

Call to Action on Nortel

Dear Prime Minister Harper,

I write you this letter today on behalf of nearly 19,000 Canadian taxpayers that were also employees of Nortel Networks. We are all very proud to have been associated with Nortel and the great things we all accomplished during our employment and the subsequent impact we had building Canada's R&D sector into a world leader. It is now with great sadness and frustration we are seeing our government and its related agencies precipitate the downfall of the former crown jewel of Canadian R&D. We are also appalled by the Nortel executive's flagrant disregard for our contributions, padding their pockets with millions in bonuses as they sell the assets to foreign interests and now work to deplete Canadian assets to ensure no claim value in the Canadian estate. Meanwhile, systemic flaws in our Federal CCAA and BIA legislation are dismantling all of the severance and pension benefit protections that exist in Provincial laws.

I am sending this letter to call you to take IMMEDIATE and DIRECT action to remedy this situation for the betterment of those impacted and for thousands of other Canadian workers and pensioners that could be put in this situation in future bankruptcies. In our correspondence with members of your government on this issue, they have attempted to placate us with many weak excuses and justifications:

- Severances and Pensions are handled by Provincial Legislation. In actuality, the courts have interpreted that Federal CCAA and BIA legislation overrules all Provincial Legislation (including legally mandated minimum termination compensation). De facto, when companies enter CCAA and BIA, severances and pensions become governed federally and the law now needs to recognize this.
- We cannot amend BIA legislation because "changing the priority of unfunded pension liabilities and severance payments could have a negative impact on the cost and availability of credit." This broad statement has been researched fully by our independent financial analyst (Diane Urquhart) and she has found that the expected impact to the entire credit market of this change is in the range of less than 0.05% to 0.26% increase in the annual cost of credit with the amount depending upon the term and quality of the credit. This is an infinitesimal amount compared to the recent havoc caused by toxic U.S. sub-prime mortgages and structured credit products on the cost and availability of credit for all corporations. As well, an analysis of credit impacts in other OECD markets that have had the foresight to implement amendments protecting employee entitlements shows that there is no evidence of impacts to their credit markets. In fact, amendments such as these can strengthen markets, as companies will be compelled to seek BIA as a method of absolute last resort due to the size of the pension fund and severance liabilities at stake. Also, I'm sure you are aware that President Obama is pursuing similar changes in US law and has intervened to protect pensioners and severed workers in the Chrysler case – why can we not lead the path in North America and do the right thing now?

These are no longer excuses and we demand IMMEDIATE actions. The Federal Government needs to make an emergency amendment to the Bankruptcy and Insolvency Act to put the pension, health and long term disability plan deficits and severance ahead of the junk bond owners in liquidation. Furthermore, the Federal Government must use its authority under the Investment Canada Act to set conditions for the proceeds of the foreign purchases of Nortel businesses be set aside to fully finance the Canadian legacy pension, health and long term disability plan deficits and severance. These actions need to occur ASAP as it is apparent that Nortel is pursuing liquidation and these injustices will be much harder to correct after the fact. We have also just discovered that Nortel is working with their monitor to move charges to and cash out of the Canadian arms of the company, while they pad all other branches. This clearly shows to us that they are taking advantage of our Canadian legal holes and using it to hurt hard working Canadian's and pad their pockets further.

Does your government want to go down in history as one that refused to back the Nortel Canadian pensioners and severed employees in their time of ultimate need, after they did so much for Canada's

technology industry?. The Nortel pensioners and severed employees are powerless to stop current incompetent management from handsomely rewarding themselves with ludicrous bonuses for failure, fuelled by outdated and inequitable federal legislation.

Do you also want to be the government that was at the helm when its Crown Corporation, the EDC, triggered the downfall of the "Crown Jewel" of Canadian R&D and then went on to finance the foreign hyenas as they picked over the corpse, paying fire sale prices for world leading Canadian technologies? Is Canada better off relegating high tech to Finland, Germany and China, while we go back to being hewers of wood and drawers of water?

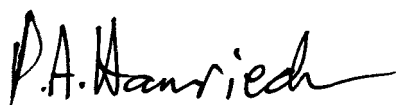
We have yet to see any guarantee of jobs saved out of this or measures that will ensure the jobs remain in Canada long term. We have seen this repeatedly in Nortel's past – sell off divisions to Flextronics or Solectron with similar promises, only to see them closed and sold off in 2 years or less and transferred offshore. Losing these Nortel divisions and their associated R&D bench strength will heavily impact our future as a country at the forefront of telecommunications technology. Nortel has sparked more technological advances and development than any other company in Canada – can we really afford to sell these off at fire sale prices and pay someone to take it away?

Mr. Harper, we need these changes now! We need your government to take concrete steps to rectify the inequities of our situation, and to protect all Canadian employees from suffering a similar fate. Specifically, we need you to take two actions. First, we need your government to withhold approval of the pending sale of key Nortel assets until Nortel agrees to keep the proceeds in Canada to fulfill their obligations to their terminated and retired employees – this also includes intervention in current plans to strip equity from the Canadian arm of Nortel (this is set to happen on July 9th.) This is critical, because it is apparent that Nortel's strategy is to move as many assets out of Canada as they possibly can. Given that EDC is providing \$300M to a Finnish-German joint venture to facilitate the sale of these assets, it does not seem unreasonable to impose these types of conditions on this transaction. Please see our full financial analysis of this situation from Diane Urquhart – it is appalling that despite full legal representation and a judge to protect us that this is being allowed to happen. What are we to do when we can't even rely on the system to protect us...

Secondly, we need you to amend the BIA act to provide preferred status to employee claims for severance and pension deficits. This amendment must happen before the sale of key Nortel assets takes place, because Nortel has stated it is their clear strategy to dissolve the Canadian operation as soon as the asset sales are consummated. This issue has been under parliamentary review for decades, and now is the time to take decisive action.

Failure to take action on these issues will result in an unprecedented trans-national transfer of money, jobs and intellectual property that will be regarded by future generations in the same light as the demise of the Avro Arrow. It will be an incredible corporate pillaging of Canada, precipitated and enabled by the policies and laws of the Government of Canada. We will do everything in our power to help you in this process, but we WILL NOT STOP until this is resolved. These loopholes in the CCAA and BIA have caused so many much pain, stress, worry, frustration and sadness. Please hear our plea, work with us and do the right thing.

Sincerely,



Paul A. Hanrieder P.Eng
And 19,000 Pensioners, severed and disabled employees of Nortel Networks.
hanriedp@gmail.com
403-483-8804.