



REPUBLIC OF NAMIBIA
MINISTRY OF WORKS AND TRANSPORT

TRANSPORTATION COMMISSION OF NAMIBIA

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6 July 2020

Mr Elia Erastus
Acting Managing Director
Air Namibia (Pty) Ltd
P.O. Box 731
WINDHOEK

Dear Mr Erastus,

RE: SUSPENSION OF AIR NAMIBIA'S AIR SERVICE LICENCES

1. The various correspondences on the above matter have reference.
2. In November 2019, the Transportation Commission of Namibia (the "Commission") resolved to suspend your Air Services Licences (ASLs), as a result of its concern about Air Namibia's financial situation. Before the suspension came into effect, the Ministry of Finance authorised the airline to raise a loan of N\$578 million from a commercial bank(s) against a Government guarantee. The proceeds of this loan was seemingly to pay your creditors and to release some of your aircraft from maintenance. As a consequence of the Government intervention, the suspension of your ASLs was lifted conditionally.
3. The Commission had, apart from its concern about Air Namibia's financial situation, also become aware of a failed IOSA audit and therefore addressed this matter with you in correspondence. The Commission was assured that the shortcomings highlighted in the IOSA audit had been remedied.
4. In January 2020 a report appeared in a local newspaper under the title "*Quo Vadis Air Namibia?*". The report was claimed to have emanated from Lufthansa and was damning in terms of safety as well as operations, management and finances.
5. Since the Commission is reluctant to act on media reports it wrote to you in March 2020 and again in April 2020 requesting you to either confirm or deny the veracity of the report. No substantive reply was received to either letter.

6. In May 2020, the Commission invited Air Namibia to attend a meeting to discuss the matter. The meeting was held on the 27th May 2020 and was attended by Air Namibia's Acting Chief Executive Officer, Chief Financial Officer and Legal Advisor. In spite of having been informed during the meeting that Air Namibia would present the Commission with a comprehensive report about the Lufthansa audit, none has been forthcoming to date. At the same meeting, Air Namibia also undertook to submit an internal investigation report to the Commission within a week of the meeting, to date this has not happened.
7. At the meeting, concern was again raised about the airline's precarious financial position especially since the previous Minister of Finance, Mr Calle Schlettwein had stated in Parliament on the 27th February 2020 that the airline remained insolvent.
8. The Air Namibia delegation informed the meeting that you had informed Government (your 100% shareholder) that you require N\$8 billion to be able to carry on as a going concern and that the national budget which was to be tabled on the afternoon of the 27th May 2020 would give an indication of what Government's stance would be regarding the airline. In reply to a question from the Commission as to whether 50% to 60% of the required N\$8 billion would restore solvency, Air Namibia's representatives answered "no".
9. Air Namibia undertook to report back to the Commission by the 10th June 2020 regarding what amount Government had allocated to it in the national budget and how Air Namibia expected to go forward in the future, this undertaking has not been honoured.
10. According to recent newspaper reports, an amount of N\$983 million has been made available to the airline in the latest Government budget. This is scarcely 12% of the amount stated as needed by the management of the airline. Also, according to earlier media reports, N\$600 million of this amount will be taken up for payment of existing aircraft leases and the balance hardly covers the liability for unflown revenue. There is no availability of funds to pay other Public Enterprises or ordinary creditors.
11. Finally, in reply to questions after the budget the President of Namibia, Honourable Hage Geingob stated that Air Namibia should be liquidated. While it is speculative this statement will most likely have an adverse impact on creditors and together with the consequences of the COVID-19 pandemic effects on aviation world-wide, it is likely to in turn have an adverse impact on load factors for future flights.
12. Taking all the factors stated above into consideration and the requirements of the Air Services Act, namely that an operator must be financially able to provide a safe, satisfactory and reliable air service, the Commission has resolved to -
 - 12.1 Suspend Air Namibia's Scheduled Air Services Licence No 00012 again with effect from **23h59 on Wednesday 8 July 2020**. Air Namibia will be afforded an opportunity until **Wednesday, 22nd July 2020** to provide the Commission with evidence of having obtained funding to meet the requirements of the Air Services Act as well as a full report regarding the findings in the Lufthansa audit report for the Commission to consider lifting the suspension; failing which the Licence will be cancelled from that date at 23h59.

- 12.2 Air Namibia's Non-Scheduled Air Services Licence No 00014 will remain valid for the duration of the State of Emergency in order to allow Air Namibia to undertake humanitarian evacuation/repatriation flights, should such become necessary. After the State of Emergency, the same suspension and cancellation conditions will apply to your Non-Scheduled licence.

Yours faithfully



Eldorette Harmse

CHAIRPERSON

TRANSPORTATION COMMISSION OF NAMIBIA

CC: Mr Escher Luanda
Chairperson
Air Namibia (Pty) Ltd