

Accident-prone SA Roadlink seeks business rescue

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The accident-prone and embattled bus company SA Roadlink has filed for business rescue despite denials last month that it was in financial crisis.



Image: SABC

The transport company has grabbed the headlines in recent years for its road fatalities and defective vehicles. Last year the Western Cape government had to tighten the screws on the embattled operator after a series of road accidents.

The provincial transport MEC Robin Carlisle said at the time that every bus belonging to the company had to be stopped on sight for detailed inspection. The move came after the company was involved in a scheme to produce fraudulent roadworthy certificates.

Gauteng transport MEC Ismail Vadi laid charges against SA Roadlink after it emerged that a senior employee at the company had resigned after only three days, having discovered a scheme to produce fraudulent certificates. The employee allegedly obtained sufficient evidence to prove the existence of the scheme before walking out.

In documents seen by Business Day the company had filed for business rescue because it was "reasonably unlikely to pay all its debts as they become due and was likely to be insolvent in six months". The new Companies Act provides for business rescue, which is a legal process that allows companies to be rescued if they are in financial distress.

Business rescue

The appointed rescue practitioner in this case believes the company can be rescued.

The company's board agreed on 21 August that it must file for business rescue and subsequently appointed Dawie van der Merwe of Independent Recovery Advisors as the rescue practitioner. In an affidavit, director Thagraj Reddy said the company failed to insure its buses and had avoided liquidation after reaching an agreement with creditors, which included Scania SA, Nedbank and First National Bank (FNB).

"SA Roadlink breached the agreements in that it failed to punctually make lease payments due to Scania SA for repair and maintenance or in respect of any account held by the lessee with Scania and failed to adequately insure or keep insured the coaches," Reddy said.

SA Roadlink bought 25 buses each worth R1.08m in 2011 and was R1.4m in arrears on the payments, excluding interest, by November last year.

It had offered to pay Scania R1m a month from October last year but failed to do so.

Payments not made

FNB had applied last month for a liquidation order in the South Gauteng High Court, claiming that SA Roadlink was in a "dire financial position and unable to pay its debts".

The application by the bank claims that the company owed more than R6m in instalments.

Documents seen by Business Day show that Nedbank served the company with a letter on 17 July requesting payment of a debt amounting to R2.6m or face liquidation. The bank further filed a combined summons claiming payment of R3.6m at 7% a year calculated from 10 July.

Reddy's affidavit said the company had more creditors to pay: "Apart from FNB and Nedbank, SA Roadlink has other creditors to pay. It was not in a position to pay FirstRand Bank the balance due as of July, and as result received a writ of execution for movable property from FirstRand bank served by the sheriff on 25 July," read the affidavit.

Van der Merwe was positive when he spoke to creditors. He told them in a meeting on 26 August that he believed the company could be rescued.

"I take the responsibility very seriously to believe that there is a prospect of rescuing a business when I take the appointment, and I have regard to what the act defines as a successful business rescue and that is securing jobs, which is not really applicable here, and then to achieve a result that would be better for creditors than a liquidation would be," minutes of a meeting with Van der Merwe show.

Contacted for comment, SA Roadlink's Allan Reddy referred Business Day to the communications manager, Melissa Royan, who promised to respond but has not.

Source: Business Day via I-Net Bridge

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