



CAYMAN ISLANDS
GOVERNMENT



Civil Aviation Authority of the Cayman Islands Annual Report for the period July 2008 to June 2009

Laid of the Table of Legislative Assembly on this day of 20_____



1.0 Introduction

1.1 The Civil Aviation Authority of the Cayman Islands (CAACI) is a statutory authority governed by the Civil Aviation Authority Law (2005 Revision). The primary function of the Authority is to maintain effective regulatory oversight (both technical and economic) of all aviation activities within the Cayman Islands to ensure the safety of air navigation and aircraft in accordance with the standards and recommended practices of the International Civil Aviation Organisation. This includes registration of aircraft, the regulation of air traffic services, the certification of operators of aircraft and licensing of air crews, the licensing of air transport services, and the certification and licensing of airports.

1.2 The Authority is governed by a Board of Directors that is responsible for the policy and general administration of the affairs and business of the Authority. Regulatory oversight matters are carried out in accordance with the powers conferred on the Governor through the Air Navigation (Overseas Territories) Order and delegated to the Director-General.

1.3 The Authority is financed through fees charged for its regulatory activities in accordance with the Air Navigation (Fees) Regulations 2006. The main revenue streams are fees charged for the certification and licensing of aerodromes, aircraft registration and certification of air transport operators. The Authority is financially sustainable and is currently not dependent upon any Government subsidy. The healthy financial state of the Authority can be attributed to the stewardship of the Director-General, an effective senior management team, dedicated employees and a supportive Board of Directors.

2.0 Board of Directors

2.1 Appointees to the Board are:

Ms. Sheridan Brooks-Hurst	Chairman
Mr. Kirkland Nixon	Deputy Chairman
Mrs. Satina DaCosta-Cottam	Director (resigned in 2009)
Mr. Christopher Bodden	Director
Mr. Morris Garcia	Director
Mr. William McTaggart	Director

2.2 Meetings of the Board

The Board held regular meetings on the following dates:

- i) 22 August 2008
- ii) 19 September 2008
- iii) 21 November 2008
- iv) 22 January 2009 (no quorum, meeting notes subsequently accepted as official record of discussions)
- v) 19 March 2009
- vi) 21 April 2009
- vii) 28 May 2009

2.3 Board Decisions and Policies

- i. The Authority should explore alternative accommodations for long-term office accommodation needs that better suit its corporate image and business model.
- ii. Acceptance and approval of the CAACI Strategic Plan which took a triennium approach to work plan and budget for the period 2008 – 2011.
- iii. Approved for the CAACI to contribute CI\$10,000 to the Recovery Fund specifically earmarked for Hurricane Paloma victims in the Sister Islands.
- iv. Board Resolution: Joni Wood be added as an additional signatory for transactions up to \$5000.
- v. Agreed to conduct measurable and objective annual performance appraisals for the DGCA.

3.0 Personnel & Administrative Matters

3.1 Staffing – changes to the staff compliment for the period of July 1, 2008 – June 30, 2009 as follows:

Staff complement at June 2009 - 18
 Staff resigned – 3 (Director of Air Navigation Services, Aviation Safety Officer, and Manager of Airworthiness)
 Staff retired – 1 (Director of Air Safety Regulation)
 New staff hired during this period – 2 (Accounts Officer II and Technical Administrative Officer)

3.1.1 The current staffing brings us to full capacity with no vacant posts at this time as well as over the capacity for the current office accommodations.

3.1.2 Various training sessions for both technical and administrative staff were conducted during the course of the year to ensure that technical staff maintained competences and received regulatory training as required. Administrative staff training was also conducted to improve skill sets and increase productivity and efficiency.

3.1.3 The Performance Incentive Benefits Module became effective July 2008 with the first version of the evaluation tool being utilized.

3.2 IT matters – continuous refinement of Citrix platform, DR and Business Continuity agreement with Brac Informatics. Other major IT developments include:-

- Transition to Server 2003 platform across Server Infrastructure
- Implementation of an Network-Wide system for updates and service pack releases
- Website, major restructuring; now in publishing, staged soft launch to staff

4.0 Technical report

4.1 Air Safety Regulation Division

4.1.1 The Air Safety Regulation (ASR) Division is responsible for the technical/safety regulation of the local air operator certificate holders and all aircraft on the Cayman Islands Aircraft Registry locally and internationally. Lead by the ASR team at head-office in Grand Cayman, there are also 3 contracted airworthiness surveyors located in the UK, 2 in Germany and 2 in the North American marketplace (including Canada) which support the required inspections and airworthiness surveys across the globe.

- ➔ Air Operator Certificate holders
 - Cayman Airways Ltd.
 - Cayman Airways Express
 - Cayman Island Helicopters
 - MRCU
- ➔ Aircraft Register
 - Aircraft Registered as of June 30, 2009: 181
 - Aircraft deregistered during that period 15

Geographical breakdown:-

Asia (include the Middle East) – 35
Europe – 118
Local – 16
North America (including Canada) – 9
South America - 3

4.1.2 The ASR division also provides key resources for the aviation tradeshow with senior technical personnel from the head-office in Grand Cayman as well as the UK office and at times contracted surveyors in attendance to speak on aircraft registration and on-going airworthiness and flight operations issues.

4.2 Air Navigation Services Regulation Division

- ➔ On-going oversight for the two licensed aerodromes: Owen Roberts International Airport and Gerrard-Smith International Airport on Cayman Brac.
- ➔ Resolution with the Cayman Islands Airports Authority (CIAA) for most of the 2008 audit findings.

- On-going liaison with the RCIPs and other stakeholders on the proposed Bodden Town heliport
- On-going liaison with the Ritz Carlton and Cayman Islands Helicopters (CIH) on the Ritz Carlton heliport; authorization to use has been granted to CIH with ongoing works to be completed in order for the site to meet full certification requirements.
- Completion and approval of the following CIAA manuals: Safety Management Systems, Aerodrome Vehicle Operator Program;
- Participation in the first phase of the pilot International Aerodrome Safety Database (IASD) project in conjunction with Transport Canada.
- Development of competencies and training plans for the post of Aviation Safety Officer in this division.

5.0 Economic Regulatory Report

5.1 Commercial Affairs Regulation & Administration (CARA) Division

5.1.1 The Commercial Affairs Regulatory division is responsible for the implementation and maintenance of appropriate economic regulatory policies and the associated procedures and processes for the Cayman Islands aviation industry. One of the main procedures of this division is the processing of air transport operating permits for foreign registered aircraft under the delegation of the UK Secretary of State. As such, all scheduled and non-scheduled commercial air transport operations are legally required to be duly licensed as per the Air Navigation (Overseas Territory) Order 2007.

5.1.2 During the period July 1, 2008 to June 30, 2009, the CARA division granted 322 non-scheduled operating permits to foreign carriers for varying purposes such as executive charters and air ambulance operations. This represents a 33% increase over the previous period. This increase can be attributed to effective communication to industry on the regulatory requirement and increased monitoring and cooperation between the service providers and the regulator. Also renewed on a seasonal scheduled basis (summer renewal) were seven (7) operating permits for foreign registered carriers. One operating permit (carrier to operate between Grand Cayman and Honduras) was revoked in January due to the operator failing to comply with requirements. To support this level of activity, there has been continued liaison with the Cayman Islands Airports Authority (CIAA) for monitoring of these air transport operations under a related MOU between the two authorities as well as an informal agreement with Island Air (FBO service provider) to assist with monitoring and enforcement of the regulatory requirement for those operators which utilize Island Air's handling services.

5.1.3 The DCARA also took an active role in the negotiations of air service agreements during this time as a liaison between the Cayman Islands Government and the UK DfT and Cayman Airways, Ltd. Of particular note are the on-going discussions pertaining to the renegotiations of the UK (OT's) – US air service agreement (which is mirroring the liberal open skies policy that the US promotes when negotiating with other foreign countries); as well as re-negotiation and updating of the of the UK – Cuba air services

agreement in April 2009. There was also a lead role taken in assisting the national flag carrier, CAL, in being designated by the UK under the existing bilateral agreements to operate services between Grand Cayman and Honduras.

5.1.4 Other noteworthy CARA activities related to marketing and promotion initiatives that took place during the year include:

- Attendance at the 61st NBAA Annual Convention in Orlando, FL (Oct 6-8); potential exposure to over 30,800 attendees, 1186 exhibiting companies, 507 members of the international press to raise the awareness of the CI Aircraft Registry and the asset management services of the jurisdiction. Joining the CAACI at NBAA were local aviation, legal and financial services firms.
- Attendance at the European Business Aviation Conference Exhibition (EBACE) in Geneva, Switzerland; this smaller tradeshow is important as it is in the leading region (Europe) for aircraft on the CI registry. At the 2009 tradeshow there were 10,917 attendees, 411 exhibitors and again there were immediate positive results with new aircrafts being registered as well as the opportunity to host critical meetings with aircraft owners and operators. Again, the CAACI were joined by local legal firms and the Cayman Islands Shipping Registry in this collaborative effort.
- Partnership with the Maritime Authority of the Cayman Islands (MACI)/ Cayman Islands Shipping Registry (CISR) at their yachting industry tradeshow to capitalize on the synergy between target markets of private aircraft owners and luxury yacht owners as they are in the same demographic segment of the market - the CAACI attended the Monaco Yacht Show in Sept 08. This show is the premiere show for owners, manufacturers, designers, decision-makers and operators of luxury super yachts, mainly over 25 meters in length.
- Partnership with the Maritime Authority at the Fort Lauderdale International Boat Show to again capitalize on any synergies to promote the CI Aircraft Registry.

6.0 Financial report

6.1 Revenues

6.1.1 Aircraft operations income includes aircraft registration fees, regulatory oversight charges, and flight crew and maintenance personnel licensing fees. At June 30, 2009 there were 178 aircraft entered on the Cayman Islands aircraft register, this translates to a net increase of 27, or a growth rate of 18% in the past year. Many of the aircraft registered within the past year were larger aircraft, drawing larger fees. Seven of the aircraft registered in the past year were large aircraft chartered by National Air Services, a commercial airline operating out of Saudi Arabia under Article 83 bis of the Convention of International Civil. Survey revenue from these additional aircraft has generated the bulk of the increase over the budgeted aircraft licensing revenue. Although

the increase in revenues have tapered off between revenues reported in years ended 2008 and 2009, we are still showing a modest increase in revenues to date as well continued interest in new aircraft registrations.

6.1.2 To further enhance growth and revenues, it is planned to continue the Authority's promotional activities at the NBAA (October 2009) and EBACE (May 2010) aviation tradeshows in the USA and Switzerland, respectively. The Authority also plans to attend and promote the aircraft registry at the Cayman Islands Shipping Registry's tradeshow in Monaco in September 2009.

6.1.3 Aerodrome certification and licensing revenues are derived from charges for the certification, licensing, inspection and regulatory oversight of airport, air traffic control and air navigation services. An MoU between the CAACI and CIAA provides for the CIAA to pay the CAACI a fixed annual sum of \$1M for regulatory oversight of the ORIA and GSIA activities. The MoU expired 30 June 2009, however, the DGCA and CEO CIAA have initiated talks to renew the MOU with a view of maintaining the same annual sum for a specified period.

6.2 Expenditures

6.2.1 Recurring expenditure

6.2.1.1 Personnel costs form the largest part of the Authority's recurring expenditure. CAA realised savings on personnel costs at the end of June 30, 2009 compared with the budget for this period. The largest part of the savings is due to the resignation of the Director of Air Navigation at the end of October 2008 whom to date has not yet been replaced. Savings were also realised on training budgeted for but not taken and also staff health insurance and co-pay costs were not as high as anticipated.

6.2.1.2 Overseas Contract Surveyors and UK Office costs include the cost for all 3 full time and 1 part time UK surveyors, 2 part time German surveyors, 1 Canadian surveyor and 1 USA surveyor . The cost also includes UK office rent, supplies and maintenance. The savings in this area are largely due to the favourable £ to US\$ exchange rate in the latter part of the year. This rate dropped from 2US\$:1£ at the beginning of July 2008 to 1.65US\$:£1. Our GBP transactions are converted to US\$ rates and then to CI\$ rates. The gain is reflected in the expense itself and not in an exchange gain account.

6.2.2 Capital expenditure – Savings of \$10,000 in comparison with the budget were also realised in this area.

6.3 Summary

6.3.1 The CAACI realised an overall net income of CI\$1,960,000 during the financial year ended June 30, 2009, which is \$1,215,000 over the budgeted net income for the year or a 163% increase over the expected \$745,000. This is the result of achieving revenues totalling \$553,000 more than expected and a savings on projected spending of \$692,000. The largest part of the increase revenue is from surveys and certifications on the

increased amount of larger aircraft. The largest part of savings in expenditure occurs in personnel, which is explained in the previous paragraphs. However, there were savings realised in every area of expenditure due to various different cost savings measures put in place as well as currency exchange gains in the UK office which are shown as a reduction in expense.

Appendix A

Comparison of 2008/09 budget with actual results to June 30, 2009

2008/09 Budget \$'000	2008/09 Actual \$'000	Over/ (under) CI\$000	CLASSIFICATION	Remarks
			<u>REVENUE</u>	
3,159	3,712	553	Aircraft certification, licensing and regulatory oversight	Increase in continuing aircraft surveys due to prior years increase in registration
166	154	(12)	Air operator permit approval	Decrease in larger aircraft requiring operating permits which generate higher revenue.
1,000	1,000	0	Aerodrome certification and licensing	MoU between CAACI and CIAA re oversight charges.
42	94	52	Bank interest	\$2m in Fixed deposits were locked into to a reasonable rate before interest rates started rapidly declining
4,367	4,960	593	Total revenue	13.6% increase over budgeted revenues
			<u>RECURRENT EXPENDITURE</u>	
2,270	1,941	(329)	Personnel costs	Salaries, bonus, pension, health, training
92	98	6	Travel costs-Admin & Training	Travel Costs for administration, training
80	48	(32)	Travel costs – Marketing only	Attending tradeshow in USA, Europe and Middle East.

100 (previously included some travel)	46	(54)	Marketing & promotion supplies/materials	C.I. aircraft registry – registration costs, booths, brochures, promotional items
79	48	(31)	Contracted services	IT, Office Cleaning and technical contracts
68	59	(9)	Utilities	Telephone, water & electricity: Landline switched to Digicel
50	58	8	Insurance	Indemnity, property, liability & vehicle
20	0		Legal Fees	Legal fees, general consultancy, subscriptions, staff work permits
65	62	(3)	Professional Fees, dues, subs	
46	29	(17)	Work permit fees	
136	137	1	Office rental, maintenance, etc	Grand Cayman Office rental & Maintenance
396	312	(84)	Overseas Contractors & UK office costs	Rent, full time and part time contract surveyors' salaries, office supplies and maintenance
35	18	(17)	Office supplies	Printing, stationery & consumables
46	29	(17)	Other general & admin costs	Advertising, computer and website costs and bank charges
20	13	(7)	Vehicle operation	Operation, maintenance & upkeep
35	27	(8)	Client and staff relations/goodwill expenses	DGCA entertainment, Christmas party, special meetings and staff events.
0	10	10	Donations	Donation to Hurricane Paloma relief in Brac
9	5	(4)	CAA Board	Payment, meeting supplies, travel, etc.
3,547	2,940	(607)	Total recurrent expenditure	17% under budgeted expenditure.
820	2,020	1,200	Net Cash Inflows	
			<u>OTHER EXPENDITURE</u>	
75	59	(16)	Depreciation	Depreciation on Furniture, Fixtures, Computers, Office equipment & Leasehold Improvements (Non Cash

				expense)
	1	1	Loss on retirement and upgrade of ID Equipment	
745	1,960	1,215	Net Income	163% increase over budgeted income
			<u>CAPITAL EXPENDITURE</u>	
20	18	(2)	Furniture & Fixtures	Replacement furniture, filing cabinets
			Leasehold improvements	Improvements/upgrades to Grand Harbour and UK offices
20	12	(8)	Computers, Equipment & software	Additional staff computers, replacement copier
40	30	(10)	Total capital expenditure	
3,662	2970	(692)	Total expenditure including depreciation and Fixed Assets expenditure	19% under budgeted expenditure.