals Initial /Revision | | |
| -flight operation | 02 | 05 |
| -Airworthiness | 05 | 07 |
| -Aviation Security | 01 | 02 |
| -ATC training program | - | 08 |
| -Cabin crew training program | 08 | 14 |

Number of licences, Approvals, Recommendations & Certificates issued /renewed

| Category | 2007 | 2008 |
|--|-------------|-------------|
| PI | | |
| Student Pilot Licenses | 167 | 179 |
| Private Pilot Licenses | 43 | 59 |
| Commercial Pilot Licenses | 219 | 294 |
| Air Transport Pilot Licenses | 359 | 448 |
| Air Traffic Controller Licenses | 118 | 74 |
| Air craft Maintenance Engineer Licenses | 608 | 511 |
| Aircraft Maintenance License. | 63 | 80 |
| Flight Operation Officer License | 13 | 13 |
| Validation of Foreign Licenses-Renewal | 38 | 48 |
| Flying School Licenses-Renewal | 01 | 02 |
| Ground Instructor | - | 02 |
| Rating test for Air traffic controllers. | 25 | 50 |
| Validation of Foreign Licenses-Initial | 38 | 48 |
| Flying School Licenses-Initial | 0 | 01 |
| Ground Training School Licenses-Initial | 01 | 0 |
| ANS | | |

Civil Aviation Authority of Sri Lanka

| Category | 2007 | 2008 |
|--|-------|-------|
| Approvals for construction of high rise structures. | 1185 | 2308 |
| Approvals for issuances of NOTAM | 142 | 182 |
| Issuance of over flying clearance. | 844 | 974 |
| Landing permissions for non schedule flights | 503 | 411 |
| Aw | | |
| Certificate of Airworthiness of aircrafts-Renewal | 26 | 28 |
| Approval of workshop of aircraft maintenance organization. | 38 | 26 |
| Certificate of registration of aircrafts-Renewal | 25 | 29 |
| Certificate of registration of aircrafts-Initial | 05 | 02 |
| Certificate of Airworthiness of aircrafts-Initial | 04 | 03 |
| Approval of Maintenance Organization with facility inspection | - | 44 |
| AT&LA | | |
| Domestic flight schedule approvals. | 2,091 | 2,772 |
| International flight schedule approvals | 59 | 49 |
| Visa recommendation for non technical experts staff | 15 | 11 |
| Charter licenses - International | 02 | 03 |
| Charter licenses - domestic regular | 06 | 05 |
| Air transport provider's licenses | 200 | 258 |
| Ops | | |
| Special operations | 14 | 19 |
| Cabin crew authorization | 140 | 361 |
| Foreign air operator certificate - issuance | 03 | 04 |
| Foreign air operator certificate - renewal | 24 | 27 |
| Dangerous Good transport licenses - renewal | 18 | 16 |
| Air Operator Certificate-Renewal – initial | 01 | - |
| Air Operator Certificate-Renewal | 05 | 06 |
| Approvals for simulator station facility | 06 | 06 |
| AVSEC | | |
| Approval for photography, video filming. | 08 | 10 |
| Approval for flowers drops and leaflet drops from the air. | - | 01 |
| Recommendation for issuance of airport access passes. | 10 | 26 |
| Approval for carriage of weapons on board/cargo holds of an aircraft | 95 | 83 |
| | | |

| Trainings & Meetings | 2007 | 2008 |
|---|--------------|--------------|
| Total number of training opportunities provided** | | |
| -technical staff | | |
| a. Foreign | 07(61 MDs) | 04 (38 MDs) |
| b. Local | - | 10 (129 MDs) |
| -Non Technical Staff | | |
| a. Foreign | 01(12 MDs) | - |
| b. Local | 60 (536 MDs) | 29 (88 MDs) |
| Total training hours/days -General staff | - | 127 Man Days |
| Number of Staff Meeting –senior | 31 | 27 |
| Number of Staff Meeting –general | 54 | 46 |
| Number of Authority meetings | 10 | 10 |

**training provided means instances provided for individuals
MDs – Man Days

INDUSTRY REVIEW

| Traffic Growth | 2007 | 2008 |
|--|-------------|-------------|
| Passenger movements-international -embarked | 2,444,277 | 2,320,715 |
| “ “ -disembarked | 2,398,666 | 2,247,685 |
| Transit passengers-international | 1,040,676 | 823,644 |
| Cargo movement-international-M.Tons | 57,051 | 52,639 |
| “ “ -In | 97,361 | 90,632 |
| “ “ -Out | 85,488 | 110,551 |
| Passenger movements-domestic | 85,488 | 110,551 |
| Aircraft Movements | | |
| On-line Scheduled | 31,444 | 30,621 |
| Charter Schedule | 1,951 | 1,024 |
| Charter Non Schedule | - | - |
| Total number of revenue flights | 33,395 | 31,645 |
| Domestic aircraft movements | 2,091 | 2,772 |
| Number of Foreign airlines operated | | |
| Schedule Passenger airlines | 26 | 23 |
| Charter passenger airlines | 04 | 05 |
| Cargo airlines | 03 | 02 |
| Total number of local operators | | |
| Licensed airlines | 05 | 06 |
| Licensed flying schools | - | 02 |
| Approved Maintenance Organizations | 05 | 04 |
| Total Number of Civil Aircrafts in Register | | |
| Aircraft exceeding weight 22,000 lbs | 20 | 20 |
| Aircraft weight less than 22,000 lbs | 10 | 09 |
| Balloons | 03 | 03 |
| Others | - | 01 |
| Number of Aircraft accidents | 01 | 00 |
| Number of Aircraft incidents | 04 | 03 |

FINANCIAL STATEMENTS- 2008

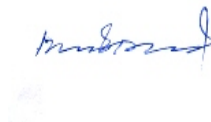
Statement of Responsibility of Members of the Authority to Financial Reporting

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

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



Lal Liyanaarachchi
Chairman



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

27th February 2009

INCOME STATEMENT**FOR THE YEAR ENDING 31ST DECEMBER 2008**

| | Note | 2008 (Rs) | 2007 (Rs) |
|--|------|-----------------------|-----------------------|
| INCOME | 01 | 167,597,977.35 | 120,552,554.78 |
| EXPENDITURE | | 131,355,702.32 | 117,883,499.70 |
| Staff Expenses | 02 | 65,375,584.84 | 59,950,329.20 |
| Meetings, Seminars & Workshops | 03 | 6,928,538.68 | 6,493,650.61 |
| Training | 04 | 1,134,351.71 | 2,231,006.12 |
| General Operating Expenses | 05 | 23,316,253.32 | 18,784,246.63 |
| Miscellaneous & Other Expenses | 06 | 2,324,817.15 | 2,628,897.74 |
| Common Expenses | 07 | 28,279,571.62 | 24,229,188.45 |
| Depreciation | 08 | 3,996,585.00 | 3,566,180.95 |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX | | 36,242,275.03 | 2,669,055.08 |
| INCOME TAX | | 12,684,796.26 | 943,511.00 |
| NET PROFIT AFTER TAX | | 23,557,478.77 | 1,725,544.08 |
| Provision for Gratuity | | 1,940,032.00 | |
| NET PROFIT AFTER TAX & PROVISION | | 21,617,446.77 | 1,725,544.08 |
| PROFIT & LOSS A/C BROUGHT FORWARD | | 159,022,879.48 | 158,316,338.92 |
| Profit & Loss Account at the Beginning of the Year | | 160,041,883.00 | 151,310,300.41 |
| Prior Year Adjustment | | (1,019,003.52) | 7,006,038.51 |
| PROFIT CARRIED FORWARD | | 180,640,326.25 | 160,041,883.00 |

BALANCE SHEET AS AT 31ST DECEMBER 2008

| | Note | 2008 (Rs) | 2007 (Rs) |
|---|------|-----------------------|-----------------------|
| TOTAL ASSETS | | 419,085,788.52 | 388,360,680.79 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 09 | 28,036,821.46 | 23,088,199.91 |
| Current Assets | 10 | 391,048,967.06 | 365,272,480.88 |
| EQUITY & LIABILITIES, CAPITAL & RESERVES | | 419,085,788.52 | 388,360,680.79 |
| Equity | | 191,734,573.35 | 172,183,507.67 |
| Government Grants | 11 | 11,094,247.10 | 12,141,624.67 |
| Profit & Loss Account | | 180,640,326.25 | 160,041,883.00 |
| Liabilities | | 227,351,215.17 | 216,177,173.12 |
| Non-Current Liabilities | 12 | 8,647,281.00 | 6,523,035.00 |
| Current Liabilities | 13 | 218,703,934.17 | 209,654,138.12 |

The Significant Accounting Policies and Notes to the Financial Statements disclosed on pages 58 to 78 are an integral part of these Financial Statements

Signed for and on behalf of the Civil Aviation Authority of Sri Lanka,



Lal Liyanaarachchi
Chairman

27th February 2009



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

27th February 2009

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2008**

| | Note No: | Rs | Rs |
|--|-------------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net Profit before Taxation | | 36,242,275.03 | |
| Adjustments for | | | |
| Depreciation | 08 | 3,996,585.00 | |
| Interest Income | | (48,267,147.40) | |
| Insurance Fund | | 70,200.00 | |
| Prior Year Adjustments | 14 | (1,562,860.09) | |
| Operating Profit Before Working Capital Changes | | (9,520,947.46) | |
| Increase in Inventories | 15 | (235,967.05) | |
| Increase in Receivables | 16 | (21,859,177.45) | |
| Decrease in Payables | 17 | (2,689,771.52) | |
| Cash Generating from Operations | | (34,305,863.48) | |
| Income Tax paid | | (945,228.69) | |
| Net Cash Flows from Operating Activities | | | (35,251,092.17) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant & Equipments | 18 | (9,551,260.55) | |
| Decrease in Investments | 19 | 21,848,189.99 | |
| Investment on Gratuity Fund | | (3,389,832.00) | |
| Interest Received | | 47,987,050.60 | |
| Net cash used in Investing Activities | | | 56,894,148.04 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net Cash Used in Financing Activities | | | NIL |
| Net Increase/Decrease in Cash and Cash Equivalent | | | 21,643,055.87 |
| CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR | | | |
| | | | 57,688,471.38 |
| CASH AND CASH EQUIVALENTS AS AT 31ST DECEMBER 2008 | | | |
| | | | 79,331,527.25 |

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDING 31ST DECEMBER 2008**

| | Government Grant | Accumulated Profit | Total |
|--|----------------------|-----------------------|-----------------------|
| | Rs. | Rs. | Rs. |
| Balance as at 31st December 2007 | 12,141,624.67 | 159,022,879.48 | 171,164,504.15 |
| Net Profit for the Year 2008 | - | 21,617,446.77 | 21,617,446.77 |
| <u>Charges for the Year 2008</u> | (1,047,377.57) | | (1,047,377.57) |
| Balance as at 31st December 2008 | 11,094,247.10 | 180,640,326.25 | 191,734,573.35 |

NOTES TO THE FINANCIAL STATEMENTS.

| Note No | | 2008 (Rs.) | 2007 (Rs.) |
|------------|--|-----------------------|-----------------------|
| 01 | INCOME | 167,597,977.35 | 120,552,554.78 |
| | SURCHARGE ON PREPAID TRAVEL ADVICE (PTA) / OVERSEAS SALES SURCHARGE (OSS) | 73,945,454.05 | 45,344,644.52 |
| | INITIAL ISSUE OF LICENCES / RATINGS / CERTIFICATE OF APPROVALS | 1,106,415.00 | 1,200,400.00 |
| | Private Pilot Licence (Aeroplanes / Helicopter) | 41,400.00 | 31,740.00 |
| | Commercial Pilot Licence (Aeroplanes / Helicopter) | 91,080.00 | 107,640.00 |
| | Airline Transport Pilot Licence (Aeroplanes / Helicopter) | 186,300.00 | 158,700.00 |
| | Students Pilot Licence | 61,910.00 | 76,590.00 |
| | Flight Instructor Ratings | 4,140.00 | 8,280.00 |
| | Assistant Flight Instructor Licence Rating | 16,560.00 | 4,140.00 |
| | Issue of Aircraft Type Rating | 184,920.00 | 117,300.00 |
| | Airline Licence | - | 41,400.00 |
| | Charter Licence | - | 41,400.00 |
| | Flying School Licence | 27,600.00 | - |
| | Validations of Foreign Crew Licence | 318,330.00 | 424,350.00 |
| | Air Traffic Controller's Licence | 5,520.00 | 1,380.00 |
| | Air Traffic Controller's Licence Rating | 5,175.00 | 5,520.00 |
| | Flight Operations Officer – Initial | 8,280.00 | 26,910.00 |
| | Air Transport Providers Licence (A) | 95,000.00 | 55,000.00 |
| | Air Transport Providers Licence (B) | 5,000.00 | - |
| | Validation of foreign AME's Licence | 55,200.00 | 100,050.00 |
| | RENEWAL OF LICENCES. | 2,865,746.00 | 3,092,449.00 |
| | Private Pilot Licence (Airplanes/Helicopter) | 25,530.00 | 15,180.00 |
| | Commercial Pilot Licence (Airplanes/Helicopter) | 225,158.00 | 203,895.00 |
| | Airline Transport Pilot Licence (Airplanes/Helicopter) | 656,063.00 | 635,059.00 |
| | Student Pilot Licence | 29,325.00 | 23,460.00 |

Civil Aviation Authority of Sri Lanka

| | | |
|--|---------------------|---------------------|
| Airline Licence | 138,000.00 | 276,000.00 |
| Flying School Licence | 13,800.00 | 13,800.00 |
| Arial Work | - | 13,800.00 |
| Charter Licence | 172,500.00 | 379,500.00 |
| Air Traffic Controller's Licence | 4,140.00 | 16,215.00 |
| Air Traffic Controller's Licence Rating | 53,130.00 | 62,100.00 |
| Air Transport Provider Licence (A) | 1,230,550.00 | 1,190,000.00 |
| Air Transport Provider Licence (B) | 7,450.00 | 4,000.00 |
| Air Craft Maintenance Engineers Licence | 261,510.00 | 259,440.00 |
| Air Craft Maintenance Engineers Licence | 48,640.00 | - |
| ISSUES / RENEWALS OF CERTIFICATES. | 6,999,548.00 | 7,523,348.00 |
| Certificate of Airworthiness - Initial issue | 185,265.00 | 108,330.00 |
| Certificate of Airworthiness - Renewal | 6,065,583.00 | 6,635,318.00 |
| Certificate of Registration (Aircraft) - Initial issue | 20,700.00 | 34,500.00 |
| Certificate of Registration (Aircraft) - Renewal | 303,600.00 | 186,300.00 |
| Organizational Approval | 410,600.00 | 483,000.00 |
| Change of Ownership | 13,800.00 | 75,900.00 |
| AMENDMENTS TO AIRLINE LICENCE | 2,070.00 | 1,380.00 |
| Air Transport Provider Licence | 1,380.00 | 1,380.00 |
| Operations Specifications | 690.00 | - |
| MEDICAL EXAMINATION FEES | 166,385.00 | 170,097.75 |
| Initial | 62,230.00 | 67,470.00 |
| Renewal | 104,155.00 | 102,627.75 |
| EXAMINATIONS | 2,072,557.00 | 1,597,963.00 |
| Private Pilot Licences (Airplanes)- PPL | 226,872.00 | 184,920.00 |
| Commercial Pilot Licence (Aeroplanes)- CPL | 17,595.00 | 16,560.00 |
| Air Transport Pilot Licence - ATPL | 198,604.00 | 1,000.00 |
| Special Air Law Examination | 27,945.00 | 55,890.00 |
| Grant of AME Licence | 431,250.00 | 410,550.00 |
| Extension of AME Ratings | - | 1,380.00 |

Civil Aviation Authority of Sri Lanka

| | | |
|------------------------------------|------------|------------|
| Flight Operation Officer | 127,650.00 | - |
| Issue of Additional AME Ratings | 6,900.00 | 12,420.00 |
| English Language Proficiency Test | 553,000.00 | 91,000.00 |
| Aircraft Maintenance Licence (AML) | 482,741.00 | 824,243.00 |

REGULATORY SERVICES **13,780,097.00** **12,833,975.50**

Air Operator Certificates

| | | |
|---|------------|------------|
| Evaluation of applications for Grant of an authorization or a AOC for | | |
| Regular Public Transport - Domestic Operations | - | 500,000.00 |
| Evaluation of applications for renewal of an authorization or a AOC for, | | |
| Private operations | 2,500.00 | 2,500.00 |
| Aerial Work Operations | 5,000.00 | 5,000.00 |
| Charter / Domestic Operations | 125,000.00 | 150,000.00 |
| Charter / International Operations | 150,000.00 | 200,000.00 |
| Regular Public Transport Domestic Operations | 150,000.00 | 200,000.00 |
| Regular Public Transport International Operations | 100,000.00 | 200,000.00 |
| Evaluation of applications for amendment to any Airline Licence in order to increase nature or scope, | | |
| Regular Public Transport Domestic Operations | 50,000.00 | - |

Aerodrome

| | | |
|---|-----------|-----------|
| Evaluation of applications for Amendment to the Licence of, | | |
| An Authorized Land Aerodrome | 4,500.00 | - |
| A registered land, water aerodrome, STOL port | 18,000.00 | - |
| Grant of permissions to erect a high rise building which projects above the existing building beyond a circle of one nautical mile radius | - | 10,000.00 |

Flying School Licences

| | | |
|--|------------|-----------|
| Evaluation of applications to Grant of a Flying School Licence | 300,000.00 | - |
| Evaluation of applications to Renewal of Flying School Licence | 10,000.00 | 10,000.00 |
| Evaluation of applications to Amendment to a Flying School Licence | 20,000.00 | 20,000.00 |

Aircraft Maintenance Organization (AMO) Certificate

Civil Aviation Authority of Sri Lanka

Evaluation of applications for approval of Aircraft Maintenance Organization

| | | |
|----------------------------|------------|------------|
| Located in Sri Lanka | 50,000.00 | 50,000.00 |
| Located out side Sri Lanka | 500,000.00 | 600,000.00 |

Evaluation of applications for Renewal of AMO Certificates

| | | |
|--|------------|------------|
| Aircraft Maintenance Organizations -Located in Sri Lanka | 60,000.00 | 70,000.00 |
| Aircraft Maintenance Organizations- Located out side Sri Lanka | 651,000.00 | 420,000.00 |

Evaluation of applications for Amendment to AMO Certificate

| | | |
|--|-----------|-----------|
| Aircraft Maintenance Organizations -Located in Sri Lanka | 20,000.00 | 10,000.00 |
| Aircraft Maintenance Organizations- Located out side Sri Lanka | 40,000.00 | 40,000.00 |

Effecting an Amendment to Aircraft Maintenance Organization

| | | |
|--|-----------|-----------|
| Aircraft Maintenance Organizations -Located in Sri Lanka | 5,000.00 | 2,500.00 |
| Aircraft Maintenance Organizations- Located out side Sri Lanka | 10,000.00 | 10,000.00 |

Certificate Of Registration

Inspection of Aircrafts prior to grant of registration

| | | |
|----------------------|-----------|-----------|
| Ultra Light Aircraft | 2,500.00 | |
| Light Aircraft | - | 10,000.00 |
| Medium Aircraft | - | 50,000.00 |
| Heavy Aircraft | 50,000.00 | - |

De-registration of Aircrafts in the existing registry

| | | |
|-------------------------|----------|----------|
| Ultra Light Aircraft | 250.00 | - |
| Medium Aircraft | - | 5,000.00 |
| Heavy Aircraft | 5,000.00 | |
| Intermediate Helicopter | 1,500.00 | |

Grant of certified copies of information contained in the Civil Aircraft Registry of Sri Lanka

| | |
|----------|----------|
| 1,000.00 | 6,000.00 |
|----------|----------|

Amendment or addition of any information in the Certificate of Airworthiness and Register of Certificate Of Airworthiness

| | | |
|----------------|----------|---|
| Above 5700 kgs | 5,000.00 | - |
|----------------|----------|---|

Licences, Ratings and Validations

Evaluation of applications for grant and re-activation of

| | | |
|-----------------------|-----------|----------|
| Student Pilot Licence | 30,500.00 | 9,500.00 |
|-----------------------|-----------|----------|

Civil Aviation Authority of Sri Lanka

| | | |
|---|------------|------------|
| Private Pilot Licence | 20,500.00 | 13,000.00 |
| Commercial Pilot Licence | 84,000.00 | 49,500.00 |
| Airline Transport Pilot Licence | 66,000.00 | 46,000.00 |
| Air Traffic Controller Licence | 9,000.00 | 1,500.00 |
| Flight Operations Officer Licence | 12,000.00 | 19,500.00 |
| Aircraft Maintenance Engineer Licence | 216,000.00 | 246,000.00 |
| Aircraft Maintenance Licence | 69,000.00 | 72,000.00 |
| Evaluation of applications for validation of any Foreign Licence | | |
| Foreign Commercial Pilot Licence | 139,500.00 | 202,000.00 |
| Foreign Airline Transport Pilot Licence | 318,000.00 | 468,000.00 |
| Foreign Aircraft Maintenance Engineer Licence | 45,000.00 | 54,000.00 |
| Evaluation of applications for endorsement –Additional type rating on Licences | 138,000.00 | 94,000.00 |
| Evaluation of applications for endorsement-type rating –for the purpose or up-grading | 6,000.00 | 2,000.00 |
| Evaluation of applications for renewal of the Licences & Ratings of | | |
| Student Pilot Licence | 14,000.00 | 17,000.00 |
| Private Pilot Licence | 5,750.00 | 5,250.00 |
| Commercial Pilot Licence | 129,500.00 | 133,500.00 |
| Airline Transport Pilot Licence | 302,000.00 | 282,150.00 |
| Air Traffic Controller Licence | 9,000.00 | 35,250.00 |
| Aircraft Maintenance Engineer Licence | 502,500.00 | 556,500.00 |
| Aircraft Maintenance Licence. | 75,000.00 | - |
| Evaluation of applications for renewal of validation of any Foreign Licence | | |
| Aircraft Maintenance Engineer Licence | 49,500.00 | 103,500.00 |
| Endorsement of Additional Type Rating on Licences | 35,000.00 | 44,000.00 |
| Evaluation of Applications for Re-activation of Ratings. | 64,000.00 | 10,000.00 |
| Recommendations for visas (Except for students) | 114,000.00 | 232,000.00 |
| Verification of Licences (Except for foreign CAA) | | 1,000.00 |
| Providing technical opinions regarding competency and eligibility of the Foreign Licences holders for recruitments. | 27,500.00 | 65,000.00 |
| Express Evaluation (Within 24 hours) of applications for grant /reactivation of | | |
| Student Pilot Licence | 2,000.00 | 1,000.00 |
| Commercial Pilot Licence | 4,500.00 | - |

Civil Aviation Authority of Sri Lanka

| | | |
|---|------------|------------|
| Airline Transport Pilot Licence | 16,000.00 | 8,000.00 |
| Flight Operations Officer Licence | 6,000.00 | |
| Express Evaluation for Endorsement of Additional Type Rating on a Licences | 24,500.00 | 35,000.00 |
| Express Evaluation for Endorsement of Additional Type Rating on a Licences for the purpose of upgrading | 500.00 | 2,000.00 |
| Express Evaluation of applications for Renewal of Licences & Ratings of | | |
| Student Pilot Licence | 500.00 | 500.00 |
| Private Pilot Licence | - | 500.00 |
| Commercial Pilot Licence | 31,500.00 | 30,000.00 |
| Airline Transport Pilot Licence | 150,000.00 | 171,000.00 |
| Aircraft Maintenance Engineer Licence | 6,000.00 | 6,000.00 |
| Aircraft Maintenance Licence | 15,000.00 | - |
| Express Evaluations for endorsement of additional type ratings on a license | | 2,000.00 |
| Express Evaluations for reactivation of Ratings | | 4,000.00 |
| Express verification of Licence (Except for foreign CAA) | 8,000.00 | - |
| Facilitation fees for conduct of Medical Examinations for | | |
| Initial of Licences | 157,000.00 | 173,000.00 |
| Renewal of Licences | 377,690.00 | 365,075.00 |
| Facilitation fees for conduct of Medical Boards on a Licensee who's medical fitness is in question | 35,563.00 | 25,000.00 |
| AME Licences Issuance Charges | 140,760.00 | 318,780.00 |
| AML Licences Issuance Charges | 82,800.00 | 99,360.00 |
| Certificate of Competency for Cabin Crew Members | | |
| Evaluation of an application for initial issue of Certificate of Competency for Cabin Crew Members | 147,000.00 | 206,000.00 |
| Issuance of new certificate after a period of 05 years | 59,000.00 | - |
| Certificate to transport Dangerous Goods by Air | | |
| Evaluation of applications for grant approval for | | |
| Only International operations | 25,000.00 | 75000.00 |
| Grant of an approval for one year | 10,000.00 | 30,000.00 |
| Evaluation of applications for Renewal for | | |
| Only International operations | 195,000.00 | 225,000.00 |

| | | |
|---|------------|------------|
| Renewal of an approval for one year | 130,000.00 | 150,000.00 |
| Act as an Instructor | | |
| Evaluation of applications for Grant Approval | 55,000.00 | 30,000.00 |
| Grant of approvals | 10,000.00 | 6,000.00 |
| Evaluation of applications for Renewal | 4,000.00 | 14,000.00 |
| Simulator | | |
| Evaluation of applications & Inspection prior to use simulator | 300,000.00 | 100,000.00 |
| Grant of approvals to use a simulator | 150,000.00 | 50,000.00 |
| Evaluation of applications for Renewal | 150,000.00 | 165,000.00 |
| Renewal of approvals to use a simulator | 100,000.00 | 110,000.00 |
| Pilot Training Programme | | |
| Evaluation of applications for Grant Approval | 45,000.00 | - |
| Grant of Approvals | 9,000.00 | - |
| Amendment to an approve Pilot Training Programme. | 27,000.00 | - |
| Operations Manuals | | |
| Evaluation of applications for approval or amendments excess of 50% of initial Volume - Regular Public/Charter Operations | 150,000.00 | - |
| Grant approvals - Regular Public/Charter Operations | 25,000.00 | - |
| Maintenance Control Manual | | |
| Evaluation of applications for approval or amendments excess of 50% of initial Volume | 50,000.00 | - |
| Grant Approvals | 40,000.00 | 30,000.00 |
| Evaluation for amendments (for each 25% of initial volume) | 87,500.00 | 75,000.00 |
| Maintenance Schedule | | |
| Evaluation of Applications for Approval | 20,000.00 | 20,000.00 |
| Evaluation of Amendments (per task) | 19,600.00 | 18,450.00 |
| Air Transport Statistics | | |
| For less than one year. | 7,000.00 | - |
| For more than one year & less than five years | 105,000.00 | 58,000.00 |

Nominated Post Holders of Air Operators

| | | |
|--|-----------|-----------|
| Evaluation of qualifications for approval (per person) | 12,000.00 | 20,000.00 |
| Grant of approvals | 12,000.00 | 24,000.00 |

Use of Technical Library

| | | |
|---|------------|------------|
| Photocopy /Scanning documents. | 324,277.00 | 128,725.50 |
| Electronic Copies of documents | 600.00 | - |
| Current Copies of ICAO Documents | 206,902.00 | 1,260.00 |
| CAA Manuals, Hand Books, Broachers, or any other publications | 82,150.00 | 101,700.00 |

Air Transport Providers Licence

| | | |
|---|-----------|-----------|
| Evaluation of applications for the Initial Issuance | 52,500.00 | 42,500.00 |
|---|-----------|-----------|

Foreign Air Operator Certification

| | | |
|--|--------------|--------------|
| Initial Issue – International Airline Licences | 400,000.00 | 400,000.00 |
| Initial Issue – Charter Licences | 150,000.00 | - |
| Renewal of International Airlines Licences | 1,875,000.00 | 1,125,000.00 |
| Renewal of Charter Licences | 103,450.00 | 100,000.00 |

Ferry Flight/Test Flight Permit

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

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

| | | |
|--|------------|------------|
| Evaluation of applications to operate on Wet Lease | 200,000.00 | 500,000.00 |
| Grant approvals to operate on Wet Lease | 150,000.00 | 125,000.00 |

Approval for Maintenance Activities

| | | |
|---|-----------|------------|
| Evaluation of applications to Grant one time approval for specialized Maintenance Activities | 30,000.00 | 30,000.00 |
| Evaluation of applications to Grant validations to Foreign Licence holders for a specific task or a Special Maintenance on Sri Lankan registered aircraft | 40,000.00 | 140,000.00 |

| | | |
|--|------------|------------|
| Grant one time Approvals for specialized Maintenance Activities | 17,500.00 | 42,500.00 |
| Special Flight Authorization to Operations Specifications of an AOC | | |
| Evaluation of applications to Grant approval | 87,500.00 | 72,500.00 |
| Grant Approvals | 54,000.00 | 45,000.00 |
| Ground Handling at Airport | | |
| Initial Grant Approval | 2,500.00 | - |
| Renewal of Approval | 3,840.00 | - |
| Special Operations | | |
| Evaluation of applications for approval of any special operation | 130,000.00 | 55,000.00 |
| Grant of Approvals (per activity) | 65,000.00 | 27,500.00 |
| Engineering Workshop Capability Level | | |
| Evaluation of applications for approval | 130,000.00 | 110,000.00 |
| Grant Approvals | 67,500.00 | 62,500.00 |
| Evaluation of applications to Grant approval for modifications of an aircraft | | |
| Minor modifications | 5,000.00 | 15,000.00 |
| Third Party work per Airline for one year | | |
| Aircraft Engineering & Maintenance | 150,000.00 | 600,000.00 |
| Training Programmes | | |
| Evaluation of applications for approval | 70,000.00 | 10,000.00 |
| Grant Approval | 60,000.00 | 15,000.00 |
| Air Traffic Services (Operations)/ Aerodrome Aeronautical Information Services Manual | | |
| Evaluation of Amendments. | 2,000.00 | |
| Renewal of Lapsed Licences/Certificates (Except Personnel/Airline Licences) | | |
| Less than 06 months | 41,400.00 | 55,875.00 |
| Between 06-24 months | 3,750.00 | 11,250.00 |

| | | |
|--|----------------------|----------------------|
| Beyond 24 months | 33,915.00 | 23,750.00 |
| Renewal of Lapsed Air Transport Provider Licence. | | |
| Less than 06 months | 20,000.00 | |
| Beyond 06 months | 36,000.00 | |
| Grant of No Objection Letters | 42,000.00 | 32,000.00 |
| Grant of Certified Copies of Any Licence / Certificate/ Authorization issued by DGCA | 92,000.00 | 75,000.00 |
| Making available to an air operator or potential Air Operator CAA Inspectors to visit overseas for inspections. | 1,035,000.00 | 715,000.00 |
| Export Certificate of Airworthiness | | |
| Evaluation of applications to grant approval | | |
| Aircrafts above 5700Kgs | 25,000.00 | - |
| Aircrafts below 5700Kgs | - | 10,000.00 |
| Issue of Approvals | 2,000.00 | 4,000.00 |
| Flight Check En-Route Surveillance – Revision of Manuals | 92,400.00 | 11,600.00 |
| OTHER INCOME | 18,392,557.90 | 11,760,636.75 |
| Telecommunication Tower Approvals | 17,982,000.00 | 11,036,000.00 |
| Other Sources | 85,347.00 | 94,000.00 |
| Late Submission Fees | - | 94,000.00 |
| Rental Income (Official Quarters) | 64,545.90 | 35,836.75 |
| Miscellaneous Income | 21,365.00 | 140,500.00 |
| CAATA Income- Hiring Charges | 239,300.00 | 359,763.00 |
| INTEREST INCOME | 48,267,147.40 | 37,027,660.26 |
| Interest from Staff Loans | 1,527,538.54 | 1,462,598.56 |
| Treasury Bills | 41,058,590.30 | 32,094,748.90 |
| Call Deposits | 5,681,018.56 | 3,470,312.80 |

1.1 **Surcharge on Pre- paid Travel Advice (PTA) / Overseas Sales Surcharge (OSS)**

The revenue collected from Pre Paid Travel Advices (PTA) has been shown a diminishing trend during last two years due to implementation of e-ticketing. During the year under review, action has been taken to amend the regulations to match the current market practices of passenger air ticketing. Therefore, the revenue source has been re-named as “Overseas Sales Surcharge (OSS)” instead of “PTA”. The new regulation was fully implemented effective 01st October 2008 and, thereby the PTA/OSS revenue of the year 2008 has been increased by 63% when compared to the year 2007.

| | | | |
|------------|--|----------------------|----------------------|
| 02 | STAFF EXPENSES | 65,375,584.84 | 59,950,329.20 |
| | Salaries & Wages | 34,729,558.91 | 32,826,398.32 |
| | Other Allowances | 16,928,239.25 | 14,304,104.86 |
| | Cost of Living Allowance | 3,984,725.80 | 2,566,391.67 |
| | Transport Allowance | 6,502,687.50 | 5,461,592.27 |
| | Professional Allowance | 3,370,000.00 | 3,248,677.42 |
| | Leave Encashment | 2,494,729.17 | 2,265,443.50 |
| | Vehicle Allowance | 492,096.78 | 720,000.00 |
| | Special Allowance | 84,000.00 | 42,000.00 |
| | Employee’s Provident Fund | 7,032,918.22 | 6,403,540.12 |
| | Employee’s Trust Fund | 1,405,541.38 | 1,280,708.22 |
| | PAYE Tax | 2,033,386.82 | 1,093,831.78 |
| | Bonus | 816,803.54 | 803,051.02 |
| | Gratuity | 113,437.50 | 1,296,432.50 |
| | Welfare Expenses | 2,315,699.22 | 1,942,262.38 |
| 03 | MEETINGS,SEMINARS & WORKSHOPS | 6,928,538.68 | 6,493,650.61 |
| | Local | 1,027,296.81 | 1,451,177.62 |
| | Foreign | 5,901,241.87 | 5,042,472.99 |
| 04. | TRAINING | 1,134,351.71 | 2,231,006.12 |
| | Local | 369,138.00 | 855,327.69 |
| | Foreign | 765,213.71 | 1,375,678.43 |

Civil Aviation Authority of Sri Lanka

| | | | |
|------------|--|----------------------|----------------------|
| 05. | GENERAL OPERATING EXPENSES | 23,316,253.32 | 18,784,246.63 |
| | Overtime & Holiday Pay | 2,665,297.52 | 2,429,277.40 |
| | Traveling Expenses - Local | 3,850.81 | 13,360.38 |
| | Stationery/Consumables | 2,503,030.69 | 2,051,783.34 |
| | Other Supplies | 232,123.87 | 55,802.99 |
| | Board Payments | 102,000.00 | 61,000.00 |
| | Telecommunication | 2,219,048.60 | 2,566,723.65 |
| | Postal charges | 131,020.08 | 112,657.66 |
| | Subscriptions / Publications / Newspapers | 13,530,091.28 | 10,317,042.38 |
| | Examination (Payment to Examiners) | 6,000.00 | - |
| | Printing Expenses | 661,995.77 | 399,108.00 |
| | Civil Aviation Authority Training Academy | 1,261,794.70 | 777,490.83 |
| 06 | MICELLANEOUS AND OTHER EXPENSES | 2,324,817.15 | 2,628,897.74 |
| | Miscellaneous Expenses | 1,204,749.92 | 2,163,764.86 |
| | Maintenance of Plant, Machinery & Equipments | 1,120,067.23 | 465,132.88 |
| 07 | COMMON EXPENSES | 28,279,571.62 | 24,229,188.45 |
| | Rent & Hire Charges | 366,168.00 | 798,912.00 |
| | Fuel & Lubricants | 3,650,044.23 | 2,752,995.20 |
| | Maintenance of Office Building & Quarters | 22,259,566.09 | 18,752,761.51 |
| | Rent of the Building | 14,622,463.40 | 12,688,038.40 |
| | Electricity | 5,169,331.46 | 4,204,453.24 |
| | Water | 375,654.00 | 286,791.71 |
| | Security | 896,710.14 | 795,340.80 |
| | Janitorial | 579,525.40 | 453,635.92 |
| | Other | 619,668.49 | 324,501.44 |
| | Maintenance of Vehicles | 2,000,006.50 | 1,924,519.74 |
| 08 | DEPRECIATION | 3,996,585.00 | 3,566,180.95 |
| | Buildings | 15,776.05 | 7,904.00 |
| | Vehicles | 1,520,833.50 | - |
| | Plant, Machinery and Equipment | 1,514,790.97 | 2,304,742.69 |
| | Furniture and Fittings | 945,184.48 | 1,253,534.26 |

Civil Aviation Authority of Sri Lanka

| NOTE NO. 09 PROPERTY, PLANT AND EQUIPMENT | | | | | | | |
|--|---------------------|---------------------|----------------------|---|-----------------------------------|-------------------------------|----------------------|
| | Land | Buildings | Vehicles | Plant, Machinery & Equipment | Furniture and Fittings | Other Fixed Assets | Total |
| Cost / Valuation | | | | | | | |
| Cost as at 01.01.2007 | 5,359,200.00 | 9,209,360.00 | 3,175,000.00 | 14,846,945.36 | 5,884,846.05 | 999,079.00 | 39,474,430.41 |
| Additions during the year 2007 | - | 118,085.05 | 6,083,334.00 | 1,591,282.40 | 421,923.62 | - | 8,214,625.07 |
| Disposal/transfers | - | - | - | - | - | - | - |
| Additions during the year 2008 | - | - | 6,973,794.20 | 1,733,166.35 | 844,300.00 | - | 9,551,260.55 |
| Surplus on revaluation of property | | | | | | | |
| Cost as at 31.12.2008 | 5,359,200.00 | 9,327,445.05 | 16,232,128.20 | 18,171,394.11 | 7,151,069.67 | 999,079.00 | 57,240,316.03 |
| Depreciation | | | | | | | |
| Accumulated depreciation as at 01.01.2007 | - | 2,445,438.00 | 3,095,625.00 | 11,080,540.39 | 2,857,981.23 | 949,036.00 | 20,428,620.62 |
| Charges for the year 2007 | - | 613,958.00 | - | 2,304,742.69 | 1,253,534.26 | - | 4,172,234.95 |
| Disposals/Transfers -2008 | - | - | - | - | - | - | - |
| Charges for the year 2008 | | | | | | | |
| Profit & Loss Account | - | 15,776.05 | 1,520,833.50 | 1,514,790.97 | 945,184.48 | - | 3,996,585.00 |
| Government Grants | - | 606,054.00 | - | - | - | - | 606,054.00 |
| Accumulated depreciation as at 31.12.2008 | - | 3,681,226.05 | 4,616,458.50 | 14,900,074.05 | 5,056,699.97 | 949,036.00 | 29,203,494.57 |
| Net book value as at 31.12.2008 | 5,359,200.00 | 5,646,219.00 | 11,615,669.70 | 3,271,320.06 | 2,094,369.70 | 50,043.00 | 28,036,821.46 |

- 9.1** **Revaluation of Assets** The Revaluation of the fully depreciated assets is being done by the Government Chief Valuer. Once the process is completed the necessary entries would be made on the respective assets.

| 10 CURRENT ASSETS | 391,048,967.06 | 365,272,480.88 |
|--|-----------------------|-----------------------|
| Staff Welfare and Social Security Fund | 789,964.00 | 675,950.00 |
| Accident Investigation Fund | 20,000,000.00 | 20,000,000.00 |
| Gratuity Fund | 3,389,832.00 | - |
| Investments – Treasury Bills | 84,414,138.57 | 103,148,374.71 |
| Consumable Stores | 1,231,109.93 | 995,142.88 |
| Debtors (a + b + c) | 28,931,535.73 | 31,476,260.94 |
| Loans - (a) | 21,120,876.12 | 24,113,829.90 |
| Staff Loans (Existing Staff) | 21,075,520.40 | 24,024,686.40 |
| Staff Loans (Transferred Officials) | 45,355.72 | 89,143.50 |
| Advances - (b) | 474,846.13 | 202,049.50 |
| Staff - for operating activities | 349,846.13 | 102,049.50 |
| JHS Enterprises (Fuel) | 125,000.00 | 100,000.00 |
| Other Debtors -(c) | 7,335,813.48 | 7,160,381.54 |
| COSCAP Office | 120,988.48 | 144,098.75 |
| Dept. of Inland Revenue | 6,999,745.00 | 6,897,212.00 |
| Other Payments | 322.00 | 28,890.53 |
| Daya Aviation- Deposit Inspections | 18,228.00 | - |
| Sri Lankan Airlines- Deposit Operations | 196,530.00 | - |
| Mihin Lanka (Pvt) Ltd. | - | 90,186.26 |
| Receivables | 42,637,185.50 | 18,304,764.60 |
| Value Added Tax | 7,547,790.19 | 4,123,682.50 |
| Interest Income | 13,198,162.12 | 12,905,019.74 |
| OSS (EJ Tax) & Regulatory Services income | 21,891,233.19 | 1,263,016.78 |
| Interest -EL | - | 13,045.58 |
| Prepayments | 2,573,674.95 | 2,119,563.39 |
| Common Expenses- Building Rent | 2,501,558.00 | 2,114,673.40 |
| General operating Expenses - Telecommunication | 12,500.00 | 4,889.99 |

| | | | |
|-----------|---|-----------------------|-----------------------|
| | Miscellaneous and Other Expenses | 59,616.95 | - |
| | Treasury Current Account | 176,788,000.00 | 176,061,016.28 |
| | Cash (Current Account No: 0002026678) | 9,038,000.87 | 45,196,563.30 |
| | Deposit – Savings Account | - | 500.00 |
| | Investments | 167,749,999.13 | 130,863,952.98 |
| | Cash and Cash Equivalent | 30,293,526.38 | 12,491,408.08 |
| | Cash (Current Account No: 0002026666) | 25,293,526.38 | 3,491,408.08 |
| | Call Deposits | 5,000,000.00 | 9,000,000.00 |
| 11 | GOVERNMENT GRANTS | 11,094,247.10 | 12,141,624.67 |
| | Land | 5,359,200.00 | 5,359,200.00 |
| | Buildings | 5,454,478.00 | 6,060,532.00 |
| | Vehicles | 91,875.00 | 91,875.00 |
| | Other Fixed Assets | 188,694.10 | 188,694.10 |
| | Consumable Stock | - | 441,323.57 |
| 13 | NON-CURRENT LIABILITIES | 8,647,281.00 | 6,523,035.00 |
| | Deposits - Bank Guarantee | 2,142,000.00 | 2,142,000.00 |
| | Insurance Fund | 345,700.00 | 275,500.00 |
| | Provision for Gratuity | 5,396,617.00 | 3,429,585.00 |
| | Staff Welfare and Social Security Fund (Pension Fund) | 789,964.00 | 675,950.00 |
| 14 | CURRENT LIABILITIES | 218,703,934.17 | 209,654,138.12 |
| | Accrued Expenses (d + e + f + g+ h) | 17,037,838.35 | 5,237,235.74 |
| | Staff Expenses (d) | 3,395,331.85 | 2,973,953.82 |
| | Pay As You Earn Tax | 213,978.56 | 275,655.36 |
| | Transport Allowance | 636,125.00 | 399,000.00 |
| | Employee Provident Fund | 48,269.12 | 32,748.53 |
| | Employee Trust Fund | - | 506.43 |
| | Leave Encashment | 2,494,729.17 | 2,265,443.50 |

Civil Aviation Authority of Sri Lanka

| | | |
|---|-----------------------|-----------------------|
| Welfare | 2,230.00 | 600.00 |
| Training (e) | - | 120,108.69 |
| Training - Local | - | 120,108.69 |
| Miscellaneous and Other Expenses (f) | 118,257.05 | 34,759.49 |
| Miscellaneous Expenses | 118,257.05 | 33,890.74 |
| Maintenance of Plant Machinery & Equipment | - | 868.75 |
| General Operating Expenses (g) | 1,619,386.08 | 1,752,516.69 |
| Overtime & Holiday Pay | 235,020.44 | 263,062.53 |
| Telecommunication | 136,450.44 | 298,689.36 |
| Printing Expenses | - | 89,200.00 |
| Audit Fees | 923,989.00 | 590,139.00 |
| Training Academy Expenses | 193,361.20 | 489,560.80 |
| Stamp Duty | 130,565.00 | 21,865.00 |
| Common Expenses (h) | 11,904,863.37 | 355,897.05 |
| Fuel & Lubricants | - | 47,255.00 |
| Rent & Hire Charges | - | 33,288.00 |
| Income Tax -ESC | 568,518.00 | - |
| Income Tax | 11,332,558.57 | 161,509.00 |
| Building Maintenance | | |
| Electricity | - | 1,165.68 |
| Water | 3,786.80 | 3,165.20 |
| Security | - | 72,066.84 |
| Janitorial | - | 37,447.33 |
| Accident Investigation Fund | 20,000,000.00 | 20,000,000.00 |
| Creditors | 181,666,095.82 | 184,416,902.38 |
| Deposit – Inspection Charges - | 1,250,952.38 | 593,805.18 |
| Expo Aviation (Pvt) Ltd. | 385,478.92 | 385,478.92 |
| Kuwait Airways | 31,698.84 | - |
| Asian Aviation Center | 331.00 | 318.00 |

Civil Aviation Authority of Sri Lanka

| | | |
|---|-------------------|-------------------|
| SriLankan Airlines Ltd. | 45,073.38 | 17,753.50 |
| Mihin Lanka | 39,637.38 | - |
| Malaysian Airlines | 27,402.00 | - |
| Aero Lanka (Pvt) Ltd. | 36,655.40 | 36,655.40 |
| K.L.M. Royal Dutch Air | 29,317.00 | 29,317.00 |
| Decan Aviation (Pvt) Ltd | 278,364.71 | 4,792.01 |
| Gulf Air | 26,691.95 | 14,596.40 |
| Emirates | 23,903.78 | 23,903.78 |
| SIA Engineering Co. | 12,613.96 | 12,613.96 |
| MTU Maintenance Organization | 68,376.21 | 68,376.21 |
| Oman Air | 52,947.68 | - |
| IHI Corporation | 192,460.17 | - |
| Deposit – Operations | 469,141.13 | 401,218.13 |
| Sri Lankan Airlines | - | 71,572.00 |
| Expo Aviation (Pvt) Ltd. | 445,355.00 | 305,860.00 |
| Mihin Lanka (Pvt) Ltd. | 23,786.13 | 23,786.13 |
| Creditors - Income | 788,534.57 | - |
| Associated Motorways Ltd | - | 6,083,334.00 |
| Sri Lanka Telecom | - | 13,044.00 |
| Deposit – WHT (Inland Revenue Dept.) | 71,395.00 | 20,622.85 |
| Deposit - Medical (For Doctors) | 187,588.82 | 216,989.44 |
| Deposit - Pension | - | 51,166.00 |
| Deposit - Other | 125,305.00 | 5,843.00 |
| Deposit - Common | 689,724.29 | 534,759.92 |
| Deposit - Insurance | 5,501.29 | 1,188.62 |
| Deposit – Exam Fees | 1,288,353.35 | 420,869.38 |
| Deposit- Airfare & Ticketing Course | 1,600.00 | - |
| Treasury Current Account | 176,788,000.00 | 176,074,061.86 |
| Airport & Aviation Services (Pvt) Ltd. | 117,858,666.67 | 117,382,707.91 |
| Sri Lanka Tourism Development Authority | 58,929,333.33 | 58,691,353.95 |

| | | |
|-----------|--|------------------------|
| 14 | PRIOR YEAR ADJUSTMENTS | (1,562,860.09) |
| | Adjusted to the Profit & Loss Account | (1,019,003.52) |
| | Less: Non cash transactions | |
| | Government Grant | (441,323.57) |
| | Tax Receivables | (102,533.00) |
| 15 | INCREASE IN INVENTORIES | (235,967.05) |
| | Consumable Stores | (235,967.05) |
| 16 | INCREASE IN RECEIVABLES | 21,859,177.45 |
| | Staff Loans | (2,992,953.78) |
| | Advances | 272,796.63 |
| | Other Debtors (except. Dept. of Inland Revenue) | 72,898.94 |
| | Other Receivables (except Interest Income) | 24,052,324.10 |
| | Prepayments | 454,411.56 |
| 17 | DECREASE IN PAYABLES | (2,689,771.52) |
| | Creditors | (2,750,806.56) |
| | Accrued Expenses (except Income Tax) | (61,035.04) |
| 18 | PURCHASE OF PROPERTY, PLANT & EQUIPMENTS | 9,551,260.55 |
| | Vehicles | 6,973,794.20 |
| | Plant, Machinery & Equipments | 1,733,166.35 |
| | Furniture & Fittings | 844,300.00 |
| 19 | DECREASE IN INVESTMENTS | (21,848,189.99) |
| | Treasury Bills - CAA | (18,734,236.14) |
| | Treasury Bills – E.L. | (3,113,953.85) |
| 20 | CASH & CASH EQUIVALENT AT THE END OF THE YEAR | 79,331,527.25 |
| | Current Account – Authority (Account No: 0002026666) | 25,293,526.38 |
| | Call Deposit- Authority | 5,000,000.00 |
| | Current Account – E.L. (Current Account No: 0002026678) | 9,038,000.87 |
| | Call Deposits | 40,000,000.00 |

SIGNIFICANT ACCOUNTING POLICIES

1. General Policies

1.1 Statement of Compliance.

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

1.2 Responsibility for Financial Statements.

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

2. Property, Plant and Equipment

2.1 Property, Plant and Equipment transferred from General Treasury/Government stated at the valuation of purchases of 2003, less depreciation for the year, whereas the Property, Plant and Equipment acquired during the current financial year have been valued at cost.

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

Fourteen Aerodromes, and aeronautical facilities including the land appertaining thereto specified in the Second Schedule and the Third Schedule to the Civil Aviation Authority of Sri Lanka Act No. 34 of 2002 respectively have not been transferred to the Authority as yet. Such transfer would be affected only after the Civil Aviation Bill is enacted in order to ensure smooth transition.

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

2.2 Depreciation

The provision for depreciation is calculated on the straight-line basis on the valuation of the Property, Plant and Equipment (Assets) acquired from the Department of Civil Aviation at the time of formation of the Authority, whereas the assets purchased thereafter were calculated at cost. All Property, Plant and Equipment other than land have been depreciated annually on the following percentages in order to write off such amounts over the useful lives, by equal installments,

| | |
|------------------------------|--------|
| Buildings | 6 2/3% |
| Motor Vehicles | 25 % |
| Plant, Machinery & Equipment | 50 % |
| Furniture & Fittings | 25 % |

No depreciation is provided on Property, Plant and Equipment (other than Land) in the year of purchase, whilst full year depreciation is deducted when disposal. At the end of depreciation process, 10% of the current written down value of the Property, Plant and Equipment is retained as book values.

3. Inventories

All inventories have been valued at the cost.

4. Debtors and Receivables

Debtors are stated at book values.

5. Liabilities and Provisions

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

5.2 Gratuity

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

Accident Investigation Fund

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

Staff Welfare & Social Security Fund

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

6. Income Tax

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

7. Cash and Cash Equivalents

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

8. Government Grants

The value of the Government Grant reflects, Assets transferred from Department of Civil Aviation at the time of formation of the Authority less accumulated depreciation.

| | | | |
|------------------------------------|---|-----|---------------------|
| Government Grants as at 01.01.2008 | - | Rs. | 12,141,624.67 |
| Less: Charges for the year 2008 | - | Rs. | <u>1,047,377.57</u> |
| Government Grants as at 31.12.2008 | - | Rs. | 11,094,247.10 |

9. Treasury Current Account

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

| | | | |
|--|---|-----|----------------|
| Airport and Aviation Services (Sri Lanka) Ltd. | - | Rs. | 117,858,666.67 |
| Tourism Development Fund | - | Rs. | 58,929,333.33 |

10. Post Balance Sheet Events

No circumstances have 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 (2007) transactions.

| | Debit (Rs.) | Credit (Rs.) |
|--|------------------------|-------------------------|
| <i>Staff Expenses</i> | | |
| Other Allowances: | | |
| Transport Allowance | 4,358.00 | |
| Professional Allowance | 140,000.00 | |
| Leave Encashment | 80,215.23 | 80,930.34 |
| PAYE Tax | | 758.20 |
| Bonus | 17,850.00 | 6907.90 |
| <i>General Operating Expenses</i> | | |
| Board Payments | 6,000.00 | |
| Telecommunication | 29,967.90 | |
| Subscriptions / Publications / Newspapers | 10,000.00 | |
| Printing Expenses | | 5,479.00 |
| <i>Miscellaneous and Other Expenses</i> | | |
| Miscellaneous Expenses | 33,850.00 | |
| <i>Common Expenses</i> | | |
| Maintenance of Office Building & Quarters: | | |
| Electricity | 4000.40 | |
| Income Tax | 1,348,544.00 | 120,383.00 |
| <i>Government Grant</i> | | 441,323.57 |

12 Reporting Format

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