



Action Item: Broadband Deployment and Network Access

Policymakers and rural local exchange carriers (LECs) share a common goal of making broadband available to rural subscribers as expeditiously as possible. Congress expressed this desire in Section 706 of the Telecommunications Act of 1996. This section requires the FCC and state commissions to encourage the deployment of advanced services to all Americans on a reasonable and timely basis by removing barriers to infrastructure investment.

Rural LECs face many challenges to broadband deployment that are not encountered by larger carriers. These challenges include sparse and dispersed populations, great distances between customers and the switch, difficult terrain, and a lack of economies of scale. Despite the challenges they face in deploying broadband, virtually all rural LECs offer broadband at affordable rates.

On average, rural LECs are able to offer broadband to more than 90 percent of their customers. More than 40 percent can already deliver broadband to 100 percent of their customer base. Rural LECs are continually upgrading their networks in order to make their broadband services more robust and widely available.

Congress should ensure that rural LECs have access to video content, which spurs broadband deployment.

The FCC has established that there is an intrinsic link between video services and broadband deployment. Rural LECs have also found that subscribership to broadband increases when it is bundled together with video services. This increased "take rate" makes it more economically feasible for rural carriers to expand broadband availability to consumers in higher-cost areas.

Approximately 75 percent of rural LECs provide video services, often using digital subscriber line (DSL) or fiber-to-the-home technologies. OPASTCO and WTA's "Access to Video Content" paper provides more details regarding actions

Congress can take to better enable rural LECs to enter the video services market which, in turn, will spur even greater broadband availability and subscribership in rural areas.

Congress should make extensive tax credits, grants, and low-cost loans available to rural LECs for broadband deployment.

Extensive tax credits, grants, and low-cost loans for rural LECs would help facilitate broadband network upgrades and increased service deployment in high-cost rural areas. Initiatives such as low-cost broadband telecommunications loans, administered by the Department of Agriculture's Rural Utilities Service, should be sufficiently funded. The availability of an advanced communications network attracts business enterprises to rural areas. Therefore, tax credits, grants, and favorable loan rates would quickly pay for themselves in the form of rural economic development.

Congress should permit accelerated depreciation for broadband infrastructure investments.

An "Internet time" depreciation schedule for broadband network upgrades is necessary to account for the fast obsolescence of high-tech equipment brought about by constant technological breakthroughs. Rapid depreciation would provide rural LECs and their lenders with greater confidence that they will be able to recover their capital investments. It would also actively encourage plant upgrades, which lead to increased service quality.

Congress should ensure that in the event of any mandated deadline for ubiquitous broadband deployment, sufficient funding is available for high-cost areas.

While most rural LECs are offering broadband capability to more than 90 percent of their customers, the cost of offering broadband service to the most remotely located customers that is comparable to what is available in urban areas may require significant infrastructure upgrades. For rural LECs to be able to offer comparable broadband access to all of their subscribers, sufficient funding will be necessary. Measures such as capping the High-Cost program of the Universal Service Fund or using reverse auctions to determine recipients of support and the amounts they receive must be avoided, as they would seriously impede the deployment of broadband to consumers and businesses in high-cost areas.

Congress should ensure that rural LECs have access to the Internet "backbone" that is necessary to provide customers with adequate bandwidth to access and utilize the online content, applications, services, and devices of their choice.

There are many carriers throughout the nation providing broadband Internet access to consumers at the retail level. Yet there are only a handful of companies with significant market power that provide these carriers with wholesale access to high-capacity "backbone" facilities. Rural LECs must have equitable access to the Internet backbone at reasonable rates in order to offer broadband Internet access to their customers.

The rates charged for access to the backbone vary according to geography and mileage. Generally, the more isolated a rural service area is, the more a rural LEC must pay for

backbone access. Rural LECs have struggled for years to maintain adequate connections to the backbone at rates that enable them to offer affordable broadband service.

In recent years, the acceleration of mergers between major national carriers has raised concerns about whether or not rural LECs will continue to have access to backbone connections at reasonable rates. Most rural LECs now have access to only one backbone provider. Congress should ensure that this does not result in impaired access to the Internet backbone for rural LECs. Maintaining reasonably priced wholesale access to the Internet backbone ensures that consumers will continue to obtain the online content and applications of their choice, consistent with the principles of network neutrality that have been embraced by the FCC.

Congress should ensure that government-owned broadband providers are not permitted to discriminate against private sector providers.

State and local governments grant franchises, manage rights of way, and collect taxes. Therefore, there are legitimate concerns about the potential for discrimination against private sector providers when government-owned entities enter the broadband marketplace. Government-owned utilities have also been known to cross-subsidize broadband offerings with income from their established services. This discourages private investment and impedes consumer choice. Congress should ensure that state and local entities encourage private providers to enter local broadband markets prior to undertaking these efforts themselves. Cross-subsidization and discrimination by state and local governments should be prohibited in any event.

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