



**Annual Report  
July 1, 2008 through June 30, 2009**

**Introduction**

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.

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.

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.

**Board of Directors**

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

**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, notes accepted as official record of discussions)
- v) 19 March 2009
- vi) 21 April 2009
- vii) 28 May 2009

### **Board Decisions and Policies**

- i. The Authority should explore alternative accommodations for long-term office accommodations needs that better suit its corporate image, 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. Financial audits completed within this time include \_\_\_\_\_ -
- vi. Commencement of transparent objective process for annual appraisals for the post of Director-General.

### **Personnel & Administrative Matters**

Staffing – some 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)

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

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 required regulatory training as needed and administrative staff training was conducted to improve skill sets and increase productivity and efficiency.

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

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, stage soft launch to staff

### **Technical report**

#### Air Safety Regulation Division

The Air Safety Regulation (ASR) Division is responsible for the technical/safety regulation of the local and international air operator certificate holders and all aircraft on the Cayman Islands Aircraft Registry. 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.

- Safety Oversight Audits Conducted
  - 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

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.

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 Safety Aviation Officer in this division.

**Economic Regulatory Report**

Commercial Affairs Regulation & Administration (CARA) Division

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 as per the Air Navigation (Overseas Territory) Order 2007 to be duly licensed.

In the period of 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 an increase of 80 additional operating permits that can be attributed to not only an increase in applications but also increased communication 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 work 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.

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 in 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 into Honduras.

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

- Attendance at the 61<sup>st</sup> 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. In the 2009 tradeshow there were 10,917 attendees, 411 exhibitors and again there were immediate track able 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.

## **Financial report**

See Appendix A

## **Financial Summary**

CAACI realized a net income of 140% over the budgeted amount for the year ended June 30, 2008. This is due in a large part to the significant increase of (44%) in Aircraft Certification and Licensing fee revenue over the budgeted amount. This increase in revenue is mainly attributed to the implementation of The Air Navigation (Fees) Regulations in December 2006. Budgeted amounts had been conservative as the new fees had just recently been implemented when the budget was being developed. The increased net income is also due in part on savings in some expense areas such as personnel. The financial results for the year ending June 30, 2008 with comparisons with the related budget and the coming year's budget are detailed in the attached appendix.

## **Summary**

For the period July 1, 2007 through to June 30, 2008 the CAACI has seen growth in its regulatory areas and growth in the aircraft registry. The Authority have refined its administrative policies, procedures and processes and remains committed to its regulatory obligations and in promoting efficiencies for safe aviation operations in the territory.

**APPENDIX A****CIVIL AVIATION AUTHORITY OF THE CAYMAN ISLANDS**

Comparison of 2007/08 budget with actual 12 months to June 30, 2008 and further comparison with 2008/09

**Budget**

<b>2007/08 Budget \$'000</b>	<b>2007/08 Actual 12mths</b>	<b>Over/ (under)</b>	<b>REVENUE CLASSIFICATION</b>	<b>2008/09 Budget \$'000</b>	<b>Remarks</b>
<b>Revenues</b>					
2,415	3,489	1,074	Aircraft certification, licensing	3,159	Increased aircraft registration activity.
155	155	0	Regulatory oversight of local operators	195	
150	151	1	Air operator permit approval	166	Estimated increased activity.
1,000	1,000	0	Aerodrome certification and licensing	1,000	MoU between CAACI and CIAA re oversight charges.
12	54	42	Bank interest	42	
<b>3,732</b>	<b>4,849</b>	<b>1,117</b>	<b>Total revenue</b>	<b>4,562</b>	
<b>2007/08 Budget \$'000</b>	<b>2007/08 Actual 12 mths \$'000</b>	<b>Over/ (under)</b>	<b>EXPENSE CLASSIFICATION</b>	<b>2008/09 Budget \$'000</b>	<b>Remarks</b>
<b>Recurrent Expenditure</b>					
1,938	1,770	-168	Personnel costs	2,270	Salaries, bonus, pension, health, training
101	139	38	Travel costs-Admin & Marketing	172	Travel Costs for administration and marketing of the registry
55	53	-2	Contracted services	79	IT, Office Cleaning and technical contracts

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Appendix A Cont'd					
2007/08 Budget \$'000	2007/08 Actual 12 mths \$'000	Over/ (under)	EXPENSE CLASSIFICATION	2008/09 Budget \$'000	Remarks
<b>Recurrent Expenditure</b>					

65	65	0	Utilities	68	Telephone, water & electricity
50	37	-13	Insurance	50	Indemnity, property, liability & vehicle
15	39	24	Legal fees	40	Fees paid to attorneys for representation
25	40	15	Professional fees, licenses dues and subscriptions	45	Audit fees, actuarial fees, prof dues and subscriptions

34	45	11	Work Permit fees	46	Annual work permit fees
6	12	6	Bank charges	6	Variable bank charges – cheque processing, wire tfr charges, ccard fees
134	123	-11	Office rental, maintenance, etc	136	Grand Cayman Office rental & Maintenance
50	43	-7	UK office rent, maint& supplies	56	UK office costs
290	357	67	UK - full time contractors fees	215	Overlap of D Clutton and J Warrington; M Cowlard/Goodliffe

Appendix A Cont'd					
2007/08 Budget \$'000	2007/08 Actual 12 mths \$'000	Over/ (under)	EXPENSE CLASSIFICATION	2008/09 Budget \$'000	Remarks
<b>Recurrent Expenditure</b>					

75	76	1	UK - part time contractors fees	125	H Weiser, M Moehle, J McBeth, Cowlard (to part time)
20	18	-2	Office supplies	35	Printing, stationery & Consumables
32	27	-5	Other general & admin costs	40	Advertising, computer and website costs – unexpected website upgrade charges
15	15	0	Vehicle operation	20	Operation, maintenance & upkeep
45	15	-30	Marketing & promotion supplies/materials	100	C.I. aircraft registry – booths, brochures, promotional items
20	20	0	Partner relations and staff socials	35	DGCA client/partner relations (\$5,000), Christmas party, special meetings and staff events.
6	8	2	CAA Board	9	Member Stipend, meeting supplies
<b>2,976</b>	<b>2,902</b>	<b>-74</b>	<b>Total recurrent expenditure</b>	<b>3,547</b>	
<b>756</b>	<b>1,947</b>	<b>1,191</b>	<b>Net Cash Inflows</b>	<b>820</b>	



2007/08 Budget \$'000	2007/08 Actual 12 mths \$'000	Over/ (under)	EXPENSE CLASSIFICATION (Non Cash)	2008/09 Budget \$'000	Remarks
16	87	54	Depreciation	75	Depreciation on Furniture, Fixtures, Computers, Office equipment & Leasehold Improvements. Budget was largely understated
0	78	78	Bad debt expense		Adjustment to bad debt provision
<b>740</b>	<b>1,782</b>	<b>1,059</b>	<b>Net Income</b>	<b>745</b>	
2007/08 Budget \$'000	2007/08 Actual 12 mths \$'000	Over/ (under)	Capital Expenditure	2008/09 Budget \$'000	Remarks
0	9	9	Vehicle purchase		
10	33	23	Furniture & equipment - Board Room and DGCA	20	Promotional equipment and furniture for additional staff.
0	15	15	Leasehold improvements - new office space :Grand Harbour		
10	20	10	Computers & software- Server upgrade and Citrix ;addtl staff computers	20	Server Upgrades, Citrix and additional staff computers
<b>20</b>	<b>77</b>	<b>57</b>	<b>Total capital expenditure</b>	<b>40</b>	
<b>3,012</b>	<b>3,144</b>	<b>115</b>	<b>Total expenditure including depreciation, bad debts provision and Fixed Assets expenditure</b>	<b>3,662</b>	

## Explanatory Notes to Financials

### REVENUES

- **Aircraft certification and licensing** – this includes all registration fees, certification, licensing and surveyor fees of all aircraft registered with the CAACI. The revenue of \$3.489 million represents a 44% increase over the projected revenue for that period. The growth in revenue represents a combination of net increase in actual aircraft on the register and the results of the implementation of the new fee schedule in December 2006. There was a net increase of 29 aircraft registered during the year ended June 30, 2008 compared to 27 in the prior year. This indicates that a large part of the revenue growth is due to the implementation of the new fee regulations. We have also been attracting larger aircraft on the register in the past year. As a result of the new fee schedule, the fees for the Certificate of Airworthiness are now better correlated to the weight of the aircraft.
- **Regulatory oversight of local operators** – this represents regulatory oversight charges for all local operators such as Cayman Airways, Cayman Express, MRCU and Cayman Islands Helicopters. This amount is fixed per year as per the 2006 fee regulations.
- **Air Operator Permit Approval** – this represents permits issued for all scheduled and non-scheduled charter flights into and out of the Cayman Islands. This amount equals what was budgeted for the year.
- **Aerodrome Certification and Licensing** – this represents charges for the certification, licensing, inspection and regulatory oversight of airport, air traffic control and air navigation services. An MoU signed 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 is effective from 1 July 2006 for a period of three years after which time it will be reviewed.
- **Bank interest** – represents interest on fixed deposits held for the year. Budgeted amounts are conservative due to the uncertainty of the continued holding period of these deposits and future interest rates.

### EXPENSES

#### RECURRENT EXPENDITURES

- **Personnel costs** - Personnel costs, as expected, form the largest part of the Authority's recurring costs. We actually experienced a savings on personnel costs at the end of June 30, 2008 compared with the budget for this period. This is largely due to posts that were budgeted for the full year not being filled until January and February 2008.
- **Travel costs for Administration and Marketing** – this expense item represents mainly promotional travel on behalf of the registry along with travel for training and representation at ASSI and other Aviation conferences. Surveyors travel costs pertaining to certification of aircraft are not included here and have been netted off against the certification and licensing revenue. There was a slight increase over the budget in this area due to the increased cost of travel.
- **Contracted services** – this item represents local contracts for IT and web support services, office cleaning and technical support services for the Air Navigation Services and Air Safety Regulations divisions. This expense was on target with the budget.
- **Utilities** – This represents expense for electricity, water and telephone for the year. These expenses were also on target with the budget.
- **Insurance** – this amount is the insurance premium charged by the Risk Management department of the Cayman Islands Government for professional indemnity, property, liability and vehicle insurance for the year.
- **Legal fees** – this amount represents fees paid to two different UK firms of attorneys for negotiation and settlement of severed contract of a UK based contractor.
- **Professional fees** - this amount represents fees paid to Cayman Islands Government Audit office for audit fees, Public Service Pensions Board for actuarial valuations and professional dues and subscriptions. These expenses exceeded the budget as we did not anticipate the charges for the accounting review work performed by the Auditor

- General's office or the charges by the PSPB. All professional fees were paid to other governmental agencies.
- **Work permit fees** - these fees were expended for 6 local employees and contractors currently on work permit
  - **Bank charges** – these are charges by banks for wire transfers overseas, monthly cheque processing charges, wire transfers in from clients and credit card commissions. The expenditure was more than anticipated due to having to write-off old customer balances where wire transfers were received short due to intermediary bank charges.
  - **Office rental and Maintenance GCM** – this expense represents rent paid to Cayman Grand Harbour for the year as well as office maintenance costs. This expenditure was under the budgeted amount due to the budget being prepared before the final rent cost was negotiated.
  - **Office rent and maintenance UK** – this expense represents rent paid to the Cayman Island Government Office in the UK from July 2007 through June 2008. This amount also came in under the budgeted amount due to the budget being prepared before the final rent cost was negotiated.
  - **UK full time contractors' fees** – this item represents fixed fees paid to UK contractors for the year ended June 30, 2008. This amount is over budget due to an overlap of fees paid to the severed contractor and his replacement.
  - **UK part time contractors' fees** – this items represents fees paid to UK contractors based on time worked. This expense was on target with budget. Next year's budget is increased due to one of the full time employees moving to part time.
  - **Office supplies, vehicle operation costs and other general and admin costs** – general office operating costs. We realized a slight savings in relation to the budget on these items.
  - **Partner relations and staff socials** – this line item represents expenditures to host client/partner events and quarterly and annual staff socials. This expenditure was on target with the budget.
  - **CAA Board expenses** – this represents payments made to board members per meeting stipend, and cost of meeting supplies.
  - **Non Cash Expenditures**
  - **Depreciation** – this expense item relates to depreciation taken on Leasehold Improvements, Vehicles, Furniture, Fixtures and Computers and Office Equipment. The expense exceeds the budgeted amount as the budgeted amount was understated when it was submitted and passed by the Board.
  - **Bad Debt expense** – this represents an additional allowance for possible uncollectible accounts assigned to us in the separation of assets and liabilities of the old CAA. A large part of this balance is due from Government departments and agencies. Communication is ongoing with the Financial Secretary.
  - **Capital Expenditure**
  - Capital Expenditure for the year ended June 30, 2008 exceeded the budget due mainly to no allowance been made for leasehold improvements and the new Citrix system and related server upgrades.