



REPUBLIC OF NAMIBIA

MINISTRY OF FINANCE

MEDIA STATEMENT

THE LIQUIDATION OF AIR NAMIBIA

In his capacity as Chairperson of the Cabinet Committee on Treasury, Hon. Ipumbu Shiimi, Minister of Finance wishes to clarify some of the key issues concerning government's decision to liquidate Air Namibia. Government has committed itself to remain transparent and the nation will be informed as new developments are unfolding.

1. Why the decision was taken

Currently, Air Namibia has significant debts of about N\$3 billion and government guaranteed debt of N\$2.58 billion, a situation that government is unable to sustain in the current economic conditions. It will therefore be impossible for the airline to trade out of insolvency. It is for this reason that the Government of the Republic of Namibia has decided to liquidate the national airline, Air Namibia. The Government believes that the decision is in the best interest of the country taking into consideration the prevailing economic conditions, made worse by the COVID-19 pandemic.

2. Government's efforts to save Air Namibia

It should be noted that several business plans to turn around Air Namibia were developed at different times, but unfortunately such plans didn't yield the desired outcome. The latest business plan indicated that for Air Namibia to be saved, a substantial amount of over N\$4 billion should be availed. Given the prevailing economic conditions, investing such a significant amount of money into a loss making entity will come at the expense of other priorities such as health, housing, education, agriculture etc. Various other options to save the Airline were also explored that include entering into collaboration with other Airlines currently operating in and out of Namibia as well as those that are planning to enter, to determine if there would be interested for a strategic partnership. The list of the approached Airlines is as follows: South Africa Airway (SAA), Ethiopian Airlines, TAAG, Lufthansa, KLM, Onur Air, British Airways, Turkish Airlines, Emirates and Qatar. This did not however yield positive results.

3. Claims of lack of consultation with key stakeholders on this matter

A number of engaging meetings with the trade unions representing Air Namibia employees were held before the decision was taken. We have also made representations to senior representatives of National Union of Namibian Workers (NUNW). It is very surprising to hear that the Unions are claiming that they were not consulted, while they already by July/August 2020 knew that the Government had concluded that Air Namibia was no longer affordable and decided therefore that it should be liquidated.

4. Payment of government guarantee exposure for the leased Airbus A330 and A319 aircrafts.

It is worth clarifying the misunderstanding about the cost of liquidation. It is believed that liquidation is going to cost Government over N\$2 billion. It is important to note that the cost of liquidation is not generally borne by shareholders, in this case government. Liquidation expenses are normally paid out of the proceeds of the sale of assets of the company that is being liquidated. During the application process, Government will procure the services of lawyers and other experts who will be paid fees that will be way far below the cited N\$2 billion, but once the liquidation order is granted by the Court, the liquidators take over the cost of liquidation. It appears that the confusion is caused by the money that Government has to pay to the owners of the aircrafts that Air Namibia is leasing and for which Government has provided guarantees in the past. This money that is currently estimated at N\$2.0 billion to N\$2.5 billion would have to be paid, whether or not Air Namibia continues with operations or is liquidated.

5. Allegation of closing Air Namibia deliberately for the growth of another airline.

This information is totally misleading and devoid of any truth. The history of Air Namibia is well known and government can no longer carry this burden given Air Namibia's soaring debts. There is no justification to take a decision that has an impact on the lives of many people only to benefit the growth of another airline which perceived to benefit few individuals. It does not make any sense at all to promote the interest of the few at the expense of the majority. Therefore the decision to liquidate Air Namibia is not linked to a desire to promote a private airline.

6. Welfare of the Air Namibia employees

The Government remains concerned about the impact of the closure of Air Namibia on the wellbeing of the employees. In the spirit of caring, Government has agreed to provide an ex gratia to employees equivalent of a 12 month salary. Although this will not take away all difficulties that the employees are experiencing as a result of the closure, it should be seen as an extra-ordinary measure over and above what the law requires. There is a significant number of Namibians who are losing their jobs, mainly due to the effects of the Covid 19 pandemic, but they are not benefitting from similar support.

It is also important to emphasise that the decision to liquidate Air Namibia was not taken lightly, all options were explored to find a solution that is in the best interest of the current and future generations.

Contact: Tonateni Shidhudhu
Chief Public Relations Officer
Tel: +264 612092914
Email: tonateni.shidhudhu@mof.gov.na