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SriLankan Airlines chartering a course towards a sustainable future

(Island.lk) - The national carrier SriLankan Airlines' focus on re-structuring its operations to effect a turnaround is recording a significant reduction in losses, coupled with a rationalization of routes and aircraft.

Stringent cost controls underscored by heightened accountability and transparency have been cornerstones of the new strategy. The new management, supported by the incumbent government, is successfully shedding its past legacy as a loss-making institution by adopting a leaner approach and making strategic moves to strengthen its position as a leading regional airline. In the Financial Year ending 31st March 2016, the airline recorded a significantly improved performance compared to the previous year. Despite many challenges still remaining, it is encouraging to note that the airline's performance in the first five months of the current financial year has seen a similar trend of improved performance. At the end of the last financial year, without the 'one-off' payment relating to cancellation of the lease of one A350 aircraft, the airline's Group Loss stood at LKR 9.03 billion, which represents a 45%

improvement for the 2015/16 financial year compared to the previous year. The net loss after taking the 'one-off' item into consideration is LKR 11.59 billion, compared to the net loss of LKR 16.33 billion during the previous year. The performance for the first five months of the current financial year witnessed a 37% improvement, with a lower Group Loss of LKR 2.32 billion compared to the previous year's Group Loss of LKR 3.71 billion. The interest cost alone for this period was LKR 2.53 billion. Whilst the steep drop in fuel prices contributed to the improved performance of the previous year and the first five months of the current financial year, this benefit was significantly eroded with the airline's declining revenue. This is due to the addition of capacity to the Colombo market by other airlines, accompanied by a dramatic drop in airfares in certain markets. The performance was further impacted by the depreciation of the Sri Lankan Rupee. In fact, it has been impacted by a loss of LKR 1.03 billion just for the five months of this financial year alone. It is also a significant fact that the airline carries a

huge finance cost, which again contributes to the increase in the Group's Loss. The total interest bearing liabilities as at 31st August 2016 to banks/ financial institutions is USD 478.5 million (LKR 69.7 billion). The interest cost for the current financial year is estimated at LKR 6.2 billion. As part of the restructuring of the airline, the GOSL is expected to restructure the balance sheet by taking off this debt, which substantially will improve the financial position of the Company. Re-structuring an airline is no easy task. Re-structuring a legacy airline towards making it a sustainable entity is even more challenging. Therefore, given the complexity of the business, the re-structuring is being approached in a responsible manner in consultation with the shareholders. In a bold and informed step, the airline, in conjunction with the relevant government authorities, reversed the A350 aircraft deal which was signed in 2013.



SriLankan Airlines Chairman Ajith Dias and CEO Capt. Suren Ratwatte at last week's news conference. (Pic by Nimal Dayaratne)

After careful consideration of a multitude of factors, including current and foreseeable future market conditions, the onset of fierce competition, the inherited adverse financial situation of the company, and the very high lease rentals of the A350 aircraft, it became clear that these aircraft could not be operated economically. **SEE P8**

Joint Opposition hold rally in City of Gems
The Joint Opposition consisting of SLFP dissidents and several UPFA constituents held a massive rally in Ratnapura on Saturday under the patronage of former President, Mahinda Rajapakse. Pix by Krshan Kariyawasam See inside for more pics.



A section of the massive crowd

Sri Lankan & Indian Prime Ministers agree to sign ETCA by year-end

(FT.lk) - New Delhi: India and Sri Lanka will sign the Economic and Technology Cooperation Agreement (ETCA) by the end of this year, Sri Lankan Prime Minister Ranil Wickremesinghe, said on Thursday. Addressing the India Economic Summit organised by the World Economic Forum (WEF), Wickremesinghe said, "The key thrust is our trade policy. Small domestic markets are insufficient to sustain growth. Therefore a shift to greater export orientation is required to achieve a growth of 8%. Hence our trade policy will focus on gaining access into the large markets," he explained. "We are cognisant that the economic asymmetry between Sri Lanka and India is going to increase in the future when the latter emerges as a major global player in the increasingly multipolar world. The India Sri Lanka FTA will be further expanded and deepened to go beyond trading goods to cover trade in services, investments and technology cooperation," Wickremesinghe said. The Proposed Economic and Technology Cooperation Agreement will be signed by the end of this year, he said, adding that the ministers on the two sides are currently working on it. "Prime Minister Modi and I decided we must conclude it by end of this year." He pointed out that ETCA offers a strategic economic advantage to Sri Lanka and to the five fastest growing southern Indian states. "These five southern Indian states Karnataka, Andhra, Tamil Nadu, Kerala and Telangana have a population of 250 million people and a combined GDP of \$ 450 million. With the addition of Sri

Lanka's 22 million at \$ 80 billion economy, the GDP in this sub regional economy will cross \$ 500 billion," he said. He added that along with the free trade agreement between Sri Lanka and Singapore, the Comprehensive Economic Partnership Agreement (CEPA) between India

and Singapore and the ETCA between India and Sri Lanka will establish a tripartite agreement for trade and investments. Speaking about Sri Lanka's economic policy, the Premier said the better performing Asian economies allow Sri Lanka the space to carry out major reforms. **SEE P10**


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