

A transcript for
The Silicon Valley Leadership Group
Seventh Annual CEO Summit: Business Climate 2010
Panel Discussion Three of Three
Barbara Marshman, Editorial Pages Editor, *San Jose Mercury News*, Moderator
Held at the Rosewood Sand Hill Road, Menlo Park, California
April 19, 2010

Panel Part 1 members in the order mentioned by Mr. Wilcox:

Matt Rogers, Senior Advisor to the Secretary for Recovery Act Implementation, U.S.
Department of Energy

John Doerr, Partner, Kleiner Perkins Caufield & Byers

Panel Part 2 members, in addition to Mr. Doerr:

Aart de Geus, CEO and co-founder, Synopsys

Dave DeWalt, CEO, McAfee

1 **Mr. Guardino:**

2 ... We would not be at the Rosewood Inn without the generosity and vision of this gentleman –
3 of course, the CEO of SVB Financial, Mr. Ken Wilcox. (applause) Ken will introduce this
4 esteemed panel.
5

6 **Mr. Wilcox:**

7 For Silicon Valley's innovation economy to compete globally, we have to ensure that America is
8 competitive abroad, and that's why the Silicon Valley Leadership Group focuses on select
9 federal issues like deferral of foreign earnings, immigration reform, cyber security, healthcare
10 reform, a comprehensive energy policy, tax policies, and rebuilding America's crumbling
11 infrastructure. Our final panel today will focus on these core issues to Silicon Valley's success,
12 and the bridge we must continue to build between the world's innovation capital and our nation's
13 capitol in Washington. And we hope you will join us, all of you, on May 4th through May 6th in
14 Washington, D.C., as we continue building that bridge with key leaders in the House of
15 Representatives, the Senate, and the White House. I will be there, and I hope you will, too.
16

17 That is why it's my pleasure to introduce the members of our two-part interactive panel
18 discussion on America's competitiveness in a global economy. Part 1, from now until about
19 12:30, will feature an in-depth dialogue on America's need for a comprehensive energy plan,
20 with emphasis on policy, Recovery Act funding, energy programs, and climate change, with U.S.
21 Department of Energy leader, Matt Rogers, and world-renowned venture capitalist, John Doerr.
22

23 Part 2, from about 12:30 to five minutes after one, will feature an interactive on-stage and
24 audience discussion on U.S. competitiveness with John Doerr, Synopsys CEO and co-founder,
25 Aart de Geus, and McAfee CEO, Dave DeWalt. Both segments of our final panel will be
26 moderated by the San Jose Mercury News editorial page editor, Barbara Marshman. (applause)
27
28

29 So a final reminder. Each of you in our audience of about 200 CEOs and senior officers and
30 selected elected officials will also participate. Please take advantage of the blue card in your
31 registration package. If you have a question for any of the four panels, please write it down early
32 in the conversation, and hold it high above your head. A member of our Silicon Valley
33 Leadership Group team will come by and collect your question cards, and our moderator will get
34 to as many of your questions as is humanly possible.
35

36 Executive colleagues and elected-official guests, please join me with a warm, warm Silicon
37 Valley welcome for our final panel, Matt Rogers, John Doerr, Aart de Geus, and Dave DeWalt.
38 (applause)
39

40 Panel Part 1

41
42 **Ms. Marshman:**

43 Actually, we're going to start out here with just Matt and John for a little while. Matt, it's great
44 that you could jump in at the last minute. This is terrific.
45

46 **Q:** And actually, at John's suggestion, I want to start out by asking you, "Is the Department
47 of Energy too big to fail?" (laughter) Give us a sense of the magnitude of the dollars you deal
48 with, and the issues you deal with.
49

50 **A:** (**Mr. Rogers**) So the Department of Energy, under the Recovery Act, and my core task,
51 was to spend \$37 billion to promote \$100 billion of clean-energy projects. Across the federal
52 government. The Recovery Act alone had \$80 billion of appropriations to handle \$200 billion in
53 clean-energy projects. It's very clear it's one of the...key pillars of this administration.
54

55 And, as the Department of Energy goes forward,...under Secretary Chu's leadership, I think
56 we're trying to position it in a very different way than it historically had been. It is the place
57 where we do leading-edge science, but we also are engaged in the economy, and think very hard
58 about deployment, because...we have to be able to drive near-term job creation and long-term
59 innovation, and those are the kind of watchwords that keep us focused every day.
60

61 **Ms. Marshman:**

62 Thank you.
63

64 **Q:** Have we decided if he's too big to fail?
65

66 **A:** (**Mr. Doerr**) And now the question is, actually, "Is Kleiner Perkins too big to fail?"
67 (laughter)
68

69 **Mr. Marshman:**

70 I think that's another panel!
71

72 **A:** (**Mr. Doerr**) I can assure you, we are not! But the size and scope of what my partners
73 across the street are doing is about a half-billion dollars that we've invested in about 50 clean-
74 energy companies, new green-tech companies, over the last five or so years. These companies
75 are more capital-intensive than, say, a Google. They take longer to develop than an Intuit or an
76 Amazon, but they don't take as long as inventing a new pharmaceutical drug, and getting that
77 approved by...the FDA, by the feds. And the role that the Department of Energy, Matt and his
78 team, have played across this innovation agenda, particularly in the last couple of years since this
79 financial crisis, has been essential. I think these innovators,...whether they're inventing or
80 deploying, would be stopped flat in their tracks were it not for the measured economic stimulus
81 that...has been brought to America in that regard. It gives me hope that we can compete.
82

83 **Ms. Marshman:**

84 Well, great. Let's start out talking about climate change, which, I think it's safe to say, for the
85 most part, hereabouts, we believe in it. We tend to be science-oriented here. We understand
86 senators Kerry, Graham, and Lieberman are set to release a bipartisan energy-policy bill next
87 week. It's likely to include a national renewable portfolio standard *and* limits on greenhouse-gas
88 emissions.
89

90 **Q:** Matt, why don't you start out. What would you like to see included in this legislation?
91 And what are your thoughts about how it could impact business here in Silicon Valley?
92

93 **A:** (**Mr. Rogers**) Well, the core of the energy and climate legislation -- we'll wait and see
94 what...Kerry, Graham, and Lieberman bring forward in terms of the specifics -- but it's quite
95 clear that the U.S. economy needs a comprehensive energy and climate-change bill,...basically,
96 for three reasons.
97

98 The first is, it's about jobs. If you take a look at the jobs that we've been able to create under the
99 Recovery Act, the kind of pent-up innovation demand that we have -- One of the great privileges
100 of working in the role that I have, has been to see this...flow of innovation that is going on in the
101 United States right now. The depth and quality of the innovation in clean energy is well beyond
102 anything that I think the market currently expects. We can achieve our goals both faster and at
103 lower cost than the market expects, driven by...innovation.
104

105 Secondly, we can drive it around...job creation. Things like the 48 cap C (Advanced Energy
106 Manufacturing Tax Credit (48C)) for clean-energy manufacturing, and the 1603 program, the tax
107 grants, for renewable-energy deployment. That combination has reestablished the United States
108 as being competitive on a global basis in attracting capital into high-technology, clean-energy
109 manufacturing for the first time in probably more than a decade, and it's those kind of incentives
110 that are critical for actually creating jobs. Over the last...12 months, we saw \$10 billion of
111 foreign direct investment into clean energy in the United States, into core manufacturing areas,
112 where we just hadn't seen that investment, again, for a decade or more. And so if you want jobs,
113 if you want innovation --
114

115 And the last part: Larry Summers gave a speech a couple weeks ago at the Energy Information
116 Administration annual conference, where he talked about the economic...imperative of getting
117 clarity around the rules; because clarity builds confidence, and confidence, then, allows the
118 capital to flow. We will get great capital formation if the rules are clear; but if the rules remain
119 unclear, all of a sudden, capital stays on the sidelines. Because of the Recovery Act, we've had a
120 great opportunity to begin to bring private capital off the sidelines into the marketplace; but
121 unless we get those rules clear quickly, the private capital will stay on the sidelines, and the job
122 creation that goes *with* that will stay there, as well, and so we really need the capital formation to
123 start, and the clarity of the rules to come.

124
125 **Q:** John, what would you like to see in the bill?

126
127 **A:** (**Mr. Doerr**) I think the most important thing in the bill is that we put a price on carbon.
128 In fact, I've been talking to some senators about it. (applause) And I say the three
129 most...important policy steps we could take [are], number one, put a price on carbon; number
130 two, put a price on carbon; and, right, number three, put a price on carbon. That's not all we
131 need, but here's why.

132
133 More money flows through private capital markets in a day than flows through all the
134 governments in the world in a year. So, writ large, what we *have* to do, what America must do
135 for competitive reasons, for jobs, for economic power, what the world must do for the climate, is,
136 [as] the science tells us, reduce our carbon emissions by 80 percent by 2050. That's across the
137 world. That means in the developed world, in the U.S., we've got to drive to zero. Zero carbon
138 use from our—generation from our—human activities.

139
140 The only way we're going to get there is with private investment, and the only thing that's going
141 to *move* private investment is the profit motive, and the only we're going to get the profit motive
142 going is to say, "This carbon pollution has a real cost, and we're going to reward the markets and
143 the innovators and the business people for the smartest, most economically-efficient ways to get
144 us to...zero carbon.

145
146 So what am I looking for in the legislation? A price on carbon. I believe in a cap-and-trade-like
147 system. We've seen that work before. The second thing I really want to get out of this bill,
148 besides transitions for different geographies and states and regions and industries, is I want to get
149 serious funding for energy R&D.

150
151 Over the last 15 years, U.S. corporations in the energy business have invested about one quarter
152 of one percent in energy R&D. It's so low, it's almost criminal, because we're familiar with 10
153 to 15 percent among our innovation companies. We invest \$35 billion or so a year, just out of the
154 NIH, in healthcare improvements. And the clean-energy budget from the department is right now
155 between \$2 and \$3 billion, and a lot of that goes to national labs. A third of the faculty at MIT
156 wants to work in energy research. The students have formed their own club, with several

157 thousand members. With students, it's even more. MIT gets less than \$100 million a year in
158 federal funding for its research. So price on carbon and robust, sustained R&D funding.

159
160 **Q:** Just a quick follow-up. There's a lot of push-back on cap-and-trade right now. You
161 support it....What's the key to making cap-and-trade work?

162
163 **A:** (**Mr. Doerr**) Well, cap-and-trade is dead. We are not going to have cap and trade on any
164 bill that comes along,...for a lot of reasons we don't really have time to go into; but I think, to
165 create a market, and to have a price, and to have the trading among the principal entities. Say
166 power companies can trade these credits among themselves. Don't let Wall Street get involved in
167 making a market of these. That's embraced by the industry. I think some sort of separate fees for
168 oil companies is likely to work, and, later on, manufacturing. That's the formulation I've heard,
169 and that puts a price on carbon.

170
171 **Ms. Marshman:**

172 Okay, thanks.

173
174 **Q:** Let's talk about stimulus funding, part of those big numbers that Matt talked about. The
175 American Recovery and Reinvestment Act was passed partly to increase U.S. competitiveness
176 during the recession, and to support clean energy and clean technology. Matt, could you start out
177 by telling us some of the successes of the act so far? And tell us how Silicon Valley can work
178 *with* the federal government to...further these causes.

179
180 **A:** (**Mr. Rogers**) So the Recovery Act, I think, has, again, two principal pieces. Part of it
181 was just about near-term job creation, and making sure that we moved money out into...an
182 economy that was -- If you go back 12 months ago, we weren't sure that it was going to make
183 it...through. And so the first block was really about job creation. And the most successful pieces
184 of that really are about how do we rebuild U.S. manufacturing.

185
186 If you take a look, we're going to go from having three battery plants in the United States to
187 having 30 battery plants in the United States, in the course of 36 months. That kind of
188 commitment to laying a foundation for long-term job creation in high-growth industries where,
189 importantly, we combine innovation and manufacturing. Where we have that nexus, when we
190 can go, the...deployment, the manufacturing, and the innovation, we put that all together. Those
191 [kinds] of jobs stick around for a long time.

192
193 One of things, I think, we lost sight of over the last decade was we kept chasing financial
194 arbitrage, and we forgot that value got created at the interface between innovation and
195 manufacturing, and between manufacturing and deployment. And we have to make sure that
196 those three pieces go together in order to make sure that the job creation stays for the long term.
197 So I think that's...one block.

199 The other block that I think is just tremendously exciting are things like the Advanced Research
200 Projects Agency for Energy, ARPA-E, which is,...if you will, the energy equivalent of DARPA.
201 We made 38 awards for...\$50 million the first time through. We actually had 3,500 applications
202 for those 38 awards. The great news out of that is...the technologies that we're able to fund offer
203 the promise of driving 10- and 20-fold improvements in technologies that I would historically
204 have said were rather boring.

205

206 So you take a look at something like batteries, right? One of those technologies that -- We're
207 kind of using technology that's been around for at least a couple decades; in some cases, a
208 hundred years, and we're now talking about taking batteries from a thousand dollars a kilowatt
209 hour down to fifty dollars a kilowatt hour in the course of a decade. If you take batteries to \$50 a
210 kilowatt hour, you change the game not only in the power sector; you also change it in the
211 transportation sector in terms of what you can actually deliver. And it's that ability both to
212 deploy technologies today that create jobs, and then to really drive the level of innovation. The
213 secretary has been on a listening tour around the country, and the challenge is how do we
214 accelerate the rate of innovation. Because,... in order to be competitive globally, we have to be
215 innovating faster than the rest of the marketplace, and I think that's the core.

216

217 **Q:** John, what's your take on that?

218

219 **A:** (**Mr. Doerr**) I would like to pick up on Matt's comments about global competition,
220 because I think all of us in the room have benefited from the federal investments and the U.S.
221 leadership in biotechnology and in information technology. Across the Internet,...America and
222 American companies have won -- win, place, show. We've got all the places. If you look today at
223 the starting line for the top 30 energy innovators around the world, the top 10 in wind, the top 10
224 in batteries, the top 10 in advanced solar, how many of those 30 companies would you think are
225 American? Somebody said zero. Who would think there's more than four? Hands in the air,
226 please. There aren't. There are four. We have one wind company, General Electric. We have two
227 advanced solar companies, FirstSolar and SunPower, which is here today, and we have one
228 advanced battery company. It's as if -- I just want to bring this point home. It's as if Microsoft
229 and Yahoo! and eBay were all European-based companies, and Apple was in Asia, and only
230 Amazon was American. That's the starting line today in what many of us believe is the next
231 great global industry. So we need these incentives. We need this Recovery Act and we need
232 entrepreneurs and we need way more venture capital that's being invested here, unless we want
233 our kids to go work for Chinese wind companies.

234

235 **Q:** Let's talk about the role of AB 32 in all this. Matt, are you familiar with California's
236 climate-change law?

237

238 **A:** (**Mr. Rogers**) I am familiar, but...not an expert.

239

240 **Q:** Okay. Well, maybe we can kind of...wing it...As our audience knows, in the
241 conversation with the governor earlier, there is a movement to stop its implementation. Some

242 folks think it's a job killer.... The Valley generally thinks it's going to generate [jobs]. There are
243 studies that say it will lead to a \$76 billion increase in California's... gross state product. So
244 maybe we should start with John on this. What impact do you think AB 32 will have on job
245 growth and clean tech here? Do you think it *can* be a job killer? Is... the implementation the key?
246

247 **A:** (Mr. Doerr) I was in this debate when it was originally before the legislature, and the
248 extractive industries in California that produce cement, or other high energy consumers, argued
249 that it would drive manufacturing of these essential commodities outside the... state, and the
250 thoughtful, balanced economic studies said no, that's not the case. California is going to buy
251 cement. We're going to buy oil for our automobiles, and the studies predicted, and what I've
252 seen, is, in fact, it's been a net job creator.
253

254 Since the passage of that bill, California has pulled far ahead of the rest of the country, on a
255 percentage basis, in the number of new energy innovation and conservation jobs that have been
256 created. So this AB 32 campaign is a cynical effort by out-of-state oil companies to try to defer
257 indefinitely the implementation of a market-based system that was advocated by a Republican
258 governor and overwhelmingly passed by a bipartisan group of the California state legislature. I
259 think it would be a *terrible* idea if they succeed in putting this off, not only for our own
260 economy, not only for climate, but for the signal it sends to the rest of the country; because
261 California has always been a leader here. As Matt well knows, there are some regional efforts in
262 New England, for example, to have a cap-and-trade system among utilities. This is... a fight
263 really worth fighting, and... I think the one advantage that we have is, it's overwhelmingly
264 funded by out-of-state oil companies, and that ought to tell us something.
265

266 **Q:** Matt, one of the arguments against AB 32 is that it *will* put California on a different
267 playing field from the rest of the country. Do you want to talk about that? What's the role of a
268 state coming out in front?
269

270 **A:** (Mr. Rogers) We are where we are at the federal level in part because of state leadership,
271 and part of leadership from states like California, and the role that they played in saying, "First,
272 this is a big issue. And, secondly, this is an issue that we can actually tackle quite economically."
273 And I think that, if you think about this, this comes back to global competitiveness.
274

275 The question is, how do we make sure that we keep the United States, and, in this case,
276 California, globally competitive? Well, part of that is actually having high... standards.
277 Companies innovate in markets where the standards are high and then export around the world
278 the highest-quality products. One of the challenges that we face, for example, in the U.S. auto
279 industry, is we protected it for a long time from the market forces that were driving fuel economy
280 to be a very important product attribute. So, for a decade, we actually lost ground on a global
281 basis in the auto sector, because we actually didn't challenge it with high-enough performance
282 requirements.
283

284 One of the fascinating things now is to look at the performance potential in basic internal-
285 combustion engines, and to see how far we can push that at very, very low cost. So the
286 president's commitment to 35 miles a gallon by 2016? We're going to make that easily and very
287 inexpensively, and we could go further than that if, as a nation, we chose...to do that. That's
288 what comes from creating appropriate market challenges that allow economies to innovate, and I
289 think one of the challenges that California has to think about is, does California, in fact, want to
290 be in a leadership position against this portfolio of technologies? If so, how do you set the
291 standards at a level where the innovation occurs here? And the only other push I'd make is, and
292 we need to make sure that we're linking the innovation with the manufacturing, when the two of
293 those things can go together. Because the challenge that California faces, if we actually offshore
294 the manufacturing, and keep the innovation, guess where the next lab goes? The next lab goes to
295 Singapore. It doesn't stay here in the Bay Area. So we need to make sure that we have a robust
296 manufacturing base as well as our own robust innovation base.

297
298 **Ms. Marshman:**

299 ...We're running a little short on time. Let's go to our first question from the audience, which
300 actually relates to what you just said.

301
302 **Q:** How much of the stimulus has actually been awarded and distributed at this point? And
303 what percent has come to Silicon Valley companies?...There is a sense among some folks here
304 that...we may not be getting our share.

305
306 **A:** (**Mr. Rogers**) Everywhere I go in the country, two things are true....Nobody gets their
307 fair share, and my popularity continues to decline because almost all the money is out the door.
308 So, of our \$36.7 billion of funding, we've actually selected recipients for more than \$32 billion
309 of that. The last remaining blocks are two rounds of ARPA-E funding, one of which is now just
310 about done, and one of which is the applications are in, or in review, and then a set of loan
311 programs. So there's a block of loans yet to go, and those show up in a different...way. But most
312 of the money under the Recovery Act is actually out the door. And now what *we* are in the
313 process of doing is making sure that...people actually go and spend that.

314
315 One of the things that was less observed was that, of the funding under the Recovery Act, and I'll
316 get the numbers off by a little bit, but we funded more than 635 small businesses under the
317 Recovery Act, to the tune of about \$3.4 billion. So this is among the largest contributions to
318 small-business innovation that has ever occurred, in the course of about 12 months, and the
319 challenge that we faced was, in each of those situations, we were oversubscribed between 5:1
320 and 100:1 for the funding that we had. So there is more innovation than we, as the Department of
321 Energy, could fund, which, again, gives us great confidence for the future, but does, in fact, put
322 us in the situation of, the secretary would go out and make the announcement, and shake
323 people's hands, and we'd take incoming from the 80 percent of the people that we turned down,
324 each of which had great projects, right?

325

326 One of the sad things, when I'm saying we're turning down, you know, 80 percent of the
327 projects, those are good projects. We also had some bad projects come in, but 80 percent of good
328 projects, we had to turn down because of limitations of funds.

329
330 **Q:** And did you mention a percentage for Silicon Valley?

331
332 **A:** (**Mr. Rogers**) So California is a – It depends, again, on how you would like to...cut it.
333 California has actually been very, very successful in the competitive programs, and, whether it's
334 on a population base, or an economic base, actually is doing quite well, in that the governor calls
335 the secretary about every six weeks just to make sure that California is being well-represented,
336 and he is **sure that on**, you know, every time that there was one that we missed; but, on average,
337 over time, Silicon Valley is doing great.

338
339 **Ms. Marshman:**

340 Okay. Quite well. We'll take that.

341
342 **Q:** And the next question from the audience is also for Matt, and it is – although, John,
343 you're welcome to jump in – One of the biggest issues with clean-tech companies is financing
344 the chasm, the stage of moving from R&D to scale manufacturing. Generally, this requires a \$25
345 to \$50 million pilot facility. How should the government help?

346
347 **A:** (**Mr. Rogers**) This is the...core of an ongoing debate, which is about...what role does the
348 Department of Energy play, going forward, when we don't have an extra booster checkbook
349 attached. And I think this really gets to the notion of how do we make sure that, first off, we *are*
350 funding a set of the basic research that the market otherwise wouldn't do. Secondly, how do we
351 take a set of pilot projects and make sure that the best technologies are recognized as such. One
352 of the things that was...quite clear,...ARPA-E had a symposium ([http://www.ct-
353 si.org/events/EnergyInnovation](http://www.ct-si.org/events/EnergyInnovation)) about six weeks ago where we brought in not only the
354 innovators that we were able to fund, but the best projects that we weren't able to fund, and
355 create an environment where you could actually have a conversation with those great companies.

356
357 And I think one of the things that we as a department need to do is to make sure that we're
358 putting a spotlight on great companies that we can't fund, but that the market really should be
359 funding, and I think there are some opportunities there, as well.

360
361 But then I think it also gets down to things like how do we have an innovation-focused tax
362 policy. One of the things the president's asked for is an extra \$5 billion to support an expansion
363 of the Clean Energy Manufacturing Tax Credit. This was a situation where, again, we had three
364 times the number of good, quality applications, great companies, wanting to build manufacturing
365 here in the United States that we couldn't actually fund. And I think that's the opportunity,...to
366 create the combination of the right spotlight, and then some innovation-focused tax policies that
367 will make it work.

368

369 **Ms. Marshman:**
370 Thanks.

371
372 **Q:** John, do you have a thought about the private sector?

373
374 **A:** **(Mr. Doerr)** No, no. Let's take another question.

375
376 **Q:** Okay. The next question is about U.S. competitiveness. Analysts predict that in as little as
377 two years, China will outrank the U.S., to become the world's largest consumer of solar energy.
378 It's largely due to a very supportive Chinese government that's provided up to 50 percent of the
379 capital costs, for instance. What impact will this level of investment have on U.S. renewable-
380 energy companies now and in the future? And how can Silicon Valley companies stay
381 competitive in this environment?

382
383 **A:** **(Mr. Doerr)** I'd like to step up to that and say I think it's very challenging. I'm tracking
384 this along the way, and the data that stunned me is that, three years ago, China supplied 2 percent
385 of the solar systems around the world. So this is not just internally, but around the world, and the
386 U.S. share was 43 percent. As of the fourth quarter of last year, the China share has gone from 2
387 percent to 40 percent, and the share in the United States has gone from 43 percent to 16 percent.

388
389 And I want to echo something that Matt said, and that is that if you have robust local markets,
390 then you create an advantage—not a barrier, but an advantage—I think, for local manufacturing.
391 And the success story that I wish to cite that I think we ought to strive for, is, in the early 1970s,
392 Denmark, a country with a population less than the state of Missouri, where I grew up, decided
393 that low-carbon electricity was going to be very important. And so they advantaged domestic
394 wind production. In 2008, when unemployment around the world surged to over 10 percent,
395 Denmark exported over \$10 billion of wind mills. They have the number-one company in the
396 world, Vestas, and it was all by virtue of creating smart policies, local demand, and incentives
397 for both manufacturing and design. So that's what we've got to do, and this is going to be a hell
398 of a race. This is not like the Internet. This is not like biotechnology, and...I think Matt
399 articulated exactly the formula that we need.

400
401 **A:** **(Mr. Rogers)** The only thing I'd add to that is, you know, China clearly views this as a
402 global opportunity. Our opportunity here is around innovation. Innovation does two things. In the
403 U.S. domestic market, where demand may, in fact, be flat for an extended period of time,
404 innovation drives capital stock turnover. So we actually have to accelerate the rate of innovation
405 to drive capital-stock turnover here in the United States; *and* if we innovate, we'll have the most
406 competitive products in the world, and we can be exporting out of a market where – But...it is
407 essential that we actually have a competitive domestic market that actually attracts investment in;
408 because, if we don't, the investment will go someplace else.

409
410 **A:** **(Mr. Doerr)** We need China to help solve this global problem. Let there be no doubt
411 about that. And anybody who's a worldwide – Anybody that's going to be a player in the green

412 industries, I believe, is going to make stuff in the markets where they...sell it. So I think the key
413 to U.S. success is robust manufacturing in batteries to be exported, but also to be used in local
414 industry. And, to those people who are designing these products, and to my friends, the policy
415 makers, there's a great debate right now about the wind developers in Texas, who are going to
416 import Chinese windmills, and get those subsidized by U.S. tax dollars. I'd say for somebody
417 who's manufacturing a windmill, get every one of those parts dual-sourced, and have a source in
418 the U.S., have another source around the world, and make the U.S. supply chain compete with
419 the worldwide standards. Don't sole-source them. Dual-source them. And then if some
420 policymaker insists you have a made-in-America wind mill, you can make one out of those parts;
421 but we've got to make stuff here. I completely agree with Matt.

422
423 Panel Part 2

424
425 **Ms. Marshman:**

426 Well, thank you. I think it's time to bring our other panelists up. Could Aart de Geus and Dave
427 DeWalt join us, please? (applause)

428
429 ...Matt, you're welcome to stay if you'd like....Good. Join us. Dave, thank you! So we're going
430 to turn now...away from energy a little bit here, and talk first about immigration and education.
431 The Silicon Valley Leadership Group's Annual CEO Survey this year identified K-12 and higher
432 education as top priorities, and also identified the need for immigration reform to recruit and
433 retain top talent from around the globe as a top priority. This shouldn't be surprising. These
434 issues are very much inter-related, and there's nobody better than Aart de Geus to talk about this
435 relationship. So let's start with you.

436
437 **Q:** As someone born outside of America, and as co-founder and CEO of a leading company
438 *in* America, what's your take on the relationship and the importance of immigration reform *and* a
439 strong education system?

440
441 **A: (Dr. de Geus)** Well, you know, I think we have to start with the fact that education is *the*
442 global differentiator over the long term. Without it, you lose over time, "long-term" being the
443 key word, though, and therein lies the problem; because if you look at the educational system in
444 the United States -- And, by the way, coming here in '79, this was *the* ultimate educational
445 system. The K-12 has really gone down the drain massively. True in California. True in the
446 United States, especially in STEM, science, technology, engineering, and math. Big, big issue.

447
448 At the same time, the graduate schools are still, and I say "still" the best, because it's rapidly
449 changing. The immigration issue pertains mostly to the graduate level, because it's the place
450 where you can attract truly *the* biggest innovators, the most driven people, people that are willing
451 to overcome some challenges just to come here, and the simple things we *can* do and *should* do
452 is for all the graduates, especially in the STEM areas, to staple an H-1B visa on it, once they
453 graduate, because the 10 years after graduation is the time for innovation.

454

455 The K-12 system is just as important, though; but it is a long-term system, and you heard earlier
456 the governor speak about it, and he mentioned a couple of reasons why things were not going so
457 well. I think he did not mention *one* of the reasons, which is that it is very much state-based, and,
458 secondly, I defy anybody to say, “Who is in charge of the educational system in California?”
459 There is *no* tsar. There is a multiplicity of people that are sort of all partially responsible, and
460 then there is a plethora of rules that made it virtually impossible for any superintendent to
461 allocate the money just right.

462
463 Unfortunately, systems like that can either be fixed by the opposite of democracy, somebody
464 who is completely in charge, like a CEO, *or* a major catastrophe. And what we have right now is
465 a non-catastrophe. We have a boiling-frog type catastrophe which is steadily-growing decline.
466 And so one of the most important things [that] I think is needed in California is the appointment
467 of an education tsar who has a broad set of powers and the opportunity to actually redo many of
468 the existing rules and regulations.

469
470 **Q:** Is there any kind of movement in the Valley to try to make that happen?

471
472 **A:** (**Dr. de Geus**) There have been *innumerable* panels like this, and, after a while, you
473 know, it’s –

474
475 **Ms. Marshman:**
476 That’s what I was thinking!

477
478 **A:** (**Dr. de Geus**) -- the same speech.

479
480 **Ms. Marshman:**
481 Right.

482
483 **Q:** (**Dr. de Geus**) And so the reality is, we’re going back, as SVLG, all the way to the
484 fundamentals, which is you need to put people in place that can actually make difficult decisions,
485 and so that’s where redistricting was done. That’s where we now have open primaries. Sooner or
486 later, we’ll need to go after the two-thirds-majority rules, which make no sense whatsoever. The
487 problem is, of course, the time line. The time line is atrocious because it’s 25 years, K-12, until
488 you have people in the work force.

489
490 **Ms. Marshman:**
491 Right.

492
493 **Q:** Dave, from the perspective of McAfee, how do these two issues affect you?

494
495 **A:** (**Mr. DeWalt**) Sure. Well, I’d echo a lot of what Aart said, as well. Although I didn’t
496 emigrate to the United States, and into California, I did grow up in Pennsylvania, and I did sort
497 of emigrate without a green card to Silicon Valley. Almost 25 years ago, I...had an opportunity

498 to come here, and it was just an amazing experience watching Silicon Valley grow, California
499 grow. It was a time where jobs were so plentiful, education was so plentiful. I was fortunate to
500 have a computer science engineering degree, and just found an amazing opportunity. And here I
501 am at McAfee. We had a company here that's literally doubled in the last three years. We went
502 from about 3,500 jobs to nearly 7,000 jobs, just in the past couple of years.

503
504 But what's happened? The number of California employees, and particularly the number of
505 United States employees, has held constant, while all the employees, the 3,000 employees I
506 hired, are outside the United States largely, and it goes to some of the things Aart had mentioned
507 – education and the K-12 system. We don't have the engineers. We don't have the scientists. We
508 don't have the researchers nearly as much.

509
510 If you go to India, or you go to China right now, or you go to the emerging markets, they've got
511 the eye of the tiger. They really want to be educated, and we need to drive some of that back in.
512 The tsar is important. The cultural aspect is important. And we also can't even keep sometimes
513 the foreign-born people that we *have* educated, and this is where the STEM exceptions on H-1B
514 visas are so critical to us. They sell out, what? In the first couple days, when the economy is
515 good, and maybe a few months, when it's not; but it's difficult for us to even keep some of the
516 people we *are* educating here in the United States, and for being a global company like us, we
517 can employ them outside the U.S. very easily. So immigration and education is one of the most
518 important things we have, and have to do.

519
520 **Q:** John, how do these issues affect decisions on investing?

521
522 **A:** (**Mr. Doerr**) Well, the dollars go to where the smart people are, and intelligence is
523 distributed all around the world. Mine is a service business, so I like to be close to where we're
524 investing; but, for the first time, we're investing a fair fraction of our funding outside the U.S. I'd
525 like, though, to turn this to what CEOs could do, because you hear all these panels, and we all
526 yak-yak-yak about it, and, Aart, I'm not optimistic that we'll get an education tsar in this state
527 with any real power. I hope we do, and I think we should fight for it. But I think if you're leading
528 an organization, you should do one of two things, if you really care about this issue, or pick a
529 third, but please do something.

530
531 And the two I want to recommend are find and fund or help start a...charter public school in
532 Silicon Valley or in the State of California, because, with about a million dollars, you can get a
533 school that's independent of that 3,000-page ed code started, and you can get, on an ongoing
534 basis, 85 percent of the state allocation. And, in that school, there's no unions. The principal is
535 the CEO. They can hire and fire the people in the school. They can determine what the
536 curriculum is, and they don't have to check with Sacramento. This is not a risky thing. It's been
537 proven that it works, and we need more of these. In a country with 80,000 schools, there's about
538 a thousand charters. You could call it the Synopsys school. You could call it the McAfee School,
539 and I want to tell you, the kids in those crummy urban neighborhoods and their parents will flock
540 to that choice, that competition, within the public system. One idea.

541

542 A second thing, even simpler, is for you to go find one of these schools, get an engineer or two
543 from your company, and start a robotics team, because the culture in our high schools is that
544 athletics is the big deal. Every one of these kids wants to be Michael Jordan, and, in the schools
545 that get a first robotics program going, it's amazing to see them celebrate that, like being on the
546 robotics team is just as good as winning the football game. I think we have to change the culture.
547 We have to get it where engineering is cool. It's a hip thing to do. Two very specific things. And,
548 you know, I bet you can come up with a third one. But if you care about this thing, and you're
549 tired of talking about it, and hearing people talk about it, go to your own organization, where you
550 lead, and do a charter public school or a robotics team or some third specific [thing]. Your
551 employees and team are going to love you for doing it. They're looking for leadership.

552

553 **A:** (Dr. de Geus) Can I add something to that? Because we did something similar. We
554 started up the science fairs and, today, we help 140,000 kids touch science, sort of like the
555 robotics example you gave.

556

557 One of the lessons was, one of the most difficult constituencies to work with are the teachers,
558 because *they* don't have the training. It's amazing how many teachers are afraid of science,
559 technology, engineering, and math. And so one of the things you can do is actually get one of
560 those bottles that was promised by Carl, which is sign up. For 5K, you can fund a teacher's
561 education. That is a very small investment compared to what you're proposing. And far from me
562 to argue that we shouldn't be engaged. We absolutely should.

563

564 **Ms. Marshman:**

565 Well, thank you. Let's turn to infrastructure. There are deep concerns reflected in the CEO
566 survey about America's crumbling and incomplete infrastructure. We're going to look at two of
567 them briefly, the first one being a national priority, which is the goal for broadband to be
568 deployed throughout America.

569

570 **Q:** John, why is this important to Silicon Valley? And will it create jobs?

571

572 **Mr. Doerr:**

573 Why broadband is important?

574

575 **Ms. Marshman:**

576 Broadband, yes.

577

578 **A:** (Mr. Doerr) Oh, it's vital. I think we know this in our gut, but where there's broadband
579 deployment, there's economic activity and opportunity. But over 30 percent of Americans don't
580 have broadband in this day and age because it's not affordable, and so I'll offend some people
581 here, but we've got a duopoly when it comes to broadband; and until we get a third entrant in
582 that game, the prices, the costs, usually don't go down. I think America is losing world standing
583 today because we don't have some form of broadband for...all American citizens. And we can

584 get there without a lot of money. With some different spectrum [policies], some different
585 regulations. I think that's really important, and it's great to see the administration with a
586 broadband...plan.

587
588 **Q:** Anybody else have thoughts on this?

589
590 **A:** (**Dr. de Geus**) Well, no question. If you look at what's happening in China right now, it's
591 not that they are necessarily driving broadband, but the very fact that there's a massive
592 urbanization stream brings about a massive building boom for high rises. All of the high rises
593 from the start are equipped with decent broadband connections. And so that's a good example of
594 a nation changing its infrastructure because it has to change anyway, and therefore, it's being put
595 in place.

596
597 Take, in contrast, Korea, where the government is driving massively a 10X increase in
598 broadband, mostly because they're thinking, if we do that, we'll be ahead in planning the
599 products that will be able to use this. And so what John was saying is absolutely right. The
600 infrastructure creates the opportunities for innovations around it.

601
602 **Ms. Marshman:**

603 Okay. Thank you. Our...second infrastructure issue will not surprise you, the regional example
604 would not be a Leadership Group event without mentioning BART to Silicon Valley.... Yes, it's
605 a very high priority with the group, and seems to be for voters and taxpayers, as well.

606
607 **Q:** Dave, tell us, from your perspective, why it's important to Valley industry, and why you
608 think the federal government should help?

609
610 **A:** (**Mr. DeWalt**) I should have sat next to Matt! Well, the analogy is very similar, I think,
611 to what John and Aart have said on broadband, which is the infrastructure improvements, the
612 physical infrastructure improvements, here in Silicon Valley, and all over America, are critical to
613 really keep up competitiveness. It's pretty obvious.

614
615 I'm an East Bay resident. I don't know how many of you are. You know, I drive 42 miles each
616 way, and I've come to learn those 42 miles really well, and when the BART extension was put in
617 place, and really funded by local taxpayers, in large part, or at least a pretty high percentage,
618 almost 80 percent, it was a huge raising of the infrastructure here...in the Bay Area, and
619 critically important, because [of] the access to the East Bay housing, the affordability for
620 employees.

621
622 With McAfee, again, we have a lot of employees who live all over the Bay Area. The criticality
623 of bringing in families to the East Bay and allowing them to commute and access was critical,
624 not to mention all the things like the ability to cut down on congestion, and green energy, and the
625 ability to really, you know, drive jobs and stimulus with the project. So, you know, the ability
626 for, you know, getting 100,000 riders a day to really drive billions of dollars of economic

627 activity, and really bringing it in cooperation with both federal- and state-level activity, was just
628 a critical piece, and this needs to be emulated both in broadband and other types of infrastructure
629 projects; because, again, when you go to China, as an example of the infrastructure, broadband
630 build-out, where you go to other countries, again, our competitiveness is falling behind. We need
631 these types of activity, and the BART extension is just an amazing example of this team's
632 leadership, as well as what we've been able to do locally.

633

634 **Ms. Marshman:**

635 Thank you. Unless someone has something to add on BART, I'd like to turn to healthcare. Shall
636 we do that?

637

638 The Valley, of course, has had a huge interest in healthcare reform because of the skyrocketing
639 costs, the cost of providing benefits to employees, which is a cost that other companies
640 throughout the world don't generally have. It puts us at a disadvantage. Now we have a bill
641 signed into law, and I think it's safe to say that nobody is a hundred percent happy with it. Is that
642 a safe statement? Okay. I thought so.

643

644 **Q:** So I'd like to ask our business leaders on the panel here what they think of the bill that
645 passed, what's good about it, what's bad about it, and what effect do you think it will have on the
646 economy. John, can we start with you?

647

648 **A:** (**Mr. Doerr**) I'd rather someone else talk about it....

649

650 **Q:** Okay. Who would like to talk about healthcare?

651

652 **A:** (**Dr. de Geus**) Let me start. Coming from Europe, it's just wonderful that there *is* a bill
653 that has significantly broadened the safety net. It was a bit embarrassing to be in a country where
654 so many people were literally falling off the edge.

655

656 Now, having said that, I think now the reality check is coming in, because now it's all
657 about...will it stimulate efficiency? And will it stimulate innovation? Innovation, in many ways,
658 for us, is the easy part, because this Valley is a pro at it, and the challenge with innovation is that
659 you can easily save people's lives for another half year at enormous cost, and the cost is
660 untenable at the level that it is.

661

662 Therefore, we come to efficiency, and I think efficiency has, at minimum, two components. One
663 is some degree of standardization, and that...is clearly visible in the necessity to have a common
664 set of systems for healthcare information. Because if you do that, you have the equivalent of an
665 Internet, where a lot of innovation can glom itself onto it.

666

667 And the other thing is something that I think came up earlier today, which is a feedback-loop
668 system. Any system that is open-loop ultimately doesn't fix itself, and I think John used the

669 example earlier of, you know, carbon pricing, and that's an economic feedback loop. The minute
670 you have that, other things start to happen.

671
672 And, thinking about this, I was embarrassed to say, and I wonder if anybody in the room would
673 know the answer, if you go to a hospital, and you get one aspirin, does that cost the hospital 10
674 cents? Because, after all, they will be buying that by the truckload, right? Or is it a dollar?
675 Because, after all, somebody gives you a glass of water. Or is it \$10? Because, after all, you're
676 sitting on some expensive chair. Or is it a hundred dollars? I don't know the answer. I doubt that
677 anybody else knows; but, having talked to a number of...CEOs of hospitals, the sheer notion of
678 just giving a piece of paper to anybody leaving the hospital, "You just spent \$527 on the
679 following things" is a completely extraterrestrial notion. That feedback is so simple—not quite
680 that simple—because you need standardization; but if you did, it would have a radical impact, all
681 the way down to that single aspirin.

682
683 **Q:** Is that *part* of this bill, do you know?

684
685 **A:** (**Dr. de Geus**) I have *no* idea.

686
687 **Ms. Marshman:**
688 It is...a problem that we haven't sort of – John?

689
690 **A:** (**Mr. Doerr**) ...I'd like to build on Aart's comment without talking about the healthcare
691 bill, which I also support, and I think is good, and I *do* believe will lower costs.

692
693 The two, I think, really important things for our Valley and for innovation are, number one, that
694 the stimulus bill, the Recovery Act, included \$20 billion of both incentives and, ultimately,
695 penalties, for physicians who don't use electronic medical records; or, as the law states, have a
696 system that delivers meaningful use against a set of standards. That's a huge thing. We've had
697 more technology in our supermarkets than we have had in our physicians' offices.

698
699 Once that information is there, and it's in the cloud, then it's going to be possible to do all sorts
700 of things, to lower cost, deliver better...health, as opposed to better disease treatment, for large
701 swaths of the population. And then, finally, I think, as some measure of what innovation can do,
702 I believe, and I've seen from entrepreneurs, that the advent of this tablet computer, whether it's
703 the Apple iPad or others that are likely to come, there's no reason in the world why every
704 physician, every nurse, every healthcare practitioner in a hospital, isn't going to have, right in
705 front of them, a tablet that's going to have access to all that cloud-based information about who
706 you are, what treatment you've had, and the best possible outcome.

707
708 So I'm...very, very optimistic that we're going to be able to move away from a healthcare
709 system where information didn't matter, and there wasn't evidence-based medicine, and...where
710 the incentives were all wrong—every American just wanted the best healthcare that other
711 people's money would buy—in favor of one that uses our technologies, and creates a great

712 business opportunity for us to put this stuff in the cloud, take advantage of it, get better
713 outcomes, lower costs.

714 **Ms. Marshman:**

715 Thank you.

716
717
718 **Q:** ...Actually, Matt, I'd be curious. When this bill passed, it was a huge thing for the
719 Obama administration. Did that resonate throughout Washington? Or was there a sense of, "We
720 did something!" or –

721
722 **A:** (**Mr. Rogers**) I think if you...look at what this president tried to do,...we stepped in at
723 just a critical time in the economy. This place was falling apart, and...passing the Recovery Act
724 in the first two weeks of the administration was an enormous success, because it was not a
725 preordained conclusion...There was a pretty significant debate; but you do \$787 billion that,
726 you know, on the one hand, gives tax breaks to 90 percent of the Americans. It, secondly, then,
727 does transfer payments to keep the states and cities going, because the safety net was in...grave
728 jeopardy at that point. And then does this investment in infrastructure which we've been talking
729 about, and innovation, to lay the foundation for the future. And, you know, we're actually doing
730 dramatically better than we would have been, had that not...taken place.

731
732 But, more importantly, it has created a road map for where we're headed, right? We care about
733 science and innovation. We care about infrastructure. We care about the distribution of...returns,
734 and, all of a sudden, you have, in the Recovery Act, a very clear statement of principle that then
735 the president has now gone on with the healthcare bill. He's going to do it with financial-market
736 reform. He will do it with climate and energy legislation. So there's been a very intentional
737 element to that, and I think, you know, you take a look at what...the Secretary of Education has
738 done on the education side, right? I mean this is taking on some very tough issues, reaching more
739 than halfway across the aisle with nuclear, with offshore drilling, with carbon capture and
740 sequestration. I mean, on the energy side, and doing the same things in education and in
741 healthcare. You know, I think we're actually making some real...headway that we'll look back
742 on a decade from now and measure – In the near term, we're measured on job creation. We have
743 to get the jobless rate down. But a decade from now, we're going to be measured on the
744 inflection in the rate of innovation in the U.S. economy, which really is driving a fundamental
745 change in U.S. competitiveness on a global...basis.

746
747 **Ms. Marshman:**

748 Thank you.

749
750 **Q:** I'd like to ask John to kind of have the last word here. The Leadership Group is about to
751 send a delegation of 50 executives to Washington, D.C., to work on Valley issues. Why don't
752 you tell us, John, what else can Silicon Valley CEOs do to advance a green agenda and other
753 priorities for the Valley?

754

755 **A:** (**Mr. Doerr**) I think the administration and every one of the elected officials is keenly,
756 desperately interested in jobs. Since the start of the Great Recession, seven and a half million
757 more Americans have lost their jobs, on top of a base level of unemployment. And here in our
758 little bubble of prosperity and wealth, I think we lose sight of what it does to a family when one
759 or both breadwinners lose their jobs – what it does for those kids’ college education, what it does
760 to their health, what it does to the loss of their homes.

761
762 And so, when you go back to [Washington] to talk about California issues, the biggest issue we
763 have in our state is unemployment and jobs, and the more creativity, the more ideas, the more
764 passion, that you can bring to job creation here in California and around the country, the better
765 those leaders, who care about *their* jobs, are going to be listening. It’s jobs, jobs, jobs!

766
767 **Ms. Marshman:**

768 Thanks. We have time for a couple of audience questions.

769
770 **Q:** And this one is for Dave DeWalt. The issue of cyber security impacts both our economy
771 and job creation as well as our national security. What should Washington be doing in this area?

772
773 **A:** (**Mr. DeWalt**) Wow! How long do I have? Let’s see! Well, we’ve seen...a lot of changes
774 in the world of security just in the last 12 to 18 months. It’s almost impossible to...pick up a
775 paper and [not] see a glaring headline these days to some of the elevated threats that we’re seeing
776 in the world. Many of you probably saw the Google sort of China headlines that have been going
777 on, but the reality is, the world of the Internet has a lot of new threats, and a lot of new
778 challenges, and there’s a great opportunity for America and for the U.S. federal [government] to
779 take the lead. We don’t have any real boundaries to the Internet, no...country jurisdictions,
780 necessarily. It’s a very open architecture, leading policy and driving and modernizing law.

781
782 Today, we see a tremendous amount of crime. I don’t know how many of you have experienced
783 identity theft, or credit [fraud] in your...home life or your personal life, but it’s completely
784 rampant at this point. We see crime groups all over the world. We see a lot of money being
785 invested into crime groups around the world because – Why? It’s a very low-risk high-reward
786 environment today. And what is it? We have very little law, very little modernization to law on
787 the Internet, for crime. So what’s one of the things we can do? Modernize our law. Try to really
788 raise the bar, raise the standards for law enforcement. Try to create some investments.

789
790 We just gave [an] award out, a Cyber Crime Fighter award, like we give every year, and we
791 recognized the FBI’s head of cyber crime. His name is Shawn Henry. But it’s amazing to watch
792 what Shawn Henry does. It’s like a one-man band playing 11 instruments simultaneously, and
793 the difficulty factor for the agencies to track down the individuals around the world is very
794 challenging. So money, R&D investment, is critical in the government.

795

796 And then trying to also raise standards. There's a couple of bills in place today, both in the
797 Senate and the Congress, trying to create some security architectures that are more common for
798 everyone as critical infrastructure.
799

800 So, you know, trying to make sure our utilities are safe, our water is safe, our transportation is
801 safe. I don't know how many of you get a glimpse of this, but the next disaster we probably see
802 won't be a plane flying into a building. It will be the building's lights going out. It will be the
803 infrastructure being turned off because of a cyber attack, because of a challenge. And we're just
804 seeing an incredible competitiveness around the world with nation-state funding that is enabling
805 countries to really elevate their ability to attack critical infrastructure.
806

807 And America needs to be competitive in this area – how to defend our infrastructure, how to
808 create standards of security that enable us to protect our infrastructure, how to eradicate crime,
809 and it's a big set of topics, and a big set of challenges; but again, almost like broadband. A lot
810 like education, healthcare. This is an area, again, where data privacy comes into play. Exporting,
811 international trade comes into play, and there's a lot of issues wrapped around our ability to
812 move forward with security and law policy and things, but it's critical. Absolutely essential....
813

814 **Ms. Marshman:**

815 Thank you, Dave.
816

817 **Q:** Here's a question for John...Oh, this is a good one! How has your expectation – not that
818 the others weren't! – How has your expectation for return on investment changed from before
819 the recession to now?
820

821 **A:** (**Mr. Doerr**) It's not changed. You know, our...goal is to make a really outstanding
822 return for the limited partners we work for, who are overwhelmingly America's universities and
823 colleges, but what I like to say is that we invest in risky entrepreneurs with unproven business
824 plans who would never qualify for any kind of bank loan or DOE grants. So these are really sub-
825 subprime opportunities. And the endowments of America's great universities have been
826 hammered by what happened in the financial markets. So our goal is to get them to give us a
827 buck, and for us to give them back 5 bucks in the 5- to 10-year period of time.
828

829 **Ms. Marshman:**

830 Okay, thank you.
831

832 **Q:** A question for Matt. How do you focus DOE on where it can be most effective *without*
833 picking winners and losers?
834

835 **A:** (**Mr. Rogers**) One of the things that has been a real privilege with the Recovery Act is
836 actually to have the ability to fund a portfolio of technologies....The secretary always goes back
837 to his time at Bell Labs. That was sort of the seminal time for him as a scientist, and...there were
838 two basic themes there. One was if you could fund between six and eight innovation pathways,

839 each of which was big in the impact it would have if it were successful, and each of which had a
840 reasonable probability of success, then you, all of a sudden, had a very high likelihood that you
841 were going to win, one way or the other. You'd have to prune the tree relatively rapidly when
842 one of those pathways didn't end up producing; but you start with six to eight pathways. And
843 [the way] we've been able to do that now across sort of eight or ten different areas of innovation,
844 is to fund companies in six to eight different innovation pathways, and we don't know which of
845 those companies, which of those pathways, will actually win; but we are highly confident that
846 whether it's on carbon capture and sequestration, or LED lighting, that we can take the unit cost
847 down by a factor of 10 or a factor of 20 as a result of that competition. This is in marked contrast
848 to the strategies that, for example, China is taking.

849
850 China is taking a more – “We're going to choose a set of winners and we're going to back them
851 deeply,” and I think this competition is going to be wonderful, because it gets at the heart of
852 American entrepreneurship. Let's run the competition, because that's going to lead to a higher
853 outcome against a more status solution, and we're going to find out in a decade who's right. But
854 I think this pathway leads to big changes with a high degree of certainty.

855
856 **Ms. Marshman:**

857 Thank you.

858

859 **Q:** A question for Aart. Silicon Valley companies have to be competitive globally. The issue
860 of deferral of foreign earnings remains a top priority here. What's *your* view on deferral? Should
861 the government allow U.S. companies to repatriate earnings? I think we know the answer to that.

862

863 **A:** (**Dr. de Geus**) Yes. The answer is “yes.” Simply put, for the simple reason that most
864 companies here are completely global, meaning they do business all over the world. They are
865 taxed all over the world. Double taxation makes no sense to be competitive. And so the result of
866 that is that the earnings abroad stay abroad.

867

868 Now you can say, “Well, that's okay, because then we'll just invest them abroad.” Or you can
869 say, “No, that's ill-advised, because there are so many opportunities here. And ultimately you
870 want to build up the intelligentsia pool here, because those are the biggest opportunities.”

871

872 And so, being able to repatriate, which was possible – I forget when it was. About five, six years
873 ago, there was one opportunity to bring back. Many companies did it. It brought a lot of money
874 back into the market here. It's sort of a no-brainer for most business people.

875

876 Now the reality is, of course, Washington is trying to find some path in between, because some
877 taxation is going to be needed, and so I think the answer they are all seeking is “So, at what rate
878 are you ultimately willing to go?” Well, obviously, the last rate was okay, because a lot of
879 companies did it; but the [ramifications] of *not* doing it are even worse. Taxing the foreign
880 earnings, I think, would be very, very negative on many companies here, because it would make
881 companies much less competitive.

882

883 **Ms. Marshman:**

884 Thank you. I'm told we have time for a lightning round. I'm going to ask for 15-second answers
885 on this, and let's start with lucky Dave....

886

887 **Q:** The question for the lightning round is, "What do you view as the greatest strength of
888 Silicon Valley?"

889

890 **A:** (**Mr. DeWalt**) Oh, 15 seconds or less would be, "It's the land of opportunity." I mean I
891 mentioned this earlier. I came here. So much opportunity and energy here! The educational
892 systems. The opportunity for high-tech, clean-tech, bio-tech. It's amazing. We need to keep it
893 that way. It's the spirit of America, and it's just a great opportunity.

894

895 **Ms. Marshman:**

896 Thank you. Aart?

897

898 **A:** (**Dr. de Geus**) In '87, we moved the company here. We started in – not here, in North
899 Carolina, and the reasons have not changed. It was the best talent pool, starting with the schools.
900 Then established, experienced talent. Management talent. Marketing talent, meaning ability to
901 translate technology into products. A global perspective, and that has increased. Most
902 headquarters right now are on United Airlines or American Airlines for most companies here.
903 And then an infrastructure that was remarkable. Venture-capital infrastructure, best in the world.
904 But also the legal structure that goes with that. And then, last but not least, the ability to learn.
905 People actually make it a badge of honor to have made mistakes here. There's not many places in
906 the world where you get that.

907

908 **Ms. Marshman:**

909 Great. Matt, do you –

910

911 **A:** (**Mr. Rogers**) In the world of energy it's innovation at scale. It's the ability to generate a
912 new idea and then figure out how it links into this global-scale network, and all of the system-
913 integration challenges that this community has managed to solve in the software world, come up
914 in myriad ways in the energy world. And that...ability is highly differentiated on a global basis.
915 And if you can innovate at scale, you can win. And I think this area does that exceptionally well.

916

917 **Ms. Marshman:**

918 And John.

919

920 **A:** (**Mr. Doerr**) The best thing about Silicon Valley is entrepreneurs. They do more than
921 anyone thinks possible with less than anyone thinks possible. More with less, right? And so it's
922 okay to fail. It's still the case you can change your job without changing where you park your
923 car, and you're not going to find that anywhere else in the world.

924

925 **Ms. Marshman:**
926 Thank you! Terrific panel! How about a round of applause for them! (applause)
927

928 **Mr. Guardino:**
929 How fortunate we are to have not only leaders in Silicon Valley of this magnitude and strength,
930 but philanthropists and community-minded citizens, as well. Dave DeWalt, Aart de Geus, Matt
931 Rogers, John Doerr, thank you so much for all that you do for not only our Valley, but our
932 nation, and our planet. Barbara Marshman, thank you for moderating this panel. We are going to
933 end on time. (Dilbert book from Los Gatos Bookstore, autographed by many of the attendees, is
934 bestowed upon Mr. Rogers.)...

935
936 # # #

937 /WPP
938 April 19, 25, 26, 2010