

# Nortel pensioners thrown to wolves

BY BERT HILL WORKING CAPITAL, OTTAWA CITIZEN    DECEMBER 15, 2010

Bankers, bond-fund managers and business lobbyists got some good news from the new Conservative plurality in the Senate last week. They don't have to worry about 743 Nortel Networks widows and long-term disability recipients messing up credit markets with pleas for compensation from companies that jump into bankruptcy protection to avoid responsibilities.

The Conservative senators dumped Liberal legislation that would have diverted a bigger share of Nortel assets to the pensioners. Worried about the potential impact of higher borrowing costs on "a fragile recovery" -- one otherwise sensible investment fund put the tag at \$17.5 billion -- the senators threw the widows to the wolves. Indeed, global credit markets are in such an agitated state that just last week IBM could only raise \$1 billion.

The senators, with strong support from cabinet ministers John Baird and Tony Clement, turned a deaf ear to the pleas of the widows and LTD recipients who, as of January, will lose 65 per cent of benefits ranging between \$1,400 and \$2,500 a month.

The cabinet ministers said the Senate was acting to protect the widows from "false promises" from the Liberals that would lead to "endless litigation."

Alas, the endless litigation is at hand and the assault on remaining Nortel assets by more high-priced lawyers is about to begin. Unlike Canada, most countries protect their pensioners with aggressive regulation of pension funds, insurance schemes and bankruptcy guarantees.

A British court has just ruled that Nortel is responsible for a \$3.1-billion charge to an insurance plan that protects up to about \$45,000 in benefits of more than 43,000 Nortel pensioners there. Nortel regularly acknowledged the need to fix the underfunded British plan fund but a succession of CEOs and boards of directors -- even while Nortel ruled the telecommunications world -- did nothing.

If the British ruling withstands appeals, it would gobble up all the proceeds so far from the sale of product lines including modest cash reserves in Canada.

While some Conservative MPs, though none from Ottawa, had previously voted for Commons legislation for Nortel pensioners, the senators weren't going soft under the party whip. Given a choice between the longevity prospects of 396 widows with an average age of 80 and business lobbyists who will deliver campaign funds at the next election, the senators made the expected choice.

But the Conservatives insisted they appreciate the difficult challenges of Nortel pensioners -- the crocodile tears bathed Parliament Hill -- and said they were working to get some cash into their hands. They weren't saying more. But it turns out they were talking about a proposal, now before the Ontario

Superior Court, to give each Nortel victim an additional three months of benefits as a down payment on their modest shares of the depleted assets in a Nortel health and welfare trust.

If the proposal is approved, the grateful Nortel widows won't have to push their walkers through snow drifts on the way to the welfare office come the spring. Who says the spirit of Christmas is not alive?

### Ciena sees big gains

Ciena Corp. shares have surged more than 20 per cent in the last week on promising signs that a \$770-million Nortel Networks asset takeover is working. Sales of Nortel optical transport gear, developed primarily in Ottawa, hit an annual sales pace of more than \$1 billion in the October quarter, up a robust 15 per cent from the preceding July quarter. Investors ignored troubling increases in losses -- driven by higher sales commission and research expenses -- and a four-per-cent decline in sales of traditional Ciena switching products. But, while Ciena is reaping the demand for high-capacity 40-gigabit and 100-gigabit systems that eluded Nortel in its dying days, that doesn't necessarily mean happier days for former Nortel employee's. Ciena still has some major cutting to do in the Nortel assets. It plans about \$70 million in integration spending this quarter -- the biggest chunk of a \$190-million restructuring plan as it jettisons a

transition services agreement and parallel organizations. It is busily rationalizing a supply chain, eliminating one of three distribution centres. That likely means bad news for many of the remaining 1,000 or so Nortel service staff. Looking ahead, Ciena is optimistic that it still has a 12-to 18-month lead against rising competitors like Huawei and has a chance to take market share from Alcatel-Lucent, the leader in the high-capacity optical space. With services like B sucking up 20 per cent of U.S. prime-time broadband with on-demand movie streaming, the golden days of optical networking may be back. While several companies have announced contract wins for ultrafast 100-gigabit systems, Ciena said it is the only one to announce an actual sale -- with the New York Stock Exchange.

people

Michael Darch, a veteran OCRI marketing executive and technology leader, has been appointed executive in residence at the Sprott School of Business and engineering schools at Carleton University. Solace Systems has appointed Dan Matte, senior vice-president of marketing and business development at F5 Networks, to the board of directors.

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