

BTAB Public Forum on Criteria for Sale of BT

Nov. 18, 2015

BTAB Members Present: David Provost, Joan Shannon, Jane Knodell, Teresa Alberghini, Clem Nyland

Staff: Eileen Blackwood

Speakers were asked to sign up.

Chair David Provost called the meeting to order at 12:05 pm. He described the process and explained the purpose of the meeting: to get input from public on criteria for determining ultimate sale.

The next meeting will be Friday evening at 5:30 pm. The third one will be on 12/9 at 5:30 pm.

Jim Carrier—New resident. He reviewed the original rules for CATV from the FCC and the promises made to the public, but noted that things change. In Wisconsin, there were major changes in 2007, and the local public access channel lost all its staff. In Madison, the city plans to own its telecom, but hire an operator. BT should have some local control and keep the promise made to American public 40 years ago.

Matthew Cropp—Ward 4. He wants to support the campaign for a local cooperative buyer. City Market has shown a wide benefit for a large number of people. When considering conditions of sale, we should consider the role of BT's internet services as an economic driver (with 1 gig and level of customer service) and its ability to generate local capital and wealth. Any arrangement should include opportunities for individual subscribers to have an ownership stake.

Chris Pearson—Brooks Ave. BT should not be sold and should be maintained as a public utility. BED was off to a rocky start financially many years ago, but it has gone on to save us a lot of money and be a leader on efficiency and bringing value to the city with job growth. Telecom today is a vital infrastructure. Net neutrality means a publicly owned utility and local control are important. If we must do a sale, we should do majority ownership for the public. When BT was formed, it was saddled with unreasonable limits by the PSB, including the inability to move beyond the limits of Burlington; obtaining regulatory relief would alleviate financial issues.

Infinite Culcleasure—When CEDO supported development of BT, there was connection to a larger community economic development plan, which no longer seems to exist. He supports criteria put forth by Center for Media & Democracy. Also, it is important that the new buyer pay a livable wage to their employees.

Solveig Overby—She submitted comments in writing. Burlington citizens voted in 1997 for telecom and for charter change in 2000—to have a municipal fiber system. In 1903, BED had the same kind of start. PSB did recommend that we should come up with other financing and pretty much said that we'd do better if it wasn't sold—that we should preserve BT and find buyers at that point. We've made significant investment in BT already. The only way to get a

return on that investment is through public ownership. New technology is always challenging. We should not sell it at fire sale but keep it operating. She has an audio tape from 2008, which she has also submitted. BT could be a revenue generator for the City. We need to keep public or cooperative ownership; don't let someone else benefit from what we've done.

Jonathan Chapple-Sokol—Local control is very important. I like being able to walk into BT's office or call 7 days a week and talk to a neighbor. This is part of what makes Burlington a special place.

Jennifer Ely—Village Green. Agrees that there is a peril to the public access component if BT is sold to a private entity. Local control is vital. A coop is preferable. Telecom, especially internet, is important infrastructure. Right up front make clear that we are not looking for 100% ownership by a private company, but something less than 30%, but public or nonprofit entities could own more—as much as 100%. Encourage collaboration and submission of joint proposals.

Don Tram—Early on he called for the City to take over and continue to run BT, but he's changes his mind. Coop's are the most sustainable business model there is. Food coops sailed through the 2008 downturn. BT needs to be statewide. BT has the capacity for more than 100,000 connections. Coop's are not non-profits. There are many telecom coops in the Midwest, and it would be great to have them come visit. This reminds him of the downtown supermarket search process—City Market agreed to all the city's criteria and went beyond them. The Coop, Shaw's, and Mac's all participated. There was long-term commitment. They'd have no trouble with these criteria (referring to those put forth by the Center for Media & Democracy). City would be an owner of the coop and might be able to argue for a permanent seat on the board. Coops have a commitment to education. It makes the most sense for BT to be owned and operated by a statewide cooperative.

Roger Lambert—Burlington. First household to be connected to BT. Know there have been problems, but flabbergasted that we're in this position. Municipal internet systems are really successful across the company—why didn't that happen in Burlington? BED has a monopoly and provides low cost service. When you look at successful cities, the fiber systems are very helpful in emergencies. My impression is that we don't have enough customers, and our market penetration is terrible. Why not set up BT to have the same monopoly as BED? He agrees with everything on the green sheet (criteria put forth by Center for Media & Democracy), but internet is absolutely necessary utility. BT should stay out of Comcast's hands.

Lionel Wagner—read letter from Carolyn Bates. Hope to keep BT locally owned and all jobs local. Her business would not run as well without it.

Heather Reimer—She's been working with Keep BT Local. BT is very successful, has been gaining subscribers, provides excellent customer service. This is not a fire sale. A lot of the infrastructure sits on our city school property because the understanding was it's a viable infrastructure for our kids. Kids cannot succeed without it. There's a myth that the private sector always does better, but it doesn't. Keep it accountable to subscribers, not to shareholders, as a private company would. Keep it affordable. If Comcast is only game, rates will go up.

Local, accountable, affordable. Either City or coop ownership. This is a great part of the community.

Seth Stellox(?)—Works for computer security company. BT has commitment to keep customers secure and infrastructure up to date. Some larger companies don't want to do that until competition makes them do it. Improvements to the network going forward are important to the future of the community.

Patrick St. John—Fact that BT was here is significant reason we moved here. Reliable, fast internet is what we need because we work remotely. Recently moved to Westford and had to go to Comcast. Difference is night and day. Calls BT and gets person within 30 sec. Comcast had to wait 2 hours. Service, both technology and customer, much worse with Comcast. Important we use this asset in responsible, sustainable way and part of that is the opportunity to move out of Burlington. I'd love to connect again. Coop model makes a lot of sense from point of view of customer and VT citizen.

Reflections by David Provost—Blue Ribbon Committee learned what an incredible asset BT is to City. BT has been incredible opportunity for Champlain College. BT is successful over the past 4 years because of BT staff, but only profitable because doesn't have \$50M in debt around its neck. This group (BTAB) is volunteering its time to try to solve this puzzle. He asked for comments on how people in the audience feel about the issue of getting the taxpayers back the \$16.9M that was spent.

Andy Montroll—Does not think there will be direct recovery of the \$17M. That money came from the people of Burlington, and the people have their investment in BT. Any sale should recognize they've already paid for substantial portion of it. There are a number of ways to start to recover—local coop ownership being one of them.

Carrier—Is it mandated that you sell this to an outside party? What parameters are there?

David Provost responded--\$33M was owed to Citibank. Burlington couldn't pay. That debt had to be restructured. The \$17M is still out there. The \$33M is now \$6M owed to Blue Water through Merchants. Blue Water is the short term owner, and they'd like to sell the asset. The BTAB will vet proposals to be sure they address what's truly important. If the clock runs, then the City loses the ability to control the sale, so there is a timeline. The PSB will say we can't sell it to people who don't have the financial criteria to keep it going. If City wants to retain ownership, we'd have to buy it from Blue Water.

Cropp(?) - Coop model could honor and create payback for people of Burlington—could return 6% per year. Equal Exchange provides a model.

David Provost—Blue Ribbon Committee noted that unlike the monopoly of the electric utility, how do we address this competitive marketplace and ensure that the entity running BT can be competitive? The city struggled with staying competitive running BT as a city department. For example, trying to be creative or aggressive with rates was a public conversation, which made competition difficult. Any thoughts on how we run BT going forward?

Wagner- Supports local coop, and the way modern coops are run. It's policy governance. Board sets policies and then hire a General Manager who is the expert in running the business. That would be the approach we'd need to take.

Pat Robins—We've struggled since that night when half the audience of 600 people wanted \$16.9M back and other half wanted to keep BT as a city department. The loss of the Citibank lawsuit could have broken Burlington. We set up this deal that commits us to a sale. The Council has to come to grips with the question of whether we have an obligation to come up with as much of the \$16.9 million as possible or find the best owner to move the company forward. We're committed to a timeframe and a deal.

Chris Pearson—Asked if the CPG had a lot to do with cable and not internet? Yes. Cable subscribers aren't the future; internet is. Maybe there's a strategy around setting the internet section free. Economic drivers are all online.

Provost clarified that restrictions are around cable. Right now growth is about capital investment.

Solveig Overby—The question of the \$16.9M is important. The city has already removed it as a payable. There's no legal obligation to get it back; it's a moral question, perhaps. There is no debt.

Councilor Shannon—We took it off as a payable because it's required by good bookkeeping practice. At the same time, the council made clear we haven't given up on getting the money back.

Provost—It's similar to the legal obligation to Citibank after settlement. This group will have to determine how important the return on the \$17M is in setting criteria for a buyer. I feel a fiduciary and moral obligation to keep a focus on that question.

Tram--If you want to get the \$17M back, and have to share half with Citibank, then you're looking to sell BT for \$40M? Fine to have as an objective, but more likely to succeed with long term plan to get that over time, not immediate sale.

Juan Viallo—Has service from a NH company, Charter, with many complaints. Why not expand BT to all VT? The expression "local" means Burlington—why not expand to all VT?

The meeting was adjourned at 1:11 pm.