

# Nortel: Still going over same polluted ground

BY BERT HILL, THE OTTAWA CITIZEN MARCH 23, 2011 7:49 AM



Pavi Binning, former Nortel CFO, was paid \$3.03 million.

Nortel Networks is out of business, but a former manufacturing plant it operated in southern Ontario is still posing prickly environmental issues.

The insolvent company wants no part of the \$10-million cost of cleaning the London site or continuing to monitor residual pollution at four other former Ontario plant sites.

In filings with the Ontario Superior Court, Nortel is asking for a release from future obligations, saying the \$18 million in estimated costs would generate no value for its creditors. It said it has spent \$1.7 million in the last two years maintaining scores of pollution-monitoring wells around the former plants in Brockville, Kingston, Belleville and Brampton as well as London.

The question is who, other than taxpayers, will pay the bills. Current owners of the properties have filed tens of millions of dollars in claims against the Nortel assets. While it is still early to say for sure, they will probably be lucky to get 50 per cent of their claims covered.

Nortel says the Ontario environment ministry has not filed claims against four of the former plants.

But the former London plant close to Highway 401 is another issue. The ministry filed a cleanup order in 2009.

After Nortel stopped making phone gear there in 1994, the plant was demolished and most of the site was remediated at a cost of \$10.5 million and sold to energy, freight and other companies. But a polluted central portion of the 27.5-hectare property remains in Nortel hands and it requires significant work, which Nortel estimates will cost \$10 million. The damage was likely caused by discharges from chemical holding tanks leaking through a storm sewer into the surrounding ground.

The tanks and sewers were removed long ago, but the polluted soil and groundwater remain. In the filing, Nortel said the polluted property poses no threat to humans or the environment. So far the pollution has yet to migrate to the neighbouring properties, but some risk remains. An engineering report said a new study is necessary if anyone tries to build on the site. Nortel said the cleanup bill exceeds the assessed value of the land.

Most of the other plant sites were cleaned up after Nortel got out of the manufacturing business in the late 1990s, but traces of toxic volatile organic chemicals like TCE (trichloroethylene) linger.

In Brockville, for example, Nortel spends \$200,000 annually monitoring wells around the former Strowger Boulevard plant. It was sold to Sanmina-SCI, a contract manufacturer, in 1999, and later was taken over by a warehousing operation. Nortel estimates that running the Brockville wells for 18 years will cost \$3.6 million and dismantling the network will cost \$112,500. The current owner has a \$16.5-million claim against Nortel.

Nortel sold its Kingston plant in 1995 and production there stopped in 2003. Nortel said it spent \$1 million on remediation of soil and groundwaters. It estimates \$500,000 in future monitoring work and \$135,000 to ultimately decommission the system remains. The current owner has a \$5.2-million claim against Nortel.

Nortel and Sanmina are still fighting in a multi-million-dollar contract dispute over BreconRidge, the former Kanata contract manufacturer sold by technology magnate Terence Matthews and other investors a year ago. The fight is one of many now before the courts that will have to be settled before Nortel can wind up its affairs.

Sanmina, which has other Ottawa operations, shocked investors last week when financial guidance for the next quarter missed expectations by a wide margin. The stock dropped more than 18 per cent. It blamed uncertainty surrounding U.S. defence budget cuts, weak demand for optical equipment and troubles in India.

Meanwhile, the Nortel bankruptcy proceedings grind on. The seventh and latest extension of bankruptcy protection means creditors can't sue until at least June — 32 months after the original filing. One of the last top-ranking Nortel executives, George Riedel, the former chief strategy officer, also got an extension of his exit plans. With the sale of about 4,000 Nortel patents still up in the air and the ultimate division of Nortel assets a big unresolved issue, he won't be leaving March 31 as originally planned but could still be around Aug. 31.

Riedel was paid \$2.71 million in 2010, 79 per cent more than a year earlier. But that didn't make him the top-paid executive. Former chief financial officer Pavi Binning got \$3.03 million, a boost of 55 per cent. Not bad, particularly when he left almost a year ago, or four months into the fiscal year. Nortel directors – who got \$714,600 in fees last year – handed out a special bonus.

Other Nortel employees are getting no severance pay as they leave, including a former Dallas employee who just got notice after 47 years with the company. Nortel still had 1,536 employees in early January, including 390 in Canada, processing claims, providing transition services, managing legal squabbles and trying to wind up assets. Lawyers and accountants continued to do well, generating \$151 million in fees last year or 26 per cent more than a year earlier when the big asset deals were in full swing. Cleary Gottlieb, the lead U.S. law firm, continues to bill for \$4 million to \$5 million a month. For creditors, including pensioners, ex-employees, suppliers and bondholders, the picture is getting gloomier. Nortel had \$10.5 billion in creditor claims but only \$4.5 billion in assets at the end of December.

March Networks has won a contract monitoring traffic on 14 major toll roads in northern Italy. Autovie Venete is buying 150 March surveillance cameras and related gear. C-Com Satellites said rescue crews are using iNetVu mobile satellite antenna systems in the Japan and New Zealand earthquake recovery operations. Amita, an Ottawa technology company, said the MedPost information system to help medical professionals track epidemics is one of 19 projects that could benefit from a \$40-million federal government program to help commercialize new technology.

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