

# Embracing SriLankan



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Since its inception the national carrier SriLankan Airlines has been continuously evolving, facing challenges and coming out strong. With the Government becoming the majority shareholder in July 2010, the Airline has been re-energised with a truly Sri Lankan management leading it to the fore. With the first half of the year showing positive returns SriLankan Airlines is poised to take off while taking centre stage in the Aviation Hub envisaged in the vision for Sri Lanka.

Manoj Gunawardena, has been with the organisation for 30 years and was appointed as the CEO of SriLankan Airlines in 2008. His vast knowledge and experience have enabled him to steer the Airline to stable grounds during stormy weather. With a bright future in the horizon, Manoj Gunawardena spoke to Business Today about the achievements of the Airline and the future plans as SriLankan Airlines becomes a truly Sri Lankan brand embraced by the people of the nation.

**By Udeshi Amarasinghe | Photography by Mahesh Bandara and Prabhath Chathuranga**

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**To begin with, you have been very quiet over the past couple of years and you have avoided the limelight. Can you tell us the reasons behind this?**

I may have been quiet during the past two years, but the Airline certainly has not. SriLankan received significant media exposure during this time and at times has been the talking point particularly due to the financial performances during the first year of the Airlines' operations after being taken over from Emirates.

Apart from financial performance the Airline's activities in service enhancement, product and network expansion, customer focus and peripheral yet increasingly important topics such as environmental approach to gender equality are some of the positive publicity we received. On the negative side, the slow growth rate, lack of aircraft and pilots, then the union issues. These together have merited enough column inches to keep the Airline in the public eye.

Therefore while I, as the CEO have been quiet, the Airline has been in the news. However, at every given opportunity, as the CEO it was my responsibility to represent the Airline; I have not taken a step back from meeting the media or projecting the view of the Airline.

Over two years ago, when I was appointed as the CEO I did make a number of public appearances, addressed a few meetings and gave a number of interviews. The intention then was to assure our multiple stakeholders that after the take over from Emirates management that the Airline is in the capable hands of the new management who were able to take the Airline forward and the Airline had a plan to progress.

Since then, I have let the Airline be in the forefront. I also believe that one must 'walk the talk'. Therefore, until such time the Airline is in a position to announce undisputed success in financial, operational and customer performance, there is much more work to do than just talk. Since the airline and our industry including the

tourism industry have been presented with stable conditions and growth prospects now, there is even more to do than what I envisaged when I first took over the position. That is why I readily accepted this interview. This interview I hope would be more to do with those plans and progress of the Airline.

I believe that no person even the CEO himself is bigger than the Airline. Therefore, I am happy to let the Airline be in the limelight and for me to take a backseat where publicity is concerned. Although my job makes me a public figure I am by nature a private person, my natural inclination is to keep a low profile and that personal attribute may be another reason.

In short the CEO is not the brand. A CEO no doubt is the brand ambassador and the brand's spokesperson but a CEO is not bigger than the brand, well that's how it is in our Airline.

**From the time of its inception the national carrier has continuously evolved, as its CEO are you content with the progress it has made so far?**

I do not think anyone in the Airline is content with the stage we are at today. For us, progress is continuous. Yes, we have made progress; we made progress from the time of Air Lanka, which was from 1979 to 1998 – two decades, during which time a quality Sri Lankan brand and a product was initially established, to lose it somewhat during the late nineties. We made progress during the time we were under Emirates – another decade, where modernity and sophistication was introduced to the Airline but sadly to lose the Sri Lankan identity.

Then, though the last two years were difficult, we were able to make progress. During the last two years we have certainly made progress in areas of financial discipline, keeping our costs under control. We have optimised our revenue management procedures so that we get the maximum from what we sell today, the Airline has invested in sophisticated high level decision management systems, therefore, the quality of our decisions have got definitely better over the years. These decisions may have been the reason for our survival during our industry's most difficult period.

For us, progress is continuous. But have we performed to our fullest potential? No.

Has the Airline done its maximum for the economy and the country? Not yet. Has the Airline delivered the best possible product to its customers? Not really. That is why I say that no one including myself in the Airline is satisfied.

I Am Now Very Confident That We Can Deliver What We Promised; Therefore, I Have No Hesitation In Releasing Our New Customer Charter In 2011, My Team Is Confident That They Can Deliver On Time. In 2011 We Do Not Want To Just Grow Bigger; We Want A Better Airline As Well.

Today, I am not happy with the progress we have achieved in terms of the product and customer focus. We were rated as a four star airline up to 2008 by Skytrax but was later downgraded to three star. The downgrading was definitely due to one particular area. That is our product. Admittedly our product, especially in the front cabin, in the business class is an aged product. While this is now being addressed, little can be done to accelerate the pace of development we have now undertaken due to supplier lead times in terms of aircraft interior products or the time of new aircraft availability.

We are certainly not happy with the progress made in the area of customer focus. After 30 years in the industry, the Airline must have an innate sense of customer focus. We feel that what we have achieved during the last 30 years is to achieve operational focus. Our people across the Airline strive to get the aircraft out on time, they do their best to make sure the bags and goods are loaded and passengers are checked in on time. They make sure that our aircraft and engines are working to its optimum and particularly the mechanical aspect of the craft is sound.

However, we have not looked at how the operations, the processes that we carry out, really affect our customer and how our customer has evolved over the past few years. My mission at this time is to bring customer focus back into the Airline.

There are a number of initiatives that we have started, some of which are product and service delivery related. To encapsulate all this, we have developed a customer charter, which spells out the Airlines obligations to our customer, and what a customer can reasonably expect from the Airline. It is a year late in implementation, but in 2011, it will be in place.

The reason why it was late and the reason for my frustration is that we had to overcome a number of challenges last year; challenges arising from the tremendous growth that we have seen in 2010, coming immediately after a period during which our industry had to contract. Obviously there were some areas where we were not constantly able to deliver up to our expectations, mainly caused by inadequate staffing; skilled staff for the airport, inflight, pilots, engineering and other areas.

**I am now very confident that we can deliver what we promised; therefore, I have no hesitation in releasing our new Customer Charter in 2011. My team is confident that they can deliver on time. In 2011 we do not want to just grow bigger; we want a better Airline as well.**

**When you were appointed in 2008, there would have been many challenges with the transfer of management. What were the challenges, and how were these overcome?**

The most immediate challenge was the prevalent business climate and the commercial performance of the Airline. It was not widely known that during the last year under Emirates management and also for many years of our 30 year existence, the Airline did not make money on its airline operation or air transport segment of the business. This was particularly evident during the last financial year of Emirates management during which period, due to increasing operating cost and decreasing revenue, the Airline had recorded a significant loss; over USD 50 million in its airline operations.

However, during the same year, there was a sale and lease back transaction of three of our aircraft, which was a one off transaction and the profit booked on that wiped out the loss. At the time that I was appointed as the CEO, my first challenge was to stem the significant loss that was continuing.

I was appointed during the month of May 2008 and between April and May, the Airline operations had made over USD 25 million unprecedented losses in just two months. My first priority was to stem this loss immediately; our existence very much depended on it. It was not surprising that some gave the airline only six months to survive, at that time.

On top of this, we had some added challenges during the management transfer. One is that Emirates decided to pull out the code share arrangements that SriLankan had with them giving very short notice, and that reduced our route network significantly, by almost 20 points immediately. And then, an even bigger challenge was that the frequent flyer programme – Skywards, in which SriLankan and Emirates were partners and which was the Airline's frequent flyer programme for almost a decade was suddenly not accessible to us, again with very short notice. In short, we not only had to look after our business and deal with the number of points dropping from our network, but also had to find a way to retain and engage our best and most frequent flyers.

**On Top Of The Challenges I Faced Right At The Beginning, There Was Also The Impending Global Recession During Which We Rightly Anticipated That We Had To Face A Very Depressed Aviation And Travel Market, We Faced Skyrocketing Fuel Costs, Thus When I Took The Job, The Future Certainly Looked Very Bleak.**

I began my tenure as the CEO with these challenges. We have from that time to date, during a two-year period, come a long way. We still have some of the fallout in a very small way, some residual issues from those changes – there are still a few points in our network, which we served earlier, which we cannot do today, because we have not been able to arrange an alternate code-sharing partner.

Furthermore, we have had a number of operational issues in establishing our frequent flyer programme, which thankfully have been resolved now after much difficulty and not so inconsiderable inconvenience to our customers. These were the challenges I faced right at the beginning. Then on top of that, there was also the impending global recession during which we rightly anticipated that we had to face a very depressed aviation and travel market, we faced skyrocketing fuel costs, thus when I took the job, the future certainly looked very bleak.

**At the time you took over, the situation in the country was also very fragile, the conflict was raging full scale and the LTTE had its own air wing. Can you tell us how the Airline kept its head high during this time?**

I must give credit to everyone who works for us, be it at the airport or at other offices. Not just that year but over the years, the Airline has had to deal with a number of incidents; attacks and air raids on the airport, the Central Bank attack where our offices were destroyed costing two precious lives of our own team. Even as far back as 1988 we had to overcome an act of terror, but given the history and challenging working situation, our team never faltered. In another country, in another place, if staff had to go through such traumatic or violent experiences, they would be demanding relief and even compensation. But in all these instances, sometimes just a few hours after the incident, everyone would turn up for work, they were resilient and undeterred, they never looked back and they did their best in all areas even against such adversity, that is the primary reason why the Airline is existing today.

From May 2008 onwards for a year this country saw the most intense period of the conflict. The constant surrounding pressure of the times, affected the business badly. On top of that operational cost increased significantly.

**During the first year after the SriLankan management took over the Group lost nine billion rupees. How did the Airline survive through this period?**

I mentioned the business was losing money rapidly and our funds were dwindling very fast during this time. Therefore, our first priority was cash preservation. If we did not preserve cash at that time, the Airline would have liquidity problems in less than six months and the business would not have survived without shareholder or Government intervention. To ask the Government as some of the affected international airlines did of their governments was unthinkable to our team. Cash preservation measures applied throughout the Airline, except for safety related activity. We combed through all other areas looking and implementing cash preservation measures.

Then at that time aviation fuel prices were skyrocketing as well, therefore managing the fuel cost was our other immediate task. Fuel saving programmes were key during that time which we implemented very successfully thanks to an enthusiastic “Fuel Management Team” and excellent co-operation of the operational teams including pilots.

Rationalising the business followed, we looked at all of our route performances and took a bold decision to suspend the loss making routes. No airline CEO wants to suspend or discontinue routes, neither did I, but we relegated our pride and put the route rationalisation measures in place quickly. By January 2009, our route rationalisation was in place, we weren't wrong there; many airlines including giants such as Singapore Airlines were to follow the exact same measures just a few weeks later.

Then each of us as stakeholders of the Airline; the management and the employees, made a personal sacrifice. In 2009 all employees globally went without any annual increase in salary. Some even voluntarily offered a pay reduction, worked for free, for example the engineers did their overtime work for free, senior management gave back two days salary every month to the airline, some took voluntary no-pay leave. Every member of the Airline still has a personal stake in the well being of the Airline. Ask our unions; they have time again demonstrated this virtue.

A personal stake is the most important ingredient in any survival plan; that immediately results in credibility, in our case increased credibility and increased confidence with our financiers.

Our survival was largely due to this commitment, the will and ownership, displayed by each and every member of the SriLankan team who had to make a personal sacrifice in terms of their salaries, increments, in terms of their facilities which were all curtailed or suspended, which gave a very strong message to our finances that the people in SriLankan take ownership of the problem as well as finding solutions to the problem.

The confidence that the Airline enjoyed and the backing it had among the financial and leasing organisations were critical in another efficiency measure that we put in immediately aftermath of the management take over.

In 2008, when the management was taken back, we had a fleet of Airbus A320s, which were nearing their operational maximum age; we started immediately to dispose our aged A320 fleet and brought in aircraft under two years, which brought down our maintenance costs. Financing of these aircraft was possible given our precarious financials at the time, due to the trust the financiers placed in the Airline

and the team.

The will to survive and personal sacrifice were personal attributes that helped us to survive, strict financial discipline and implementation of tough measures universally were the organisational attributes that saved us from being another failed government airline.

**When we look at the last financial year, there was the major oil crisis and many of the destinations were going through the economic recession. Through that, the Airline was still able to perform without being a drain on the financial resources, how was this achieved?**

I believe if we were to review the Airline's activity or achievements in the last two years, the key fact would be that in spite of the number of airlines in the world going for state aid, SriLankan did not take one cent of public money. We did not appeal to the Treasury for any handouts.

At SriLankan because of this position we took, we had to dig deep and hard into our own resources. Admittedly we had a cash reserve in 2008, but this cash reserve was dwindling very fast at the time that we took over from Emirates and as such there was not a substantial cash reserve for us to fall back on. With our concentration on cash conservation and all the business turn around measures taken, we convinced all our financiers to back SriLankan. SriLankan has never defaulted, and even during the most difficult times we did not intend to default on any payment.

The confidence of our financiers was not just based on our previous record. Throughout the whole period they kept a very close watch on our performance. Periodically they interviewed key members of the management, and they were reviewing the management accounts on a regular basis as they would do with in any credit analysis process. What was different in our case was that they trusted our commitment to turn around the business, even when the periodical management accounts did not reflect a turnaround.

Personal participation in the turnaround that I spoke about earlier is what I consider the most telling, most influential survival strategy that we implemented. It gave us credibility, not just the management but every member of the Airline – in the eyes of stakeholders and most importantly, in the eyes of those who were providing finance for our business.

**The Will To Survive And Personal Sacrifice Were Personal Attributes That Helped Us To Survive, Strict Financial Discipline And Implementation Of Tough Measures Universally Were The Organisational Attributes That Saved Us From Being Another Failed Government Airline.**

Satisfying the financiers was not the only thing we did to survive through recession, we worked to get everyone at SriLankan to realise that business was bad and that we need to work to make the business more stable. Why was it important to realise that business was bad? It is because even amongst our employees it was not evident to them that the Airline business in the Group was not making money. Some assumed that things will get better and the Airline would go on forever.

The majority of our staff had no understanding of the financials of the business. They definitely did not see the financials on a month-to-month basis even though they were shareholders at the time. Instead of letting them fall into a false scenario trap, we made them see and face the truth.

Then, we revamped the finance function with three clear aims to improve visibility and relevancy, to set increased accountability and to drive performance management in revenue generating units.

As a result relevant people in the Airline saw revenue figures every day, route results and company profit and loss at the end of every week, monthly accounts were finalised immediately after month end, and all staff had access to monthly financial performance. We framed our problems in the context of the Profit and Loss – and identified business activities that significantly impacted the Profit and Loss (P & L) and tasked people to fix them.

The real time financials and P&Ls called for real accountability, in a good P&L no one can hide. This was the reason that really catalysed the action on financially

significant activities. We at the time identified that one item with the biggest P&L impact was the passenger yield – which our industry measures per km. In a single minded pursuit of higher yields, the actual number of passengers carried was ignored. Airline's revenue management team only considered the P&L impact of carrying passengers. From a operational performance we shifted to a business performance – no more passenger numbers, just the route profitability.

With that we drove performance management in our revenue generating units. Everyone of our sales heads agreed to a demanding performance related rewards system, and that worked. Even in depressed markets, our sales heads that were critical for revenue generation performed well above the industry, for they too had a personal stake which was P&L driven.

We were aware that the easy way would have been to ask the Government for a hand out. I am happy that my team agreed to go the difficult way.

Doing the right thing paid dividends – except on one rare occasion when Bank of Ceylon obtained a Treasury guarantee for ten million dollars to cover certain exposure, no financial institution or banker who deals with us has asked for any additional security during this time. The Treasury guarantee obtained for ten million dollars has now been returned to the Treasury, as we met our obligations to Bank of Ceylon.

When our annual report for 2008/09 was released, there were many skeptics who looked at the performance and raised concerns and cast doubts about the existence and the continuity of the Airline. They also highlighted that the lessors could foreclose on our leases a few months down the line. I can very comfortably say that none of these have happened. The Airline is still continuing without being a drain on public finances. The lessors and the financiers have even more confidence in us.

**We Are In Very Good Shape Now, Stronger Than Ever Because We Now Have Internal Financial Discipline, A Very Lean Cost Structure, We Have Consolidated Our Businesses And We Have Taken All The Investment Decisions At The Right Time. We Are Now Stronger Than Ever To Deliver The Aspirations Of Sri Lanka And Our People.**

We have some of the world's foremost leasing companies and aircraft manufacturers who are offering us financing not on the basis that we are a government organisation, but on the basis of our financial discipline and personal commitment. The Airline today is attracting more lessors with higher value aircraft, without any significant requirement to increase in security or guarantees and that itself I believe is a testimony to what we have achieved during the most difficult time for the global aviation and tourism industry in Sri Lanka. It was also the most challenging time in the world economy. We got hit from all three sides and yes we got bruised. But, we are in very good shape now, stronger than ever because we now have internal financial discipline, a very lean cost structure, we have consolidated our businesses, and we have taken all the investment decisions at the right time. We are now stronger than ever to deliver the aspirations of Sri Lanka and our people.

**In July 2010 Emirates shares were fully taken over by the Sri Lankan Government thus making the Airline a truly national carrier. Can you elaborate to us as to why the Airline was brought back under the purview of the National Government?**

The future vision and the economic development plans of the Government of Sri Lanka identifies Sri Lanka as an Aviation Hub, which I believe cannot be realised without a strong home based Airline. For evidence look around us. Look at Singapore, Dubai or older European hubs. Everyone of them has a home carrier which led to the realisation of the hub. SriLankan Airlines needs to be that home-based airline, which would drive the aviation business in the country and provide the network and connectivity of Sri Lanka to the world.

Sri Lanka also needs to provide a multitude of aviation services of international standard in this envisaged Aviation Hub, which also should be a regional centre of excellence and a regional centre of knowledge in aviation related activity. SriLankan Airlines is well placed for this role even as a ground handling and maintenance service provider or an internationally recognised technical training facility.

In order to achieve this, being well placed or having the desire alone is not enough. Significant investment in infrastructure, equipment, business development and infusion of human capital are essential. Therefore, when the Government has aspirations, to build an Aviation Hub in Sri Lanka, then, naturally the Government or

policy makers would look to the country's airline which could make these aspirations a reality.

With significant shareholding outside Sri Lanka and a partner who did not display any strategic interest with the Airline in the last two years the Airline could not be expected to rise up and deliver on these aspirations. It was not in a position to commit on investment that would realise the aspirations of an Aviation Hub and the related economic activity.

**I Believe That The Government Took A Necessary And Timely Decision To Regain Control Of The Airline, So That The 95 Percent Holding Would Give The Government The Strength As The Main Significant Shareholder And The Right And Ability To Invest In The Airline.**

Even if you leave the Aviation Hub out and look at related industry aspirations, for instance Sri Lanka Tourism has a vision of bringing in two and a half million tourists by 2016. In order to bring in a large volume of tourists of that magnitude, a significant increase in airline capacity and air-seat capacity may be required. If SriLankan was not in a position to provide this capacity upfront, then there would have been a serious impediment to realising the vision of bringing two and a half million visitors to Sri Lanka.

**I believe that the Government took a necessary and timely decision to regain control of the Airline, so that the 95 percent holding would give the Government the strength as the main significant shareholder and the right and ability to invest in the Airline.**

**During the last two years, the Airline has focused on key areas of its business. Can you elaborate on this, and what is the strategy behind this?**

During the last two and half years we have gone through three stages, two business turnaround stages followed by a business transformation stage. The first stage was survival; which I earlier talked about. As I said before, during the survival phase priorities were cash and revenue.

The second stage of the business was consolidation. Once we had taken the immediate measures and survived, then we had to consolidate our business over a

period of time. The consolidation of our business actually happened in the second year – 2009.

The reason why we needed to consolidate was to reflect on our business, the reason for our existence. We needed to make sure that we serve our core markets well, serve them strongly and concentrate on the right things; upgrading our fleet, increasing our customer focus and improving our product.

In this intervening year, we did expansion work only in the areas that were most needed. Our focus was to consolidate our business so that we have a sound business foundation on which we could anchor our business transformation. During this consolidation phase we launched a number of route turnaround programmes, to critically examine our operating options, drive accountability and actions. Also there are a number of financial measures that we put in place to create separate visibility around our key strategic business units of ground handling and engineering.

The results are evident in both financial years of our operation. In this period of consolidation, we also consolidated our revenue base, by increasingly focusing on managing our operations and services so that our services really match the demand and demand matches the capacity that we provided. We were aiming to get that equilibrium and stability during the last year.

Later during the consolidation phase, we launched a focused operational precision plan, to focus on safety, reliability and on-time performance. We commenced another programme to redefine our product and service features with two aims – to improve consistency in the customer experience and to build our brand.

These are work-in-progress and they are meant to build capability for the third stage. The third stage , which began in 2010, is about growth and transformation. We are now strongly in the growth phase. For this year alone we have increased our capacity by almost 20 percent. And we continue to increase our capacity to key tourism generating markets.

Then in terms of the network, from this year, you will see SriLankan taking on an aggressive growth plan targeting key markets such as China and India, which we are in close proximity with and we can benefit from their large outbound market. We will provide connectivity to new tourism generating markets such as Russia and of course, our growth this year will take into account, the traditional tourism markets too from Europe and Far East.

SriLankan's regional operations will grow even faster, with plans to increase services in the SAARC region, to increase services to every point in India, which we currently operate. Growth plans include Maldives as well, increasing airline capacity to more than six flights a day.

Our medium term objective is that SriLankan would provide connectivity to all the top key tourism generating markets of Sri Lanka.

While we plan for growth, we have not forgotten the necessity to transform our product, our services and our Airline. For our business transformation, as I said before, we already have two programmes which are very much work-in-progress. The first of the programmes is achieving operational precision.

Processes are not enough, a young fleet and newer aircraft play a major role in any airline achieving operational reliability and punctuality. After ten years we have ordered brand new aircraft now. There're seven aircraft that we hope to acquire in 2011, we have already signed for three brand new aircraft and we hope to acquire brand new or nearly new aircraft for the balance requirement.

### **One Significant Key Investment Was About Redefining Customer Experience.**

In 2010 we committed to a number of other investments; one significant key investment was about redefining customer experience. Our investment would bring our long haul fleet, our business class product and our economy class product up to date and redefine our product and service features to improve consistency in the customer experience. We have invested in a total business class product plus an inflight product makeover, which will be visible from June 2011 in our long haul aircraft.

The other investments are for longer term capacity building, the Airline has not seen this scale of investment for the last ten to twenty years; for instance the investment in a new hangar to build capacity for a larger fleet and increased third party maintenance or the investment in a A320 full flight simulator centre or fitting out the new transshipment/export cargo terminal or adding float-planes and setting up a domestic operation. Our focus is growth, and building a market presence for SriLankan locally and a market presence for SriLankan globally.

**After 30 years, the national carrier went through a massive image change - new uniform, services were upgraded, and there was much more. Why now?**

I said before that there are a number of projects which are work-in-progress and while I mentioned the investment that we have made in the hardware, the tangibles, I did not elaborate on the intangibles that are equally important in a business transformation.

Earlier on I said that the projects were essentially about redefining our product and service features with two aims – to improve consistency in the customer experience and to build our brand, a key intangible in any business transformation.

I believe that the SriLankan brand was at crossroads. If we were to trace the brand history of SriLankan, we have to start with Air Lanka. Air Lanka had a definite positioning strategy and a brand strategy. Air Lanka from its inception was about delivering quality; quality inflight, quality on ground and quality onboard. Air Lanka wanted to be differentiated as a quality airline.

At the same time, Air Lanka took in the best attributes of Sri Lanka and its people, the attributes of warmth and hospitality. Therefore Air Lanka's aspirations were quality, combined with warmth and hospitality of its people. Air Lanka represented the best of Sri Lanka. Everyone will agree with me that Air Lanka was a strong brand, to date people still call SriLankan Airlines, Air Lanka.

Thus Air Lanka branding strategy was very clear, so was its positioning. At that time we aspired to be an airline similar to Singapore Airlines with that type of customer focus, service quality, service delivery and at the same time take on very much a

Sri Lankan character.

Changing The Look Was About Conveying To The Customer That Change Is Under Way, And This Is Just The Beginning Of A Continuous Improvement Programme That We Have Undertaken In Our Product And Service Delivery Showing Our Commitment And Our Focus On The Customer.

In 1999 with the brand changing to SriLankan, there was a clear image change. If we recall our communication campaigns of the time, the Airline was portrayed and positioned as a sophisticated, technologically up-to date, “international airline” of Sri Lanka.

We were indeed the international airline of Sri Lanka, we were flying new planes and we inducted cutting edge technology in our operations. Sadly, we lost the Sri Lankan identity and the Sri Lankan touch.

This may have been the right decision at the time, because Air Lanka during its last three to four years was known for running its Tristar aircraft a little too longer. Therefore with the change of identity and change of the brand in 1999 it would have been logical to position the Airline as a modern international airline, very much in keeping with the positioning of our then strategic partner Emirates.

During the same time Sri Lanka was riddled with issues of terrorism, therefore it also may have made sense not to associate the brand entirely with Sri Lanka because the airline was active in leisure markets and was carrying international travellers, any incident in Sri Lanka would have immediately reflected on our brand.

While we may have avoided to a great degree the ill effects of the damaging incidents in Sri Lanka we also lost our Sri Lankan identity on the way. By the time I took over, the technology had become obsolete or out-dated, therefore there was no relevance in being a technologically up to date, cutting edge type of airline. Our competition had moved on, and was well ahead of us.

After some soul searching and mostly listening to our customers and other stakeholders we went back to our original aspiration that we need to represent the best of Sri Lanka; so with a change in the look, change in the product, change in inflight services, changes to ground services and inflight interiors, change of focus in our communications and marketing, you will see that we wanted to bring back the quality, hospitality and warmth, that was uniquely associated with Air Lanka.

This means that all changes are very much customer centric and real although the uniform change is the most visual transformation. I explained at the new look launch press conference that the change in uniform is not an external paint job. Our uniform had almost a 30 year history, and the uniforms of the male cabin crew, the design and the colour was very much out of date. Therefore we needed to give them a new look without losing the important Sri Lankan touch. We did not experiment with the basics of the SriLankan cabin crew stewardess uniform, or ground staff uniform. We kept the basics, and what we did is, we renewed the look.

**Changing the look was about conveying to the customer that change is under way, and this is just the beginning of a continuous improvement programme that we have undertaken in our product and service delivery showing our commitment and our focus on the customer.**

**There have been major improvements in business class as well. Can you elaborate on that?**

Most airlines, or what we call full service airlines are often rated by the level of service that they carry out in the business class cabin where the customers pay a substantially higher rate to get a high level of service.

Now whatever you do in the business class is also carried in some form or manner to the rest of the aircraft, so while the focus for communication purposes, for branding purposes is on the improvements we have done in the business class, what is not frequently communicated is the number of improvements that we have done in our economy class. As I said, because of our positioning, the communication, the branding and all that is done remains focused on business class, we are going back to an Air Lanka concept- “we do not economise in

economy".

SriLankan business class is largely unsold, yet is the strongest business class product out of and into Sri Lanka from and to many destinations. Why do I say that? What do business class travellers look for? If you listen to the customer, you will figure out that their motivation for purchase, it is more often than not the frequent direct non-stop nature of the flight and I believe that SriLankan is best positioned to do this in Sri Lanka. Therefore we identified the clear need to upgrade the level of product from seating to entertainment, to food and beverage, to service and amenities to a very high level so that our customer gets value from what he pays, not just a non-stop direct flight, which is what he would look at primarily when he selects SriLankan today.

We have a very progressive and willing cabin crew who take pride in their work where hospitality is very much innate. In fact they agreed to upgrade the service to what we call a five star service. We changed our traditional service – the tray service to a trolley service where individual customers are treated and served individually and can have their meals on board, as and when they like. We brought in those service enhancements because we could very easily incorporate them. We have a great catering unit, and we have top class catering partners worldwide, so it was easy.

We are now committed on the upgrading of the seats and inflight entertainment in business class. We have a definite time line for that, I said by June 2011, all our long haul flights would have ultra modern flat bed seating, updated high tech entertainment systems, an even better inflight and ground service with dedicated check-in area, and even better looking lounge at BIA and a host of other improvements including a domestic limousine transfer and an even float plane domestic travel add-ons.

We aspire to be rated and ranked alongside with all good international airlines for product and we aspire to rise above everyone through our own unique warm and hospitable service. Our business class will not be an undersold commodity this year.

### **How will SriLankan contribute to the Aviation Hub?**

Sri Lanka can be a regional Aviation Hub, there is no doubt about that. As far as SriLankan Airlines is concerned, we offer Colombo as a natural hub to South India and Maldives for a considerable period of time. Even after some very significant investments in airport infrastructure in India, Sri Lanka still continues to be a hub for the South Indian region. We however do not take this for granted.

SriLankan positions itself for the future by increasing our services to India, particularly to South India, by approaching markets which are underserved by international airlines, such as the tier two cities in South India. In addition to our currently exercised rights to fly in to Indian Metros, SriLankan has the right to operate to over 20 tier two cities in India.

SriLankan Airlines will position Colombo as the gateway for these markets. Similarly we would also be the gateway for travellers from all over the world into these markets.

That is not all, Sri Lanka can also become a regional cargo hub. We have air services to two economic regions in the world and I mean global economic powerhouses India and China.

**Mattala Will Be Even Stronger Than Colombo, It Can Become A Truly Integrated Cargo Hub, With The Inland Port And Airport Situated In Close Proximity.**

Even now, Colombo has links to almost every continent. Therefore given that we are in close proximity to two economic powerhouses we can form a natural link between those two countries and the rest of the world. You do not need to look far to see that there is potential for a cargo hub. In the future vision and the economic plan of the Government this is highlighted under the commercial hub concept.

Earlier, we talked about how Sri Lanka has the potential to be a regional Aviation Hub. We believe that SriLankan can make clear contributions to a commercial hub as well as to an Aviation Hub.

**Can you tell us about the new developments at SriLankan Cargo, such as**

## **the commissioning of the new Exports Terminal at BIA?**

The commissioning of the new export terminal in January 2010 doubled the cargo capacity at BIA – It grew from 150,000 per year to 300,000 metric tonnes, which is a massive capacity. Given that we are an export economy, we would like to have a state-of-the-art export terminal and handling facilities, which are not second to any in the region.

As we aspire to be a cargo hub for the region, we need to incorporate efficient transshipment facilities in to our cargo complex.

Just commissioning buildings is not enough; we must also bring in equipment and technology, to make it a modern logistics and storage facility with modern cargo handling capacity, not just for exports and imports into Sri Lanka but also to accommodate regional transshipment cargo.

We already have invested in one of the world's best cargo handling and terminal management IT systems and currently in the process of identifying the equipment to be put into the terminal to upgrade its operations to a level that is second to none in the region.

Now we are ready to invest significantly in that capacity building, do we carry this out on our own or do we bring in expertise? Well, interest has been shown by a foreign government owned company, who has a portfolio that includes a number of cargo and handling facilities worldwide. They have shown some real interest in forming a collaborative venture to upgrade air cargo handling facilities across Sri Lanka. We are currently discussing with a number of parties including them for investment to upgrade the cargo facility and have the ability to take this development across to Mattala, the new airport.

**Mattala will be even stronger than Colombo, it can become a truly integrated cargo hub, with the inland port and airport situated in close proximity. It will give us the opportunity to establish a regional cargo hub in Sri Lanka.**

## **How is SriLankan supporting the expansion of BIA as its sole ground handler?**

We are well aware of our commitment as the ground handler at BIA, we have a commitment to provide uninterrupted efficient ground handling services to all airlines coming into Sri Lanka.

We now have a new commitment - to develop an aviation hub, therefore, SriLankan needs to provide not just standard ground handling services but with high service levels and at a regionally competitive rate structure. We will also need to be internationally recognised and accredited so that the hub offers a operationally secure, safe and quality service.

The exclusive franchise that we hold to provide ground handling at BIA has time and time again opened us for criticism on our rate structure. For that, I like to respond here by saying SriLankan has not changed or raised its handling rates from 1998 to date.

In spite of all our operating costs increasing, despite various fees, taxes and levies being charged we have not increased the rates. It is not because we are making super profits that we can do this, but because we have evolved our operations and our work patterns to be able to give all these prices and yet give us a decent operating margin.

Employee costs are a large part of our cost structure in the handling business, and in order to keep these at manageable levels, we have innovated. For instance, we have lately started employing service staff on six-hour rosters, lesser hours per week in our handling business.

The Airline traditionally engaged staff on twelve hour shifts, which included some amount of slack. By employing a number of people on six hourly rosters we have cut the slack now and increased the productivity of our employees as that is the time that usually takes to handle one airline arrival and a departure.

We have always invested in technology, in terms of departure control systems and simplifying travel initiatives, we have invested in all those to make sure our overall cost remains constant or we derive scale or efficiency benefits over a period of time. Such measures translate into the bottom line, and that is how we have

managed to keep our charges constant.

We realised the value of a 'seal of quality' - we voluntarily submitted ourselves to an international audit, and we are now the holder of an accreditation from ISAGO. ISAGO is the IATA ground handling audit organisation. We are one of the first facilities in this region to obtain that. We have just received confirmation that after another routine audit, our accreditation has been renewed.

This is why I always say that even though we have exclusivity, we do not behave like a monopoly. Our exclusive franchise does not stop us from either focusing on quality, efficiency, or giving our customer a good deal.

For instance, we have taken on the new challenge of low cost airlines coming to Sri Lanka, and we have unbundled our rate structure so that they can pay for the services they require. As the handler, we have in fact encouraged low cost operators to come in and we will continue to do so.

**Our Pledge Is That We Are Positioned Very Well To Take On Any Expansion; We Are Even Prepared To Take On The Expansion Of Low Cost Services To Sri Lanka, So Growth Of Bandaranaike International Airport Will Help Us To Grow Our Business.**

We have committed to the airport operator; Airport and Aviation Services that we will deliver efficiency gains over the next few years, we will reduce our handling turnaround time, we will provide a transparent, unbundled fees structure to our clients and that we will subject ourselves to customer and quality audits

Why would we do all that? We would do all that to establish that we are supporting the expansion of BIA and supporting the creation of an aviation by preparing ourselves to be measured on market terms.

Our pledge is that we are positioned very well to take on any expansion; we are even prepared to take on the expansion of low cost services to Sri Lanka, so growth of Bandaranaike International Airport will help us to grow our business. We know

that growth in business will give us a far broader base to expend our fixed cost and perhaps in the future to give our customer even better terms than what we are giving now. We do not believe that exclusivity in handling bestows monopolistic powers; we hope to be judged on market terms.

**What are your plans for third party maintenance and new engineering facilities?**

One of the investments that we have made at the moment is the construction of a hanger for our expanding narrow body aircraft A320 fleet which will also allow us take on work from regional airlines. We have signed a number of ongoing contracts to carry out maintenance and repair services on A320 aircraft.

In the last two years, we have marketed our third party services but not aggressively. From now on, we will aggressively market our third party services. We have another internationally accredited quality operation backed by EASA certification.

We are positioned and located well to take advantage of the regional maintenance, repair and overhaul market; once the infrastructure and this hangar is in place, which will happen in the next six months, we would be in a position to bid for large third party contracts.

We will not stop there, for the last year and a half SriLankan Engineering has been treated as a strategic business unit and we in the near future may even look at collaboration in the form of a joint venture to set up a centre of excellence right here in Sri Lanka.

With the end of the conflict, the environment for tourism has improved, not only foreign but also the number of local passengers has increased. Is SriLankan prepared to meet this boom?

SriLankan has given the commitment that the Airline will always provide capacity from and to any key tourism generating market of Sri Lanka. In fact, our long-term business plan too takes into account this commitment and our planned long term network covers all the key tourism generating points.

As much as 20 of these points will be covered by SriLankan in the near future. The expansion we witnessed this winter is just an indicator of what is to come. With our fleet expansion, next winter we will be far better placed to provide significant capacity increases, daily non-stop flights to Europe and access to all key tourism generating markets.

We will demonstrate our commitment by starting services to Russia in 2011, the third destination in China is already scheduled to start early 2011. India remains a key tourism generating market to Sri Lanka and we all know that in terms of Indian visitors here, the growth potential that exists. Therefore, we will increase the services to India, as I said before we have plans to increase services to every point in India, which we currently operate, some as much as twice or thrice a day.

Over the years, the Airline has built a very strong two-centre holiday programme by including Maldives and Sri Lanka. We would put in more capacity there. There should not be any doubt that we are positioning ourselves to provide the capacity that Sri Lanka Tourism needs to grow. Our committed fleet expansion in 2011 will give that message loud and clear.

**Can you tell us a little bit about the expansion of the SriLankan fleet?**

**Our Aspiration Is That By 2015, SriLankan Will Have Over 25 Aircraft, And In Terms Of Business, We Will Like To Be A Two Billion Dollar Company Virtually Doubling In Size Over The Next Four Years.**

The first phase of the SriLankan fleet expansion is happening now. By the end of this financial year, which is March 2011, SriLankan will have 15 aircraft operating international routes and two float planes doing the domestic routes. 15 aircraft in our passenger fleet is the highest that we have had in our history. Not just stopping there by end of 2011, we are looking at closer to 20 aircraft. The expansion is happening as we are talking now. We are financing these purchases through operating leases, and as I said, we have secured very advantageous lease terms without any commitment by the Government or guarantees by the Government.

Our aspiration is that by 2015, SriLankan will have over 25 aircraft, and in terms of business, we will like to be a two billion dollar company virtually doubling in size

over the next four years.

The second phase would be the renewal or replacement of the wide body aircraft fleet. Our current wide body fleet consisting Airbus A330 and A340 will be progressively replaced from 2015 onwards. Currently with the overview of both our Ministry and the Ministry of Finance and the Board of Directors of SriLankan, we are exploring options from aircraft manufactures.

We are currently validating our long term business plan and our long term network plan, using external consultants. We are getting an independent view of the business plan, as relevance and credibility of that plan would be critical to the long term fleet decision.

Once that decision is made, then we will go on to make the decision whether to purchase or lease. Of course, purchasing or leasing new aircraft again would require financing. Until we finalise what our long term fleet is going to be and what financial commitment that would be, it is premature to talk about financing.

However, there are many options available today, which do not necessarily require a large sum of money upfront, but the Airline and the Government will have to decide what is the best mix of owned and leased aircraft, the best mix for the business.

**Can you tell us about the new A320 flight simulator, which will be utilised to provide training not only for SriLankan pilots but also foreign pilots?**

A simulator was a long felt need of the Airline and in collaboration with SIM Industries BV Netherlands, we embarked on a joint venture programme, where an A320 full flight simulator will be installed in our premises in the first quarter of 2011. We are also providing a facility to place a wide body A330, A340 simulator too in the future depending on the commercial success of this venture.

While a high percentage of the simulator time will be used to train our pilots, the free time will be marketed regionally and internationally by both SriLankan Airlines and SIM industries. If the A320 simulator performs to its full commercial potential then the day we see an A330, A340 simulator also based in our premises at the airport is not too far away.

I would like to digress here and talk about some other related areas. For instance SriLankan Airlines arguably has the most advanced engineering facility in the country, not just locally rated, this facility is certified by EASA part 147 standards making it one of the few facilities in Asia.

EASA accreditation is received from the European Aviation Safety Agency who are the European regulatory agency for civil aviation and EASA part 145 is the maintenance organisation approval and EASA part 147 is the training organisation approval.

**All Sri Lankans Have High Aspirations, Very Much Like Our Country. The Ability To Grow Within The Organisation Is A Must Today, A Clear Career Path Is Demanded By Many. Gone Are The Days When People Were Happy To Bide Their Time For Ten To Twenty Years To Go To The Next Level Or Change Their Job.**

Now that we have a technologically up-to-date advanced facility and the ability to create and build capacity using internationally accredited training standards, SriLankan can contribute to the knowledge hub concept by being a regional training and capacity building point in the aviation industry.

In the next two years, the International Aviation Academy, which provides commercial training for Sri Lankans will take on a different role. Its role will be to do its best for Sri Lanka, so that we could pave the way to provide the right number of qualified aviation professionals required for the expansion of our industry as well as for the new airport. They will take on the responsibility of building capacity for the large HR requirement that would rise out of the Mattala airport project.

The A320 simulator project is a part of a wider plan at SriLankan to establish a regional centre for capacity building in technical and flight operations. We know that SriLankan can contribute to the establishment of a knowledge hub.

**Can you tell us what is being done to prevent the high staff turnover?**

High staff turnover was actually a thing of the past. Yes, at the time we took over the Airline, a number of pilots, engineers and highly skilled staff were joining our competitor airlines or leaving Sri Lanka. Fortunately, today it is a different story. As there is peace in this country, a good living environment and prospects for a very bright future has resulted in those who have left the country returning to Sri Lanka and SriLankan.

While we always run the risk of losing skilled staff for economic reasons to overseas competitors, we no longer lose people on account of migration. That has stopped to a great extent. However, we acknowledge that a competitor in the region will top whatever we pay if that party really needs that skill. Particularly our competitors based in the Gulf regions are known to offer quite attractive remuneration packages.

Therefore matching remuneration dollar to dollar, or dirham to dirham or riyal to riyal is not going to solve anyone's problems. It is definitely not going to solve our problem. While it may help in the short term, it is not an enduring strength – how long can you keep raising someone's salary? Your competitor can always top it by a dollar tomorrow. So we are building some enduring strengths in the Airline to retain the staff not only those who are likely to be recruited by competition but everyone in the Airline.

Firstly the staff must feel valued in their work. Therefore you cannot exploit or under pay them, definitely not in the long term. Yes, we have had a rough two years but given the positive outlook for our business, our board has given the commitment to our staff that SriLankan will be an employer of choice.

Not just an employer who offers remuneration at an industry median. Yes, it is going to be expensive, but we will offset those expenses by higher productivity.

For instance, we recently concluded an agreement with our pilots, they will raise their annual productivity limit from 900 hours to 1,000 hours and they were granted a pay increase. Therefore any increase would have to be covered by an increase in efficiency.

In another recent agreement that we concluded with our largest employee union, Sri Lanka Nidahas Sevaka Sangamaya which covers over half of our employees we agreed to change the decade old productivity systems and guaranteed bonuses. Instead they opted to share the risk, settling for a performance driven bonus structure and a more productivity incentive scheme.

Then, all Sri Lankans have high aspirations, very much like our country. The ability to grow within the organisation is a must today, a clear career path is demanded by many. Gone are the days when people were happy to bide their time for ten to twenty years to go to the next level or change their job. Now increasingly I see our 4,000 plus employees as being more keen to have a career path.

That is something a growing Airline can provide. They know with expansion, the opportunities to grow are larger. As a result we will now present a compelling vision of the future to them.

Thirdly, everyone in the Airline would love to acquire skills, abilities and be updated in their skills. With the technological input and the upgrading and expansion of all our business units, new opportunities will be available to our employees. That they know already.

Last, we also have the ability to recruit worldwide, particularly pilots. SriLankan has once again become a highly sought after employer, we have employed over 35 expatriate pilots in the last three months. They all rate Sri Lanka very high as a place to live.

While it takes a long time to produce aircraft engineers, now we have a very good supply line for the future. We have more than 100 apprentices turning out every year through our engineering technical training school. They would go on to become engineers after serving their time and acquiring further qualifications.

We also have, in spite of all the financial problems, maintained an uninterrupted cadet programme for pilots. We are discussing with Sri Lanka Air Force on providing a number of their experienced fliers an opportunity to join our pilot cadre.

Yes, in the short term, if we have an exodus, we may run into issues, for that the answer is outsourcing extra work and short-term operational solutions. There is nothing that a long-term approach cannot solve in the areas of skill retention or replacement.

### **What can you tell us about the unionisation of the Airline?**

The Airline has five unions. They are very active and we engage in robust, frank and candid discussions all the time. I wouldn't say that the relationship is all good, all the time. But one thing is for sure, I respect their role and they respect my role. My personal view is that Unions are not necessarily a bad thing. As I see them, they help to improve the checks and balances in any organisation. With the exception of airlines in the Middle East, successful airlines like South West, in the US or airlines like Virgin, British Airways, or even in the Far East all of them have unions.

### **What Makes Our Unions Different To The Rest Of The Typical Unions That You Will See Are, Our Unions Have The Success Of The Airline In Mind. I Respect Those Unions Who Have Not Gone On To Hurt Our Business In Any Way In Order To Win Their Demands.**

In the Airline, we have a number of people in operational areas who do not come together at one time, or who do not have access to administration on a daily basis, thus there needs to be some form of a single point of negotiation or bargaining to effect any change in the organisation. And the unions provide that point of contact.

Our unions are not necessarily adversarial or confrontational. All unions work with us on productivity service enhancement and staff welfare programmes. Their inputs in these areas are very high. And for me, having these unions and engaging them on a day to day basis is quite a useful task. What makes our unions different to the rest of the typical unions that you will see are, our unions have the success of the Airline in mind. I respect those unions who have not gone on to hurt our business in any way in order to win their demands.

### **It is well known that local passengers are not treated as well as foreign passengers on SriLankan, why is this and what is being done to rectify this?**

At the risk of starting a lively debate on this, I can say largely it is a perception issue. But then, in our industry, in our service we have to deal with perception. Perception being reality is clichéd but it is very valid in our industry even today. But without seemingly offering an excuse I can give you some explanation as to this thinking – that Sri Lankan passengers or Asian passengers are not being paid attention and Europeans are.

It is not a problem only common to SriLankan Airlines, with my experience in this industry I have had feedback from many airlines operating in this part of the world who say are faced with the same charges in their own country. As I said, it is not an excuse, but an explanation.

Say, If you take a typical Asian passenger and a typical European passenger, you would find that a European passenger is used to requesting for service. He not only requests for service, he demands service, whereas our Asian culture is such that we expect to be served. There is nothing wrong in that.

Sometimes when we have a mixed cabin, and European passengers demand service, or sometimes they call for service, they get served. Unintentionally, our crew maybe giving the message to those who are not overt in their demands, say Asian customers that the service is only to a particular segment of customer – European in this instance.

Let me be very clear on this, if there is any such discrimination by our crew that is not something this Airline will tolerate. Unions, management, the crew themselves do not want that stigma, because they take pride in what they do. They take pride in their levels of service and the compliments they get.

I do not just want to dismiss this grave charge with that explanation, we agree that something must be done. In order to do something concrete about it, we have from the last few months included a programme into our training modules on how to identify and serve Asian passengers, how to read their body language, how to anticipate their needs, how to communicate with those who have a language barrier, how to treat those who are first time flyers and how to treat those to whom the cabin and the amenities are alien. We consciously have included these in our curriculum.

Another measure we have taken is that we have changed the way we recruit our cabin crew. The job of the cabin crew is not reserved to one social class, or not even to the English speaking class. We now recruit from around Sri Lanka and our last recruitment process took us to a number of provincial cities from Kandy to Badulla and Weligama, to Tangalle and Kalutara.

Now we also recruit those who are not necessarily fluent in English. While English is a requirement for reasons of not only communication, but also for regulatory training and regulatory qualification we are planning to run them through a personality development programme and language skills programme to induct them a few months later.

**We Are Indeed Delivering On Our Promises.**

**I Made A Promise Two Years Ago At A Certain Forum, I Said, We Will Look To Recruit People On Attitude, And Then Train Them For Skills. Now We Are Doing It.**

**We are indeed delivering on our promises. I made a promise two years ago at a certain forum, I said, we will look to recruit people on attitude, and then train them for skills. Now we are doing it.**

**You mentioned about attitude, there is a perception that SriLankan staff resist change, that must be a challenge for you, how do you overcome such challenges?**

I agree somewhat with your contention, we are a mature Airline with a 30-year history. We are well past our youth now. The Airline has managed to retain more than 3/4 of the 4,000 employees for over ten years or more. We still have nearly two hundred of those who joined the Airline at its inception in 1979.

It is natural that everyone has their set ways of doing a job. It is difficult to implement change. In a start up operation you can introduce whatever different practices you want. But being a mature organisation, it is difficult, but not impossible.

We changed the work practices in the airport, the cabin crew has changed their service policies, engineering unit has changed their focus, not only getting aircraft out mechanically sound, but now they are putting cleaner and better looking aircraft into service. We are moving from being an operational driven Airline to a customer focused Airline. I can say that while there is resistance to change, it is not impossible, but the pace of change is slow.

The new recruits and the new trainees who join the Airline, they are increasingly being subject to new practices. They work different, they are taught to work differently, and they are taught to even view their progress within the Airline differently.

I will give you an example of how even the organisation is adapting to the necessary changes. We have had a very stringent IT policy. Access to our corporate network was very restricted and the internet access was not available to common social networking sites. Recently we made a conscious decision to open access through the network to all the social networking sites during the regular lunch break. We even installed free wi-fi in our recreational areas and restaurant areas.

We are doing that in order to engage the staff particularly with the influx of new recruits. Our inflight team is even using an official Facebook group to communicate with their members. Not just the employees, even the organisation is changing.

**SriLankan is at the forefront of gender equality, with a female technical crew, mechanics and cargo handlers. Can you tell us the thinking behind this?**

I honestly believe that SriLankan was behind Sri Lanka in gender equality. It so happened that we have an open recruitment policy. Our recruitment policy for a number of years has been about inclusivity. We do not discriminate on gender or ethnicity.

Our recruitment policy takes inclusivity very seriously. These female pilots or technicians or cargo handlers are the products of that recruitment policy.

But going forward I believe that there are more and more young Sri Lankan women

who will be interested in some of these areas and be inspired by the pioneers in the Airline. With the addition of Mattala, I am sure we will see more of that.

I Like To Quote Captain Anusha Siriratne The First Female Captain Of The Airline, She Told In One Interview That The Aircraft Does Not Care Whether You Are A Man Or Woman, It Responds To What You Do Out There. That Sums Up The Attitude Towards The Gender Difference At SriLankan.

I do not want to claim that we are a model progressive employer, there is a lot more that we can do. We can in fact look for differently able, which we do in SriLankan Catering, and SriLankan to a very limited degree. But we need to look at that in a broader manner.

Yes, we like to be a progressive employer, not only on gender terms, but we will also like to include, going forward with differently able people in suitable areas.

**I like to quote Captain Anusha Siriratne the first female Captain of the Airline, she told in one interview that the aircraft does not care whether you are a man or woman, it responds to what you do out there. That sums up the attitude towards the gender difference at SriLankan.**

### **How will SriLankan position its operations in Mattala?**

SriLankan is currently in discussion with the Ministry of Aviation and also other stakeholders on how SriLankan's long term plan should include Mattala. There are clear advantages of having Mattala as a second base for SriLankan and Mihin. Without having the burden of legacy practices and legacy costs, you can start up a low cost base in Mattala.

SriLankan is currently considering how to use Mattala as a second base, whether we do it for passenger or whether we do it for cargo, or whether we do it for both. Mattala is an ideal location for charter operators into Sri Lanka, because it will have very good highway access to resort areas in Sri Lanka.

As mentioned before, Mattala will figure very significantly in cargo. Another area we

will explore is to locate the ancillary services as there is great opportunity for a MRO or Maintenance Repair Overhaul unit to be set up in that location. There is opportunity for recreational and general aviation as well as for training.

Not only SriLankan but there may be other organisations who can take advantage of the infrastructure development, at Mattala. It is a matter of every one working off an integrated master plan for the Mattala airport.

### **What is the relationship between Mihin and SriLankan and is there room for cohabitation?**

Mihin has been in existence for well over three years and we have to accept that it has come to stay. Currently, SriLankan provides certain services for Mihin for which we charge. Mihin operates independently, but with a clear understanding that the two airlines do not compete.

In going forward, this is a good platform to work on. You will see that Mihin has started operations to currently under-served markets like Dhaka and Jakarta. They have already got their second aircraft and we have a clear understanding that they will be feeding into SriLankan's long haul network.

The long term plan of SriLankan will take into account the position of Mihin and there are many ways that the key shareholder, which is now the Government, can use these two brands. For instance Mihin can be positioned alongside the low cost competitors, or the low-cost brands that would fly into Sri Lanka. Or Mihin can serve markets which need to be served by a low cost operation or they can operate in regional markets.

It is accepted that SriLankan is the full service carrier of Sri Lanka and will carry out its role by serving markets, which have to be served with full service operations.

Our common shareholder has in fact requested both airlines to develop one integrated network plan to eliminate unnecessary competition to make sure that there is synergy between the two operations in the long term.

## **Would you agree that Sri Lankan air space should be open or liberalised?**

Open and liberal airspace may exist as a concept or even in practice but one must be aware that there are other barriers to entry in to the markets of some of the champions of open skies.

With this caution, I would like to first explain SriLankan's position on competition. SriLankan Airlines has not objected to competition at anytime.

Sri Lanka has a vast number of bilateral agreements of which SriLankan Airlines is the only user, for instance, take the bilateral to the United Kingdom where the airlines of each country are permitted to operate 14 flights each. SriLankan currently operates 13, and very soon will operate 14.

From the UK there is not a single airline, which is using the bilateral rights. Similarly there are a number of bilateral agreements which are hardly used by reciprocal countries. France, Germany, Italy, Japan to name a few.

In fact that these exist would show that we are not opposed to competition. What SriLankan has asked for is for the protection of its markets.

Often SriLankan is seen and said to be blocking access to other foreign airlines who wish to operate to Sri Lanka, which is not true. Now this is unjust and unfair criticism about SriLankan's position. I believe that there is no clear understanding of SriLankan's position.

**I Reiterate That We Are Not Against Competition. In Fact We Are For Competition. It Makes Us Be That Much Better, It Keeps Us Sharp But Do Not Expect Us To Welcome Those Who Dump Capacity And Price And Thus Destabilise Our Established Markets.**

SriLankan has raised objections only when SriLankan has felt that its own markets are under threat from third party carriers who without investing in or developing either the home market or the overseas market are trying to take advantage of the

demand created by SriLankan.

We also have raised our objections to airlines when we thought that they were dumping capacity and price in Sri Lanka and in other markets that SriLankan is active, in order to take over market share, and even bring the customers through a secondary destination, not even a direct flight from the market.

If we were against granting access to enable fair competition, would we have held back for all the low cost operators who started operating to Sri Lanka in the last two years or so? We do not want to hold back progress. We are ready to face competition, we are ready to face any competitor who competes on commercial terms on equal grounds, not those who dump capacity and price, those who by the very nature of their actions are anti-competitive

Now there are a number of trade bodies and chambers in Sri Lanka who actually take the same position on behalf of their own members. I have heard many times people saying 'say no to cheap imports', they call for protection of the local industry and they feel justified in doing so. We are taking that same position but we are seen to be blocking progress.

At least, the local industries have the protection of a tariff structure. We do not, so we can only ask the authorities to restrict access to those who would harm our markets.

That is our position and we would state this claim anywhere, at any forum. I reiterate that we are not against competition. In fact we are for competition. It makes us be that much better, it keeps us sharp but do not expect us to welcome those who dump capacity and price and thus destabilise our established markets.

**If we move on to environmental conservation, SriLankan is among the top in South Asia in industry and was recognised recently by the European Union. Can you tell us about this aspect?**

Being environmentally conscious was originally an economic necessity because fuel conservation had a direct bottom line impact. Since then, it has also become

imperative for an organisation to be environmentally responsible. Our customers are demanding carbon responsible travel, environmentally responsible travel, carbon offsets and voluntary offsets. These are already being practiced in some of the sophisticated markets.

Not only the Airline, but our country including Sri Lanka Tourism also has an environmental focus. If you take even the planned bid for the Commonwealth Games in Hambantota, Sri Lanka starts with a natural advantage of offering to stage the first “green games”.

It is important now for the Airline in terms of commercial and customer implications and in terms of its ethical implications to be environmentally conscious. IATA has planned for certain benchmarks for year 2020 going up to 2050. It is therefore also important for the Airline as part of the industry to be environmentally compliant.

The European Union acceptance is of the emission measuring and monitoring system that was prepared for the Airline in readiness for the emission trading scheme of the EU. Our compliance mechanism was well accepted by EU and what is creditable about this process is that the whole programme was done internally by an internal team, whereas if it was done by external consultants it would have set back the organisation a few hundred thousand dollars. We are very proud of the achievements of our Green Team.

**You spoke about technological advances and various sectors in the Airline; SriLankan has won many awards as well. Can you elaborate on these achievements?**

Let's take more recent achievements in areas of knowledge management – one of our business intelligence systems developed by our in-house IT team was nominated for CIMA global awards and it was in the top five. That alone is creditable.

Then, recently, at the Sri Lankan national IT awards, another in house developed application for fuel management programme also won an award. These are very much achievements of our internal teams. These actually portray the spirit, which is driving SriLankan now.

There are a number of people working on projects, they want to improve the product. These are not big corporate efforts. While we have won bigger more renowned awards for our achievements, what is important to me is that these little teams working within the Airline are getting recognised for their professionalism and innovative ability.

When I hear about these awards, I am encouraged and reassured that the pioneering spirit that we had way back in 1979 has returned to the Airline now.

**SriLankan has relaunched its domestic air taxi service. What is the strategy behind this, and what plans have you made to catch the market?**

The domestic air taxi service is primarily for high-end tourists. Currently we do not have aspirations to do a domestic airline schedule. But we want to present an integrated product to the high-end tourists. The air taxi service being float planes gives unlimited access in and around Sri Lanka, we are not confined to air fields because we have a number of water bodies in Sri Lanka.

At the moment we have surveyed 16 locations and it will continue to increase. The air taxi is a very appealing product, it gives a sense of holiday, the whole product is very much designed around a leisure theme.

We will be running this as a scheduled operation in certain key routes and as a charter operation in some of the other routes. The float plane service will bring access to a number of places and just to illustrate how it works is that a certain UK operator who did not use hotels in Nuwara Eliya told me that after the introduction of the float planes they are introducing hotels in Nuwara Eliya in their packaged holidays. Now with the floatplane, similar high-end properties far away from Colombo such as Weligama or Tangalle, have become easily accessible.

**How is SriLankan involved in marketing the country overseas? Is SriLankan a major partner in many of the events?**

Our brand name SriLankan has the strongest link to Sri Lanka. Therefore whatever

we do and the communication that the Airline does vicariously benefits Sri Lanka. SriLankan was always a partner of Sri Lanka Tourism and we have supported Sri Lanka Tourism in the past and will continue to do that in the future. We often put in dollar to dollar funding for Sri Lanka Tourism campaigns overseas.

More significantly we have brought in over the last few years, probably more than 10,000 travel agents into Sri Lanka on familiarisation visits.

We bring people on familiarisation here on our account, on our investment. We sometimes collaborate with Sri Lanka Tourism and sometimes with the local travel industry.

Now there is a vast number of people outside Sri Lanka who are aware of Sri Lanka thanks to our efforts. If we did not do that there would not be this many advocates outside Sri Lanka.

We have constantly taken part in all the Sri Lanka Tourism promotional events and fairs. While we cannot do a country campaign on our own, we do a number of collaborative campaigns in key markets with our top tour operators and our plan for 2011 is to partner Sri Lanka Tourism and do collaborative campaigns in key markets of China, Russia and India.

It is a least known fact, but our investment in the country promotion in the last few years have been in millions of US dollars.

**If we speak about you, you joined in 1982 as a Cargo Assistant, now you are the CEO of SriLankan Airlines, can you tell us about your journey?**

My induction into SriLankan happened purely by chance. After my A/Ls it just so happened that by chance I saw a recruitment advertisement of the Airline and thought to myself I would stay in the job for an year. It was pretty much a gap year decision for I had plans to study as an accountant. By end of my first year I knew that this was the place I would work.

Now whenever I address newly inducted staff, I tell those young people that they would know in the first year whether this is the right thing for them. If you feel that this trade is for you, then you will last a lifetime in the Airline. I also tell them if it is not for you, get out of the industry fast. This is a very different industry, you are unlikely to make big money you would make elsewhere. But no job will give you so much enjoyment and memories.

I was lucky that a year after I joined I was inducted into a part of the management training programme and that is how I actually did a number of jobs in many departments in the Airline. My current position is my 17th job in the Airline. I have worked across a number of departments doing a variety of jobs, so it also helped me to get a good understanding of the issues facing this organisation.

On the negative side, it also clutters your mind with such a lot of things you know that needs to get done, or you need to do, because you know what is wrong with so many things and what needs to be done in so many areas.

I did qualify as a chartered management accountant, I am a FCMA now, I also hold CIM qualifications in marketing – which I believe is reasonably adequate professional qualifications to take on my current role.

I guess it is natural for a number of people to assume that I am here not because I have the right qualifications and experience but because I have the right backing. To them I only say please take a look at all the annual reports of SriLankan Airlines published from 2006 onwards, my name is there in the senior management team and that was long before I was appointed as the CEO. So I did not parachute into this job.

You asked me earlier, why have I been quiet, I said right at the beginning that I did reassure people that the Airline is in good hands, not mine, but the entire management. But I also believe that you have to say something only when there is something worthwhile to say. If it is all gloom and doom you have to be able to wait for a time when you can present something worthwhile, something positive, some tangible improvements. Today I can say that our first half-year performance is on target.

This organisation and the business are stable. We have a clear plan to go forward,

we know where the shortcomings are, where our weaknesses are, in fact we have subjected ourselves to a yearlong Skytrax voluntary audit to know what the customer is saying about us and what the customer likes and dislikes about us.

We have a team who is excited about the prospects that they see for the country for the Airline and the industry. They share my beliefs and my guiding principles. Anyone who has been to my school will know that posted on the walls of the assembly hall there are a number of sayings or proverbs from many religions and many cultures.

One particular saying guides my work philosophy, “Labor omnia vincit- hard work conquers all”. I do not think there is anything that hard work cannot overcome. The other also appears on those walls, it is a quotation from the Dhammapada. Translated it says “the wise are not ruffled by praise or blame.” As an organisation which attracts a lot of criticism but at the same time gets compliments, my constant message to my colleagues is not be moved by criticism, or not to get carried away by compliments.

I believe that criticism is very valid. It is a learning and a humbling experience. It should not make you lose focus of what is right. So we in the Airline believe that we have a culture of doing the right thing, if we keep the right focus, if we keep the customer in mind, the rest of the environment is set for us to succeed.

### **What lies ahead for you?**

**SriLankan Is The Country's Brand; It Is Our Job To Make A Brand That Sri Lankan's Can Be Proud Of. The Sri Lankan People Must Demand That From Us. They Should Look Forward To That Day When They Can Be Really Proud Of The Brand And Then They Should Embrace The Brand.**

Personally? Let me put it this way, if you had asked this question few months ago, the answer would have been different. I always said it is not fun being blamed for everything that goes wrong with the Airline or with somebody's trip all the time. As the CEO you get blamed for baggage going missing or the bad service by any member of staff, the blame finally stops with the CEO.

Therefore, it has been two very difficult years, in between all the issues we had to deal with the very challenging environment as well. It did dull my appetite for a longer stay in this job. But, I believe now the really bad times are over, so I am encouraged by that. I personally would like to be here and be able to say that the Airline is making profits and that the Airline is a quality airline in the eyes of the customer. I hope that this will not be too far into the future and my wish now is that I will get to say it.

I have now been with the Airline for almost close to 30 years, given that I am surrounded by few hundred colleagues who predate me in the Airline, I feel there is still a few more years left in me, of course I say this in lighter vein.

Seriously, mine is a job that I hold only till I enjoy the complete confidence of my Board of Directors. They will judge me by what I do and what I achieve, not by what I say. I spoke of so many things today and of so many plans. All those may sound nice, but I am seriously aware that I will be judged not just by my directors but all stakeholders on the actual delivery of results and not by my vocal delivery.

**SriLankan is the country's brand; it is our job to make a brand that Sri Lankan's can be proud of. The Sri Lankan people must demand that from us. They should look forward to that day when they can be really proud of the brand and then they should embrace the brand.**

### **SriLankan cuts loss in half-yearly results**

**SriLankan Airlines reduced its Operational Loss from five billion rupees to two billion rupees during the first six months of the 2010/11 financial year, a significant achievement during the off-season for travel, and despite a 20 percent increase in the average price of aviation fuel.**

*Just as significantly, every single key performance indicator was positive, an encouraging trend for the future.*

– Passenger Yield climbed to 5.13 US cents per Revenue Passenger Kilometre from 4.58

- Cargo Yield increased to 25.97 US cents per Revenue Tonne Kilometre from 19.50
- Seat Factor increased to an impressive 78.01 percent from 75.76 percent
- A major expansion in capacity of its global route network resulted in a 17 percent increase in both Available Seat Kilometres and Available Tonne Kilometres
- SriLankan carried 1.37 million passengers during this period, a 16 percent increase
- Total Cargo Carried was 41,945 tonnes, a growth of 24 percent

*The Company achieved a Net Profit of 1.16 billion rupees for the six month period with the addition of 'one-off' items, namely the sale and leaseback of three Airbus A330 aircraft, and the disposal of its investment in preference shares of its subsidiary SriLankan Catering. This is in comparison with a Net Loss of 5.07 billion rupees for the same period in the previous year.*



