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Google May Bid Billions on Wireless

The Internet search company and the blogosphere elite consider its place in the wireless broadband marketplace

By the Associated Press, with *BusinessWeek* reports

Google ([GOOG](#)) may be ready to make a big splash in a government auction for valuable wireless airwaves—if certain conditions are met.

The Internet search company said it will bid at least \$4.6 billion if the Federal Communications Commission mandates that any winners lease a certain portion of the airwaves to other companies seeking to offer high-speed Internet and other services. Such a provision, Google argues, will give consumers—who traditionally get high-speed Internet access via cable or telephone lines—a third option for service.

FCC Chairman Kevin Martin last week previewed draft rules for the auction that did not include this so-called wholesale provision. That's a sticking point for Google, which sees the wholesale provision as critical to promoting competition in the wireless broadband marketplace. It wants one-third of the airwaves that are being auctioned off to be offered on a wholesale basis.

"OPEN" PROTOCOLS

According to the [Official Google Blog](#), the online giant also wants the FCC to require the auction's winner to adopt "open" protocols allowing consumers to access any content via any wireless network on the segment of the wireless spectrum up for auction.

"We're putting consumers' interests first, and putting our money where our principles are—to the tune of \$4.6 billion," wrote Chris Sacca, Google's head of special initiatives.

In a letter to Martin, Google Chief Executive Eric Schmidt said the current proposal falls short of what it, consumer groups, and other companies want. "In short, when Americans can use the software and handsets of their choice, over open and competitive networks, they win," he wrote in the letter dated July 20.

BREAKING BROADBAND BOUNDARIES

Google's conditions "would go a long way towards ensuring that the freed-up spectrum fulfills its potential as a 'third broadband pipe,'" wrote Eric Bangeman at [Ars Technica](#). "Winning the auction would put Google in the position to own and operate its own broadband network, where it would be in a position to ensure that its services are available to

everyone on its network," Bangerman wrote.

Google's position puts it at odds with major telecom carriers such as AT&T ([T](#)) and Verizon Communications ([VZ](#)), which favor the current auction draft rules and plan to bid as well.

In a statement Thursday, Jim Cicconi, AT&T's senior executive vice-president for external and legislative affairs, said Martin's proposal was an "interesting and creative balance" that would not change the business models of AT&T and others. He said Google would now have to "put up or shut up."

"If they are serious, they will be able to bid and test their model in the marketplace against the business models of companies already enjoying widespread consumer acceptance," he said.

VESTED INTERESTS

Despite Google's democratic rhetoric, some commentators saw a strong dose of self-interest in the company's move. "In reality no one commits spending \$4.6 billion (or more) unless they have vested interests," wrote Om Malik at his blog, [GigaOm](#). "I suspect Google has a lot more wireless applications coming, and needs to basically insure a way to get them to the people."

But Martin's draft proposal did contain a rule on open access that seems to be favored by all potential bidders. It also means Google's conditions would be at least partially met. Open network access would allow consumers to buy the wireless device and software of their choice and use it on the new network.

The auction, which must take place before Jan. 28, 2008, could raise as much as \$20 billion for the U.S. Treasury.

WISE DISTRACTION?

Whether Google's move into wireless is a wise expansion or irresponsible distraction depends on your point of view. Investors who have fawned over Google since its initial public offering three years ago got a rude surprise on July 20 after the company's stock plunged 5% because its quarterly earnings came up short (see [BusinessWeek.com](#), 7/20/07, "[Google's Disappointing Quarter](#)").

"Google missed and now the wolves will be all over Google about everything," wrote the anonymous author behind the satirical Secret Diary of Steve Jobs, in a post entitled [Squirrel Boy \[his preferred name for Google's Schmidt\] gets his turn in the clown chair](#).

"All these stupid investments in new businesses that aren't paying out," he said. "YouTube for a billion and a half? What the frig were you thinking? All these apps in the cloud that aren't making money. Google this, Google that, everything in perpetual beta, nothing ever finished and done and working 100% right."

"Oh, it's all fun and games when you're on the way up. Now is when it's going to get ugly. Squirrel Boy, I feel your pain. Sort of."

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