



INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

December 18, 2008

The Honorable Speaker Nancy Pelosi
Speaker of the House of Representatives
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Harry Reid
Senate Majority Leader
United States Senate
Washington, D.C. 20510

Dear Madam Speaker Pelosi and Senate Majority Leader Reid:

The members of the Independent Telephone and Telecommunications Alliance (ITTA) are mid-size telecommunication providers that serve 30 million customers in 45 states. Our members serve some of the most rural and insular parts of our country where technological and geographical limitations and market economics create challenges to making high speed Internet services available to all customers. The current economic crisis cannot be overcome unless rural and suburban consumers have access to infrastructure that brings economic opportunities. To this end, meaningful policies, including economic incentives for providers and consumers alike, are needed to achieve the goal of 100 percent broadband availability for all Americans. ITTA's member companies are eager to help and confident that they can be a constructive part of the solution.

ITTA members are encouraged that under your leadership and the leadership of President-Elect Obama broadband to all Americans has become a priority for the 111th Congress. ITTA believes that broadband incentives for providers and consumers must be an integral part of the overall economic stimulus package expected to be passed early in the 111th Congress. Stimulating broadband deployment and demand will generate jobs and economic development that is sorely needed in these dire economic times. The Communication Workers of America (CWA) recently referenced a study by the U.S. Department of Commerce that stated as many as 19.5 jobs could be created for every \$1 million invested in broadband networks. Furthermore, wider broadband adoption will facilitate work at home, thereby reducing carbon emissions, and vastly improving education and healthcare in rural America.

ITTA member companies have long demonstrated a commitment to bringing economic development opportunities to the communities they serve, and want to redouble those efforts in light of the current crisis. ITTA members employ more than 75,000 workers in largely high-paying professional and skilled positions, all here in the United States, and would like to employ more if business opportunities expand. In spite of the challenges of serving in rural America, ITTA members have also brought the

opportunity-building tool of broadband to 85-90% of their customers, which is in line with the availability in the more urban parts of our country.

ITTA believes your foremost priority should be expanding broadband to those unserved areas of rural America where population density is lower and per capita deployment costs are highest. At the same time, we must focus on making broadband more affordable for low-income Americans, along the lines of the long-standing program for voice telephony, known as Lifeline. As a result, ITTA proposes a targeted package of measures designed to reach the problems that the private sector is least well-equipped to address on its own – the issues of unserved areas and consumer adoption. Following are our policy recommendations:

Grants: Direct grants for providers to extend broadband service to unserved areas would provide the most immediate, widespread, and dramatic impact on achieving the goal of universal broadband availability. We believe such grants should include several key features:

- Unserved areas receive first priority.
- Allocate funds to areas that have proven extremely costly to serve (ITTA member companies currently offer broadband to 85-90% of the areas they serve, but the last 10-15% will be the most expensive).
- Allow the private sector to have first right of refusal for the opportunity to participate in grants. If the private sector does not want to participate, public entities would become eligible.
- Ensure that grant amounts are sufficient to provide whatever bandwidth speeds are required.
- To speed the pace of investment and maximize economic stimulus, these funds should be disbursed through an experienced, Federal grant-making agency, such as the Department of Agriculture or Department of Commerce.

Tax Credits and Expensing: Broadband tax incentives (including for AMT tax purposes) will allow telecommunication companies to devote additional capital and incentives to plant upgrades and construction. We believe benchmarks on speed and aggressive time lines to upgrade plant are needed for tax credits to work effectively. Therefore, we suggest the following model:

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

While the measures described above will help fill the gap left by the market to ensure that all consumers have access to broadband, ITTA also believes that Congress and the Administration can play a significant role in ensuring that consumers have the ability to avail themselves of the opportunities that broadband brings. To that end, ITTA also proposes a targeted program to bring broadband into more consumers' reach.

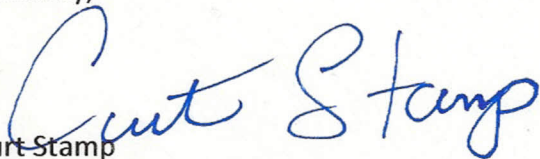
Make Broadband Affordable for Low-Income Households: As has been done with the Lifeline program for voice telephony, broadband service should be made available at a discount for low-income households. Providing low-income households a \$10 per month discount would be a substantial aid where broadband is needed the most – helping the unemployed find a job, helping children get an education, and providing access to health and other vital information only available

through a broadband connection. Unlike Lifeline, in which voice customers subsidize other voice customers, the broadband program should be funded out of general funds, in keeping with the broad social goals that can be achieved through wider broadband use.

And last but not least, ITTA strongly believes that any incentives must be administered with accountability and transparency. Government agencies tasked to oversee the administration of the funds must be prepared to streamline the process while, at the same time, providing transparency in the process to ensure that taxpayers are not funding providers who are unable, or unwilling to meet the demands of a ubiquitous broadband network.

ITTA member companies are ready and willing to play a meaningful role in creating jobs and economic opportunities for American consumers. We do so by building and supporting networks that create opportunity in communities across America. In the current climate, however, our efforts can only take us so far. The targeted measures outlined in this letter will help us achieve our common goals for this country. We look forward to working with you to achieve these goals. If you should have any questions, please contact me or Paul Raak, Vice President of Legislative Affairs at 202.898.1514, praak@itta.us.

Sincerely,



Curt Stamp
President

Independent Telephone and Telecommunications Alliance