

A transcript for
The Silicon Valley Leadership Group
Public Policy Luncheon Panel Discussion
Barbara Marshman, Moderator
Held at the Santa Clara Convention Center's new Mission City Ballroom
October 30, 2009

Panel members:

Bill Ritter, Jr., Governor, State of Colorado
Aart de Geus, CEO, Synopsis
Tom Werner, CEO, SunPower
Tony Prophet, Senior Vice President, H-P

1 **Mr. Guardino:**

2 ...We are at the highlight of our program today, a part that we believe is our interactive portion
3 of the program, your chance to engage directly as we talk about the future of Silicon Valley:
4 Obstacles and Opportunities.

5
6 Let me explain our format. We have now come to that keynote address. In past years, keynote
7 speakers have included Nancy Pelosi, Arnold Schwarzenegger, Dianne Feinstein, John McCain,
8 and others.

9
10 Past years have also included governors from other states from whom, we believe, California can
11 learn invaluable lessons that will well serve the innovation economy. Those past guests included
12 Janet Napolitano, then governor of Arizona, now cabinet secretary for Barack Obama. [They]
13 have also included Tom Vilsack, then governor of Iowa, and now cabinet secretary for President
14 Obama.

15
16 This year, we are honored to have with us the governor of the state of Colorado, who has already
17 distinguished himself with a laser-like focus in renewable energy, job creation, K-12 education,
18 transportation, and healthcare, recipes needed in California, engaging today in that interactive
19 conversation with three of our valley's top executives, moderated by Mercury News editorial-
20 page editor, Barbara Marshman. Please join me with a warm Silicon Valley welcome for
21 Colorado Governor Bill Ritter, Jr.

22
23 Joining Bill is the cofounder and CEO of Synopsis, and the chairman of the board of the Silicon
24 Valley Leadership Group, Mr. Aart de Geus.

25
26 And the CEO of SunPower, who took that company from \$6 million in annual revenue six years
27 ago to \$1.6 billion in annual revenue today, and the vice chair of the Leadership Group board of
28 directors, Mr. Tom Werner.

29
30 And a special treat, to have the executive vice president -- excuse me; I just gave him a
31 promotion! -- the senior vice president of Hewlett-Packard Company, Mr. Tony Prophet.

32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73

As the governor, Aart, Tom, and Tony, and our moderator, Barbara Marshman, make their way onstage, let me explain the format.

First, please note, at each of your tables, the blue question cards. Please write down any questions you might have for any of our co-keynote panelists. Raise your hand high...

Second, to assist our panelists, and all of us, let me introduce to you by far, the most important person in the room today. **Sona Lem**, please stand! Sona Lem is our timekeeper. Her sole purpose today is to ensure that we get to as many questions as possible, both from Barbara Marshman and from you. With that in mind, Sona will assist our panelists by reminding them that they have up to 2 minutes for any response. Up to 2 minutes!

When you have one minute left, Sona will hold up this sign. Now note [that] the 1-minute notice is written on both sides of the sign. In that way, our panelists know that our audience knows that they have only 1 minute left. Sona similarly will offer up a 30-second sign. Finally, Sona will hold up a "TIME IS UP" sign. And if a panelist is feeling especially exuberant, and misses that subtle message, Sona will hold up a final, gentle reminder to "LET IT GO"!

With that said, ladies and gentlemen, I turn it over to *your* moderator, the editorial-page editor of the San Jose Mercury News, Ms. Barbara Marshman.

Ms. Marshman:

Thank you, Carl....Sona makes my job easy! We are going to jump right in with a series of questions about taxes and competitiveness, and we will start with Governor Ritter. Nice to see you here today!

The question is about a method of computing a company's state income-tax liability called "single sales factor apportionment." Colorado has enacted this rule, and it's similar to one just passed in California. Basically, it lowers the tax burden of corporations investing in property and personnel *in* the state. The idea is to encourage them to locate new jobs and new facilities *there* instead of outsourcing. But it's controversial. Some see it as just a corporate tax break.

Q: So let me ask the governor, why did Colorado make this change? And what are the expectations for it?

A: (Gov. Ritter) So we made the change because we were convinced by a group of companies who explained to us that this is really a way to compete, for global companies to move into the state, to go to a single sales factor, away from a variety of other ways that you can calculate income tax, to look at property owned in the place, or personnel that are assigned to the place. Single sales factor would be a way for companies to look at this and say, number one, it's fairly uncomplicated; and secondly, that it's a way to build up a property base in a state without

74 bearing a tax burden for it. It was actually Amgen that was probably most helpful in helping us
75 think about this and explain it.

76
77 The second part of that is that it was revenue-neutral. That it was actually not going to cost us.
78 We ran the numbers on it. It was not going to cost us as a state; and, just this week, we
79 announced a company coming to Colorado, a manufacturing company, SMA [America, LLC].
80 They make solar inverters. They're the world's largest manufacturer of solar inverters and they
81 announced their first North American manufacturing plant. They said they would not have even
82 spoken to Colorado had we not changed our law to single sales factor.

83
84 There's also the ability to retain companies. Vodafone, for instance, has explained to us that their
85 decision about staying in Colorado very much revolved around our ability to look at this tax
86 policy and say, "Single-sales factor is the thing that will keep us."

87
88 We also passed a series of other things. This year, we passed a tax credit for companies that grow
89 their employment force by 20 or more. You have to pay a certain amount, a certain percentage,
90 above what's the average salary in the county, but[you receive] a tax credit, 50 percent of your
91 FICA for five years. And so it's not just one thing, the single-sales factor; but we're looking for
92 all these for all these ways for us a state to be competitive and not for just taking,...you know,
93 companies away from New Mexico or Wyoming, but taking companies, and European
94 companies, and [getting] them to make a commitment in Colorado. So I haven't even gotten to
95 the "LET IT GO" sign, and I'm done!

96
97 **Ms. Marshman:**

98 Congratulations! You've passed the test!

99
100 **Gov. Ritter:**

101 No. He said it was just for politicians that you had that "LET IT GO" sign.

102
103 **Ms. Marshman:**

104 I don't know! She's pretty tough! I don't think she gives any passes.

105
106 **Q:** Next question, for Tom Werner. As you know, signatures are being gathered for a 2010
107 ballot proposition that would stop the single sales factor rule here even before it starts. When you
108 consider different ways a state could help *your* company be more competitive, how beneficial is
109 single sales apportionment? And...is it something you value highly? Or not so much?

110
111 **A:** (**Mr. Werner**) Tax policy is usually very arcane and difficult to understand and the title
112 of this tax, I think, bears that out. So I said to my tax guy, I said, "What the heck is this?" And
113 what he explained is, they ask you to locate your company in the state because it's going to be
114 really great, and you'll have access to great talent. You can grow your business. And the more
115 you locate in their state, the higher you pay taxes. The...sales that you have will be increased by

116 the amount of investment you make in the state. Now if that doesn't seem counterintuitive, what
117 does?

118
119 So, to SunPower, in the state of California, this is millions of dollars. So we can pay the state of
120 California millions of dollars extra tax; or, alternatively, we can invest [those] millions of dollars
121 in new employees and expanding our presence in the state of California. It's as simple as that.
122 It's that choice, and the more we invest, the bigger the solar economy we create in California,
123 and the bigger the tax base. So when you look at the total cost, as the governor pointed out, you
124 actually come out ahead if you're collecting taxes within the state. So it just makes sense for both
125 the company *and* the state to make this change.

126
127 **Ms. Marshman:**

128 Thank you. Our next question is for Tony Prophet. H-P has the largest supply chain in the IT
129 industry – the largest! And that worldwide supply chain is Tony's responsibility.

130
131 **Q:** So my first question is, how the heck did you find time to come out to lunch today? But,
132 on a broader note, international, federal, and state governments continue to pass laws that require
133 higher labor and environmental standards for company supply chains. What actions can you
134 support to drive higher standards and greatest transparency while still keeping your company
135 competitive?

136
137 **A:** (**Mr. Prophet**) H-P has a firm commitment to the fair and ethical treatment of the
138 workers involved in our extended supply chain. That's not just the folks that work for H-P, but
139 for the subcontractors that we use, and the people involved in the transportation and logistics of
140 our...products; and, likewise, to be a good steward of the environment. Now that commitment
141 was crystallized in 2002 with our Supplier Code of Conduct, and that code of conduct – Again,
142 this was a voluntary thing that H-P did. It went above and beyond the standard of the law or any
143 requirement, any jurisdiction, in which we deal; and it required our suppliers to...meet a certain
144 standard. It was above the letter of the law in every country that we operate, and it was a
145 requirement for doing business with H-P.

146
147 In this evolution, you know, we quickly saw that, because of many of the companies that we
148 work with serve multiple companies in the industry, that, in order to really move the industry
149 forward, to have a greater impact and beyond our largest—the world's largest—supply chain, we
150 needed the participation and collaboration of other companies in the industry. So we were a
151 founding partner in developing the Electronic Industry Code of Conduct. Many of the companies
152 in this room are...members of that, and if you're not a member, I would encourage you to
153 become a member.

154
155 That takes...basically those same standards and says that the suppliers must adhere to those
156 standards. But it's not just a matter of faith. It has an active verification program to make sure
157 that they're actually adhering to the standards; and, likewise, active training in local language, so
158 they know how to measure overtime. They know how to measure appropriate ambient-noise

159 levels. And so I think those are some of the important ways that we're committed to, on a
160 voluntary basis, above and beyond...the letter of the law of the jurisdictions around the world.

161
162 **Ms. Marshman:**

163 Well, thank you! A question for Aart on competitiveness.

164
165 **Q:** We heard Shellye [Archambeau] earlier speak about the talk in Washington about ending,
166 or at least greatly limiting, the ability of American companies to defer the taxes they pay on
167 foreign earnings. Aart, would you please talk about what that would do? And also talk about
168 some other issues, in addition to taxation, that will affect America's competitiveness today.

169
170 **A: (Dr. de Geus)** Well, I think you're using the right lens, which is everything we do here
171 should be viewed through the lens of global competitiveness. And when we're talking about
172 taxes, we all understand "tax" is a four-letter word, but it's also clear we have infrastructure to
173 nourish. Taxes are a necessity.

174
175 So business taxes. What do they look like? In the United States, we pay 35 percent corporate tax
176 plus, let's say, 4 percent for California; that's 39 percent. You compare that to many countries in
177 Europe. Average? Less than 25 percent. Right now, right there, that's a huge difference. That's
178 the first big issue.

179
180 The second one is actually a **quirk**. You don't have to – you can defer those taxes if you don't
181 repatriate the money, the profits, from those countries; and, of course, most companies,
182 therefore, don't, and that begs the question of, "Well, are they going to invest there? Or are they
183 going to invest here?" Which brings up questions for growing the employment base, for growing
184 the opportunity space here.

185
186 The danger is that, in the spring, there was a push to change this radically, and this is an
187 enormous danger because it was well-meant at a moment that the country clearly *does* need tax
188 money, but it was also colored by *People* magazine pictures of fat cats sitting on the beach on
189 some island, **and being CEO**, and clearly evading taxes, and having something to drink *with* it.
190 That is such a naïve perspective of the situation. We must look at all of these things through the
191 lens of the global competitiveness of all the companies here, including the companies in
192 Colorado. Most big companies are very much global.

193
194 What calls to arms does this mean? SVLG, TechNet, and a number of other organizations here,
195 were completely on top of the ball, and Shellye had the good news that, for right now, it's
196 shelved – for right now. We may have to call on you on a moment's notice to be back on the
197 battlefield, because this could have material negative impact for the competitiveness of the
198 United States industries.

199
200 **Ms. Marshman:**

201 Okay, thank you. We're going to switch our topic to renewable energy and green tech, and let me
202 come back to Governor Ritter.

203
204 **Q:** You've talked about how renewable energy and aerospace are the types of fields that will
205 help California turn its economy around. How do you plan to attract those businesses and keep
206 them? And, just so you know, we'll all be taking notes!

207
208 **A:** (**Gov. Ritter**) So we've made this our signature moment in Colorado since I became
209 governor in January of 2007. And we have a very robust aerospace industry. We're second only
210 to California, actually, in terms of the number of employees in aerospace; and we've done all we
211 can to build upon that; but we felt the clean-energy economy was someplace where we had great
212 potential, but we hadn't developed it, and it's actually no—it will be no—surprise to the people
213 of Silicon Valley how we are doing that, and doing it, we think, pretty successfully.

214
215 It starts with a very robust research-and-development corridor. So we have the National
216 Renewable Energy Laboratory. We have a “collaboratory” that we've built with ENREL
217 (National Renewable Energy Laboratory) *and* with our research universities, and then we've
218 attracted private research-and-development companies, [and], as a result of that, been able to
219 grow this economy, the R&D part of it, by using the public resources that we have, and that's
220 been the number-one thing.

221
222 The second is, then, a lot of ideas hatched in those. In academia, we are doing as much as we can
223 aggressively to transfer those into the private sector using both federal dollars, but also using VC
224 dollars; and, even in this downturn, we've seen several companies grow from things that were
225 part of our R&D. We've had, probably, 48 laws that I've signed in three legislative sessions that
226 support, through public policy, this. And a lot of these are things that you do here in California.
227 Some of them, I would say, you have not yet quite done, but they're all important public-policy
228 notions. So a renewable-portfolio standard is something that we *had* in Colorado. We doubled it,
229 and then did a variety of things to incentivize the build-out of transmission for investor-owned
230 utilities and for rural electric associations. We put in place net metering, something that I know
231 *you* have, but a lot of people have said you're never going to be able to do.

232
233 And so what we've...developed is this ecosystem, really, that has to do with research and
234 development. Has to do with manufacturing – you know, small-, medium-size, big. We have
235 companies like Vestas. It's 2,500 jobs in a state of 5 million people. It's really significant.
236 Almost a billion dollars (\$1 billion) in investment. And then we have a lot of solar and thin-film
237 photovoltaic. They are companies that are cutting-edge kinds of companies. And thinking of all
238 parts of this system and saying, “This can be a template, really, for the rest of the country in
239 building a...clean-energy economy that broadens your portfolio, your energy portfolio, allows
240 you to address environmental issues, and create jobs doing it.” Natural gas, for us, is also a very
241 big part of it.

242
243 **Ms. Marshman:**

244 Thank you very much.

245

246 **Q:** Coming back to Tom, it seems like just about every state is jumping on the green
247 bandwagon these days to attract jobs – certainly California and Colorado. You’ve said that
248 SunPower would like to do at least some manufacturing in the United States to be closer to your
249 customers. So what do states need to do, to get SunPower manufacturing jobs?

250

251 **A:** (**Mr. Werner**) Wonder why Gov. Ritter is looking at me like that? Listening closely!
252 Well, it turns out, it’s very relevant. We are, in fact, going to do manufacturing in the United
253 States, and, in fact, very soon. And you’re probably thinking that I’m going to say to Gov. Ritter,
254 “Gee, give us tax breaks!” Or “Give us training credits.” Or, you know, “Help us out with a low-
255 cost facility, or low-cost land.” And it turns out you’re right. Because it *is* about global
256 competition. So, you know, I have to be honest, at least.

257

258 But you know what’s more important is a market, and a market that has sustainability, that you
259 can see it’s not a start-and-stop market. It’s one you can serve over the course of time. And we
260 can look to the state that we’re in, in California, and the governor here has done fantastic job,
261 and Gov. Ritter has just impressed the heck out of me. He completely understands it. He’s
262 created a diverse market for solar. He’s created a market that you can see over time, and one that
263 you can grow in. So locating manufacturing proximate to market is a big deal. People like to buy
264 from companies they know. People like to buy from companies that they hear about, that are
265 employing local people that they know, as well. So being in the market, being proximate to a
266 market that’s large in size is a big deal.

267

268 And, of course, [there are] other factors. The quality of the workforce is a big deal, as well. So
269 it’s a combination of those things. And of course you’re competing with choices throughout the
270 world, and so, for a company like us, we do a spreadsheet. We compare the options, but market –
271 that’s the big deal. Create a market and we’ll be there!

272

273 **Ms. Marshman:**

274 Well, thank you.

275

276 **Q:** Tony, in a recent study of American companies done by *Newsweek*, Hewlett-Packard
277 ranked number-one in terms of going green. Now why is going green important to H-P? Tell us
278 some of the steps your company has taken with regard to its products, its policies, its people, and
279 tell us how it affects H-P’s competitiveness?

280

281 **A:** (**Mr. Prophet**) First off, we were very proud of the *Newsweek* recognition, but also
282 impressed by the accomplishments of all the fine companies on that list. I think part of the
283 recognition from *Newsweek* was looking at what we do today and what we’ve done over time,
284 our commitment over time. One example of the longstanding commitment of H-P was that we
285 founded, in 1998—so it’s not a late, fashionable thing, in 1998—a significant e-waste-recovery
286 operation, where we went out to reach out to recycle electronics of our own manufacture and

287 those of others; and, to this point, we've recycled 1.7 billion pounds of e-waste, and hope to get
288 to 2 billion pounds by the end of 2010. So that's one facet of our broad environmental interest.

289
290 Another important facet, and, obviously, one of the key ones that people are interested in today,
291 is climate change, and we tried to take an early leadership role, joining the carbon-disclosure
292 project. In 2008, we believe we were the first IT company to disclose not just *our* carbon
293 footprint, both tier 1 and tier 2, but the carbon footprint of our extended supply chain, so those of
294 the transportation of the products, as they move through...our supply chain, as well as the
295 manufacture of the products, and to...snap a line, create a baseline, to hold ourselves
296 accountable, to report that number. It's 3.5 million tons of carbon. And then to set an aggressive
297 goal to reduce it, and to reduce that by 20 percent by 2013.

298
299 Now how are we going to do that? I mean [there are] many factors and ways that we're doing it,
300 but some of the important examples would be, we're the first company to be recognized by the
301 EPA as part of their SmartWay transportation program, and that's a set of standards that involves
302 over-the-road trucking in the United States related to tire pressure and fuel economy and the
303 idling at truck stops; and, when fully implemented, could have the impact of taking 12 million
304 cars off the road. But they needed like an anchor tenant to do it, and we were the first to sign up
305 for it.

306
307 A second initiative, for example, is we've committed to have 8 percent of our electricity
308 portfolio in the U.S. come from renewable resources. That's above and beyond what would
309 naturally come from the grid. A third would be our San Diego facility has – I'm waiting for the
310 "GIVE IT UP" sign here – our San Diego facility, which has 6,200 solar panels on the roof that
311 [provide] 10 percent of the total energy requirement. So those are *some* examples of the heavy
312 lifting it takes to actually start to make a real reduction in your carbon footprint.

313
314 **Ms. Marshman:**

315 Thank you. Let's switch now to education, preparing the workforce.

316
317 **Q:** Gov. Ritter, Colorado has seen a steady rise in eighth-grade math scores during the past
318 decade. That's terrific! Why is that? And what's being done to continue to raise the bar? And
319 what lessons might there be for states like California?

320
321 **A: (Gov. Ritter)** The steady rise, I think, in part, was about assessments – putting in place
322 assessments, and having some sense about where students were, giving teachers a sense; but
323 we've seen a little bit of a flattening off over a couple of years, and so we have been really
324 ambitious about other education reform. We have now revised our content standards from three-
325 year-olds in preschool all the way through higher-ed – the first time we've had streamlined
326 standards that go, really, from the beginning to the very kind of "end," or the beginning of your
327 higher-ed life. Plus, in addition to that, we put in a thing called "growth modeling" that doesn't
328 just measure how you do on a given Tuesday in March when you take a test. We can go in and
329 show how students are progressing over time by constant assessment.

330
331 We put into place a teacher-identifier number. It's really important for us. So every public-school
332 teacher in Colorado has an identifier number, and you can see how students progress as they pass
333 through this teacher's classroom, which we think is also good.... We were talking about this, and
334 as she said, "If you can measure it, you can improve it." And that's really been our sense
335 about...this.

336
337 The other thing we did was look at the very beginning of your educational life. We have a lot of
338 what we call at-risk kids in preschool, or at-risk kids who are preschool age. We are paying for
339 at-risk kids to go to preschool through state money, because you triple their graduation rate if
340 you put them into a quality preschool. We've also moved to full-day Kindergarten across the
341 state. Now we're going to stage that in over a few years because of budget [constraints].

342
343 The next thing we did this past year was, we put in place the ability for high-school kids in
344 Colorado to get two degrees by staying in school for five years. So you get a high-school
345 diploma *and* an associate's degree, and all of this really is about kids' staying in school, reducing
346 our dropout rate, which is pretty significant, but also it's about workforce readiness. We were
347 talking about the green-energy economy. We just put in place a green certificate program in
348 community colleges across Colorado so that we're thinking about how we link the education
349 world with the things that we're trying to do, to inspire businesses in the state. So our focus has
350 very much been on reforming the education system in a way that's really about the twenty-first
351 century, and makes us competitive globally.

352
353 **Ms. Marshman:**

354 Thank you! (applause) Lots of good ideas there. Let's switch back to Aart who, you may have
355 noticed, tends to be a very quotable guy, and we happened to remember that he said in the past
356 that "education is a global, competitive weapon. And that as a county, state, and nation, we are at
357 risk."

358
359 **Q:** Aart, you've also said that it's time to get an "education CEO." Would you elaborate on
360 that idea, please?

361
362 **A:** (**Dr. de Geus**) Sure. And it's nice to see that we have a bit of an education CEO here,
363 because Gov. Ritter is taking a much more comprehensive view than, certainly, what is
364 happening in California as we speak. But starting right away, at the international level, we have
365 to be aware that, by now, the United States, in U.S., math and science is about at the 40th rank,
366 that California has the 7th from the bottom in terms of math and science at eighth grade in the
367 United States. And I've asked myself, "How is that possible, that we don't deal with that?"
368 Because this is such a profound problem because it's a 20-year-pipeline problem [with] kids, and
369 20 [years] later, you see the results. Right there, that's courageous, because you're on an 8-year
370 pipeline, right? And so how can you make change—how can you make change?—when you will
371 not see or see the benefits of the results? That is the essence of this issue.

372

373 The second thing..., and specifically in California, is that the issue has been improved
374 incrementally with a lot of good intentions, with rule after rule after rule, and you cannot point
375 your finger at somebody in California who is both competent, courageous, empowered, and
376 accountable. In other words, I'm not saying the governor is not trying hard. I'm not
377 saying...other people are not trying hard. There's just nobody in charge. And we all know that if
378 education was a company, this company is heading towards bankruptcy, gradually. When that
379 happens, you bring in a turnaround guy, and you empower him; and the reason you need to
380 empower that person is because otherwise you cannot make the changes necessary to revamp the
381 system, because all these incremental things that gum it up will stop it.

382
383 Right now,...schools have to deal with about 1,250 different articles of rules that they have to
384 follow. It's a bureaucratic nightmare. And so the reason you see me vehement about it, and I'll
385 go *way* over time, if that's what it takes (laughter), is...that if we, this community, that..., as
386 John Hennessy was saying, is a meritocracy that is driving the innovation age, is not bringing
387 about the change, we're delinquent, and we have to enforce much higher duty. We need a CEO
388 for education in California. (applause)

389
390 **Ms. Marshman:**

391 Thank you. You've hit on one of my pet peeves, [which] is that we need to tear up the education
392 code, and start from scratch. That would be job one for a CEO.

393
394 **Q:** Gov. Ritter, on the theme of getting more accountability into the system, in Colorado, the
395 state board of education is elected, and it appoints the education commissioner within *your*
396 cabinet. Do you have the authority you need to guide education...policy as Colorado's
397 "Education CEO"?

398
399 **A: (Gov. Ritter)** It's interesting. What we have is 43 percent of our budget is K-12, and so
400 we have a lot of control over the budget. We don't have, I guess, authority over the state board of
401 education. They are independently elected, and they hire the commissioner. All I can tell you
402 right now is, we do have a good relationship, and it does seem to be working. The dialog about
403 education in Colorado, the education reform, was very much an ideological one prior to my
404 becoming governor....

405
406 Vouchers was a great example. We continually had voucher measures on the ballot. Either you
407 were *for* vouchers or you were *against* vouchers, as if that was going to solve these really serious
408 problems that we had on graduation rates and...flat-lining on testing, and kids who weren't
409 proficient. And we developed this independent group even apart from our state board of
410 education. We called it the P-20 Council. They're subject-matter experts. And this is a place
411 where, I think, it is really wise to try and turn to the subject-matter experts and say, "This – You
412 know, this education system is in crisis." It really is. I mean across the country, I think, it's...in
413 crisis; and so, for our purposes, the thing that we did was say, "Let's figure out how we fix it,
414 and let's set about a group of reforms that are going to be student-centered reforms."

415

416 We've had the advantage of having our teachers' union on board. It's not that we don't have
417 moments of controversy, or that we don't have some tension, that we create the teacher-identifier
418 number. There are people in this country who told me, "You will never pass a teacher-identifier
419 number. Your...teachers' union will be opposed to it."

420
421 We worked with them to get to a place and language that they could agree to, because they
422 understand, again, we need to be able to measure student improvement, and we need to be able to
423 look and see what teachers are helping students along the education continuum, and which are
424 not; and so we've had a state board of education that has kind of not had a strong arm in trying to
425 decide this based upon ideology. We have a commissioner who's aligned with where *I* want to
426 go on student-centered reform, and we have a teachers' union that has understood that a 25-
427 percent dropout rate should be absolutely intolerable to anybody in America. (applause)

428
429 **Ms. Marshman:**

430 Thank you. Let me come back to Aart for a minute. Lots of companies talk about the need to
431 improve K-12 education, but what specifically is Synopsis doing to make a difference? And, in
432 your role as the chair of the board of the Leadership Group, what is *this* organization doing to
433 make a difference?

434
435 **A:** (Dr. de Geus) Well, notwithstanding the fact that there is need for massive systemic
436 change, I think there's also a need for *all* of us to participate in some form or another, and one
437 can be very enthusiastic and very embarrassed about it – enthusiastic, because it *does* have a
438 major impact with SVLG through the math initiative, for example, [which] helps teachers
439 become *much* more proficient in those areas. It has impact when, through ISME, SVLG brings
440 teachers into the workforce during the summers. It does have some impact as Synopsis now leads
441 the science and math fairs with 140,000 students per year going through this, some of which the
442 life (light?) has changed, because, suddenly, math and science is fun. And so I don't want to
443 minimize the...massive impact with the embarrassment. It is a bit of help around a system that's
444 broken.

445
446 Now there is another piece of the system that is actually even – even more deep – even more
447 deeper, even deeper, which is—English is not my first language—which is that it starts with the
448 parents. Let's not forget that. I just happened to be travelling last week in Europe, and there was
449 a major study that just came out that says over 50 percent of the accomplishment of students is
450 directly related to the expectations set...at home.

451
452 Well, let's generalize this a little bit. And this country knows better than anybody else that...one
453 of the things Kennedy did with this "Let's go to the moon" is, he unleashed 20 years of math and
454 science enthusiasm in schools, at home, with students, and it had a *massive* impact on the United
455 States. Still today, the technology leadership in the world is unquestioned, and a lot comes back
456 to that motivation. But the parents were aligned.

457

458 My daughters today report that, in school, half of the...kids don't do the homework,
459 and...they're surprised at that. Who's delinquent here? The kid? Yeah. The *parents!* Let me go
460 extreme. Should those parents be brought in? "Your kid's not in school." "Your kid is not doing
461 their homework." I think so. They're co-responsible. So it starts with the parents; and, again, we
462 can be role models of that motivation.

463
464 **Ms. Marshman:**

465 Thank you.

466
467 **Q:** Tony, Gov. Schwarzenegger recently signed a bill that would allow schools the flexibility
468 to spend instructional-material grants on technological equipment. Texas passed a similar bill. Of
469 course this will create business opportunities for companies like H-P, Dell, Apple, and others,
470 but tell us about the educational benefits you see in this legislation. What will it help schools do?

471
472 **A:** (**Mr. Prophet**) I believe that the future competitiveness and the vitality of our economy,
473 both of Silicon Valley, of the state, and of the nation, the foundation of that is science, you know,
474 technology, engineering, math education. I mean...that, I think, will help us to innovate and
475 make us great and grow up that...next corps of leaders and entrepreneurs, engineers, and
476 scientists that will make...a difference in this country.

477
478 ...If you look at the opportunity that technology presents, and when you bring technology
479 against a problem, and you think about what it would cost to build a library that...held the
480 relevant parts of the Internet, and put that in a school, in every school, you know, accessible to
481 every kid, but you give that to a kid by giving him a desktop or a laptop for a millionth of the
482 cost, or a trillionth of the cost, and you think about how your kids are engaging in the world, and
483 how...they're learning in the world. I mean they're learning via technology. They're engaging,
484 they are interacting via technology....That's the way to make things relevant and exciting to your
485 kids; and so, by bringing technology into the classroom, I think that will also make things
486 more—likewise, more—cost-effective and more current.

487
488 I mean I challenge you to go into the library of wherever your kid is at school, and find a
489 mention of the first African-American president, or the Iraq war, or the conflict in Afghanistan,
490 or the human-genome project. I mean most of the textbooks were written and edited, you know,
491 years ago, and so the currency of it is also an important benefit....

492
493 And then, finally, it's the way that work is done. I mean you look around the room. How many
494 people are right now on their BlackBerrys or thinking about their BlackBerrys, all right? Or will
495 get back to their desk and get on their technology device and...communicate and be productive
496 with it. That's...the way of the workplace today, as well, and introducing, you know, our kids to
497 that as early as possible, I think, is also important to our competitiveness.

498
499 **Ms. Marshman:**

500 Okay. Thank you very much. We'll now move to questions from the audience; and, for these,
501 I'm going to ask you to please answer in one minute if you can, so our timekeeper can adjust her
502 "LET IT GO" up a minute.

503
504 **Q:** The first question is for Gov. Ritter. You mentioned that student performance is
505 measured relative to each teacher's class. What's the basis of measurement? A standard test? Or
506 grades? Or something else?

507
508 **A:** (**Gov. Ritter**) Well, it's standard testing, but we're redeveloping the assessment, and so
509 we did the content standards first. We'll have the new assessment finished. And it's going to be a
510 different, regular assessment, rather than an annual one. And so you can get a sense at the
511 beginning, in the middle. We used to do just one [a] year, you know, one time in March, and
512 we'd do the core subjects; and this assessment is actually going to be broader than just the core
513 subjects that we were testing against formerly, because we think that's important, as well. So it's
514 really about a variety of things over a period of time, where you can watch the progress of the
515 student.

516
517 We also have a growth modeling on the Internet that's about...every school. You can go into,
518 and you can find any public school in our state. You can look at whether they're high-achieving /
519 high-growth, low-achieving / low-growth. You can see if they're somewhere on a continuum.
520 Then you go into a classroom. You can see how the...students do with this teacher. Then you
521 can go to a student's profile. You don't see the student's name or whatever, but the profile, and
522 see how students are doing over their educational life. It's all a Web-based model; and, again, I
523 think we're the first state in the country to have developed a full, Web-based model for our
524 public-school system.

525
526 **Q:** (**Ms. Marshman**) And the state runs that Web site?

527
528 **A:** (**Gov. Ritter**) Yes.

529
530 **Ms. Marshman:**
531 That's very interesting. A question for Aart.

532
533 **Q:** You've talked a lot about ways to improve K-12 education to prepare American students
534 for the workforce. What about immigration reform to also ensure that we can continue to attract
535 top talent from around the world? As a person born outside the United States, what's your
536 perspective on immigration reform? And what should America do, to attract top talent?

537
538 **A:** (**Dr. de Geus**) Well, you know, it feels like I'm repetitive, after hearing five or six people
539 speak on this topic already, which is it is a meritocracy, and, therefore, innovation does not know
540 who it comes from, not age, not color, not...provenance, not – not anything. It is about the best
541 people in the world. This region, particularly, has been benefitted greatly from being able to
542 attract top-notch folks, and actually, top-notch folks attract more. And the school system,

543 especially the...university system, has been incredibly powerful in that. The key, though, is to
544 keep those people here afterwards, because there's a wave of innovation that occurs right after
545 you ...leave graduate school, let's say, and it has to be harnessed here.
546

547 The challenge, of course, is, after 9/11, the doors closed, and then immigration was tagged to
548 immigration from the South, which is a different problem, equally...worthy to deal with, but
549 different. And so unless we understand they have to be segregated, and unless we understand that
550 the most-important thing is not just to get people here for education, but you keep them, then we
551 will lose out on that best talent.
552

553 **Ms. Marshman:**

554 Thank you. A question for Tom.
555

556 **Q:** Federal stimulus money for, among other things, energy savings and efficiencies, was
557 supposed to jump-start America's way out of the recession while doing good for the planet. Has
558 this money trickled down to the solar industry? Has it helped, or will it help, you to create jobs?
559

560 **A:** (**Mr. Werner**) While you were reading the question, I was thinking that "stimulus" is
561 sort of a phrase you hear a lot about, but it's not well-defined, and it's had a big impact on clean
562 tech. So I was thinking about the intersection of the two, and what you could—you know, a
563 phrase that you could—call that, and I thought maybe "more deeper." No, that wouldn't work!
564 And I came up with this idea of the new energy economy, and what is the "new energy
565 economy"? It's [the problem of] American energy-security being solved, jobs created, and
566 climate change [mitigated], all with one...program¹, and the President of the United States
567 completely understands that, and it turns out that Gov. Ritter was the one that came up with the
568 "new energy economy" phrase.
569

570 So what the stimulus act does is, it creates a market for green tech, and, therefore, it creates jobs.
571 So what does that mean? That means that if you put a solar system, or a wind [system] in, you
572 can get a tax credit. If you finance a renewable-energy project, you can get – it's up already?
573 You can get loan support from the government, because the banks have flipped to being
574 incredibly risk-[averse], and so renewable projects dried up; but the government will now do a
575 loan guarantee. So the stimulus is...absolutely having an impact and it's having an impact by
576 creating a market, and a more—less—risky market, and, therefore, a predictable market.
577

578 **Ms. Marshman:**

579 Great. Thank you. A question for Tony.
580

581 **Q:** There seem to be signs of hope that the economy is improving. How does 2010 look for
582 H-P and for high-tech in general?

¹ Mr. Werner actually said, "It's American energy security being solved, jobs created, and climate change, all with one – one program...."

583
584
585
586
587
588
589
590
591
592
593
594
595
596
597
598
599
600
601
602
603
604
605
606
607
608
609
610
611
612
613
614
615
616
617
618
619
620
621
622
623
624
625

A: (Mr. Prophet) Any of you that work at large corporations know about the quiet period, and we're announcing earnings soon, and I wouldn't offer any comments about the future.

Q: (Ms. Marshman) You wouldn't care to speculate generally?

A: (Mr. Prophet) I wouldn't, no, not at all. Not at all. No, I think that the...company is on the record with its outlook. I wouldn't...edit or amend anything my boss or boss's boss has said, and wouldn't offer any forward-looking statements.

Ms. Marshman:
That is...very understandable....

Q: The last question. The last question is for Gov. Ritter. It's a very important question. It is, who will finish ahead in 2010? The San Francisco Giants or the Colorado Rockies?

A: (Gov. Ritter) I'd say the Colorado Rockies, but I'm leaving soon, so catch me on the way out. No,...what a great couple of teams, and what a great battle they had this past year, so thanks for the opportunity to be here. I really do appreciate the opportunity just to address all of you. This was great! (applause)

Mr. Guardino:
If this were a football game, it would be the two-minute warning, so I'm going to ask, please don't leave. We will be done in two minutes.

First, one of the question cards was, "What plans does the Leadership Group and its member companies have to invest in education and prepare today's youth for positions in Silicon Valley companies?"

I'd just like to announce today, in the first quarter of next year, we're going to be partnering with middle schools in East San Jose for a summit. It's going to be a women's conference, bringing women technology leaders together to learn from each other, but to engage, in those schools, young girls and young boys of great ethnic diversity about the future of Silicon Valley. So we'll be taking several steps like that, and we're enthused about that effort. So thanks for asking that question....

(Mr. Guardino lists math-initiative donors -- Decarta, \$5,000 a year for three years, and Santa Clara County Executive Dr. Jeff Smith, \$1,000, and presents Gov. Ritter with cycling clothing from SVLG, Taleo, Amgen, Team CSC, SunPower, SVB Financial, and Webcor Builders.)

#

/WPP
October 30, 31, 2009