



REPUBLIC OF NAMIBIA

MINISTRY OF PUBLIC ENTERPRISES

Office of the Minister

**RESPONSE TO QUESTIONS POSED BY HONORABLE NICO SMIT IN
RESPECT OF FUNDING REQUIRED BY THE NAMIBIA AIRPORTS
COMPANY FOR VARIOUS CAPITAL EXPENDITURE INITIATIVES**

Background

The Namibia Airports Company (“NAC”) recently hosted various stakeholders in the aviation and financial services industries to, among others:

- Update them on the progress made on various initiatives embarked on over the past few years;
- Share the challenges and experiences encountered during the past year as a result of the COVID-19 pandemic; and
- Communicate NAC’s plans for infrastructure development envisaged over the next five years.

During these engagements NAC informed the stakeholders that N\$1.3 billion worth of capital expenditure is envisaged over the next five years in order for NAC to adequately meet its commercial and compliance mandate across all airports. Included in these planned expenditure are projects worth N\$143 million for which NAC is seeking debt funding backed by a Government guarantee.

Question 1

Can the Hon Minister tell Parliament what happened to the N\$255 million (N\$155 million from taxpayers) that was given to NAC in 2019/20 for the upgrading of Hosea Kutako Airport and why, if there should still be N\$100 million left, more money is required? Was some of it diverted for paying salaries and Xmas bonuses at NAC?

Answer 3

It is important to note that over the past few years (from when the debt accrued), NAC management and the Board (even at the time the current CEO was not attached to NAC) adopted various measures aimed at recovering the then existing debt and limiting further exposure to Air Namibia debt. These include:

- Entering into an agreement to recover aeronautical charges through the International Air Transport Association (IATA) towards the end of 2018. Despite efforts by Air Namibia during 2019 to request the shareholder to intervene and compel NAC to withdraw from this agreement, NAC continued to seek enforcement of this agreement. Air Namibia however ended up defaulting on the IATA platforms.
- Various engagements were held with Air Namibia at management and Board level where NAC sought to compel Air Namibia to settle outstanding balances. There were instances where Air Namibia would commit to payment plans which were unfortunately not fully honoured.
- Pursuant to Air Namibia's failure to pay what it owes NAC through the aforementioned means, it was resolved that Air Namibia be placed on an advance payment basis in respect of services rendered to it by NAC. This was implemented in 2020 and was in effect until Air Namibia's liquidation. NAC managed to receive pre-payments on a weekly basis from Air Namibia since the implementation of this debt mitigation measure.
- Furthermore, NAC, through its CEO and Board of Directors, on several occasions requested intervention from the shareholder in respect of Air Namibia's indebtedness to NAC. Various letters were written to the Ministry of Works and Transport, the Ministry that I head, and in some instances, the Ministry of Finance. In addition to written correspondences to the various Ministries referred to above over the past few years, there were engagements in various fora with myself and the Honourable Minister of Works and Transport, during which the NAC Board and the CEO raised the issue of Air Namibia's increasing debt and requested urgent intervention. This was however to no avail, as there remained no solution to the matter.

The characterisation that NAC's failure to collect outstanding debt was a dereliction of duty or ineptitude is therefore factually incorrect as it does not take into account the efforts referred to above, coupled with the nuanced challenges that NAC's management and the Board faced in remedially addressing this issue.

Over the past year NAC has utilized its existing reserves as well as some assistance from the Government to fund its operational and capital expenditure obligations. The company is also using its own balance sheet to seek funding from financial institutions to cater for future capital needs. Although the effects of COVID continue to be felt, NAC is optimistic that its financial situation, which is not dissimilar to that of other airport operators worldwide, will gradually improve once travelling gradually normalises.

To pointedly answer the question, as at 31 December 2020, NAC's total assets were valued at N\$2.7 billion, and its current assets were N\$253 million, whilst its obligations to third parties were only N\$91 million.

Despite the bleak global economy and low air traffic, NAC also remains able to pay its debts as they become due. It is noteworthy to take cognizance of the fact that NAC's financial position is undoubtedly solvent, so much so that it has never had to borrow from any financial institution and/or capital markets in its entire period of existence from inception to date.

The fact that airlines such as Ethiopian Airways and Eurowings have resumed passenger service and the Turkish Airline commenced cargo operations, while others have increased the frequency and expanded their operations at airports operated by NAC, Westair and Airlink being a case in point; with the likes of Condor, TAAG and Comair having conveyed their intention to likewise resume operations in April/May 2021 means that NAC's financial position is exponentially improving, commensurate with the increased aircraft movements.

Non-aeronautical revenue generated from retail activities at NAC airports is also expected to correspondingly increase in light of increased passenger numbers, which will enable NAC to collect more revenue to buffer its reserves, thereby continuing to be a going concern, as has always been the case.

NAC is firmly solvent and is not anywhere near being insolvent as it has a healthy assets-liabilities ratio and continues to be able to pay its debts when they fall due, as corroborated by the concrete facts provided above.

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