

Google a victim of EarthLink woes with cancellation of S.F. Wi-Fi

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(08-30) 14:32 PDT SAN FRANCISCO -- The collapse of Mayor Gavin Newsom's ambitious plan to bring free wireless Internet access to San Francisco dealt a blow to Google Inc., which had hoped to use the system to test an array of new products.

Google, the Internet giant, had championed the plan, and the company's celebrity had helped spark a nationwide frenzy of similar projects. But now the future of municipal wireless Internet access is in doubt, not only in San Francisco, but across the country.

Google's downfall in San Francisco was the result of financial troubles by its partner EarthLink, the company chosen by the city to build the network. On Wednesday, while awaiting final approval from the Board of Supervisors, EarthLink notified the mayor that it was pulling out after deciding that the system wasn't financially viable.

That Google was interested in municipal wireless Internet access, known as Wi-Fi, shocked many when the company submitted its initial bid two years ago to offer free connections to San Franciscans. Ultimately, Google joined with EarthLink, which was to have built the network and offer faster service for \$21.95 per month.

Did Google want to create a national Wi-Fi Internet network? Did the company have aspirations to become an Internet service provider, taking on industry giants AT&T and Comcast?

Google denied the speculation and said it merely wanted to use the San Francisco network as a testing ground for new products for mobile phones, including online advertising that would be tailored to the location of users. Other than setting up a wireless Internet network for its hometown, Mountain View, Google hasn't bid on other municipal Wi-Fi projects.

Eric Schmidt, Google's chief executive, has frequently extolled the virtues of using a mobile phone to search for a pizza place, with Google providing an ad for a restaurant just around the corner. Chris Silva, an analyst for Forrester Research, said that Google would have learned more from testing its ads in San Francisco than it would have in a small town like Mountain View.

Capitalizing on mobile advertising could be even more important if Google is the successful bidder in a January auction of airwave frequencies by the federal government, where it is expected to be up against potential bidders such as AT&T and Verizon. Google, or its partners, would then be able to offer wireless access across the country, no doubt accompanied by Google's targeted advertising.

"The spectrum will be far more lucrative than rolling out Wi-Fi networks across the country," Silva said. San Francisco's scuttled plan comes as a number of cities reconsider citywide wireless Internet access. Use in several cities where networks have been built is lower than expected, raising the questions about whether the systems are financially feasible.

Chicago, and Anchorage, Alaska, recently pulled out of citywide projects. Houston, Alexandria and Arlington, Va., and St. Petersburg, Fla, have projects on hold that were to have been built by Earthlink. Craig Settles, a consultant who is focused on the wireless industry, blamed Google for some of the troubles cities are having with Wi-Fi. He said that Google's proposal to offer free access in San Francisco, at least partially offset by online advertising revenue, unrealistically raised expectations that cities could cash in on the deals.

"They gave whole credence to this free ad-driven model that wasn't really credible," Settles said. "The publicity was so intense around their announcement that it created a mind set within cities that was counterproductive.

"They wasted a lot of time considering the free biz model," he continued. "Now cities want to back away altogether."

Despite EarthLink's withdrawal, Newsom is holding out hope for a citywide Wi-Fi network. Whether he will open another round of bidding is unclear, as is Google's interest in participating.

Google declined to respond to questions other than to issue the following written statement: "We hope that the city will be able to reach an agreement that will enable all San Franciscans to enjoy a free Wi-Fi network. Google is committed to promoting alternative platforms for people to access the Web no matter where they are, and we encourage others to think creatively about how to address access issues in their own communities."

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