

Special Review Memorandum

Re: 2007: The Big Stories.

Foreword

Journey's "Don't Stop Believin'" -- now known as "Carmella's Song" -- is playing on the Holsten's juke box as Tony, Carmella, and AJ munch on fried onion rings Tony ordered "for the table." "Best in the state," Tony declares. Outside, Meadow's still trying to park her Lexus IS350, while two black dudes have just ominously come in. "Focus on the good times," AJ says, right before that fellow in the wind breaker heads for the men's room and Meadow arrives -- and, the 86th episode of HBO's "The Sopranos" goes dark.

What Were Some of the "Good Times"?

Well, that was on Sunday, June 10, 2007, you'll probably recall. That one HBO show, incidentally, reportedly drew more than 12 million viewers -- and, generated literally weeks of "buzz" about what really happened to Tony. Ourselves, we're pretty sure there'll be "The Sopranos -- The Movie," as we said back then. That occurred earlier this year with another great television series -- "The Simpsons," didn't it? And, you probably saw where the movie version of HBO's "Sex and the City" is scheduled for screening this spring -- Carrie, Manolo Blahnik, Samantha and her men, the full catastrophe!

After all, where are James Gandolfini et al. going to make the sort of money which a Sopranos movie, or second movie, or third movie could reliably produce? Heck, Edie Falco could buy all of North Caldwell with such a movie, right?

But aside from ending "The Sopranos," what are some of the other "good times" for 2007? Communications or "Information Economy" occurrences which readers ought to be considering, taking note?

Wireless Über Alles

Probably the biggest single "Information Economy" event was the debut of the Apple-AT&T iPhone this past summer. An Information Week writer's often noted that cellphones and bundled long-distance have done a job on local exchange residential, and, increasingly, business telephone service. Now, with the "smart," feature-rich mobile handset, the desktop computer will increasingly be rendered obsolete, or so many say.

Today, BlackBerry and the iPhone seem the wireless handset of choice, don't they? Please note, too, as NPR's "Morning Edition" did this past week, that now it's "wireless," not just "cellular" in this "space."

"Dropping the Pilot"

Then, there's the changing of the traditional guard in the telephone business, isn't there? In 1998, remember, your Review decided that SBC's Ed Whitacre

would prove the "Theodore Vail of the 21st Century" and we were right, weren't we. AT&T isn't quite king of the telephone mountain -- though it's nearly twice the size of Verizon, the runner-up. But this past spring, Whitacre announced he was retiring early (see "Dropping the Pilot," TPR 23:18 (May 6, 2007) at pp. 1-4).

Since Whitacre retired, AT&T shares have slipped, in part because of the overall economy and in part because the San Antonio-based company -- like Verizon -- has gotten itself involved in a land war in cable television Asia. In addition to Whitacre's retirement, future historians will probably also write about Verizon's decision to make a "strategic withdrawal" from much of New England.

Other departing personalities include BellSouth CEO Duane Ackerman and his erstwhile deputy, Gary Forsee, ousted from Sprint Nextel after mismanaging that merger (and, the unwise spin-off of Sprint's 8 million access lines as Embarq).

"Someone's Got to Find a Way..."

Commenter Om Malik recently remarked that Verizon was selling its upper New England properties to help finance the company's dream to become a media company. Verizon spokespersons objected. But what other message to investors can there be? That, and Alltel's decision to slough-off its wireline properties, may well prove another of those "watershed events," wouldn't you think?

For how many years did the Antitrust Division, Federal Communications Commission (FCC) staff, and good ol' Judge Greene earnestly believe that control of local telephone exchanges was just about the most valuable thing in the world? Well, now, it's a bit reminiscent of that classic scene in The Loved One, where "Blessed Reverend" (Jonathan Winters) announces a major redevelopment of Whispering Glades, and snarls at his lawyers, "Someone's got to figure out how to get those stiffs off of my property."

Back in the 1950s, rail companies did all they could to extricate themselves from providing passenger rail service -- while the Interstate Commerce Commission continued to badger them, to order expanded "trackage rights" for freight competitors, etc. (that's the rail equivalent of "unbundled network elements"). In the end, the railroads walked away, dumped passenger rail on the public -- and, is that what's going to happen with traditional wireline telephony? Is there a "Comtrak" in our future?

War on Cable

Another major development in 2007 has to be declaration of a regulatory "shooting war" on the cable television business by Federal regulators. As your Review's noted, the two fastest growing parts of the "Information Economy" for years have been the two which are least regulated -- wireless and cable. Now, however, the FCC seems to be tightening the noose around cable, doesn't it? Maybe they want to make cable look like everyone else.

That's important, you know. After all, the odds favor election of a Democratic President this coming fall -- as our Deputy Political Adviser keeps reminding us, all the Democratic candidate need do is carry the "Kerry states" plus Ohio, and he or she will be "it."

Democrats "invented" deregulation in the 1970s -- but none of today's Democrats know or appreciate that. "Bring back the rack" instead is their slogan. And, you watch. The next FCC will be all over the cable television companies like the proverbial cheap suit. And, even if cable television companies manage to fend them off, doing so won't be cheap, that's for sure.

"Tele-Medicine"

Historians may note that 2007 was when the FCC finally decided to get serious about plans to support advanced "tele-medicine" applications. Earlier this fall, the FCC approved over \$400 million in projects. That's "enough zeroes" to make a difference, even in Washington, isn't it?

The most interesting aspect of the current "tele-medicine" effort is the apparent absence of traditional players. This past week, for instance, the Washington Post had an article on efforts by Inova Health Services in Washington to adapt communications and computer technology in their emergency services operations. What was most notable? Well, the words "AT&T" or "Verizon" nowhere appeared!

As your Review's noted, what do we spend? About \$1.4 trillion a year on standard health care in this country? Just 1% of that is \$14 billion -- which is a lot more that AT&T or Verizon stand to make from their media ventures over the next few years, isn't it? True, units of Verizon have been teaming up with Johns Hopkins to develop various in-home, patient care applications. But one gets the sense these are just ugly step-daughters of the overall "Go Hollywood" program. Verizon's leadership really want to be in the movie business.

Ignoring the Future

In 1990, AT&T Chairman Bob Allen met with the New York Society of Security Analysts. One Wall Streeter noted that over previous years, the fastest growing businesses in this "space" had been cable, wireless, computers, and the infant Internet -- "and, AT&T wasn't a factor in any of them." AT&T's equipment supplier, Western Electric (later Lucent) ignored the Internet -- thus opening the door to Cisco, currently the world's largest supplier of communications network gear. This despite the fact Western and Bell Labs invented Unix (Linux) and knew lots about computers.

Not until C. Michael Armstrong arrived did AT&T show much interest in cable. The company then mismanaged its entry into that field -- to the point where, as USA Today's Leslie Cauley has noted, "Ma Bell" almost went bankrupt. It was a worse scene than the NCR debacle, ten years earlier.

Today, AT&T and Verizon management seem fixed on one goal -- becoming the next big video market players. Like the Pentagon, they're busily fighting yesterday's war. Meanwhile, the health care industry seems to be moving forward without a lot of their help. E-Government's also growing like the proverbial Topsy. And, the phone companies are no where to be seen.

Public Broadcasting: Still a Factor

In 2007, PBS aired Ken Burns's latest documentary, "The War" -- all about America and WW II -- and the shows drew quite large audiences, according to Advertising Age and Broadcasting & Cable (we read estimates of upward of 7 million viewers a night). That certainly wasn't what a lot of people expected, is it?

Senator McCain and others have declared noncommercial, public broadcasting to be yesterday's story. According to the Senator, between the Discovery, Animal, and Food Network channels, what more do we need? But people forget we've got what? About \$4 billion invested in public broadcasting infrastructure -- which is a lot in this business. When you get outside a few mega-markets, public radio and TV stations seem to be drawing big audiences. Washington politicians also seem to forget about half the public stations are government-owned -- and, they spend about half their time broadcasting in-class, educational shows.

Public broadcasting seems to have lost ground in Washington. Politicians are always complaining about commercial stations not doing exactly what the noncommercial stations are doing. But the provinces are different, aren't they? You watch. "The War" will be rerun for years -- and, those "Pledge Week" hosts will probably remind you that it first aired in 2007.

"I'm All In Favor of the First Amendment..."

In 2007, two (2) Republican FCC Commissioners would occasionally make a nod in the direction of free speech and the First Amendment. But the others reminded us of Mr. & Mrs. James Blanding, visiting their architects, and feverishly sketching out plans for the next regulatory Alhambra.

Fortunately, there are about 300 active and senior judges on the U.S. Courts of Appeals who do think about free speech. And, this past summer's Second Circuit ruling probably will go down as a case where, once again, the judges decided, commendably, to push back. See "The FCC and Fleeting Expletives," TPR 23:23 (June 10, 2007) at pp. 1-4.

What the Second Circuit basically said was the FCC can have reasonable standards to squelch comments it doesn't like. But we can't have a sort of Mary Carter Paint situation, where there's "one rule for Monday, another rule for Tuesday" -- and, rules pop up, depending on what a majority of the FCC might have eaten for breakfast.

Between the FCC attack on Janet Jackson's sterling silver nipple guard, and its outrage over Bono and other's familiar street language remarks, the agency's managed to put the kibosh on most live broadcasts, hasn't it? Nobody these days wants to air anything without a substantial "taped delay" -- in case one of the FCC Commissioners missed their Wheaties that morning.

The "Fleeting Expletives" case is now before the Supreme Court. Unfortunately for the FCC, four Supremes are D.C. Circuit alumni (Scalia, Ginsburg, Thomas & Roberts). They're "in on the secret." But, again, you watch: 2007 and "Fleeting Expletives" will also go down in history.

Conclusion

"So let it be written," said Rameses (Yul Brenner) in Ten Commandments, then "so let it be done!"

Well, in 2007 the singular -- Cingular? -- "Information Economy" occurrences were: (a) debut of the iPhone; (b) departure of Ed Whitacre; (c) Verizon's sloughing-off of upper New England, (d) the FCC's now "shooting war" with cable; (e) advent of "tele-medicine" without significant involvement by traditional telecom industry players; (f) the ratings strength of PBS -- to the surprise of many; and (g) continued strong judicial interest in pushing a broad interpretation of the First Amendment.

There were some other developments. Repatriation of American service jobs, the debut of Vista -- and, continued ascendancy of Google. But these seven occurrences seem to us to be the most important. So.

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