

**Reply to Item (q) of PAC's Letter dated 7 January 2015**

- (i) As at 7 January 2015, the total overdue amount of en-route navigation charges was \$21.3 million.
- (ii) The debtor with the longest overdue period owes \$0.8 million. The earliest outstanding demand note owed by this debtor was due in June 2008.
- (iii) As at 7 January 2015, the cases which involved an overdue amount of \$250,000 or more were as follows:

<b>Case</b>	<b>Length of overdue period as at 7 January 2015 (number of months) (Note)</b>	<b>Total overdue amount (\$ million)</b>
Company 1	79	0.8
Company 2	58	0.7
Company 3	46	7.2
Company 4	30	1.6
Company 5	8	0.3
Company 6	5	0.9
Company 7	4	0.4
Company 8	2	1.2
Company 9	1	0.3
Company 10	< 1	0.4
Company 11	< 1	0.9
Company 12	< 1	0.6
Company 13	< 1	0.5
Company 14	< 1	0.5

**Note:** The length of overdue period is calculated based on the earliest outstanding demand note owed by a debtor.

Companies 1, 2 and 4 have ceased operation. The CAD is following up the cases in

consultation with the DoJ.

Company 3 is referred to as Case A in the Audit Commission's report. Apart from issuing reminder and warning letter to the company, the CAD has sent chaser letters to the senior management of the company and sought the assistance of the civil aviation authority of the airline's home country. As the company has only partially settled its debt, the CAD will consider taking legal action against it.

Regarding Companies 5 to 14, the CAD is following the procedure set out in Table 7 of the Audit Commission's report, including the issue of reminders and warning letters and referral to the DoJ. For Company 5, the CAD has also written to the senior management of the airline and sought the assistance of the civil aviation authority of its home country. For long overdue cases, the CAD would consider taking legal actions against the defaulting airlines.

If after all these efforts a debt remains irrecoverable, the CAD would consider whether the amount needs to be written off upon the DoJ's advice.

In addition, the CAD is exploring on the criteria and details for implementation of demanding a one-month security deposit or banker's guarantee from specific airline operators using the CAD's navigation services on a case-by-case basis having regard to their payment records. The CAD is at present working out proposals and will consult the DoJ on whether the proposals are legally in order.