

Nortel to sell itself off in pieces

June 20 2009, By ROB GILLIES , Associated Press Writer

(AP) -- Nortel Networks, once a technology giant, has decided to sell itself off in pieces rather than attempt to emerge from bankruptcy as a restructured company.

Nokia Siemens Networks agreed to buy some wireless operations of Canada's Nortel Networks Corp. in a \$650 million deal as the more than century-old Nortel announced it is looking for buyers for the rest of its assets.

The Finnish-German joint venture said Saturday it had agreed to buy the CDMA and LTE [wireless technology](#) assets of Nortel, a former [telecommunications equipment](#) powerhouse that sought bankruptcy protection in January and now plans to liquidate its business.

The deal is subject to court approval under an auction process in which other bidders could still make higher offers.

[Nokia Siemens](#) is looking to strengthen its position in North American markets.

Nortel, on the other hand, is winding down a company with a 127-year history in Canada and said it is in advanced talks to sell the rest of its operations.

Nortel CEO Mike Zafirovski had hoped to restructure and preserve Nortel since seeking bankruptcy protection in Canada and the United States.

"This is not the path which we worked so hard to get to," Zafirovski said in an interview with The Associated Press.

"We're in advanced discussions with anywhere from three to seven companies for each one of the assets. If we're successful in getting the right value and the right integration planning and so on then Nortel as an entity which we know it will no longer be here in the future."

Zafirovski said the enterprise business, the optical Metro Internet business and the carrier voice over IP and application business as well as part of the wireless business are among the assets still up for sale.

Nortel also said it will ask to have its shares delisted from the Toronto Stock Exchange.

Nortel employs more than 25,000 people around the world. During the 1990s telecom and Internet boom, Nortel had more than 95,000 employees. At one point in 2000 it accounted for one-third of the market value on the entire Toronto Stock Exchange.

After the dot-com bust in the early part of this decade, Nortel had problems of its own: an accounting crisis that sparked shareholder lawsuits, regulatory investigations and the firing of key executives, including CEO Frank Dunn.

"The market cap at one point in time was \$250 billion. It was down to about \$10 billion when I came," said Zafirovski, who was named CEO in 2005 after serving as an executive at Motorola Inc. and General Electric Co.

Zafirovski tried to transform the company but he said the economic crisis changed the outlook dramatically. Nortel became the first major technology company to seek [bankruptcy](#) protection in this global

downturn.

Zafirovski, who already presided over a disheartening series of work force cuts and restructurings, said he's hopeful the remaining transactions will allow employees to join new companies.

He said it's the best move for all stakeholders.

Zafirovski spoke on a conference call with 2,500 Nortel managers on Saturday. They'll be addressing employees on Monday morning.

Nokia Siemens Networks is a joint venture of Nokia Corp., the world's top mobile phone maker, and German Siemens AG. It employs 60,000 people worldwide.

Nokia Siemens hopes to get court approvals for its deal soon. Nokia Siemens described the planned acquisition as "a significant step towards strengthening its leadership" in Long Term Evolution, or LTE, technology.

"The acquisition of Nortel's profitable CDMA business would significantly improve Nokia Siemens Networks' presence in North America and make it a leading supplier of wireless infrastructure products in the region," the Espoo, Finland-based company said.

CDMA, or code division multiple access, is a rival standard to the dominant cellular standard GSM, or global system for mobile, while LTE is a next-generation wireless network technology.

Under the deal more than 2,500 Nortel employees, mostly in Canada and the United States, would be transferred to Nokia Siemens Networks. Canada's government-owned export credit agency, Export Development Canada, would support the transaction with a \$300 million loan

commitment, Nokia Siemens said.

Nortel reported a first-quarter net loss this year of \$507 million with revenue falling by 37 percent from 2008 to \$1.7 billion.

Nortel's customers, including Bell - Canada's leading telecommunications company - welcomed the deal which Nokia Siemens said would ensure the continuation of Nortel's research and development sector.

"As Nortel's largest customer in Canada, Bell supports Nokia Siemens' plan to continue to foster Nortel's long history of research and development in Canada," said Stephen Howe, spokesman for Bell Mobility.

"This news eliminates industry uncertainty and enhances CDMA ... today and in the future," said Dan Hesse, CEO of Kansas-based Sprint Nextel.

On the Net:

Nokia Siemens: <http://www.nokiasiemensnetworks.com>

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