

Saab Denied Bankruptcy Protection

Malin Rising, Associated Press

STOCKHOLM (AP) — A Swedish court on Thursday rejected car maker Saab's application for creditor protection, paving the way for possible bankruptcy filings from labor unions.

The ruling by the Vanersborg District Court, which can be appealed, is the latest setback for cash-strapped Saab as it scrambles to solve a liquidity crisis that has left it teetering on the brink of collapse.

The company, owned by the Netherlands-based Swedish Automobile, is struggling to pay suppliers and staff and production at its manufacturing plant in Trollhattan, Sweden, has been suspended for most of the year.

Swedish Automobile, formerly known as Spyker Cars, had submitted an application for bankruptcy protection on Wednesday, including plans for a reorganization it claimed would help revitalize the brand.

But the court said it remains unclear how the brand — which underwent a reorganization under previous owner General Motors Co. in 2009 — will find the money it needs to stay afloat.

Swedish Automobile's Dutch CEO, Victor Muller, is hoping for a €245 million (\$344 million) cash injection from Chinese investors Zhejiang Youngman Lotus Automobile Co. and Pang Da Automobile Trade Co. that is currently awaiting regulatory approval.

"It appears unclear if — and if so when — the relevant Chinese authorities will approve the agreements," the court said, adding that other financial solutions presented by the company don't seem sustainable.

"In sum, the court finds that it appears unclear how the company will be able to solve the liquidity crisis and continue operations," the ruling said.

It wasn't immediately clear whether Saab would appeal the ruling, which opens up for potential bankruptcy filings from labor unions representing Saab's 3,700 employees, who are still waiting for their August salaries.

Hakan Skott, local club chairman of labor union IF Metall in Trollhattan, called the court's decision "sad" and said union members will consider filing bankruptcy proceedings against Saab within "the next couple of days."

"We are nearing 14 days without salary payments and the financial situation is becoming very difficult for some of our members," Skott said.

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

If the court had approved Saab's application, the government would have stepped in to pay workers' salaries during the reconstruction process.

Tom Muller, an analyst at Theodoor Gilissen in Amsterdam, said he believes the unions can wait a maximum of two to three days before making a bankruptcy filing.

"The company can do only one thing and that is to give them money," said Muller, who is not related to the Swedish Automobile chief executive. "The members have to eat. ... People cannot live on promises."

He said he doesn't believe Swedish Automobile will manage to find the funds in time.

"It's a good car, there is nothing wrong with the product, but it's the financial situation that's the problem," he said.

Source URL (retrieved on 05/03/2015 - 6:17am):

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