

Nortel files for bankruptcy protection

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Reeling from the sudden drop in demand for its voice-only telecom-network equipment, Nortel Networks Corp. (NYSE: NT) filed for bankruptcy protection Wednesday.

The Toronto-based company, which employs about 2,000 people at its campus in RTP, has been trying to cut costs and sell assets.

Nortel spokesman Jay Barta said the [Chapter 11 filing](#) in Delaware bankruptcy court will have no immediate impact on the RTP operations, but he said that might change in the future.

"We are not announcing any changes specific to Nortel sites or employment connected with this announcement at this time, but as part of our restructuring, we will be reviewing options to reduce costs," Barta said in an e-mail to WRAL News.

The bankruptcy filing comes as Nortel, which faces a \$107 million payment on debt on Thursday, continues to struggle financially. The largest maker of telecommunications gear in North America, the company has failed to find a buyer for one of its networking divisions, a key factor in its bid to recover financial stability.

[Creditor protection](#) would give the company more time to explore restructuring options or sell off some of its assets.

"Nortel is still very much in business, and we will continue to be 100 percent focused on driving results for all of our stakeholders," Barta said. "We expect to emerge a more focused, financially sound and competitive company."

Nortel said in a release that it had been in the process of a turnaround since late 2005 but added that "the global financial crisis and recession have compounded Nortel's financial challenges and directly impacted its ability to complete this transformation."

Local analysts said the bankruptcy filing doesn't come as a surprise. Nortel has struggled since the technology bubble burst in 2000, they said.

Last month, the company launched a restructuring plan that eliminated 1,500 jobs.

"The goal of Chapter 11 is to emerge with a different type of firm that's restructured. We can expect some divisions to be sold off, but the goal is to create something viable," said Campbell Harvey, a professor of international business at Duke University's Fuqua School of Business. "The one thing we do know from Chapter 11 filings is (they are) almost always associated with the loss of jobs."

Nortel President and Chief Executive Mike Zafirovski said the company filed for Chapter 11 protection with a \$2.4 billion Canadian (\$2 billion) cash position.

"Nortel must be put on a sound financial footing once and for all," Zafirovski said in the statement.

The company has been attempting to recover for years from an accounting crisis that affected results and caused shareholder lawsuits, regulatory investigations and the firing of key executives, including former CEO Frank Dunn.

Nortel stock, which once traded at more than \$1,200 Canadian per share on a pre-split basis during the tech bubble, closed Tuesday at 38.5 Canadian cents a share on Canada's main stock exchange.

The Toronto Stock Exchange halted trading of Nortel's shares Wednesday as the stock fell 30 percent in pre-market trading.

Harvey said corporate bankruptcies started in the retail sector a few months ago and are now spreading.

"We're seeing this ... fester in other types of industries," he said. "There's going to be more. The list will grow."

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