



**Nortel Networks**  
8200 Dixie Road, Suite 100  
Dept. 0019, GMS 036/NO/160  
Brampton, Ontario, Canada L6T 5P6  
Telephone: 905-863-1081 (ESN 333)  
Fax: 905-863-8423 (ESN 333)  
E-Mail: [jjones1@nortelnetworks.com](mailto:jjones1@nortelnetworks.com)

[www.nortelnetworks.com](http://www.nortelnetworks.com)

**Jacqueline A. Jones**  
Counsel - Securities

May 31, 2001

Ontario Securities Commission  
20 Queen Street West  
Suite 1903, Box 55  
Toronto, Ontario  
M4H 3S8

**Attention: John Stevenson, Secretary**

Dear Sirs/Mesdames:

**Re: Concept Proposal 11-901**

On March 30, 2001, the Ontario Securities Commission (the "OSC") published a request (the "Request") for comments (24 OSCB 1971) with respect to concept proposal 11-901 (the "Concept Proposal"), which is a proposal to amend Schedule 1 (Fees) to the Regulation to the Securities Act (Ontario). Nortel Networks (defined below) is providing this letter in response to the Request.

Nortel Networks is a global Internet and communications leader with capabilities spanning Optical, Wireless, Local, Personal Internet and eBusiness. Nortel Networks serves carrier, service provider and enterprise customers globally. Nortel Networks' corporate structure includes two companies that are reporting issuers (or the equivalent) in each of the provinces and territories of Canada: Nortel Networks Corporation ("NNC") and Nortel Networks Limited ("NNL", and together with NNC, "Nortel Networks"). The common shares of NNC are held by the public and listed on The Toronto Stock Exchange (the "TSE") and the New York Stock Exchange ("NYSE"). Prior to May 1, 2000, NNL was known as Nortel Networks Corporation and its common shares were publicly-held and listed on the TSE and NYSE. On May 1, 2000, NNL participated in a plan of arrangement with NNC (previously known as New Nortel Inc.) and BCE Inc. ("BCE"), a significant shareholder of NNL prior to the plan of arrangement. The parties implemented the plan of arrangement to permit the distribution to BCE common shareholders of almost all of the BCE shareholdings in NNL. As part of the plan of arrangement, on May 1, 2000, NNL changed its name to Nortel Networks Limited, NNC

changed its name to Nortel Networks Corporation, the common shareholders of NNL became common shareholders of NNC, the common shareholders of BCE became common shareholders of NNC and NNL became a subsidiary of NNC. As a result, NNC holds all of the common shares of NNL. NNL has three series of Class A Preferred Shares outstanding, of which the Series 5 shares and the Series 7 shares are listed on the TSE and the Series 4 shares are listed on the Canadian Venture Exchange.

The aspect of the Concept Proposal that Nortel Networks wishes to comment upon is the proposal to charge reporting issuers a “participation fee” based on the market capitalization of the reporting issuer. The Concept Proposal states that:

Participation fees are intended to represent the benefit derived by market players from participating in Ontario’s capital markets . . . . The participation fee will be based on a measure of the market player’s size **so as to measure the market player’s use of the capital markets** [emphasis added].

The Request states:

The participation fee will be based on a measure of the market player’s size **which is intended to serve as a proxy for the market player’s use of the capital markets** [emphasis added].

All market participants benefit from regulatory oversight that assists in maintaining the integrity of the capital markets. Accordingly, Nortel Networks believes that market participants should bear the costs incurred by the OSC in regulating the Ontario capital markets. However, Nortel Networks also believes that such costs should be allocated amongst market participants on an equitable basis. We respectfully submit that the most equitable system is one where an entity that draws on the resources of the OSC pays the resultant costs (a “user pay” system). The Concept Proposal seems to embrace this principle by contemplating charging “activity fees” for specific activities that require the dedication of OSC resources. According to the Concept Proposal, participation fees are:

intended to represent the cost of a broad range of regulatory services which cannot be practically or easily attributed to individual activities or entities.

We acknowledge that certain costs of the OSC cannot be attributed to individual entities. However, a tiered participation fee (as contemplated by the Concept Proposal) effectively allocates these costs to companies with large market capitalizations. This allocation is based on what we submit is a flawed assumption: that such companies “use” the Ontario capital markets to a greater extent than companies with smaller capitalizations. We do not believe that a company with a large market capitalization should be presumed to “use” the Ontario capital markets more than any other company. We respectfully submit

that linking cost recovery to market capitalization is arbitrary and will result in companies with large market capitalizations bearing a disproportionate amount of the OSC's costs.

We do not believe that the size of NNC or NNL in any way relates to their "use" of the Ontario capital markets. Each of NNC and NNL has a large market capitalization. Using the proposed formula for calculating market capitalization contained in Appendix D to the Concept Proposal, NNC and NNL would have had market capitalizations of approximately \$259 billion and \$815 million, respectively, as at December 31, 2000. This would result in NNC and NNL paying participation fees of \$75,000 and \$30,000, respectively, under the Concept Proposal. Yet, NNC has not effected any financing through the Canadian capital markets. Similarly, NNL has not accessed the Canadian capital markets (other than through bank financings and through commercial paper sold through prospectus exemptions) since November 1997 (although NNL filed a shelf prospectus on February 22, 2000 in respect of debt securities and warrants to purchase debt securities and paid a fee in respect thereof).

In addition, the Concept Proposal notes that the OSC is taking the lead in discussions with other Canadian Securities Administrators regarding revisions to fee schedules. It is of concern that the other Canadian Securities Administrators may also adopt similar fee schedules that include large participation fees. We respectfully submit that the argument that market capitalization measures "use" of a capital market may be even weaker in the other provinces and territories than it is for Ontario (which is the principal jurisdiction for many reporting issuers). A company may have a very large market capitalization but not "use" the capital market of a province or territory or carry on any activity that adds to the costs of the securities regulatory authority of that province or territory. We submit that it would be inappropriate for the securities regulatory authority of a province or territory to charge a participation fee to a reporting issuer based on the reporting issuer's market capitalization. Further, we respectfully submit that any fee schedule adopted by the OSC should be co-ordinated with those of the other Canadian Securities Administrators in order that the aggregate effect of participation fees on issuers be considered.

Yours very truly,

/s/ Jacqueline A. Jones

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