Alcatel-Lucent plans overhaul, big cost cuts (Update)

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Telecommunications equipment manufacturer Alcatel-Lucent launched a major effort Wednesday to boost its fortunes by shedding businesses and jobs as part of a deep cost cutting program.

Shares rose nearly 5 percent on the announcement, as investors hope that the plan brings the solid profits that have eluded the Paris-based company for years.

Alcatel-Lucent, which supplies operators such as AT&T, Verizon and Orange, said it will sell off more than 1 billion euros ($1.33 billion) in assets through 2015, and hopes for 1 billion euros in cost savings. It is also restructuring debt.

The company said it will cut back on research in older technologies and focus on its most promising sectors, such as Internet routing and cloud systems, "to address the explosive growth in bandwidth-hungry data traffic."

Sales at the company nearly stalled in the first quarter at 3.2 billion euros, prompting a wider-than-expected loss for the quarter of 353 million euros.

The company has faced years of nearly uninterrupted losses and successive rounds of cost-cutting and layoffs since the 2006 merger of U.S.-based Lucent Technologies and France's Alcatel.

CEO Michel Combes had promised a turnaround plan for this summer, after restructuring efforts under his predecessor failed to get the company back in profit.

The company said the new plan will include layoffs, site closures and outsourcing of some manufacturing. Combes did not indicate how many jobs would be lost from its global workforce, which included 72,000 employees as of the end of last year.