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The Burlington Telecom mess in perspective: a letter to the community

There's no doubt that the Burlington Telecom situation is a serious mess. But in all the accusations and counter-accusations, it can be hard to get some perspective on the nature of the problem. I've been studying things like cable TV, the internet, and telecommunications for most of my career, and I think a sense of the larger picture might help.

First, nobody has been accused of lining their private pockets with public money. There is nothing about the current scandal reminiscent of the one surrounding BT's former legal antagonist Adelphia Cable, whose [CEO is still cooling his heels in jail](#) for essentially stealing from his own company. Second, Burlington Telecom is hardly alone in having a hard time paying the bills. Vermont's primary telephone service provider, Fairpoint, [filed for bankruptcy late in 2009](#), and cable providers nationwide are scrambling for ways to stay alive nationwide in the face of the [first annual decline in cable subscriptions](#) in the industry's history. Times are extremely tough throughout the industry, and the fact that BT is in a financial tight spot is by itself hardly surprising.

Another thing about telecommunications is that it is an infrastructure business. Like roads, bridges, and sewers, you have to build most of the thing to completion before you get the benefit; no one will pay the toll for a bridge that goes halfway across the river. So you have to spend the money up front in hopes of making the money back years into the future, a future which is impossible to know with certainty. BT had to spend the money to build the system – the fiber optic lines, the home installations, the controlling equipment – based on a guess of what the revenues would be many years down the road. There's a basic uncertainty in infrastructure construction, then, and the constantly changing world of high tech compounds the problem. There are better and worse guesses, but speaking as though revenue and cost estimates for 2010 could have been made with absolute certainty in 2005 is asking for the impossible.

Some accuse BT's first manager Tim Nulty of having been a charismatic pied piper who presented overly rosy revenue projections, but the same could be said for Steve Jobs – for all his successes like the iPhone he's got a long string of failures to his name as well – and he is one of the most admired business managers in the world. It takes a mixture of vision, charisma, and judgment to get any big project like this off the ground, and hindsight will always be able to find some errors in the early stages of a project. The debates between Nulty and the Kiss administration that led to Nulty's resignation – Kiss and Leopold wanted to move cautiously and work towards making the existing system self-sustaining, Nulty wanted to invest more in marketing and offering services to other communities – should be seen in the first instance as different judgments between reasonable people about how to deal with a fundamentally uncertain situation. Maybe if you look at it carefully you might conclude that one side has been more right than the other, but if you think it's black-and-white, if you think the answer is obvious, you don't understand the issue.

The inevitable uncertainty that comes with high tech projects means that the history of communication systems is strewn with expensive mistakes much worse than BT's. Back in about 2005 when BT was getting its start, many cities (e.g., Philadelphia, [Chicago](#)) were guessing that city-wide Wi-Fi systems were the way to go, and have since had to scale back or abandon their efforts. Mobile phone companies at the time were investing huge sums on the theory that consumers would pay handsomely to watch short video clips of news and sports events on tiny phone screens (this was before the iPhone and YouTube sent consumers straight to the internet to get such things for free). More recently, global TV set manufacturers seem to have made a bad bet on the hope that everyone would pay for expensive 3D television sets. Expensive bad guesses come with the territory.

Which is why it needs be said that, five years down the road, BT remains a pretty good idea. It has not met its original targets for profitability – given the economic climate, the same is true for almost the entire industry – but Burlington now has a durable, highly flexible state-of-the-art fiber-to-the-home system that can deliver both existing services and be easily adopted to future trends. It's quite valuable; it provides services that people want now and will want and pay for in the future, and makes Burlington more inviting to citizens and businesses. Like everyone else, BT did fail to anticipate the financial downturn, which in turn caused subscribers to scale back on extra services like premium cable channels (throughout the industry, the best source of revenues). And it ran into technical difficulties installing cables in certain neighborhoods and a few other hiccups. In the larger scheme of things, these are problems, but not signs of gross negligence. When the City of Burlington set out to build BT, we can now say it made a reasonably good bet.

So what's the problem now? The tragedy of BT is not that it was a bad idea to begin with or that one could have foreseen all of the difficulties it now faces. Rather, the current mess is a product of a perfect storm of a difficult financial landscape with a fatal political misjudgment. Publicly run utilities often work well; Burlington Electric is by some measures the best run electric provider in the State. But, because they are publicly owned, they come with a higher expectation of transparency and public understanding. The Kiss administration seems to have forgotten that. "Trust us" may work in the private sector, but for a public enterprise, even a supposedly self-sustaining one, that's not enough. When the Kiss administration was looking for ways to deal with BT's financial shortfalls, whether or not what they did was illegal, they should have gone fully public. They should have seen it as their job, not just to solve the problem, but to *build public understanding and support for a solution that was both financially and politically acceptable*. If journalists or skeptical City Council members did not understand, the overwhelming concern should have been turning that understanding around immediately. "It's easier to beg forgiveness than to ask for permission" *does not apply to publicly owned enterprises*. True, the *Burlington Free Press* has a long history of attacking Progressive politicians, so the Freep should not be mistaken for the public at large. But that is no excuse for ignoring a broad sense of public concern. Kiss's approach, which has boiled down to inarticulate claims of innocence with very little effort to effectively communicate both the nature of the problems and the solutions, has created a vacuum of public understanding which has been filled with politicized maneuvering, recriminations, and overheated "gotcha" journalistic coverage.

Politicians and the press should be focusing now on efforts to find practical ways to maintain Burlington Telecom in some form. Investigations should go forward with an eye towards solving the problem, not just finding guilty parties to blame. The financial

complexities of BTs relationship to banks and the City need to be scrutinized with an eye towards getting things back on a sound footing while taking into account the inevitable uncertainties and long-term nature of this kind of project; patience will be required for any solution to work. But the lesson learned is that *both* financial solvency and public legitimacy have to be part of the solution; in fact, each requires the other. And for public legitimacy to be restored, at this point it is clear that new management needs to be brought in, regardless of what one thinks of past management.

But the Kiss administration, and the Progressive community in general, need to face up to the fact that the whole thing has been handled in a politically disastrous way. I helped campaign for Bob Kiss in his first run for mayor, and it saddens me deeply that this mess has delivered a serious blow to the Progressive moment in Burlington, damaging three decades of carefully built trust and good will, nearly guaranteeing that Progressives will have a much harder time getting elected in the foreseeable future. The Progressive movement is founded on a belief in democratic involvement in decisions that affect us all; by losing sight of the role of leadership in generating and adopting to the public understanding necessary for that involvement, the Mayor's office has shot itself in the foot, and caused us all some pain.

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