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# Europe Wants More Concessions From Google

By **JAMES KANTER**

BRUSSELS — Google must offer significantly more concessions to European Union regulators to avoid huge fines linked to the way it runs its online search business, the bloc's top antitrust official warned Wednesday.

The comments marked the first time the European authorities have formally said that a deal Google offered earlier this year to settle competition issues was not acceptable. That places the onus on Google once again to address rivals' concerns that the company's search rankings benefit its own services.

"I concluded that the proposals that Google sent to us months ago are not enough to overcome our concerns," Joaquín Almunia, the European Union competition commissioner, told a news conference here.

Mr. Almunia said he had written to Eric E. Schmidt, the company's executive chairman, "asking Google to present better proposals or improved proposals."

In his letter, Mr. Almunia did not give Google a deadline for offering further concessions, suggesting that the case could continue for several more months, said one person with direct knowledge of the contents of the letter. The person spoke on condition of anonymity because the letter was not made public.

The European Commission, the union's executive arm, opened a formal inquiry into Google in 2010 over concerns that the company was abusing its dominant position in search. The commission laid out its main points in May 2012, and Google early this year came back with an offer to change its practices in certain search categories, hoping to settle the case and avoid a protracted antitrust inquiry.

Google is trying to work out a deal with Europe that would cause the least disruption to its search business and the advertising it generates, which accounts for much of the company's revenue.

It also wants to avoid a possible fine of as much as 10 percent of its annual global revenue of about \$50 billion and a finding of wrongdoing that could limit its ability to expand in Europe.

The company said on Wednesday that it would "continue to work" with the commission to settle the case. But Al Verney, a spokesman for Google, said the company's package of earlier concessions "covered four areas of concern."

Google dominates Internet search in Europe, controlling about 90 percent of the market in s


  
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compared with about 70 percent in the United States.

Instead of proceeding with formal charges last year, Mr. Almunia offered Google a chance to reach an amicable solution. But an outcry from competitors to the deal from Google, which the commission began reviewing in April, has put a brake on that effort.

The criticism poses problems for Mr. Almunia. If a settlement fails to placate Google's rivals, they could try to unwind any agreement by suing the European Commission at the General Court of the European Court of Justice in Luxembourg.

"There is the danger for the commission that Google's rivals will appeal, and that would be a serious headache for Mr. Almunia's successor," said Nicolas Petit, a professor of competition law and economics at the University of Liège in Belgium. "But appealing could still be a long shot for the rivals because judges generally look favorably on antitrust settlements, so the rivals really need to do as much lobbying now as they can."

He added, "Mr. Almunia's approach is to try to make everyone happy as possible, and he has some time left before the end of his mandate next year to try to achieve that."

The announcement by Mr. Almunia on Wednesday was not entirely unexpected. In May, Mr. Almunia strongly hinted, after reviewing feedback from companies and organizations involved, that Google would need to improve its proposals.

One of Google's main concessions was that it would display links to the Web sites of competitors that offer specialized search services. In cases where Google sells advertising adjacent to search results for specific industries like restaurants and hotels, Google said it would provide a menu of at least three results that were not related to its own services.

In addition, Google offered to label results that pointed to its own services — like Google Maps — as its own properties and to separate them from general search results with a box. Under the proposed settlement, Google would be legally bound to follow the procedures for five years, and a third party, approved by the commission, would be put in place to monitor compliance.

Google's rivals, including publishers, mapping services and travel companies, have published a number of studies intended to show that the remedies offered by Google would be ineffective.

"Google's proposed commitments across the board retard rather than promote competition," Thomas Vinje, a spokesman for Fairsearch Europe, a group of Google's competitors that include the cellphone maker Nokia and the software titan Microsoft, said in a statement on Wednesday.

Mr. Vinje said that a survey his group had commissioned from two professors at the University of Illinois and

University of San Francisco showed that Google's proposals would attract the vast majority of searchers to the company's own products and discourage them from visiting competitors.

Some rivals have been pushing Mr. Almunia to demand more radical solutions than the current concessions. They want to force Google to place their own sites at the top of its search results, in an attempt to reach consumers who click most frequently on the first offering.

"Google must be evenhanded," they stated in a letter to Mr. Almunia in March that was signed by 11 organizations, including TripAdvisor and the Federation of German Newspaper Publishers.

Google "must hold all services, including its own, to exactly the same standards, using exactly the same crawling, indexing, ranking, display and penalty algorithms," the letter continued.