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Lack of Wireless Competition Threatens Tech Start-Ups

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The success of tech companies and startups increasingly depends on the industry that allows them to reach customers -- wireline and wireless Internet access providers.

But AT&T's aggressive proposal to takeover T-Mobile could have not a ripple, but a tsunami impact on businesses in the Internet ecosystem -- and ultimately the economy. Unless antitrust authorities in Washington step up to block this anti-competitive merger, the nation would go backwards to 1993 -- when we had two big wireless carriers.

History is clear: before the Department of Justice split up Ma Bell in 1984 for blocking competitors, AT&T delayed any innovation disrupting its business model -- including fax machines, cellular technology and the Internet itself.

It's ironic that AT&T is proposing to reassert dominance over the very business it once delayed -- wireless phone and broadband service. Businesses from mobile applications to handsets would need to seek permission to innovate from either AT&T or Verizon in sort of game of "mother (or Ma) may I?"

The proposed AT&T merger is a threat to the business model and shareholder value of every mobile Internet startup and emerging player expecting open access to the wireless Internet. Past innovations like the Android phone may not have been introduced if the wireless market was a duopoly. Industry leaders need to speak up.

Apps makers already spend considerable time and expense in technical qualifications before they can be seriously considered to run on a carrier's network. With less competition in the wireless Internet space, they will find themselves in shotgun weddings with either AT&T or Verizon, holding representation deals for the apps to be available exclusively to one carrier.

Handset makers may need to offer AT&T and Verizon the best, newest innovations exclusively. Without similar offerings, Sprint, smaller carriers and newer wireless network entrants will fall further behind.

Before LinkedIn's public offering in May, its Securities and Exchange Commission filing listed reasons the business could falter. It noted that as more people access the Internet online, "our business could be adversely affected" if LinkedIn were blocked from a device, or users didn't like the company's mobile app.

Another key risk for tech companies tied to this auction is it would delay overall solutions to the "spectrum crunch." The coming spectrum crunch would make it harder for customers to access mobile apps and content they want.

AT&T or Verizon can use spectrum as a reason to block apps that they claim use too much spectrum. AT&T initially intended to block YouTube from the iPhone, but Steve Jobs' power of persuasion broke the impasse.

The proposed takeover would give AT&T significantly more spectrum than any other carrier. Thus, the least efficient network would control the greatest concentration of wireless spectrum resources. The company has warehoused much of its spectrum -- instead of innovatively building out more capacity for more customers.

The future ability of tech companies here to reach customers across the Internet will be significantly impacted by the FCC and the Justice Department's decision in Washington to approve or deny the merger. We need our industry's leaders to not let ignorance, apathy, timidity or parochial miscalculation lull them into silence during this critical economic crossroads for our industry -- and the nation's economy.