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Dear Mr. Attorney General and Associates:

I am writing to urge you to begin a broad antitrust action against Google Inc., which benefits from its anticompetitive practices and monopolistic position in Internet search in ways that harm potential competitors and consumers.

Both of the federal agencies responsible for antitrust enforcement, The Department of Justice and the Federal Trade Commission, have taken a reactive approach to Google's activities. Your department has opposed the proposed Google Books settlement and the FTC is closely examining Google's planned $750 million acquisition of the mobile advertising company AdMob. Consumer Watchdog commends both of the current efforts. However, the time has come to actively restrain Google's broader ability to abuse both users and advertisers. Such action could include breaking Google Inc. into multiple separate companies or regulating it as a public utility.

Google exerts monopoly power over Internet searches, controlling 70 percent of the U.S. market. For most Americans – indeed, for most people in the world – Google is the gateway to the Internet. How it tweaks its proprietary search algorithms can ensure a business's success or doom it to failure. Google's business practices to maximize its profits determine much of the Internet experience for most consumers by determining what they view.

Google uses a third-party payment business model. Its ad prices are completely separated from the users of search. But because Google commands such a substantial share of the search market, many companies must pay for listings to remain viable. The reality is that for many small online vendors Google is the only way to develop traffic to their services. Google's dominant search position allows it to charge high ad prices and it uses these monopoly revenues to subsidize its other lines of business. Of course, consumers ultimately pay these monopoly ad prices when they pay higher prices for the goods and services advertised. Other companies find it difficult, if not impossible, to compete with Google in offering the products Google provides for "free" with the subsidies generated from its monopolistic search revenues. This becomes a vicious cycle when Google uses these "free" products as yet another vehicle for advertisements. The inability of potential competitors to enter these subsidized markets stifles innovation.

Moreover, to the extent that Google manipulates search algorithms, engages in conduct that trims its auctions or otherwise denies competitive alternatives, users plainly are harmed because they will not even have the opportunity to experience such alternatives.

The Department of Justice could seek a variety of remedies:

-- One possibility would be to break Google into different companies devoted to different lines of business. Search could be separated from advertising. Gmail and its new social networking service, Buzz, could be spun off as a separate entity as could YouTube, a Google acquisition that we believe should have been denied at the time of merger. Enterprise applications could be another separate business.

-- Google's importance as a gateway to cyberspace requires a maximum degree of openness and transparency with the potential for government regulation. Arguably Google's monopoly position and importance to the Internet means that the company should be regarded as a public utility and regulated. Regulations could be designed to open up Google's ad platform to enable other competitors to compete. Rules could be crafted to create greater transparency in the operation of Google's ad platform to enable parties to negotiate more effectively – for example: by providing greater visibility into the maximum amount of the highest bid, how many search terms are shown per page, and how Google's "quality score" is derived and applied. Little, if any, of this information is currently public and openness would contribute to consumer choice and options as well as foster competition.

-- Another remedy would be to force Google to disgorge its monopolistic gains through the imposition of financial penalties. The payment would have to be significant enough to impact Google's future behavior. Perhaps the amount could be tied to paying back consumers for monetizing their private information and content without compensating them.

The pending actions in the Books case and AdMob deal are important and must be pursued to their conclusion. It is, however, past time to act against Google's monopolistic and pervasive power over the entire Internet. Consumer Watchdog asks you to launch that action today.

Sincerely,

John M. Simpson
Consumer Advocate