

**INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE**

Summary: The members of the Independent Telephone and Telecommunications Alliance (ITTA) believe that encouraging broadband deployment must be an integral part of the overall economic stimulus package expected to be passed early in the 111th Congress.

ITTA members are mid-size telecommunications carriers that serve more than 29 million customers in 45 states. We believe that broadband incentives should be directed first to unserved areas to produce the greatest economic benefit. Technological limitations and market economics make it highly unlikely that high speed Internet services will be generally available in these areas in the near future without meaningful economic incentives. Such deployment would significantly increase broadband availability, create thousands of new jobs (both through the deployment itself and also by creating an information technology infrastructure in rural America), facilitate work at home thereby reducing carbon emissions, and vastly improve education and healthcare in rural America.

Meaningful broadband economic incentives may be provided as direct grants, tax credits and/or accelerated depreciation. Each is likely to provide different investment incentives depending on the provider's business circumstances, and the form chosen may have a direct impact on the speed and ubiquity of broadband investment and growth.

Grants: Direct grants for providers to extend broadband service to unserved areas would provide the most immediate, widespread, and dramatic impact. This would likely do the most to achieve the goal of universal broadband availability.

- Unserved areas would receive first priority.
- Grants should be directed to non-governmental entities in the first instance, with governments becoming eligible where markets do not respond.
- Speed requirements in unserved, high-cost areas of 1.5 mbps.

Tax Credits and Expensing: Broadband tax incentives (including AMT tax purposes) will provide telecommunications carriers additional capital and incentives to accelerate plant upgrades and construction.

- Investment in unserved areas. 100% expensing or a 50% investment tax credit the year the investment is available to companies that invest in networks capable of at least 1.5 mbps.
- Tax credits or bonus expense write-offs for job creation.



In addition to the above-listed policies, ITTA supports refinement of existing regulatory mechanisms to ensure the viability of vital communications networks in rural America.

UNIVERSAL SERVICE and BROADBAND

- Universal service reform is important. As 10th Circuit found, existing system fails to support high-cost areas that are served by larger ("non-rural") carriers.
 - Reformed mechanism should
 - Target network support to areas that need it most, focusing on regions with low population density.
 - Support carriers-of-last-resort serving rural America
 - Include broadband pilot program to fund infrastructure build-out in unserved areas.

Position in current FCC proceeding: Comprehensive ITTA proposal filed October 10, 2008, in Docket Nos. 96-45 and 05-337.

INTERCARRIER COMPENSATION REFORM

- Existing system is fraught with arbitrage opportunities and must be reformed.
 - Need for uniform rates must recognize need to compensate the owners of more expensive networks for their termination costs.
 - Align intrastate rates with interstate rates over five-year transition.
 - Create reasonable alternative cost recovery mechanism to ensure proper compensation.
 - Open new FCC proceeding after four years to evaluate success of new program and determine whether additional measures necessary.
 - Confirm that all voice traffic originating on or terminating to the PSTN pays access.
 - Institute call signaling rules to ensure that all users of the network pay their appropriate fair share.

Position in current FCC proceeding: Comprehensive ITTA proposal filed November 26, 2008, in Docket No. 01-92.