FCC to Rule on Wireless Auction
Lobbying Intense As Google Seeks To Open Market

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The Federal Communications Commission will set the rules tomorrow governing the auction of $15 billion of public airwaves, a decision with stakes so high that the major U.S. cellular carriers and Google have spent millions of dollars on a lobbying campaign in an attempt to influence the outcome. The decision could dramatically alter the nation's cellphone industry.

Google, the giant Internet search company, wants to extend its popular tools, which include e-mail and video, to the rapidly expanding mobile phone market. To do so, it may spend billions to build a new, open network it says will loosen the grip telecom operators have over how consumers use their cellphones.

Currently, the major U.S. wireless carriers, including AT&T and Verizon Wireless, largely decide which Web sites, music-download services and search engines their customers can access on their cellphones. This is accomplished by wireless companies determining which cellphones will receive their services: AT&T, for example, is the only carrier available to users of Apple's iPhone.

Google wants to end that restriction and has urged the FCC to require the winner of the auction to build a network that will be open to all cellphones and services, so any consumer can have access to Google's array of offerings.

AT&T and Verizon Wireless have been eyeing these airwaves for almost a decade, waiting for them to be abandoned by television broadcasters moving to digital programming. The airwaves, which are ideal for carrying wireless signals, are particularly valuable because they will be the last up for auction for decades. The auction is to take place in January.

They are crucial to wireless carriers looking for more ways to put ever-more-elaborate video, music and Web-surfing tools in consumers' hands, especially as cellphones continue to replace telephone landlines and offer services heretofore available only on a computer. But the auction is also testing the political might of Google, which has to this point been somewhat of an outsider in Washington.

Google, in its first serious foray into the Washington regulatory scene and, potentially, the wireless industry, has offered to spend at least $4.6 billion for the airwaves it would use to build the network it envisions if the FCC's rules work in its favor. The move reflects Google's growing ambitions to reach consumers in new ways while exerting its influence on policy it sees as critical to its future. But the company's efforts to recast the wireless landscape have met fierce opposition from AT&T and Verizon, which worry Google's open network would undermine their businesses.
Google's 12-person Washington team, based in temporary quarters on Pennsylvania Avenue, has aggressively confronted the legions of lobbyists behind the two telecom behemoths. Its goal of creating an open-access network, first thought of as a long-shot proposal, has gained substantial political traction among FCC commissioners and Democratic lawmakers, who see the auction as the last opportunity to create a new competitor in the wireless industry.

"Google sees network owners as potentially coming between it and its customers, so they realized how critical Washington was to their long-term game plan," said Paul Gallant, a telecom policy analyst with Stanford Group Co. "Google is still nowhere near the Bells and cable [television] when it comes to lobbying, but it does have a real cachet that can make up some of the gap."

Google has not always been taken seriously in Washington. When co-founder Sergey Brin visited Capitol Hill two years ago, he had trouble persuading members of Congress to meet with him. The company didn't bother to open an office in the District until 2005, when it hired Alan B. Davidson, formerly of the Center for Democracy and Technology, to tackle Internet policy issues. A year later, Google hired Robert Boorstin, who held several positions in the Clinton administration.

When the debate over the ability of Internet service providers to favor certain Web content for a fee, a concept known as network neutrality, heated up last summer, Google was late to the scene. It initially depended on public interest groups to lobby on its behalf.

Since then, Google has expanded its Washington presence. Besides increasing its effort to sell its services to government agencies, Google has taken what it calls a "Googley" approach to politics by seeking the business of political campaign managers and starting a public policy blog. Last week, the online video site YouTube, which is owned by Google, sponsored a debate between the Democratic presidential candidates.

The company recently hired Johanna Shelton, formerly on the staff of Rep. John Dingell (D-Mich.), an influential member of the House telecommunications subcommittee. Google also frequently invites prominent politicians to tour its Mountain View, Calif., headquarters. But its 2006 congressional lobbying budget of about $770,000, according to public disclosures, is dwarfed by the $21 million spent by AT&T and $14.4 million spent by Verizon the same year.

Unlike many campaigns that use well-connected lobbyists to persuade members of Congress, Google and its opponents have fought this battle on paper, using their lawyers to make their arguments in filings to the FCC.

Google's clout in the airwaves auction has grown slowly, marked by small victories along the way. In February, it hired Richard S. Whitt, once a lawyer for the now-defunct telephone company MCI, to lead its telecom policy agenda. And Google also harnessed the power of politically savvy public interest groups, consumer advocates and like-minded companies such as eBay and Yahoo to push its idea for an open network.

In late April, FCC Chairman Kevin J. Martin endorsed the general idea. A week later, during a tour of the Googleplex in Silicon Valley, he asked Brin and the other Google co-founder, Larry Page, and chief executive Eric Schmidt to suggest rules for the auction that would increase the chances that a new wireless competitor would emerge.

"I think that was a little victory for us that showed the chairman was willing to meet us in the middle," said
Whitt, who has led Google's lobbying operation.

Over the next two months, Google outlined its requirements for the auction with the FCC. Its "alternate access team," run by three wireless engineers, Chris Sacca, Larry Alder and Minnie Ingersoll, swooped into Washington for a series of visits with FCC commissioners. Google has also hired game theorists to strategize for the auction.

In the meetings with the commissioners, Google's team urged them to require the highest bidder in the auction to build a network that would be open not only to devices but also to software and third-party companies. Those conditions would make the airwaves more accessible and, hence, more valuable to Google, but would conceivably damage the business of the wireless companies by no longer allowing them to differentiate their offerings from one another.

Like the culture at many Silicon Valley technology companies, Google's clashed with Washington's. Some FCC staff members said the company's tech gurus came across as arrogant in meetings with commissioners.

"They're used to getting what they want rather than having to make a case for what they want," said one staff member who spoke on the condition of anonymity.

Martin subsequently said he favored requiring the auction winner to use a chunk of the airwaves to build a network open to all mobile devices but stopping short of meeting Google's other demands.

AT&T and Verizon initially blanched at Martin's proposal, arguing it would tip the competitive scales in Google's favor. But in a series of hearings on Capitol Hill, several lawmakers voiced support for using these airwaves to give consumers more choices. Many cited complaints about the fact that Apple's iPhone, recently introduced to great fanfare, can be used only on AT&T's network.

Others said they were concerned that regulating the airwaves would diminish the estimated $15 billion in revenue raised by the auction. AT&T questioned Google's intentions, telling the company to "put up or shut up" in filings with the FCC. To "put our money where our principals are," Whitt said, Google then committed to spending at least $4.6 billion to bid on the airwaves if its conditions were met. AT&T responded by shifting its position to support Martin's open-access proposal.

Martin's plan for an open-access network "would enable the introduction of an alternate wireless business model without requiring changes in the business models of AT&T and others in what is a highly competitive wireless industry," said Jim Cicconi, AT&T's senior vice president of external and legislative affairs, in a recent filing with the FCC.

"It was very surprising that they backed down. . . . Google was getting traction, and I think the major players wanted to be on the winning side of this battle," said Doug Bonner, who heads the communications practice at the law firm Sonnenschein Nath & Rosenthal. "Google's definitely putting their currency to work."
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