

Google dialing for dollars with free cell phone software package

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Google Inc. wants to become as influential in the mobile market as it is on the Internet — and the online search leader thinks it can do that without sticking its prized brand on a cell phone.

The Mountain View-based company provided the first glimpse at its mobile ambitions Monday with the announcement of a free software package scheduled to hit the market during the second half of next year.

The system, which will control an untold number of cell phones, is designed to unify the developers of mobile applications around a common platform that makes it easier and more enticing to surf the Web on cell phones. The new package is called "Android" in tribute to a Silicon Valley startup that Google acquired two years ago to steer its secretive project.

Google is hoping Android opens another lucrative channel for peddling ads and services to people when they're away from their personal computers, supplementing the revenue already pouring into the company from Internet advertising.

Contrary to reports that surfaced during months of breathless speculation, Google isn't making cell phones, nor does it plan to put its name on the devices equipped with its software. Instead, it will work with four manufacturers and 29 other companies that have formed the Open Handset Alliance to help launch Google's mobile software.

But Google Chief Executive Eric Schmidt hinted the company might eventually make its own phone powered by the new software.

"We don't want to foreclose any options in the future," Schmidt told reporters during a Monday conference call.

For now, Google is focused on rallying support for Android, which relies on openly available computer code that gives equal access to all programmers.

That freedom is meant to foster innovation and new uses for the sophisticated handsets known as smart phones.

"You will be able to do amazing things with your mobile device that you had never thought of before," Schmidt promised.

Google will release a tool kit for developers next week. Consumers will have to buy a new phone to get the Google software because Android was not designed for existing handsets.

Even with its market debut months away, Android looms as a significant threat to other mobile operating systems made by Microsoft Corp., Research In Motion Ltd., Palm Inc. and Symbian, which is owned by Nokia Corp. and several other major phone makers.

Because Android will be free, it could undercut rival operating systems that handset makers must buy. The smart phones it comes on also could be less expensive since manufacturers won't have to pay for software and the costs of developing new applications may fall, too.

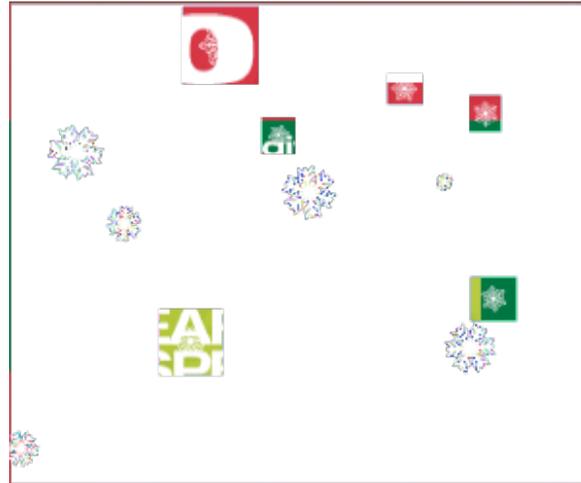
"This is a shot that is going to be heard around the world, but it's just the first shot in what is going to be a very protracted battle in the next frontier of the mobile Web," said Michael Gartenberg, a Jupiter Research vice president.

With 3 billion cell phones already on the market, Google wants to ensure people can use its services, such as the search engine, e-mail and maps, on mobile handsets as easily as on personal computers.

But major wireless carriers zealously control which services can be accessed in an effort to maximize their own profits. And this "walled garden" approach has lessened the incentive to connect to the Internet on cell phones.

"Google had to find a way to create an open environment that is more like the one they are used to dealing with on the Internet," said Charles Golvin, principal analyst for Forrester Research.

So far, Motorola Inc., Samsung Electronics Co., HTC and LG Electronics Inc. have agreed to use Android in some of their phones. Schmidt said he eventually hopes to see Android implanted in thousands of different devices.



Key details, like how much the Android-powered phones will cost and how many units will be shipped, have yet to be worked out. Executives for both Motorola and HTC told reporters Monday that their companies will keep making phones equipped with other operating systems, such as Windows Mobile.

The wireless carriers that have agreed to provide service for the Google-powered phone in the United States include Sprint Nextel Corp. and Deutsche Telekom's T-Mobile in the United States. China Mobile, Telefonica in Spain and Telecom Italia are among the carriers that have signed on to provide service outside the United States.

Other key players include major chip makers like Intel Corp., Qualcomm Inc., Texas Instruments Inc., Broadcom Corp. and Nvidia Corp.

While there are plenty of big names in the handset alliance, AT&T Inc. and Verizon Wireless aren't participating. The absence of the two largest U.S. wireless carriers, who combined have nearly 130 million subscribers, could make it more difficult for the Android-powered phones to catch on.

The mobile expansion is Google's attempt to muscle its way into yet another new market — a crusade that has raised concerns about the 9-year-old company growing too powerful.

Diversifying into cell phone software could open digital doors for Google to build on the trove of information it already has collected about its users' personal interests so it can profit by showing them ads they will find appealing.

Wall Street is betting Android will pay off.

Since details about Google's cellular ambitions began to dribble out in early September, the company's shares have surged by about \$200, or nearly 40 percent. Google's stock price hit a new high of \$730.23 Monday afternoon before falling back to finish the session at \$725.65, a gain of \$14.40.

Google currently generates most of its revenue — expected to exceed \$16 billion this year — from text-based ad links displayed alongside search results and other Web content usually viewed on the screen of a personal computer.

Oppenheimer & Co. analyst Sandeep Aggarwal predicted Google will be harvesting as much as \$4.8 billion in annual revenue from the mobile market within three years after Android appears.

Aggarwal punctuated his remarks in a Monday research note by raising his 12-month target for Google's stock to \$850, up from \$745.

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