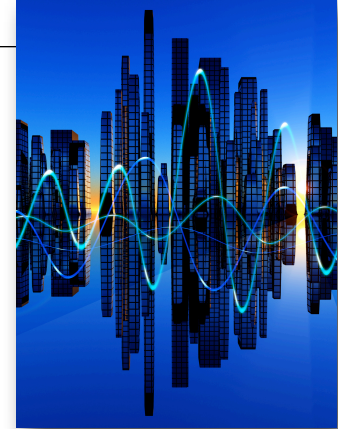


Institute for Local Self-Reliance

Burlington Telecom fact sheet

July 2008



Much misinformation has been disseminated about Burlington Telecom (BT).

Here are the facts. BT is a city department of Burlington, Vermont, which owns a fiber-to-the-home network and offers triple play services (phone, cable, internet). The network depends entirely on subscriber revenues and is not subsidized in any form by the City. *BT has saved the City money while being built entirely with investor money -- no tax dollars have been or will be used.*

BT remains current on its debt service, is adding 40 subscribers a week and has a take rate above 40% in the area it first began offering services.

Community Benefits

BT has economically benefited Burlington's households and government both directly and indirectly. Indirectly, it has lowered the costs of telecommunications services to municipal agencies and schools. The City now has every building connected with at least 100Mbps connections and there are 1Gbps connections to the schools and a few other buildings. The city pays \$900/month for the 100Mbps and \$950 for the 1Gbps, which is BT's approximate cost to offer the service.

In the absence of BT, each city building would need to rent a DS3 at 45Mbps for between \$2600-\$3400 a month to replace existing services. For the twenty 100Mbps connections, the City would have to pay three times as much for half the bandwidth.

There are no Gigabit circuits in Burlington from private providers, so the schools would have to greatly reduce their bandwidth use while paying three times as much.

The market value of these services is more than \$2 million. The current cost to the city and schools for the services is about \$400,000. (\$8,000/month is a reasonable estimate for a gig circuit in an area like Burlington.) Thus the city and school system saves about \$1.6 million a year.

Burlington's residents also save directly, by paying less for services and also by holding down price increases by other service providers in the more competitive market. Sam Osborne, Principal of Osborne Associates, which conducts market studies in the area, estimates these savings come to over \$1 million a year.

City Hall, Live and VOD

Not only does BT carry live meetings from City Hall, they are available via video-on-demand and are actually indexed, allowing citizens to easily find the part of the meeting in which they are interested.

Market Value of City Services	
20 bldgs @ 45Mbps x \$2600/month x 12 =	\$600,000/year
16 bldgs @ 1 Gbps x \$8,000/month x 12 =	\$1.5 million/year
Total: \$2.1 million/year	

BT's Charges for City Services	
20 bldgs @ 100Mbps x \$900/month x 12 =	\$216,000/year
16 bldgs @ 1Gbps x \$950/month x 12 =	\$180,000/year
Total: \$400,000/year	

Telecom savings are in excess of \$1.6 million per year.

Combined with the municipal savings, the community is saving some \$2.5 million a year because of BT. This savings all stays within the community but is not reflected on BT's balance sheet.

Finally, BT offers a lower price than competitors while offering more channels, faster Internet speeds, and local customer service. And they do it without hidden fees!

Why does it take so long to turn a profit?

Some have criticized BT for not yet earning a profit. Put simply, few businesses earn a profit in the first few years when large capital investments are being made and new customers have to be attracted to the service.

Connecting a new customer to the network costs between \$1500 and \$2000 due to the labor costs of connecting the wire to the house from the pole, internal wiring to bring the connection inside, and the electronic device to receive the signal from the central office.

Prior to adding HD and DVR capabilities, BT had an average of \$87/month of revenue from its residential customers while each customer requires about \$28 worth of content per month. Ignoring the additional costs of running the network, it takes 2-3 years for a new customer to pay off the initial connection cost; three years before BT finally starts to generate net income from that residential customer. And they are connecting forty new customers each week.

These costs are all in addition to the costs of running fiber all over town and building an expensive head end to shelter even more expensive electronic equipment. Again, turning a profit inside of five years is rare. Fortunately, fiber lasts for many decades.

Tim Nulty Starts New Project

Following a decision to delay expanding BT to surrounding communities, BT founder Tim Nulty resigned. He prefers to build and expand networks rather than administrate one that is nearly complete. Burlington outsiders have been puzzled by the criticism of Nulty in the *Burlington Free Press* in recent months. The criticisms have resulted more from local politics and strong personalities conflicting than any issue with BT.

Nulty is working on a new network to connect 23 mostly rural towns in East Central Vermont. The East Central Vermont Fiber Network has just signed a contract with Atlantic Engineering Group to build the network. The fixed price construction contract reflects the solid network design and respect AEG has for Nulty's ability to create a community network. AEG should know, they have built 16 municipal fiber networks, making them an industry leader in this field.

Conclusion

Burlington Telecom's value is inescapable – offering services to the City that otherwise would not be provided by private companies; and at costs considerably less than the inferior services that are available.

Burlington's citizens and business now have faster Internet connections at cheaper prices, more channels from local programming to international, and do not have to play games on their bills with hidden fees or worry about prices going up after being locked into a yearlong contract. If they have a problem with the network, they can talk to the mayor or citizen-advisory committees for redress. When they have problems, they talk to someone in their town who will actually work with them to resolve the issue.

About ILSR and the New Rules Project

The Institute for Local Self-Reliance (ILSR) is a nonprofit research and educational organization that provides technical assistance and information to city and state governments, citizen organizations and industry.

Since 1974, ILSR has researched the technical feasibility and commercial viability of environmentally sound state-of-the-art technologies with a view to strengthening local economies. ILSR works to involve citizens, governments and private enterprise in the development of a comprehensive materials policy oriented toward efficiency, recycling and maximum utilization of renewable energy sources.

In 1998, ILSR established the New Rules Project to foster greater civic participation and an increased emphasis on the importance of our local economies. **Learn more at <http://www.newrules.org>**

