



Search bar with GO button

This RRSP Season, invest in Saskatchewan.



Failed Nortel mediation signals need for better bankruptcy laws in Canada: CAW

Linda Nguyen, The Canadian Press
Fri, 25 Jan 2013 14:19:00 CST

Share |



A man walks past a company sign at a Nortel Networks office tower in Toronto on Feb. 25, 2009.

TORONTO - The complex legal battle over \$9 billion in residual assets of former technology giant Nortel Networks underlines the inadequacy of Canada's bankruptcy laws, says the head of the Canadian Auto Workers.
Union president Ken Lewenza says Ottawa needs to intervene to ensure that former workers, disabled employees and pensioners at the now-defunct equipment maker can get their fair share of the assets, which are being claimed by more than 100 parties including bondholders, trade creditors and governments.
'It's a case that the government should look at and implement legislative changes to make sure that these things never happen again,' Lewenza said Friday.
Efforts to divide up Nortel's creditor claims abruptly ended Thursday when Ontario Chief Justice Warren Winkler, who was court-appointed to lead the proceedings, concluded that there was no sign of a resolution in sight.
'The chief justice has concluded that further efforts at mediation are no longer worthwhile,' according to a spokesman for the talks.
By this point, the mediation, which was only supposed to be a week long, had already been extended twice by Winkler. This was the third attempt at a resolution.

Lewenza blames the deadlock on a group of Nortel bondholders who want the full value of their bonds, plus interest, which amounts to \$4.5 billion, even though he says they only paid 20 cents on the dollar for them.
He says there has been little room for negotiation, especially for his members, some of whom have lost their pensions and life savings when the Ottawa-based firm went belly up. CAW represents about 850 pensioners and former disability workers.
'Normally, mediation is a good tool. Nobody leaves totally satisfied, nobody leaves with jubilation that they all got what they wanted,' said Lewenza.
'The reality is that if you go in asking for the full basket, then whether it is a week, or whether it is 10 weeks or 12 weeks of mediation, it won't matter if the attitude doesn't change.'
According to legal documents, U.S. law firm Cleary Gottlieb Steen & Hamilton LLP, who represented Nortel in the mediation, filed \$1.25 million in fees in November alone. One media outlet reported that the firm has been billed for \$755-million worldwide since the negotiations began.
CAW lawyer Barry Wadsworth, who attended the proceedings, says chances of another mediation process to hammer out a deal is unlikely.
Instead, he says the Canadian courts may be asked to step in to force a resolution, but it's unclear if they have the jurisdiction to do that, especially since the majority of the assets are being held in trust in the U.S., the U.K. and Europe.
At its height in 1999 to 2000, Nortel was worth nearly \$300 billion, employed more than 90,000 people worldwide and was regarded as one Canada's most valuable companies, with its shares peaking at \$124.50.
In the years that followed, the firm began to crumble when the dot-com bubble burst, and its shares nose-dived to penny-stock status amid an accounting scandal involving top executives.
In 2009, Nortel filed for bankruptcy in North America and Europe, shedding thousands of jobs.
Since then, it has sold its remaining businesses piecemeal to various buyers for more than to US\$7.8 billion, one of largest asset sales in Canadian history.
Messages left Friday with Nortel were unreturned.
Meanwhile, the group Nortel Retirees and former employees Protection Canada vowed it would continue the fight.
'For four years, our retirees and former employees have been fighting for a fair share of the pie. We have been treated as pawns in this game by vulture bond funds. We will continue the battle,' said NRPC president Don Sproule in a statement late Thursday.
'Canadian pensioners and disabled employees have already taken their hit financially with the cutback of pensions and loss of long-term disability income, as well as all other medical and insurance. Nortel pensioners in the U.S.A. and U.K. have suffered no such cutbacks.'
On Jan. 14, the former top brass at Nortel were acquitted of fraud charges nearly a decade after being accused of falsifying financial records at the beleaguered company.
Ex-CEO Frank Dunn, ex-CFO Douglas Beatty and ex-controller Michael Gollogly had been fired in 2004 and accused of being involved in a book-cooking scheme to trigger \$12.8 million in bonuses and stock payments to themselves.
But a judge found the evidence did not support fraud charges against the executives.

News from © The Canadian Press

Today's Headlines

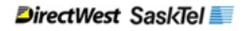
Yesterday's Headlines

Past 2 Weeks

Back

Return To School With Financial Aid. See if You Qualify. Click Your Age: Under 18, 19-25, 26-35, 36-45, 46-55, 56-65, 66-75, Over 75. classesUSA

<b>YOUR MISSISSAUGA BIZ.COM</b>	<b>Know who's who!</b> Online daily, Mississauga-Brampton business news you can profit from! See for yourself - FREE - right now: <a href="#">Click here</a>	<b>FREE ANDROID TABLET</b> with annual subscription.* <small>*Call for details.</small>
---	--	---



[Terms & Conditions](#) / [Site Policies](#) / [Privacy](#) / [Security](#) / [Advertise With Us](#) / [Contact Us](#) / [FAQ](#)



[Make mysask.com my home page](#)

Copyright © 2013 SaskTel, DirectWest Corporation and their licensors. All Rights Reserved.