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New deal stings disabled

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By BERT HILL, Canwest New Service



Nortel pensioner Mike Milinkovich (36 years with Nortel) was among those calling for change in bankruptcy laws to move employee claims ahead of other creditors.

Photographed by:

BRUNO SCHLUMBERGER, CANWEST NEWS SERVICE, Canwest New Service

Connie Walsh, a 42-year-old Nortel Networks Corp. employee on long-term disability, appealed to fellow Nortel employees yesterday not to support a new \$57-million deal that extends major benefits, but carries big conditions.

"I am 42 years old and I have

two kids," she said in an emotional appeal to more than 300 Nortel pensioners and former employees in Ottawa.

"If this is approved, I could lose up to 85 per cent of my benefits. I won't be able to pay my huge medical bills.

"There are some of us (on LTD) who could die. Please don't let them trample on our rights,

because this is not fair." The speech, and the angry walkouts by other LTD recipients, shocked the meeting of former Nortel employees.

The meeting was called to galvanize pensioner support behind a campaign to reform Canadian corporate restructuring laws by moving severance, pension and other employee claims ahead of major bondholders when companies file for bankruptcy protection.

The funding was negotiated after U.S. Nortel operations dipped into a \$915-million reserve to transfer \$191 million to keep cash-strapped Nortel Canada operations afloat.

But with 90 per cent of Nortel operating lines now in hands of other companies, the U.S. division made it clear there would be no more money beyond March 31.

In return for commitments to keep paying pensions and benefits for up to 10 months and pay \$3,000 severance packages, Nortel Canada got some conditions in return.

The group of former employees agreed not to sue Nortel executives and directors over the management of pension and health and welfare funds except for any alleged fraud.

They also agreed not to try to move their claims ahead of other creditors in Canada and around the world when Nortel assets are finally divided.

Another condition is an agreement not to oppose new retention incentives for remaining Nortel employees.

Diane Urquhart, an independent financial analyst, said the conditions will make it impossible for lawyers to argue for better treatment for LTD recipients and other vulnerable groups when Nortel assets are divided.

Sue Kennedy, the official representative of the LTD group in the negotiations, said the unhappy members had not read the full terms of the deal. She said the agreement buys time because the LTD benefits will end Dec. 31, not March 31, if the deal is not approved.

Urquhart estimated that Nortel creditors will get about 50 cents on the dollar when Nortel assets are finally divided.

But she said there is no guarantee the division will be equal around the world.

Urquhart said that if all the cuts to Nortel benefits are implemented, Canadian taxpayers will be hit with \$355 million in increased bills ranging from unemployment benefits to guarantee annual income supplements.

The Nortel deal to extend benefits is subject to court approval March 3 and opponents can seek to be heard.

The meeting was told that the only way to stop major cuts to Nortel benefits later this year is to reform insolvency rules by lobbying governments at all levels.

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