

Saab Runs Out Of Money To Pay 3,700 Employees

Louise Nordstrom, Associated Press

STOCKHOLM (AP) — Saab, the Swedish car company renowned for its sometimes quirky designs, moved closer to bankruptcy Thursday after it conceded that it didn't have any money to pay employees' wages.

After months of production stoppages and problems with paying suppliers, Saab said the situation is so dire that it won't be able to pay its 3,700 employees, raising doubts over how long the brand can survive.

Its Dutch owner Swedish Automobile, previously known as Spyker Cars, has courted Chinese and Russian investors and put the Saab factory up for sale in its attempts to revive the brand it took over from General Motors Co. last year.

Analysts said the future for the company was very bleak indeed and Swedish Automobile shares fell by 62 percent to euro0.948 on the Amsterdam Stock Exchange.

"I do not see a future for the car maker in the current position," said Ferdinand Dudenhoeffer, an auto analyst at the University of Duisburg-Essen.

Saab has been fighting for its survival since Spyker, a small luxury sports car maker, brought it out of liquidation. Skeptics questioned how Spyker and its smooth-talking CEO Victor Muller could turn around a car maker that posted loss after loss during GM's ownership.

But every time the company appeared to be edging toward bankruptcy, Muller came up with a new lifeline. His latest move was lining up two Chinese investors — Zhejiang Youngman Lotus Automobile Co. and Pang Da Automobile Trade Co. — in a deal to make and distribute Saab in China. The deal hasn't been approved by Chinese authorities.

Saab spokesman Eric Geers insisted the car maker is not headed for bankruptcy.

"We're saying that we don't have funding to pay out salaries, but we're working day and night to find a solution," he said. "We're assuming we'll find a solution."

Swedish Automobile, the name that Spyker adopted this month, said it's in talks with various parties to solve the financial problems, but warned that there can be "no assurance that these discussions will be successful, or that the necessary funding will be obtained."

If Saab doesn't find a solution, its employees could ask a court to declare the company bankrupt in order to activate a government salary guarantee, said Peter Torngren, a lawyer who led Saab's liquidation process before Spyker bought the

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

brand. He is no longer involved with Saab.

The IF Metall metalworkers union, which represents 1,500 Saab employees, will send a written request for payment on behalf of its members, demanding Saab to "react" within seven days, union spokeswoman Lisa Wernsted said. She wouldn't say what the next step would be if Saab still declines payment.

"That is a decision we will have to take if we come to it," she said.

The car factory in Trollhattan, in southwestern Sweden, has been plagued by production stoppages since March as Saab struggles to pay suppliers for parts. It's expected to remain shut at least until July 4.

Muller has sought to raise money with a plan to sell Saab's property — including the factory — and leasing it back. Russian investor Vladimir Antonov was lined up as a potential buyer of the factory and part-owner of Swedish Automobile, but hasn't received the necessary approvals from the European Investment Bank, which last year gave Saab a euro400 million loan, that has since been reduced to euro280 million.

The Russian is prepared to invest between \$50 million-\$150 million in Saab, Antonov's spokesman Lars Carlstrom told The Associated Press.

"This is even more pressing now than before so I really hope the Swedish government makes a push to resolve this and takes action against the EIB," Carlstrom said.

Anotonov was forced out of Spyker as part of its deal with GM amid reports of money laundering. He has denied those allegations and has never been charged.

The center-right government has resisted pressure to rescue Saab, saying its up to the owner to keep it afloat. Swedish Enterprise Minister Maud Olofsson on Thursday rejected suggestions the government wasn't doing enough.

"It is GM and EIB that have said no to Antonov, if they say yes the government is prepared to say yes as well," she said.

EIB spokesman Par Isaksson wasn't immediately available to comment.

Saab has always had a core following of loyal enthusiasts, who loved it for its quirky design features, like placing the ignition switch by the gearbox. But many say the brand lost its identity after GM took full ownership in 2000.

Howard Wheeldon, a London-based analyst at BGC Partners, said Saab has failed to offer anything "particularly new or technologically radical" and would most likely cease to exist as a European brand.

"I suspect that in its present Swedish-based production form Saab Auto may best be left to curl up and die," Wheeldon said.

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Malin Rising in Stockholm contributed to this report.

Source URL (retrieved on 12/26/2014 - 3:54am):

<http://www.impomag.com/news/2011/06/saab-runs-out-money-pay-3700-employees>