

Venture Chronicles

Jeff Nolan's take on investment, innovation, entrepreneurship and the technology industry

<http://jeffnolan.com/wp>

Air Refueling

this is a pretty cool video, air refueling an F-18 over Iraq:

<http://feedproxy.google.com/~r/VentureChronicles/~3/gLPLSDRRR30/>

Wind Power Does Not Equal Job Power

"Most of the jobs are going overseas," said Russ Choma at the Investigative Reporting Workshop. He analyzed which foreign firms had accepted the most stimulus money. "According to our estimates, about 6,000 jobs have been created overseas, and maybe a couple hundred have been created in the U.S." [From [Wind Power Does Not Equal Job Power - ABC News](#)]

It is estimated that about 85,000 people work in the wind power industry in the United States... that's 85k when you add up direct investment and related supply chain employment. (will find the link reference but it's from the American Wind Energy Association).

Even if we quadruple the size of wind power in the U.S. it will not result in meaningful employment, or even trading water for that matter. A dramatic expansion of the wind power industry would also come at the expense of existing power segments so the employment effect would be further muted.

I am not singling out wind power for the purpose of criticizing wind power but rather to point out that when people who responsible for doling out billions of your dollars start begin lecturing you on how green energy will reinvigorate the U.S. economy you should simply call bullshit on them.

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Irrational Populism

I've been reading about some of the troubles that the Las Vegas hospitality industry is going through (as well as getting a lot of promo email for \$40 a night suites at Mandalay Bay) and it again reminds me that populist uproar is neither rational nor constructive.

Luxury hotels have also suffered from the backlash from the so-called "AIG effect," referring to the uproar caused by American International Group's decision to fly top brokers and executives to a resort shortly after receiving a bailout check from the U.S. government.

"The whole demonization of luxury meetings and companies' pulling back on having their high-end meetings in luxury hotels - this has had a tremendous impact on Las Vegas," Deuschl said. "I can't think of another destination that has had to defend itself more against comments from politicians."

[From [Ritz-Carlton to close 5-diamond Las Vegas hotel in May](#)]

Companies are pulling back on travel expenses in a significant way, there is nothing populist about that, but it's equally obvious that few companies want to be seen throwing large events in Vegas despite the fact that if you are holding a large event Las Vegas is probably one of the most cost effective places to do it.

It is a city built for large influxes of non-residents which means hotel rooms are plentiful and when purchased in blocks they are cheap, transportation is efficient because the airport is relatively close to the Strip, taxi service is abundant, and walking is an option, and lastly, the primary entertainment (gambling) can't be expensed.

Orlando features similar cost dynamics but the problem with Orlando is getting there if you are not already on the east coast and that drives up air fare significantly.

I can guarantee you this, try hosting 250 guests and support staff in New York, Washington D.C., or San Francisco and then compare the fully loaded cost to Las Vegas, the result will be eye popping. So I ask you are we really being served by demonizing companies for daring to hold their events in Las Vegas or is it a cheap and convenient ploy by politicians to "feel our pain"?

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Buyers Remorse

In 2008 the sight of a Toyota Prius sporting an Obama hopey changey bumper sticker rose to the level of being a cliché and the Prius itself became a [social statement](#), outselling other hybrids based on existing gasoline powered models. Well the former hasn't exactly [turned out like everyone thought](#) and now Toyota is launching yet another recall, [this time for 270,000 Prius cars with faulty brakes](#). There's some poetic irony in there somewhere, but in each case there is little humor to be found as the consequences are quite dire.

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20 Things Going Wrong with the U.S. Economy

Digital Medical Records, A Modest Proposal

For years and years (and years) there has been talk about the digitalization of medical records to enable portability. There are three primary problems that obstruct this vision, the first being a somewhat murky legal and regulatory environment with regard to what are the implications of the many laws dealing with privacy, data, and medical records, the second is a process issue dealing with how doctors work and their reluctance to embrace technology solutions that they perceive as inefficient, and lastly, it's not clear that once you have your medical records how you will benefit from them.

On the last topic, one thing that should be obvious on its face is that walking into a ER with a few hundred megabytes of medical records on a flash drive is a non-starter... what would they do with them? I wonder if most doctors would want to have these records either, the burden of storing them and/or manipulating the unstructured text would be prohibitive. This issue speaks directly to the [digital detritus problem](#) I wrote about a while back, we have an exploding corpus of unstructured text data and the solution seems to be building bigger storage arrays... at some point we have to start getting rid of data that ends up not being useful.

I have a modest proposal to put forward that provides great utility, few objections, and achieves the goal of portability and digitalization of a specific kind of medical record, child immunization histories.

My idea is for an healthcare provider organization like the [American Academy of Pediatrics](#) (AAP) to sponsor an open source project to deliver a simple immunization database on a USB flash drive, with a simple but secure app that enables the printing of that record in a format that schools and other interested parties can accept. For the care provider side the app pairs to an app in the doctors office and allows for updating.

Rather than a boil the ocean approach this provides parents and other interested parties access to comprehensive immunization data for a child while not risking privacy or placing burden on care providers or parents, while doing away with the silly immunization cards that every parent has to deal with.

As a society we fail on the big things... let's take small bites and build momentum that leads to additional progress on problems that we can solve.

The iPad is Steve Jobs? Waterloo

Jobs has put together a remarkable track record at Apple over the years, not only releasing a string of hit products (overshadowing the few duds... like Apple TV) and making the company solidly profitable with a plurality of analysts rating it a solid buy even with a P/E of 20:1.

Having said all that, Jobs is still a mere mortal and the iPad is a dud which will seriously deflate his carefully crafted image as a hitmaker with a Midas touch precisely because he himself has publicly attached so much significance to the iPad product, which by the way is simply an awful product name that has evoked [well deserved criticism](#) as something that suggests Apple is getting into the feminine hygiene product market.

The primary problem is that Apple is competitively targeting everyone with this product despite having glaring deficiencies when pared against specific competitors. Before I get to that, let's call a spade a spade, the iPad is a supersized version of the iPod Touch, which in itself is interesting to consider because the market typically heaps praise on companies for making successful products more capable and smaller, rather than taking successful products and simply making them bigger.

Apple is clearly putting the Amazon Kindle in their sights but against the Kindle the iPad comes us short. First the screen, yes it's big and beautiful but so is the Droid and that alone doesn't make it better than an iPhone... but a big bright screen is exactly what I don't want in an e-reader for 2 reasons, battery life and readability. The Kindle, and if you have used one you simply know this as fact, has a display like paper, not as good as Sony's display in this respect but pretty close and that makes the reading experience really pleasing on the eyes, you simply don't get eye fatigue looking at the thing.

The iPad is also much bigger and weighing it at about 1.5 pounds it needs to go on a diet. It's remarkable how much you notice a few ounces here and there when you are using something like an e-reader, or what the effect is of throwing another 2 pounds (power cord, case, etc.) in your travel bag. Apple fundamentally erred by not using advanced composite materials instead of aluminum and something other than glass for the display. This thing is too damn heavy.

People will say "yeah but imagine watching videos on the iPad!" and that's a fair point but how are you going to feel the first time you go to Hulu and find out you can't watch it because the iPad doesn't support Flash?

Apple says the battery is good for 10 hours between charges but nobody can deny that Apple has a history of optimistic battery life estimates and to achieve 10 hours the networking components will have to be turned off, which gets to the next point, netbook replacement.

Apple also called out netbook makers but how good is the iPad as a netbook replacement when you have to carry around a separate keyboard that Apple has yet to release? Sorry to be a luddite but there is no way a virtual keyboard will replace a physical keyboard for a device used as a subcompact notebook computer... ain't gonna happen.

On pricing Apple surprised everyone by offering the device for \$500 but if you need 3G, which most will, the price jumps up to \$629 and then there is another \$360 of data (unlimited, who would risk going with anything but?) per year. All of this adds up to a bit of sticker shock for me... it's too expensive as an e-reader replacement and given the peculiarities of the design (e.g. virtual keyboard) somewhat pricey as a netbook. On the latter Apple has successfully delivered on a well honed premium pricing strategy so I will acknowledge that on price alone it's probably not an issue in the netbook market but in this economy I don't think anyone should take anything for granted.

I am also somewhat dismayed that Apple continues to stick with AT&T in the U.S. market... I simply cannot understand how Apple can overlook the customer satisfaction issues and hitch their wagon to AT&T yet again.

I have predicted leading up to this announcement that Apple would suffer the same fate that every other tablet maker has experienced, nothing in yesterdays product announcement makes me feel any differently. If you want an e-reader you are better off sticking with Amazon and if you want a netbook there are plenty of very capable options available for less and that give you more, and if you just want a touch computer then you should get a Microsoft Surface because it's simply far more capable (there's something I never thought I would write).

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Chavez Backtracks, Venezuelans Still Suffer

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Newsday's Paywall? the Numbers are in

In October of last year I wrote that Newsday's paywall would fail to attract new revenue and as a defensive pricing strategy it does little.

In the final analysis, this is exactly why it will fail. By creating a pricing plan that defends rather than attacks a market the company is conceding defeat in print and this strategy will have the effect of slowing audience growth online in the one segment that the paper requires, young people. I am willing to give Newsday and Cablevision some credit for being creative with a multichannel strategy that covers [TV](#), print and online, but this pricing plan is a throwback to a subscription model that simply doesn't work anymore.

[From [Newsday.com Destined for Failure with Pay Wall | Venture Chronicles](#)]

Well the numbers are in and after 3 months of running a paywall, Long Island based [Newsday has attracted a whopping 35 subscribers](#) to the website... not a typo, 3-5. Of course now management is running with some creative spin saying it's 35 more than they expected to get and the pricing strategy was, as I exactly opined back in October, a strategy to defend the existing customer base who are getting access to the web site as part of their cable, prompting one Newsday reporter to observe that "**we're the freebie newsletter that comes with your HBO**".

Of course that explanation makes no sense at all because why spend \$4m, according to the Dolan's representative, to redesign and relaunch the website if it's something extra that subscribers of the core cable service are getting as a freebie? It'll take them 444 years to recover their investment at this rate.

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Electric Vehicles Revisited

Over the weekend [@Devahaz](#) asked me for my thoughts on current status re a post I wrote over 2 years ago lamenting the optimistic projections of newly minted electric vehicle companies.

I realize that I may be guilty of "not getting with the program" on this whole electric car business, but does anyone else scoff at the idea there will be 100,000 Better Place cars on the road in 2010 or Tesla's at every stoplight anytime soon?

[From [It's Frothy Around Here | Venture Chronicles](#)]

Before getting into specifics, let me say now that I am an enthusiastic supporter of EV technology for many reasons. Aside from reducing our reliance on hydrocarbons as an energy source, EVs are great purpose specific vehicles that could change the way we approach transportation. Despite my enthusiasm for this type of vehicle there are real obstacles to achieving the vision and these obstacles run a broad spectrum of government regulatory powers to the limits of current technology.

There are 3 big issues impeding the development of EVs at this time: 1) the limitations of technology as it relates to range, 2) high cost, and 3) limited infrastructure to support large vehicle fleets.

The technology is proving itself but the fact remains that EVs are limited when compared to internal combustion vehicles, which for better or worse is the standard for power and range that EVs are compared against. Putting all biases aside, you really have to acknowledge that over 100 years of internal combustion engine development has resulted in a remarkably flexible and reliable propulsion technology. You can fill up your tank anywhere, anytime in 5 minutes and go for 300-500 miles on a single tank of gasoline (diesel is even better but let's skip that debate for the purpose of this post), and modern vehicles are very reliable and repairing them is again, something that can be done anywhere. There is no way that EVs can live up to this standard, but they really should not be expected to live up to that standard either.

The primary enemy that EVs fight is weight and a very simple physics equation that means more weight requires more power which reduces range. EVs come to the party with an inherent weight disadvantage, namely the weight of current generation batteries, which means that corners have to be cut in other areas, like less sound deadening, lighter weight body panels, more expensive composite materials, and most obviously, much smaller vehicles.

Neighborhood Electric Vehicles (NEVs) are successful at getting around the weight issue by taking advantage of a regulatory definition that allows them to do away with bodywork, safety devices, and carrying capacity in exchange for restrictions on how and where they can be driven. This may be a good compromise but the costs of acquiring these vehicles is not insignificant for the average person.

This gets to a second issue, the regulatory framework. It is exciting to think about a new generation of low cost EVs that are purpose specific, e.g. around town errands and single passenger commuter vehicles, that are not required to have safety systems like air bags, light duty drivetrains, and limited bodywork. By driving down the cost of these vehicles it would be possible for families to have multiple special purpose vehicles rather than 1 or 2 general purpose vehicles that are overkill for most day to day tasks.

This scenario runs headfirst into the reality of insuring and licensing/registering vehicles today. Case in point is the F150 that I have... it's a rubber floor mat basic work truck that I bought new for \$13k (can you believe it, a 2008 truck that I bought new) but it costs me a little over \$700 a year for insurance and registration. This is a vehicle that in 2 1/2 years just turned 10k miles of use. With these level of operating cost not associated with actual use, I would be hard pressed to justify any additional vehicles in our household that are not general purpose in nature and that is exactly opposite of what we should, as a society, be doing for transportation.

For EVs the cost of acquisition is really steep. I was on the waiting list for a Chevy Volt until GM became Government Motors, after which I simply would not buy a bailout mobile on general principle, but the bigger

issue is that the Volt is a \$40k electric version of the Malibu and that's a tough sell to make.

I wrote a post several years ago that I cannot find today but in it I looked at the economics of a Honda Civic Hybrid versus a straight Honda Civic and found that with the average miles driven per year of between 12-15k the payback period for the cost premium that the hybrid commanded was around 12 years. It may well be less today as manufacturers are finding the hybrid sell a lot harder in this economy but the point is the same, if you are looking at cost per mile for the same vehicle in a hybrid and non-hybrid form, you are hard pressed to justify the hybrid on the basis of money saved. Perhaps this is why hybrid buyers flock to the Prius, which does not have a non-hybrid version, [as a social statement](#) and why [hybrid versions of internal combustion models languish](#) and why already expensive larger vehicles in hybrid version have stalled.

Lastly there is the infrastructure problem... and it isn't going away anytime soon despite what Better Place and others would have us believe. BPs problem is broadening support with automakers, who themselves have been busy buttressing support for and from battery makers as a competitive differentiator. BP thesis is that a quickly replaceable battery would lead to a new generation of vehicles that overcome the range limitation of existing battery tech. They are right, no question about it, but being right and being successful are two very different outcomes.

[BP did just raise \\$350m](#) so they are clearly doing something compelling but if they only markets they can point to are pilot projects in Israel (a national security issue with deep government support) and Denmark, and the only vehicles you can choose from are what Renault chooses to offer, well it's going to be a tough sledding. I simply can't see auto makers signing on to a proprietary technology that locks them and customers into a BP network... it's anathema to everything that car companies are about, generalization and fungible energy support. As I said in 2007, I believe the notion that BP will have 100,000 vehicles on the road in 2010 is pure fantasy and nothing has developed in the intervening years that suggests I am wrong.

EVs offer a lot of promise but they simply are not read for primetime. [Toyota acknowledges this](#), the Volt will have very modest sales targets, the Nissan Leaf hasn't been burning up the sales charts, and the cadre of specialty EV producers (Fisker, Tesla, etc.) are focusing on very niche markets for high priced enthusiast vehicles.

As I have often written, energy and transportation are two very complex topics that have a point of intersection with no easy solutions. We do have a number of options that simply don't get attention because they are not technology centric or politically attractive. Lowering vehicle weight would instantly improve fleet fuel economy but in order to do that we would have to accept lower safety standards, adopting diesel and going a step further with natural gas injection for diesel would not only provide greater fuel economy but improve large truck diesel fleet economy as the same time while tapping a fuel, LNG, that we have in abundance in the U.S., and adapting diesel and hybrid technology for large passenger vehicle use (Mercedes did this with Bluetec and an S class sedan that achieved over 30mpg). We also have biofuel and ethanol options but both have tradeoffs that make them less than ideal.

While manufacturers and politicians will continue to chase the EV dream, the reality is that this technology will remain niche and, as BP demonstrates, dependent upon governmental support for large scale deployment. This technology will continue to develop and by 2015 we should start to see the fruits of those labors on a broader scale than what is achievable today.

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