



Burlington Telecom: Strengths, Challenges, and Future Opportunities

Report to Blue Ribbon Committee

January 21, 2010

“The network design and technology are far superior to that of Comcast or Verizon and is a very valuable asset for the City of Burlington. As consumers and businesses utilize more applications that require large amounts of bandwidth, the BT network will be the provider of choice and necessity. Industry experts predict that bandwidth utilization will dramatically increase as music, video and gaming applications over the internet evolve. The choke point will be the last mile and fiber based networks will be an absolute requirement.” Rob Shanahan, Creative Telecom Ventures.

Introduction

The network asset that the City of Burlington now operates is state of the art. It was designed to provide telecommunication services now and well into the future. Much of the capital lease financing was placed into the fiber cable plant. The high fiber density of the network and BT’s philosophy to by-pass all the other carriers in the market allow BT to provide scalable products and services. Other carriers will have a hard time competing with BT without investing significant amounts of capital. Most importantly, Burlington won’t be held captive by companies who aren’t focused on Burlington’s future economic development.

FairPoint is currently in Chapter 11 proceedings and will have limited access to capital in order to continue to upgrade its network and may not be able to meet its current regulatory commitment with the State of Vermont for broadband deployment. Struggling to emerge from bankruptcy, they have hired two firms to beef up marketing and communications.

Comcast will be upgrading its network to DOCSIS 3.0 (Data Over Cable Service Interface Specification) soon but most analysts agree that these upgrades are only a temporary patch on an old HFC (Hybrid Fiber Coax) network. As presented by the Fiber To The Home Council in their report *DOCSIS 3.0 and FTTH* by David St. John “DOCSIS 3.0 is a valiant effort to eke more performance out of existing cable TV HFC plant, but it falls well short of being as good as FTTH.”

BT will need access to capital to restructure debt so it can effectively utilize current cash flows to support continued growth via additional subscriber “hook-ups” and leverage the existing network to increase earnings. The following plan shows that the current management team understands the transitional issues associated with moving from a start-up to an on-going entity. BT’s operational performance and improved marketing and sales strategies will support BTs growth in Burlington and beyond.

BT is currently the provider for more than 4600 Burlington residents and businesses. City offices and the Burlington School District rely heavily on the exceptional and unique service provided by the BT network. BT will continue to make gains in being the locally-based provider of choice in Burlington. Though not without challenges, BT is poised to take advantage of numerous opportunities both within and outside of Burlington.

Burlington ONLY Strategic Plan

BT continues its success in a highly competitive market during poor economic conditions while transitioning from the construction phase to the operational phase. The financial benchmarks on past performance indicate that BT is well managed. Past performance indicators:

- Achieved 96% of revenue targets over past 24 months
- 1.9% under FYE09 Operating Budget
- Increased subscriber base by 102% over past 24 months
- Revenues up 160% over past 24 months
- 12.6% increase in operating margins over past 24 months
- Consolidated ARPU up 17.4% between Dec.2007 and Dec.2009
- Commercial revenues up 63% between FYE08 & FYE09
- Current churn is at 1.4% (Nov.'09)

The evaluation of a business strategy is typically performed by a SWOT analysis (strengths weaknesses, opportunities & threats). Strengths and weaknesses are essentially internal to the organization and relate to matters concerning resources, programs and organization in key areas. These include:

Sales - marketing - distribution - promotion - support;
Management - systems - expertise - resources;
Operations - efficiency - capacity - processes;
Products - services - quality - pricing - features - range - competitiveness;
Finances - resources - performance;
Costs - productivity - purchasing;
Systems - organization - structures.

During the BT startup, the strengths and weaknesses relate mainly to the management team - their experience, expertise and management abilities - rather than to the project. In this

regard, over the past 24 months the current BT management team has demonstrated their ability to deliver on its goals.

STRENGTH & WEAKNESS

STRENGTHS

BTs experienced management team, products, operational performance, fiber optic network, and local presence is the cornerstone of the business. The management team has built a very dense fiber network (high fiber count) and fully developed cable TV system while keeping operating expenses in line with goals. This creates an opportunity to sell into an existing network and increase revenues with little additional incremental cost. BT has the only fiber network within Burlington that has the scale to provide both residential and commercial services today.

Unique Revenue Opportunities of a Fiber Network

The high fiber density of the BT network will also allow the organization to consider IRU (Indefeasible Right of Use) arrangements with the CLECs (Competitive Local Exchange Carriers) that want to enter the Burlington market, or are in the market, but are unsure about the continued use of FairPoints UNE (Unbundled Network Element) platform and/or want to deliver next generation services like P2P (“Peer to Peer”) Ethernet or MAN (Metropolitian Area Network) services that can’t be deployed on the ILECs (“Incumbant Local Exchange Carrier”) old copper cable infrastructure. These non exclusive arrangements will foster greater competition, create economic growth and increase BT’s wholesale revenue stream. This sector of BTs business is the highest margin and lowest cost relative to on going maintenance.

In addition to the direct benefit of BT’s fiber loops within Burlington, its central office hub, carrier POP (“point of presence”, with Level3, VTel, FairPoint, Teljet as tenants) and commercial grade collocation facility are a great base of operations for CLECs who want to provide services within the State of Vermont. There are numerous CLECs already in operations within Vermont and in the adjacent states of NY, MA, NH and a not so distant ME. BT has the building space, access to telecom carriers and resides within Vermont’s largest city. The greater Burlington area includes numerous educational institutions, a regional medical center, and numerous multinational corporations.

Video Content; BT Uniquely Positioned to Acquire Local Content

The BT network also includes an IPTV headend. BT management has successfully negotiated 197 standard definition channels, 66 broadcast HD channels, High definition, Digital Video Recorder and Video On Demand contracts. BT has also negotiated a local content agreement with NSN (Northeast Sports Network) a local producer of high school and collegiate sports. BT is an NCTC (“National Cable Television Cooperative”) member but has had to negotiate several contracts directly because of concerns with IP video distribution. This is a significant achievement for the management team. Moving forward

BT will continue to leverage its technical capability and acquisition of local video content as the differentiator between BT, Comcast, Dish and DirectTV. BT's technical team understands that to be successful in the video business you must understand the issues associated with the convergence of streaming and broadcast video, and content acquisition. BT forecasts that most viewers will still use broadcast cable systems for content for the foreseeable future. In the third quarter of 2009 the average American watched 3 minutes of video on a mobile device per week compared with 31 hours and 19 minutes on a TV¹. Thus, 99% of video programming continues to be viewed over a traditional television set². BT is already doing both of these well.

Wireless Opportunities

Fiber networks will also be the preferred means to backhaul data traffic in the future. As wireless technologies like WiMax and the wireless G4 standards roll out BT is well positioned to offer wireless carriers wholesale services in the Burlington market. See excerpt for following article:

Qwest markets fiber backhaul to operators

September 17, 2009 — 12:53am ET | By [Lynnette Luna](#)

Qwest is introducing a major program to offer high-capacity Ethernet to mobile operators in its service area using its residential fiber-to-the-node network.

Mobile operators need high-capacity links to backhaul data traffic in both the 3G and 4G worlds. Using the fiber nodes it built for residential broadband service throughout its territory, Qwest is offering to extend those fiber connections to cell sites.

Qwest said it doesn't simply want to offer a connection to operators, but rather be their backhaul partner and work closely with them to make sure their current 3G networks and future 4G networks have the necessary backhaul infrastructure in place.

WEAKNESSES

BT's weaknesses would be a relatively new marketing and sales team, finances, cost of content acquisition, and uncertain organizational and governance structure.

a. New Marketing and Sales Team

BT has been playing catch up in marketing and sales from the beginning. The original General Manager had no marketing budget and no commercial sales team. Going forward both the residential and commercial sales teams will be facing a continued depressed economy and tough competition from Comcast. To address this, BT has continued to increase its marketing and advertising budgets, created a commercial sales team and hired a

¹ See Multichannel News December 14th, 2009 pg. 20

² See Multichannel News December 14th, 2009 pg 26

customer service, sales and marketing person who understands sales and goal setting. Between 2006 to 2008 BT relied almost entirely on name recognition and pre-sales associated with new construction. The current management team is working hard on making up for two years of lost time.

Current residential sales initiatives are:

Current Initiatives Residential Sales

- Door-to-Door Program
- Up-sell
 - CS Reps using call out program as an opportunity to upsell
- Referral Programs – evaluating success of each program so that it can be replicated
 - Landlord
 - Refer a Neighbor
- Realtor Opportunities

By utilizing new skill sets, analyzing new metrics, focusing sales efforts effectively and by applying resources efficiently BT will be able to gain traction in the sales and marketing areas.

b. Finances

Lost sales opportunities (missed revenue goals) and poorly managed capital budgets between 2006 to 2008 required BT to draw down funds from the CitiCapital lease sooner than anticipated to cover operating losses. By mid fiscal year 2008, BT had exhausted the CitiCapital funds and determined BT would need additional monies. BT addressed this issue with the Board of Finance and the City Council in December 2007. Due to the collapse of the capital markets and the worst recession since the Great Depression, BT was unable to secure additional financing and made debits from the City of Burlington's cash pool to carry operating losses.

The city administration is currently pursuing an RFP for a new capital lease to restructure the current lease and cash pool money. These bids will be returned by the end of January 2010. BT's preferred structure with the new financing is a two year deferral of interest and three year deferral of principal. This time is necessary to allow BT to generate more revenue by selling into its current network infrastructure and time to pursue other growth opportunities. This allows BT the time to negotiate with the Vermont Public Service Board on Condition 17 (build out 100% of the city) by getting BT back into compliance with Condition 60 (use of the Cash Pool for no longer than 60 days). While this financing could allow additional borrowing to comply with Condition 17 it would be recommended to defer

this until the additional route miles of cable can be built from existing cash flows or by alternate means or relief via a line extension policy amended to the CPG.

To generate enough cash reserves in anticipation of future interest and principal payments BT would restructure the organization to capitalize on additional commercial revenues, continue to work on improving asset utilization, reduce rework and negotiate new opportunities with adjacent towns, CLECs and other telecommunication companies.

The following is a five year pro forma showing the cash flows within the City of Burlington. The financing within the model is based on conceptual terms similar to the Piper Jaffray LOI (Letter Of Intent).

BURLINGTON TELECOM						
FORECAST MODEL						
Burlington ONLY	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
	FY 10	FY 11	FY 12	FY 13	All Yrs	FY 14
REVENUE TOTAL	7,420,764	10,420,871	11,862,738	13,842,291	43,546,664	15,011,015
COGS	1,841,179	2,003,943	2,266,627	2,536,577	8,648,327	2,696,449
CONTRIBUTION MARGIN	5,579,585	8,416,927	9,596,112	11,305,714	34,898,338	12,314,566
OPERATING EXPENSES	4,498,174	4,625,650	4,718,163	4,812,526	18,654,511	4,908,776
NET OPERATING REV	1,081,411	3,791,278	4,877,949	6,493,188	16,243,826	7,405,790
CAPITAL EXPENDITURES	1,533,830	2,861,703	3,013,389	2,982,968	10,391,890	250,000
DEBT SERVICE						
DEBT SVC RSV INT INC			68,816	137,633	206,449	137,633
PRINCIPAL				(1,960,000)	(1,960,000)	(2,000,000)
INTEREST			(1,313,081)	(2,626,163)	(3,939,244)	(2,586,963)
TOTAL			(1,244,265)	(4,448,530)	(5,692,795)	(4,449,330)
NET CASH GENERATION	(1,331,738)	929,575	620,295	(938,309)	159,142	2,706,460

The cash flow analysis shows that BT can make interest and principal payments with revenue generated within the City of Burlington. In addition, if BT has the opportunity to expand, BT forecast it could potentially generate an additional five million dollars over the same period of time. It will be essential to negotiate favorable terms with a new leasing company and get relief from the current two conditions that BT is in litigation with the Vermont PSB in order for this plan to be successful.

Other financing opportunities do exist but they need further development. These would revolve around seeking financial advisors to negotiate a restructuring. Until recently, the

capital debt markets and equity markets have been very weak. There are some signs that these markets are recovering. An indicator of this is a recent increase in the M & A business, most notably Windstream's purchase of Iowa Telecom. In addition, there is some activity with small to midsize telecoms seeking to increase and/or acquire access lines so not to be squeezed out of the market by the large MSOs like TimeWarner and Comcast. This is evident with Verizon's sale of telecom franchises in 14 states to Frontier (this is pending state approvals).

BT's valuation should be a market based valuation based on several incrementals. They include the potential to develop significant commercial revenues with little incremental cost, BT's expertise around video content acquisition (BT has a full channel line up on an IPTV system), BT's high density fiber network is the premier last mile solution for carriers nationally and BT's execution of a business plan to create a competitive FTTH business and generating over \$7M of revenue after 4 years of operation.

BT is a well established FTTH company with no shortage of options. Getting the right financing and/or partnership that suits the residents of Burlington in regard to not putting undue pressure on city finances will be critical.

c. Content Acquisition Costs

Content acquisition is a difficult, time-consuming and expensive feat for most cable companies, even the large companies, as evidenced by TimeWarner's most recent solicitation of their customers regarding whether the studios should acquire content and pass through the increased rates or hold out for better rates.³ BT, as a small cable operator has an even tougher time acquiring content and has no leverage with the studios to keep subscription charges from escalating.

BT is an active member in the American Cable Association ("ACA"), which lobbies for small and medium cable operators and the National Cable Television Cooperative ("NCTC"), which negotiates content contracts for all members and provides a "bulk-rate" type pricing to the cable operator, thereby allowing a small operator to obtain pricing similar to a larger cable operator as the "leverage" per se in cable content negotiation is the number of subscribers.

All BT's content costs are contractual. BT's average cost for content is currently \$25.13 per subscriber. BT receives approximately 50% of its content through the NCTC. In addition, 43% of BT's content contracts have a term of at least two years or longer. As direct contracts with the studios and the contracts with NCTC expire, BT has the ability to negotiate reduced license fees directly or possible with the NCTC if one exists.

d. Uncertain Organizational Structure and Governance

Reorganizational issues that started after the CTV report in 2008 need closure. Proper job descriptions and pay bands need to be set. Until this is done, BT risks losing key

³ See www.rolloverorgettough.com.

managers, an issue that was identified in 2004 with the assessment conducted by Jeff Allen.⁴ BT currently has no ability to incent employees via financial compensation as is common within the telecommunications industry. Such financial compensation includes, but is not limited to, stock options, bonuses and merit based pay.

BT needs the support of the city council, administration, and specifically the HR committee and Board of Finance to quickly finalize prior restructuring efforts that were started in early 2008 which eliminated three Assistant General Manager positions reducing operating salaries & benefits by over \$400,000 annually. It also required the reclassification of nine positions.

The second item is governance. This was addressed in the 2004 with the assessments the City of Burlington performed while reviewing the initial business plan. The current structure of BT operating within the Clerk & Treasurers Office is clearly an interim structure. A City Council ad-hoc committee is currently charged with analyzing potential management structures for BT. Factors that may come into play include management autonomy from political pressures, access to capital while insulating the Burlington residents, protecting confidential documents, allowing for competitive hiring and pay treatment, and the potential to incorporate mergers and or partnerships.

THREATS & OPPORTUNITIES

The external threats and opportunities confronting BT can exist or develop in the following areas:

- BT's own industry where structural changes may be occurring (Size and segmentation; growth patterns and maturity; established patterns and relationships, emergence/contraction of niches; international dimensions; relative attractiveness of segments)
- The marketplace which may be altering due to economic or social factors (Customers; distribution channels; economic factors, social/demographic issues; political & environmental factors)
- Competition which may be creating new threats or opportunities (Identities, performances, market shares, likely plans, aggressiveness, strengths & weaknesses)
- New technologies which may be causing fundamental changes in products, processes, etc. (Substitute products, alternative solutions, shifting channels, cost savings etc.)

OPPORTUNITIES

The City of Burlington has one of the best networks in the world. It was designed with all fiber optic cable with enough fiber cables available to serve all that it passes. This creates an opportunity to leverage the network to increase both residential and commercial revenue, and to sell commercial and carrier grade services without reengineering the

⁴ See Status Review of Burlington Telecom, Jeff Allen. Pg. 5

system. BT can scale its services and applications on a customer by customer basis, only incurring those costs that are secured by the addition revenue they will generate. Vermont is under-served state-wide and meeting the broadband needs of all the state's residents and businesses has been clearly identified as among the State's highest priorities. The network will be sought after by other towns and telecom companies for BT's core network (voice switch, video headend, internet access, back office and customer service) and fiber cable.

a. Voice services

Many people talk about the erosion of the landline market. Few companies focus well on this lucrative and well established revenue stream. BT's phone network was designed as a traditional phone service but far better because BT uses an all fiber cable design. The network was built to Telcordia Standards and meets all state and federal regulatory requirements. BT's ability to provide both traditional phone service and enhanced VoIP (Voice over Internet Protocol) services presents an opportunity to increase telephone market share during Fairpoint's restructuring. Contrary to recent articles consumers continue to purchase traditional landline service for quality and safety features. In a 2008 survey conducted by Verizon eighty-three percent of the respondents emphasized their intent to continue using their landline home phone indefinitely⁵.

b. Asset Utilization

BTs focus on asset utilization and improved work flows will reduce operating and the incremental cost associated with their installation activity. The following is an outline of these efforts:

Examples of current asset plans are:

- Reduce Average of Monthly Total Trouble Tickets from 768 to 87
 - Experiments & Regression Analysis of 2008-2009 data suggest this is possible using Six Sigma.
- 100% Compliance with Regulatory requirements for repair intervals for Cable and Telephone
- 100% Accuracy in provisioning of new services
- Capital Recovery Program - \$385,000 by FYE10
 - Reconditioning of CPE and Recovery of ONU setup a special room and created a TDY for testing/scrubbing CPE and coordinating the recovery of stranded ONUs to ensure better asset utilization.
 - Recover under utilized central network equipment
- CPE redeployment from 90 days to 2 days.

⁵ [http://medialink.vo.llnwd.net/o21/live/2008-9-22/35667_Verizon_Landline_Survey.doc?track=\(sid:p3a52z551p3ruvi2oj1xy4rb,uid:0,aid:97619,ad:14,act:d,prod:cnp\)c](http://medialink.vo.llnwd.net/o21/live/2008-9-22/35667_Verizon_Landline_Survey.doc?track=(sid:p3a52z551p3ruvi2oj1xy4rb,uid:0,aid:97619,ad:14,act:d,prod:cnp)c)

These efforts will ensure BT keeps its operating and capital budgets on target.

c. Municipal Opportunities and Green Initiatives

Before BT started offering services to the greater Burlington community it provided services to the city itself. These services continue today and have provided the city with secure, high quality and scalable voice and data services. BT has operated a MAN for the school district and city departments since 2002 and voice services since 2003. In that time BT has demonstrated its value to the city by providing reliable data connectivity that allows all departments to share applications and information, and reduce internet access cost. The 1000+ voice lines on the city network rarely ever have trouble and have created the expectation of practically zero down time.

Even with all these successes, the city needs to take even greater advantage of the fiber assets to gain even greater operating efficiencies to lower cost to the tax payers of Burlington. BT can be the catalysts for several exciting applications that will reduce cost and keep the City of Burlington a city others look to for innovation.

BT has identified several new opportunities, many of them GREEN (environmentally focused). They will target bill consolidation, smart grid, reduced energy consumption, and reducing material cost incurred by city departments.

d. Wholesale and Commercial Sales

The following trends for 2010 as identified by Bank Street Group, LLC are all opportunities this year for BT. *BT is well-positioned in every instance to address these trends and take advantage of these opportunities:*

1. **Bandwidth Bottleneck** – The bandwidth bottleneck has admittedly been a recurring theme for well over a decade, but it remains more relevant than ever given the exponential increase in demand for bandwidth and the scarcity of fiber at the edge of the network. Anecdotally, only 19% of U.S. commercial buildings with twenty or more employees are served by fiber, according to an April 2009 study by the consultancy Vertical Systems Group. The combination of skyrocketing demand for broadband Ethernet and a relative lack of fiber to much of the business market underscores the growth opportunities for middle-mile and last-mile broadband providers such as the metro fiber pureplays, network-rich players like the cable companies as well as fixed-wireless providers. While proliferating broadband demand offers compelling opportunities it also presents challenges and risks for asset-light companies such as switch-based CLECs dependent on the networks of third parties for connectivity to end users.

2. **Wireless LTE (Long-Term Evolution) Deployments** –The deployment of LTE should further accentuate the need for high-bandwidth backhaul, creating opportunities both at the edge and the core of the network.
3. **Wireless Backhaul** – Wireless backhaul has been a topic of hot debate. 2010 may be the tipping point that proves that the wireless backhaul model works, as many of the largest wireless carriers aggressively deploy new tower sites and upgrade existing circuit capacity in order to accommodate the tidal wave of bandwidth demand driven by smartphones and other rich media applications and devices.
4. **A New IT Spending Cycle** – Given the economic malaise over the past 18 months, the IT managers in the corporate sector, as well as communications and managed service companies, have deferred capital expenditures for replacements and upgrades to a large degree. With the passage of time and the improvement in the economic backdrop, we should see a new spending cycle that should provide benefit to BT. One of the major ripple effects of a new IT spending cycle could be the consolidation of data center footprints from disparate legacy data centers into more concentrated footprints within facilities. This dynamic puts a premium on BTs collocation building at 287 Shelburne Rd. offering abundant power, high density and access to robust bandwidth.
5. **The “Cloud” Will Start to Take Shape** – Cloud computing technology will start to take off in earnest in 2010 with the successful productization of the technology and assimilation into business models. Once positioned as an amorphous, one-size-fits-all product, cloud computing technology has now been effectively segmented into silos, including web hosting, data backup and storage, and utility computing, that are being targeted to address the unmet needs of a wide variety of customer segments on a cost-effective basis. Once again, BTs colo site on Shelburne Rd. can house these “Cloud” computing companies. BT has already signed one Burlington based business as a tenant.
6. **Telcos Embrace Managed Services** – BT will make further strides in productizing managed services such as hosted VoIP, data backup and storage, security, desktop support, etc. in order to grow customer revenue and reduce churn with a set of products and services that more deeply integrate service providers with their customers. The integrated voice and data T-1 bundle that has been the industry standard for the past decade is no longer enough to win customers. BTs is well positioned to leverage both its traditional TDM switching platform with its feature rich voice gateway (VoIP Switch) to give commercial accounts the service they demand today and well into the future.

e. Growth via Partnerships & Expansion

The development of new opportunities would revolve around two potential situations or a

combination of them all.

1. The partnership with existing telecom companies or other interested parties. These arrangements could be the negotiation of an IRU or equity partnerships.
2. Partner with other towns. BT has a lot of history with expansion with other towns. More recently with regional authorities. The federal government has a second round of funding available in March 2010 to expand broadband in rural America. BT's experience and network could serve as the base to support another applicants bid making it "shovel ready". "Shovel Ready" indicates that the applicant can quickly act on the plan which is a preferred requirement to receive stimulus money. BT would seek the City Councils permission to actively engage these efforts. The support of the administration, council and DPS would be essential due to the political nature of this effort.

The greatest opportunity for BT going forward is leveraging its fiber network. Much of the financing has been placed in the construction of a high fiber count network. This will create a flexible platform that BT will be able to generate additional revenues as higher bandwidth applications (both data and video) will drive residential, commercial and wholesale customers to the BT fiber network. Neither Comcast nor FairPoint will be able to support the growth in bandwidth.

Only Burlington Telecom has the network to support both current and future applications with the potential to generate significant new revenue streams. This is best summarized in the Fiber To The Home 3rd Edition/Spring 2009 Report⁶.

THREATS

BTs biggest threat is the existing and emerging competition from Comcast, FairPoint, Level3, and SoVerNet. Comcast has the resources to keep market prices low putting pressure on the BT revenue stream. FairPoint has recently hired two new PR firms in Maine to address their poor market performance. Level3 is and continues to be a titan in the commercial data services space. Level3 acquired the TelCove (Adelphia Business Solutions, VELCO) network in Vermont. And, SoVerNet is currently looking for a transition strategy to migrate off their FairPoint/SoVerNet CLEC model onto a facility based network. Their parent company ATN (Atlantic-Tele Network) is a holding company capable of raising cash for M & A activities. Recently, another ATN company, ION, received a \$38 million stimulus loan from the Federal Government for a fiber network in New York with links extending into Pennsylvania and Vermont.

BT will need to track FCC rules. Current rules being considered at the FCC include the

⁶ <http://www.ftthcouncil.org/sites/default/files/FTTH%20Fiber%20Primer%20low%20res.pdf>

“terrestrial loophole” which speaks to the rules within the 1992 Cable Act. See the following excerpt:

Playing Hardball

Dorothy Pomerantz, 10.17.05 Comcast's scramble to lock up sports programming has fans and rivals crying foul.

As the Philadelphia Phillies struggle for a wild-card spot, fans are glued to Comcast's SportsNet. Except fans who happen to have DirecTV or EchoStar satellite service. A quirk in the 1992 Cable Act known as the "terrestrial loophole" allows Comcast (and any other broadcaster) to withhold programming if it is transmitted from a stadium to cable boxes entirely over wires as opposed to satellite. Comcast takes advantage of the loophole to keep games in Philadelphia away from DirecTV and EchoStar.

Another FCC rule being looked at closely is the “30 percent rule” that restricted cable operators from owning more than 30 percent of the national market. This could be a sign of loosening cable regulations by the FCC. See the following excerpt:

Federal Court Voids FCC's '30 Percent' Cable Rule

Info Tech & Telecom News > November 2009

Info Technology > Antitrust (See Regulation)

Regulation > Antitrust: General

Telecom > Cable

Written By: James G. Lakely

Published In: Info Tech & Telecom News > November 2009

Publication date: 11/01/2009

Publisher: The Heartland Institute

A federal court has thrown out a Federal Communications Commission rule limiting any cable company to controlling no more than 30 percent of the national market—and rebuked the commission's policy with sharp, dismissive language. The United States Court of Appeals for the D.C. Circuit—whose judicial influence and power are considered second only to the U.S. Supreme Court—ruled in August the FCC's rule was “arbitrary and capricious” and vacated it. Later in the 21-page decision, the court noted the FCC's “dereliction in this case is particularly egregious.”

This will mean that small cable operators will have to effectively lobby the FCC to ensure their rights to content are secured on a fair and level playing field and that they don't get locked out by the large corporations that own systems and content.

SUMMARY

BT has demonstrated over the past two years that it has developed competence and expertise in both the technical and business operations. We are poised not only to continue making substantial gains in the Burlington market, but also take advantage of numerous

opportunities created by the nature, capacity, and strength of our all-fiber network. BT's future success will be based upon its ability to leverage its knowledge and existing network infrastructure. Helping to facilitate this effort is the improvement of the capital markets and an infusion of federal stimulus money that will be available in March 2010 that is focused on expanding broadband into rural America. In addition, other partnership opportunities will exist for BT because it is the only FTTH Company in the State of Vermont with four years of experience providing voice, video and data services.