

# BlackBerry, erstwhile Canadian high-tech icon, slashing 4,500 jobs

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BlackBerry, the manufacturer of BlackBerry smartphones, is slashing a further 4,500 jobs—40 percent of its now much-diminished worldwide workforce—and actively seeking a buyer.

The company, which was previously known as Research in Motion or RIM, has already announced the closure of a customer service office in Bedford, Nova Scotia that employs 350 people and the elimination of 300 jobs in Waterloo, Ontario, where the company is headquartered.

Coming weeks will see the announcement of further job cuts, since BlackBerry management vowed last month, on announcing a US \$965 million loss for the second quarter of its financial year, that it will eliminate 4,500 positions by the end of 2013.

These job cuts are on top of the 5,000 layoffs that RIM announced in 2012, with the stated aim of saving \$1 billion per year. From a worldwide workforce of 19,000 at the beginning of 2011, BlackBerry will be reduced to about 7,000 employees when the latest restructuring is completed.

Fairfax Financial Holdings Limited, a Toronto-based financial holding company, has made a US \$4.7 billion cash offer to purchase BlackBerry and under a tentative-sale agreement has been granted access to the company's books.

However, many industry observers doubt the purchase will be completed or, even if it does go through, that BlackBerry will long survive as a distinct entity.

Fairfax, which claims to be working in conjunction with an unnamed—and as of yet uncommitted—consortium, has not explained where it will find the money to pay for the purchase.

BlackBerry, for its part, is actively searching for alternate buyers. Mike Lazaridis (a former RIM co-

CEO), Google, Cisco Systems, and Microsoft are all rumored to have expressed interest in buying the company.

In 2009 *Fortune* magazine, pointing to RIM/BlackBerry's average annual sales growth of 77 percent over the previous three years, named the company the "fastest growing" in the world. And as recently as the beginning of 2010, it still had a 40 percent share of the US smartphone market.

But in the face of competition from Apple, Samsung and other smartphone makers, its North American market share has collapsed, including in the business and government sector, which was the original source of its dominance.

Earlier this week, BlackBerry published full-page or otherwise prominent advertisements in 30 daily newspapers in nine different countries so as to proclaim that customers can "continue to count on BlackBerry"—in other words, with a view to countering mounting fears that the company will soon disappear.

In June 2008, that is some three months before the Wall Street financial crisis, BlackBerry had a stock market capitalization of \$83 billion, making it among Canada's most valuable companies.

Now some analysts argue that BlackBerry's most valuable asset are its patents and it is widely predicted that BlackBerry's ultimate fate will be to be sold off piecemeal by speculators in the same way carrion is pecked apart by vultures.

The Fairfax takeover deal calls for BlackBerry to be taken private. In explaining his company's bid, Prem Watsa, the CEO of Fairfax, claimed it "opens an exciting new private chapter for BlackBerry, its customers, carriers and employees." Watsa then went on to spell out who would be the principal beneficiaries of a Fairfax takeover, declaring that his company is

confident it will make money on the deal and “deliver immediate value to the shareholders.”

While the local newspaper, the *Kitchener-Waterloo Record*, has tried to downplay the significance of the impending job cuts, there is little doubt they will have a major impact on the Waterloo Region, which is Canada’s tenth largest metropolitan area. Approximately a thousand workers previously employed at BlackBerry and related firms have been able to find employment in the Waterloo Region for lower wages through Communitech, a firm that helps with start-ups and networking for tech companies.

Manufacturing companies, traditionally major employers in this part of southwestern Ontario, have also been decimated, cutting thousands of jobs since the middle of the last decade, and especially since 2008. Major layoffs and closures include the shuttering of the Schneider’s meat packing plant, which eliminated 1,400 jobs, the closure of an A.O. Smith water-heater plant in Fergus that employed 300, and the layoff of 230 workers at Knap & Vogt (formerly Waterloo Furniture).

BlackBerry was until recently the great success of Canada’s high-tech sector. It helped pioneer smartphones and was unique among telecommunications companies in providing secure, encrypted messaging systems.

BlackBerry’s rise served as a counterpoint to the demise of Nortel (formerly Northern Telecom), which unraveled in the years following the collapse of the DotCom boom. Nortel, which once employed more than 90,000 workers worldwide, filed for bankruptcy in 2009, leaving plant closures, mass layoffs and gutted pensions in its wake.

BlackBerry’s sudden reversal of fortune has caused considerable angst in Canadian business and political circles. But the fate of the workers and the Waterloo region hardly matter in all this. The loss of shareholder value and of a strategic position in a key industry are what trouble Canada’s elite.

“As a Canadian, I would like to see a solution that gives me profitability and a viable company,” said Leo de Bever, the CEO of Alberta Investment Management Corporation. “But so far that hasn’t been happening.”

The Conservative government has rejected calls for it to provide direct assistance to BlackBerry, but has said any purchase by a foreign-based transnational would be

subject to review on “national security” grounds.

On the pages of Canada’s corporate-owned dailies, various capitalist ideologues have dismissed the impact of BlackBerry’s fall as the inevitable product of “creative destruction.” They celebrate a socially destructive process whereby a tiny elite enriches itself at the expense of workers in Canada and all over the world—at the expense of the BlackBerry programmers, support staff and other workers who are now being thrown onto the street; and at the expense of the workers who make rival smartphones in the factories of Foxconn, where working conditions are so terrible that the company has had to install safety nets so as to prevent suicides.

Meanwhile, Fairfax Financial Holdings, which, as the holder of \$18.5 billion in credit default swaps in the US sub-prime market in 2008, benefited directly from the bailout of the financial aristocracy by the US and Canadian governments, stands to reap handsome profits from organizing a further downsizing and more likely the outright asset-stripping of BlackBerry.



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