

A transcript for
The Silicon Valley Leadership Group
“Projections 2010: Leadership California”
Panel Discussion One of Five
Dan Hatfield, Moderator
Held at Santa Clara University Louis B. Mayer Theatre
September 16, 2009

Panel members in order introduced:

Steve Poizner, Insurance Commissioner, State of California
Andy Ball, CEO, Webcor
Stuart Cohen, Executive Director, TransForm
Kim Polese, CEO, SpikeSource

1 **Mr. Guardino:**

2 ...On behalf of the three hundred members of the Silicon Valley Leadership Group, who
3 collectively provide one of every four jobs in all of Silicon Valley, we're honored you have
4 carved out half a day to participate in an interactive dialogue with four of the five top-tier
5 gubernatorial candidates who would like to be your next governor. We're honored that nearly a
6 dozen top Silicon Valley CEOs will be engaging these public-sector leaders in an in-depth
7 dialogue about the most pressing issues facing our region and our state; that several of the Bay
8 Area's finest journalists will be posing timely questions about the policy issues you care most
9 about; and that each of you will have the opportunity to pose questions on the 3x5 question
10 cards...to those members on each panel....
11

12 Please join me in thanking our Projections team leader, Gavin Douglas,...and his colleague,
13 Stephen Wright, our communications vice president....
14

15 California is in crisis. We are deeply concerned about the state budget, governance, and the need
16 for reform. We're equally concerned about issues not being addressed that impact our everyday
17 lives and the strength of our economy, like education, housing, transportation, water, energy, the
18 environment, healthcare, fees, and taxes. We are here today because we have a choice. We can
19 be enraged or we can be engaged. It is time we took the tarnish off the Golden State, and that
20 only happens when each of us is involved. That is why we are honored to have you with us
21 today. Engage....
22

23 As our first panel makes its way onstage,...I'd like you to join me in welcoming me to the
24 podium the director of corporate responsibility for Symantec Corporation, Ms. Cecily Joseph....
25

26 **Ms. Joseph:**

27 Good morning. All of today's panels deal with the issues critical to Silicon Valley, but *this* one
28 involves topics that consistently rank at the very top of concerns [both for] companies and the
29 broader community, housing and transportation. The panelists will be introduced in a minute, but
30 I wanted to introduce you to the moderator, Dan Hatfield. Dan is in charge of the editorial pages

31 for eleven daily newspapers throughout the Bay Area, including the Contra Costa Times and the
32 Oakland Tribune. The combined daily circulation is three hundred and four thousand (304,000).
33 He has been the editorial-page editor at the Contra Costa Times, which has its headquarters in
34 Walnut Creek, for nearly thirteen years. Ladies and Gentlemen, Dan Hatfield.

35
36 **Mr. Hatfield:**

37 We're going to use the Phil Donahue mic. Oh, my goodness! Thank you. It's a pleasure to be
38 here. I'm going to try a little something different, and any time I say that, these folks over here
39 are about to freak out. Even though I have spent nearly half of my life living in the states of
40 Louisiana and West Virginia, I am going to dispense with any cute little stories, and get right to
41 the program. Let me...tell you who we have on our panel here, because this is an awfully
42 important segment, and I think it's a good beginning.

43
44 First, we have gubernatorial candidate and current insurance commissioner—I got that in the
45 right order, right?—okay. Mr. Steve Poizner. And we have megabuilder, the CEO of Webcor,
46 Andy Ball. All of you Cal fans, he is building your stadium....Next, we have Stuart Cohen, who
47 is the executive director of TransForm, an advocacy group. And we have Kim Polese, who is the
48 CEO of SpikeSource....And one other thing. We should remind the panelists that...all the seats
49 are equipped with a lie detector and an ejection seat. This is a high-tech operation.

50
51 **Q:** Mr. Poizner, individual city decisions on land-use issues determine whether our
52 collective housing-supply needs are met. However, residential developers continue to face
53 community opposition to new development proposals. What role should the state play, or can the
54 state play?

55
56 **A:** (**Mr. Poizner**) Good morning, everybody, and thanks to Carl and the Leadership Group
57 for organizing this. The Silicon Valley Leadership Group all around the state of California is
58 extremely well known as being one of the most effective advocacy groups in the state, so
59 congratulations again on this seminar.

60
61 With regards to the question about whether there's a role for the state to help deal with some of
62 the land-use planning decisions that get made locally all over the state of California, let me just
63 say I'm personally a big believer in local control. And, as the next governor, I am not going to be
64 yanking power out of the local level to move it to the state, that's for sure. In fact, I'm going to
65 be moving power in the other direction. I think there's way too much power concentrated in
66 Sacramento. But, with that said, there's a need for much better coordination, and that's where
67 great leadership can make a big difference. The fact is, the impact on the environment and
68 transportation-system planning – that does cross city boundaries, and there hasn't been great
69 coordination between various locals in a particular region. And I will play a big role in getting
70 local communities together in regional task forces to better coordinate regional planning across
71 the state.

73 And one final comment here. One thing I *will* do for sure as I become more active, you know, in
74 helping to get this great state that's very broken right now back on track, I can guarantee you
75 this. I will not rob transportation funds to help deal with short-term budget problems. That is
76 illegal and that is wrong and, of course, that creates all kinds of crises when transportation funds
77 are...counted on by local groups, and then, all of a sudden, the state steals this money to deal
78 with short-term budget crises, and that's just a big mistake, and I'm just not going to let that
79 happen.

80
81 **Mr. Hatfield:**

82 **Q:** Well, as a follow-up to that, *how* are you not going to let that happen?
83

84 **A:** (**Mr. Poizner**) Well, it's an issue of having...first, the vision that it's illegal to be robbing
85 these dedicated funds that have been put together by voters for specialized causes. As Mr. Cohen
86 knows, and others, I mean these transportation funds were put together by the voters to fund
87 transportation projects, not to deal with short-term budget crises. So it takes a leader who
88 understands that, understands the law, and what the voters intended, and I'm simply going to
89 have the passion and the backbone to resist any urge to steal monies from the locals and regions.
90

91 **Mr. Hatfield:**

92 Thank you. This one is for Kim Polese.
93

94 **Q:** The low-income-housing tax credit is the most important financing tool for the
95 construction of affordable housing, and it has become an unfortunate piece of collateral damage
96 in the lagging economy. Unfortunately, the economy has made it impossible for banks to invest
97 at previous levels to pick up the gap left when Fannie Mae and Freddie Mac exited the market;
98 and, without the critical source of equity, as sound, affordable home development [projects] are
99 stalled and not built, how can...we make *this* program more attractive to high-tech companies so
100 that we can invest in it?
101

102 **A:** (**Ms. Polese**) Great question, and you're right. The low-income-housing tax credit has
103 been both a very important driver of creating affordable housing and rental communities in the
104 Bay Area. Many of the developments you drive by every day, you may not know are low-income
105 housing, or affordable housing financed through these tax credits, and investments behind this
106 infrastructure. About 40 percent of affordable housing is financed this way; and, because of the
107 bank crisis, Fannie and Freddie used to be major funders, major investors, I should say, of the
108 low-income-housing tax credit. Those banks, those institutions, have, you know, withdrawn from
109 the level of investment they had been making.
110

111 So the Silicon Valley Leadership Group has actually created a low-income-housing tax-credit
112 fund to encourage the technology industry, and non-banking industries, to look at this as a viable
113 investment strategy. Actually, returns are quite healthy – 9 to 10 percent on average. The default
114 rate is very, very low; and so this is...an area of investment that is, I think, a topic to be explored.
115 It's a new area, a new kind of investment. Typically, you don't see high-tech companies

116 investing in real estate; but, again, the returns, the opportunity to invest in our community while
117 making a good return on that investment is, you know, quite extraordinary – the combination of
118 those two benefits.

119
120 So we are working on getting the message out to the industry, to the valley, about this
121 opportunity. You know, companies need to figure out, does this fit in their investment-portfolio
122 strategy? You know, “Can we create a secondary market?” There are a lot of issues still to
123 explore and work out; but there’s a lot of opportunity here, and we’re excited about it.

124
125 **Mr. Hatfield:**

126 I’d actually like to direct this one to Andy Ball. According to the U.S. Green Building Council,
127 buildings account for 39 percent of the total energy use, 12 percent of total water consumption,
128 68 percent of total electricity consumed, and 38 percent of the carbon-dioxide emissions.

129
130 **Q:** What type of innovations are private-sector companies coming up with in green building?
131 *And* what role would government play in facilitating the adoption of green building policies?

132
133 **A:** (**Mr. Ball**) Well, I think that you stated 39 percent. My figures show that...over 50
134 percent of the energy goes to the built environment, which is significant. The single-best way to
135 save energy is to not use it. So if you look at a building, having a super-insulated building that
136 you don’t have to heat much or cool much is going to yield the greatest savings. Of that energy
137 that goes out, 30 percent goes right out the windows. And, by saying that, it’s both cold [and]
138 heat. It’s the sun coming through that window. It’s heating up the space. It’s a big problem.

139
140 And that in itself is where technology can really help, because we’ve all had eye glasses for a
141 long time that change color as you go out into the bright sun. That’s dynamic “smart” glass. We
142 can start to take the insulated glass that now has the low-e film in it which filters out the UV-A.
143 the UV-B, and now that glass can start to react to the sunshine that’s on it, and start to change
144 color, get darker as the sun shines on it, and then lighten up and become clear again as the sun
145 isn’t shining on it, and I think that we can get to the point in time where we’re not just dumping
146 all the energy out those glass windows. We can actually make that neutral, the same as the rest of
147 the skin. Or we can probably, in ten (10) years, have some kind of a film on that that’s a
148 photovoltaic film that actually starts to use and draw energy from the sun and convert that into
149 energy for the building. And I think that’s really the single-best area where you’re going to see
150 significant changes in energy savings.

151
152 **Q:** Along with that, as a follow-up to that, what are the cost issues involved in doing that sort
153 of thing?

154
155 **A:** (**Mr. Ball**) The cost of that kind of glass, the more it’s...used, the lower the cost. So,
156 initially, there are going to be, probably, 10- to 20-percent cost increases for that kind of glass.
157 So, to answer the second half of your question, really, how can the government help? As the
158 governments start to say, “You need to have at least a LEED silver building within a certain

159 number of years,” and more and more cities are adopting those kinds of ordinances, then that
160 levels the playing field, so that if you have to pay that cost, everybody has to pay that cost. And
161 if there are rebates or incentives, tax breaks that the government can provide to offset some of
162 that cost, because there is a payback period in the building. You’re...definitely going to be
163 saving money when you have buildings that use these kinds of smart decisions. So the building
164 of the future is going to use a lot less power.

165
166 **A:** (Mr. Poizner) If I could add what we are doing at the Department of Insurance, you
167 know, I oversee the insurance industry, a \$160 billion industry, about 10 percent of the economy.
168 What the insurance [companies] charge [has] a big impact on costs. We’ve been studying, from
169 an actuarial standpoint, what are the liabilities associated with houses and buildings that are built
170 green. Are they higher or lower expenses over time from the insurance companies’ perspective,
171 from a liability perspective?

172
173 Now I’m a big believer that insurance costs should be priced based on the underlying, long-term
174 liability and costs associated with servicing that insurance policy. It turns out, [for] people who
175 own green homes or occupy green buildings, the risks are just lower, for a variety of reasons, and
176 so, at the Department of Insurance, we’re opening up the doors to allow insurance companies to
177 offer green insurance, and California is leading the way. All kinds of green insurance products
178 now are being offered, where building owners and home owners get discounts if they build their
179 buildings green; and hopefully, these financial incentives will help spur along some of this
180 development.

181
182 **A:** (Mr. Ball) Well, Steve, I think that’s great. What we’re finding is, over the past five
183 years, we’ve increased from about 10 percent to almost 100 percent of our buildings now are
184 LEED¹ rated...or certified. So it really doesn’t cost any more money to have [a building] LEED-
185 certified, the lowest level of LEED, and that’s significant. So we can advise, smart companies
186 can advise, on what you can do to make good decisions to get your building to be LEED-
187 certified.

188
189 **Mr. Hatfield:** Stuart?

190
191 **A:** (Mr. Cohen) And one aspect of building that’s been ignored until recently has been
192 focused on not just, you know, the type of carpet, or whether [there are] solar panels, but how
193 much the design impacts the amount of driving that takes place, once it’s built. And what they’re
194 finding is, we are assuming, as we’re going to all this transit-oriented development, that people
195 are going to come with the 2.2 vehicles they owned when they were out in suburban areas; and if
196 you take an eight-acre plot, and you try to put on that much parking, versus what you most likely
197 need, which is about 1.1 [vehicles], you add about \$12 million to the cost of that structure,
198 because you’ve got to do a parking structure. You also reduce the space for about 120 units on
199 the same envelope building, and so I think [there are] a few things that can be done about that.

¹ Leadership in Energy and Environmental Design
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One, the Silicon Valley Community Foundation just made an investment...to bring a certification program that's just beginning called Green Trip, which my organization is involved with, that would be like LEED, except really focused on rewarding buildings that are getting the parking right, that are providing free transit passes, that are bringing CarShare into the building so people can own zero one but still have access to a vehicle.

And the second thing that I hope everybody would support here in terms of the government role is our air district, the Bay Area Air Quality Management District, is now looking to replicate what's being done in the San Joaquin Valley, where buildings are looked at not just for their current emissions, you know, while they're being built, but what the future emissions will be, based on how much driving takes place. If there's a development that's not doing things right, they don't have shuttles, they don't have sidewalks, the location is bad, they are allowed to reduce—try to reduce—future emissions by doing things better – putting in solar panels, putting in sidewalks; and, if they can't, then they can pay a fee to mitigate it offsite. So this indirect-source rule, as it's called, is going to be a really important motivation to get developers to do it right, and make sure that we can meet our greenhouse-gas goals in the state.

A: (Mr. Ball) Well, an SB 375 definitely is along that line.

Mr. Hatfield:

Well, that's exactly where the next question is, and I want to start with Stuart, but everybody jump in if you want to on this one. There's been a lot of talk about both AB 32 and SB 375, and if you don't know what those are, what are you doing here? Read the newspaper.

Q: What, in your minds – We'll start with Stuart, but what in your mind is a good metric for determining whether we've succeeded? How...do we know when we *have* succeeded?

A: (Mr. Cohen) All right. Well, I've been dealing with this more than I've wanted to, because CARB (California Air Resources Board) appointed me to this regional target advisory committee, and today's the last meeting, so I'm flying up to Sacramento right after this, and that's what's being debated today: What is going to be the metric?

Ultimately, the metric is going to be the amount of greenhouse-gas emissions that are produced from the transportation sector for SB 375. The real particular (particulate?) measure that we want to make sure it focuses on is vehicles miles traveled, and how can we reduce that, and I think part of the problem is we don't measure vehicle miles traveled right now in any direct way, and so we need to get to that; but, ultimately, this is only going to be successful if people understand the benefits that we could have of growing smarter, and that's not going to come by talking to people about VMT, and so one of the things we're really trying to promote as part of this implementation of SB 375 is a much better evaluation of the co-benefits, as they are called, of driving less.

243 And so we would like to see, for example, a much better ability to measure and predict how
244 placing affordable housing near our transit and downtowns can create this boon across a whole
245 bunch of measures. It would reduce vehicle miles traveled. These are the folks most likely to
246 give up vehicles and use transit. It would save money because then we've got affordable homes
247 near affordable transit; and it would do the most for GHG. Then, if we can quantify how much
248 we're [saving] – how much we're saving by reducing people's commute time, by saving them on
249 their household budgets; and then, by reducing the cost for overall infrastructure needs, we can
250 sell this much better than if we talk about the need to reduce vehicle miles traveled. So GHG is
251 the ultimate goal, [with] VMT kind of secondary; but explaining it in a broader scope of co-
252 benefits is going to be key. And, again, I think, in Silicon Valley, the Community Foundation is
253 looking into right now teaming up with folks that do regional visioning, and bringing it to people
254 directly.

255
256 **Mr. Hatfield:** Anyone? Mr. Poizner.

257
258 **A:** (**Mr. Poizner**) Well, I completely agree that reducing the total miles driven in the state of
259 California would be a fantastic thing. It would reduce accident rates. It would help clean up the
260 environment. It would lower the cost of insurance, because there would be fewer accidents, and
261 so there are lots of benefits.

262
263 So Stuart and others have been a big help to the [Insurance] department over the last year, where,
264 for the first time, we're rolling out new rules at the Department of Insurance that actually [allow]
265 insurance companies to offer you-all a discount if you drive less. Now, believe it or not, before I
266 got to the Department of Insurance as Insurance Commissioner, [companies were] prohibited
267 from offering these kinds of discounts. We cleared the way, and these regulations that we just
268 finalized, and we're just rolling out, ...called "pay-as-you-drive" regulations, that now, for the
269 first time, insurance companies will be rolling out a bunch of new products so that if you
270 voluntarily drive less, you will pay less for your auto insurance. And we do think that that
271 financial incentive will make a big difference to drivers. Especially right now, in this tough
272 economic recession that we're in, people are going to be looking for ways to save many. Their
273 auto insurance rates will go down.

274
275 Now do you know that, if you have a car here that was built after 1996, you have a data port
276 underneath your steering wheel. Every car has one. And so some insurance companies will be
277 offering a little device that you can plug into this data port, and the data port connects to the car's
278 computer system, and, if you give permission for this—it's all voluntary—but if you give
279 permission for this, then the insurance company can track how many miles you're driving, you
280 know, through a wireless link automatically, and you'll get, you know, weekly or monthly
281 statements about how much your insurance is going down, just based on your driving.

282
283 Now some people won't like that, and then some people will, but we wanted to make sure to
284 clear the path, to offer options for consumers out there *and* for insurance companies. So the net

285 effect, if we can get the total number of miles driven in California down even by a few
286 [percentage points], it will have a profound impact.

287
288 **A:** (Mr. Ball) So I want to get back to Stuart. What you were saying is, you know, I think
289 that that sustainable community is a great place to live, and having that community around a rail
290 station or a BART transit station. Transit is absolutely vital. This is where, I think, that you were
291 talking about earlier, you want to give local control. This is where the state can say there need to
292 be special zones around these transit centers. They need to have higher density. They need to
293 have a lot less red tape in the context of trying to get these developments approved, because
294 they're not going to be successful, they're not going to happen, unless they have economic
295 viability. And, in the current financing market, unless the state comes in and starts to help with
296 what it takes to get the development done, in the density that's required, close to transit, and have
297 transit support a good, sustainable community that's mixed use, where you have retail, where
298 you have office, where you have people that are living there in high-enough densities to make
299 sense, and transit is absolutely the heart of that, and the state can be a very, very big help in
300 making sure that those can be planned with less red tape, and are economically viable.

301
302 **Mr. Hatfield:**
303 That's what the state can do. What about the local governments? That's where we were going
304 next. You're ahead of me on all these questions....

305
306 **A:** (Mr. Ball) Well, before you ask that, I think that Kim can start to say, you know, things
307 that are economically viable need to have financing. You're not going to build anything without
308 financing, and some of the ways that you can...make that happen, I think, is, if that's okay, I'd
309 like to hear what she has to say.

310
311 **Mr. Hatfield:** Sure. I would, too.

312
313 **A:** (Ms. Polese) Well, first let me say this kind of housing development, and the mixed
314 transportation, high-density, very vibrant communities, is exactly the kind of, you know, housing
315 that our employees, and employees of many Silicon Valley companies, are looking for.

316
317 You know, software developers are typical employees. Many of them have young families. They
318 want to live close to where they work. High-density development is critical, but isolated high-
319 density communities defeat the purpose. So our employees are looking for housing that can
320 allow them to also have access to restaurants, 24-hour services,...retail businesses, you know,
321 basically a kind of life style that is more conducive to spending time with your family versus
322 being on the road.

323
324 I'm not an expert, and, on a funding part, how we make this happen through a combination of
325 local and state, but I can tell you where the desire is on the part of the Silicon Valley companies,
326 and it's this kind of housing. It's this kind of development. So we're very supportive of it.

327

328 Obviously, the Silicon Valley Leadership Group has been a big leader in developing affordable-
329 housing strategies, whether it's the Housing Trust Fund, or, now, the...low-income-housing tax-
330 credit fund. So we're looking for new, innovative sources of funding; but we also know how
331 important it is to work hand-in-hand with local as well as state government, and I think the local
332 community, the local government, really can play a lead role here.

333
334 **Q:** Well, Stuart, as a veteran of some wars that go on in local council chambers, what is the
335 landscape for this for local government? What's the role of local government in all this?

336
337 **A:** (**Mr. Cohen**) Well, it's really a great question, and I think what we've been learning after
338 twelve years of trying to do this is that the most fundamental change that has to take place is that
339 the community-engagement part has to happen very early on. Too often, this is looked at on a
340 map as a parcel of land, and "How can we develop it?" And then the community finds out much
341 later, once [there are], you know, one or two proposals for it.

342
343 So we've been part of this Great Communities collaborative,the goal [of which] is to get
344 cities to do comprehensive plans. These are neighborhoods, and there's a reason people
345 sometimes reject these buildings, because they didn't have any say in what might go on in
346 [them]. And so we really support local governments, and support getting funding to local
347 governments, to build new community needs assessments as the very first part.

348
349 Maybe they want, you know, more childcare or shopping possibilities; but what's missing in the
350 community? What are the assets you want to preserve? And *then* start planning for that
351 area....But it's basically that community-engagement piece. And what we've been finding has
352 been pretty astounding. In places like San Leandro, where it's one-story buildings near their
353 BART station, when the community was deeply engaged from the beginning, and that area went
354 from being zoned...from five hundred homes to now thirty-five hundred homes, in the half-mile
355 surrounding it.

356
357 But coming with that was, like I was describing, a new park, a child-care center, as part of it.
358 Great pedestrian paths. We saw the community come out about four to one (4:1) in favor of this
359 higher density; and, as the first development was proposed, a hundred affordable units, again,
360 three to one (3:1) in favor, because it included some of the amenities they want. And, in fact,
361 they made the affordable unit a penthouse because they reduced the parking to one. It saved them
362 four million dollars (\$4 million) on the structure, which got it to that point where they were just
363 able to build it, and it's starting construction now, even in these times. So, to me, community
364 engagement [is] number one.

365
366 **Mr. Hatfield:**

367 Well, one of the other examples is, I believe, the Pleasant Hill BART station that...went through
368 what they called a charrette process, which we covered, and it went on for a long time, let me tell
369 you. But there is construction there now. It's called Avalon Bay, I believe, and it's quite
370 expansive.

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Mr. Ball:
And it's good looking!

Mr. Hatfield:
Yeah. Well, so far... It's good looking to Andy, 'cause it's got all that stuff out there!... Let me ask a general question that shifts away a little bit, and we'll get into driving now.

Q: What role do *you* think, or do you believe, electric vehicles, plug-in hybrids, that sort of thing—and this is a general question; anybody jump in, please—can play in creating new green-collar jobs in the state, or, for that matter, in the overall matrix in which we live?

A: (**Mr. Poizner**) Are we talking about Tesla?

Mr. Hatfield:
Well, that would be one.

A: (**Mr. Poizner**) Well, you know, clearly, the more that you can keep jobs in California by building electric vehicles here is really good; and, as we've looked at Tesla, looked around for different spots, it was great to hear them announce that they were going to have a portion of their power train facility at the Stanford Research Institute. I think that electric vehicles represent something the people *want* to have. It makes a lot of sense; and, for us to be able to put in an electrical smart grid here, to develop electrical power systems, do electrical research, there are a lot of different components of electrical cars, that it just makes sense that, relative to the high-tech capacity that we have here in Northern California, that we're ideally suited to be the provider of that kind of technology.

Mr. Hatfield:
Anyone else? What's the future?

A: (**Mr. Poizner**) Can I say something controversial? Is that all right?

Mr. Hatfield:
Sure, go ahead. Have at it!

A: (**Mr. Poizner**) I'm just a big believer in nuclear power and electric cars. Those two technologies go hand-in-hand. The fact is, if we're going to have hybrid cars and electric cars to be the backbone of our future transportation structure, which would have a *profound* impact on the national security of this country, as well as on cleaning up the environment, then we need some proven, 24/7 electricity power-generating capability that exists today. Now the fact is, we're now on fourth-generation nuclear power-plant design. France, which cares about the environment just as much as we do, generates 85 percent of its electricity from nuclear power plants. The fact is, these modern, fourth-generation designs are very safe, don't generate nearly

414 the waste that's been generated in the past, and should be a part of the mix here in the state of
415 California. Unfortunately, nuclear power plants are prohibited in the state of California, and that
416 one little one-sentence law needs to change, because it will be perfect technology to allow for the
417 rapid expansion of electric cars here in this state.

418
419 **A:** (**Mr. Ball**) I totally agree, actually. Nuclear energy provides 30 percent of the power in
420 the state of California. It does that at 2 cents a kilowatt hour versus the 55-plus cents that comes
421 from carbon-burning fuels. So, as you look at a renewable resource, that's significant. Lawrence
422 Berkeley Labs, Lawrence Livermore Labs, is looking at very interesting laser technology that
423 renders nuclear waste completely inactive. It's very promising. Within twenty years, you will
424 probably see some nuclear fusion coming online. They have a plant that's being built that will be
425 finished within six years in France that's a consortium of Germany, Japan, the United States.
426 Fusion is looking promising, too. So, as you look at nuclear, it really is the only significant,
427 viable, long-term, zero-carbon-footprint resource; but it has a lot to overcome in terms of
428 people's perception of it – the safety and the waste issue.

429
430 **A:** (**Ms. Polese**) It's a good point. Some of my environmental friends have become nuclear-
431 power champions and sort of maybe it doesn't seem like the two go hand-in-hand, but, more and
432 more, we're hearing about this as a real, viable option.

433
434 Let me also just touch on jobs, to this point about...electric vehicles, and plug-in strategies.
435 Tesla, for example, just received four hundred sixty-five million dollars (\$465 million) from the
436 Department of Energy, and are building, as noted, a production plant here in California that will
437 create probably about a thousand jobs. So this means, you know, real – This is moving the needle
438 in a significant way, in terms of creating a green-collar job center for the state and for the world.
439 There's also a plug-in-infrastructure opportunity, so the plug-in vehicles, obviously, need to
440 have, you know, locations where they can charge along the way, in roads, homes, workplaces –
441 again, a whole new set of green-collar jobs that can be generated through that plug-in
442 infrastructure necessary to support the industry. So...I think we're really just at the beginning of
443 what the EV and plug-in industry can do, in terms of job creation and innovation here in the state
444 of California.

445
446 **Q:** ...In relation to that, what impact does the plug-in – Let's say we suddenly went to plug-
447 in cars. What impact does that have on the electric grid...?

448
449 **A:** (**Mr. Ball**) ...It's significant. We're anticipating, over the next ten years, that there's
450 going to be something like a 50-percent increase in demand on the power grid. You know, we've
451 all experienced these sort of brownouts and problems that have occurred, so there have to be
452 more power plants that are created. There have to be more electrical-producing facilities;
453 otherwise, we are going to have problems.

454
455 **A:** (**Mr. Poizner**) And can I just say, it's impossible, practically speaking, to build a new
456 power plant in the state of California of any kind, basically. And so where does this state get its

457 electricity, since it's basically impossible to build new power plants? Do you all know that we
458 import now 30 percent of our electricity from dirty, coal-burning fire (sic) plants in the Midwest?
459 That's a fact. And so some of the restrictions on building power plants in this state have done
460 more harm for the global environment than what they were intended to do, and we need to be
461 very careful about unintended consequences of some of these restrictions.

462
463 **Mr. Guardino:**

464 We're going to segue now to questions from you, the audience, because you're participants, not
465 audience. We're going to get to as many as we can....

466
467 **Mr. Hatfield:**

468 All right. This one is for Steve Poizner.

469
470 **Q:** California state spending has doubled. Some analysts project that state spending could
471 continue to double, maybe even triple, in the next ten to twenty years. How could our
472 government get state spending under control in light of our...current fiscal crisis?
473

474 **A:** (**Mr. Poizner**) Well, of course, state spending can't continue to grow at that rate. It did
475 double in the last ten years. We do spend, you know, about a hundred billion a year, about, with
476 all the special funds, together with the general funds. If it continues at the same pace, it will be at
477 about a hundred-eighty, hundred-ninety billion in ten years; and, in twenty years, we'd be
478 spending about three hundred billion dollars, if we continue at the same pace.
479

480 At that pace, at that size state spending, then everybody in the state of California will be working
481 for the state of California, and maybe that would be a good thing, because all the rest of the jobs
482 would be driven out of the state. The fact is, we've got to stop this out-of-control spending, and
483 it's on an unsustainable path that will really have ongoing, destructive impacts on the economy.
484

485 Now, at the Department of Insurance, I got a first-hand look at a large state agency two and a
486 half years ago, when I got there. We had thirteen hundred employees. We did a top-down review.
487 We did a Silicon Valley-style strategic plan, the first strategic plan in the history of the
488 department. Bottom line: We now have eleven hundred employees. We've been able to cut our
489 expenses permanently by 15 percent. We're getting more done with fewer people. This is the
490 kind of streamlining that needs to be done throughout the state of California.
491

492 **Mr. Hatfield:**

493 This one's for Andy Ball.

494
495 **Q:** California's highways are crumbling. No kidding. What can be done to fix this issue?
496 And how important is it?
497

498 **A:** (**Mr. Ball**) Well, it's vitally important. We had propositions that were passed a couple
499 years ago that were meant to deal with this infrastructure; but, because of the state's budget crisis

500 right now, a lot of those funds are not being spent on what they need to spent [on], so I agree
501 with Steve's comment that we need to be sure that we take the money that the citizens vote for,
502 that needs to be allocated, and use it to build the infrastructure that is crumbling.
503

504 I'd like to add on top of that that our roadways are completely overtaxed, and no matter how
505 much money we spend on them, that is not going to be the end solution. The end solution has to
506 be what we were talking about with the planned communities: Transit has to be a major factor in
507 this. We have to spend much, much more heavily on transit.
508

509 We're looking at high-speed rail. We could be one of the first states in the nation to have high-
510 speed rail; and yet even before it's going in, people are already filing lawsuits under CEQA.
511 CEQA is a wonderful thing. It protects the environment, but it's being used by people that want
512 to just block things that are vitally important for the entire state. So we have to look at what's
513 good for the state overall, and transit is really very, very important. We need to do whatever we
514 can at the state level to be sure that we get the transit that this state needs.
515

516 **Mr. Hatfield:**

517 Well, this actually segues to a question for Kim Polese.
518

519 **Q:** Regarding green transportation, what is the role of virtual offices, where companies
520 encourage workers' working from home, resulting in zero transportation costs?
521

522 **A:** (**Ms. Polese**) So...the idea of a virtual office has really become a standard...practice in
523 Silicon Valley companies, to both, from a traffic-congestion standpoint, help employees be more
524 effective. Instead of spending time on the road, they're able to actually get work done. The
525 technologies, obviously, that we use to communicate on a daily basis are getting better and
526 better, so we can have virtual meetings across, you know, countries, across oceans, that are as
527 effective as being in the same room.
528

529 So this is a strategy *we* use as a relatively small company. Large companies are creating entire
530 centers, TelePresence centers. If you go over to Cisco, and take a look at what they've built over
531 there, it's pretty impressive, and you really feel like you're in the same room with your
532 colleagues. So it's a combination of applying technology to enable more, you know, conducive
533 settings to bring people together. It's also flexible work hours. It's flex time in terms of when
534 you actually come into the office, and when you leave. So creating flexible programs and
535 policies within companies is critically important to helping address this problem of congestion.
536

537 **Mr. Hatfield:**

538 And one for Stuart Cohen.
539

540 **Q:** Due to financial losses, buses, BART, ...Caltrain ?lopped? service and raised fares. Is
541 this pennywise and pound foolish?
542

543 **A:** (Mr. Cohen) It absolutely is. The crazy thing is that what we're doing is, we're saving,
544 you know, some amount at these transit agencies, and we're throwing off this cost onto people to
545 spend personally. When people have to switch over to vehicles, the cost skyrockets. The really
546 huge hidden cost here is that we spend four billion in the year, each year, on transportation in the
547 Bay Area through our transit agencies, building and maintaining roads; but individuals spend
548 twenty-five billion through their direct household costs on insurance, purchasing vehicles, and
549 gas. And so every time we do these transit cuts, we are forcing more people onto the road, and
550 forcing overall higher societal spending. And so it's absolutely counterproductive to be going
551 through this. So I agree with Steve. The state has got to keep their hands off of the state transit
552 operating funds. We...also have sponsored a bill to allow, in the Bay Area, a climate-impact fee
553 on gas that would enable us to do some really innovative demand management and new transit,
554 and we think, overall, reduce costs for commuters. They would just pay a little bit more through
555 the pump and have a lot of opportunities to save.

556
557 **Mr. Hatfield:**

558 This question is for Steve Poizner.

559
560 **Q:** California is forty years behind in mass transit compared to Europe and Japan. What will
561 *you* do to expedite BART ringing the Bay, and high-speed rail? And how will you fund this?

562
563 **A:** (Mr. Poizner) Right. Well, let me just address the funding part of this. I mean, clearly,
564 the state of California needs to make major, huge investments in our infrastructure, including
565 transportation, and we are way behind. But let's just face it. The state is broke. The state is
566 bankrupt. We have the worst credit rating in the country out of all fifty states. We have no access
567 to borrowing any more, [for] which thank goodness, really, in some respects. So until we get our
568 economy back on track, we're not going to be able to fund anything. And so the core issue the
569 entire state needs to face is what do we need to do to bring jobs back to the state of California?
570 Because we have an unemployment rate here that's two points higher than the national average.
571 So it's not just the national recession that's hurting the state of California. We are on our own
572 track of driving jobs out of the state to Nevada, Arizona, India, China, Texas. We have the
573 highest taxes. We have the highest sales taxes, income taxes, and vehicle-license fees, one of the
574 highest gas taxes already. People move when you have this type of tax structure that's
575 completely out of whack. Three thousand people a week—three thousand taxpayers a week—
576 pick up and leave the state of California. No wonder we can't even balance the budget, because
577 the tax base is exiting the state. Until we fix that problem, we won't have the money to invest in
578 these needed transportation projects.

579
580 **Mr. Hatfield:**

581 Well, this question is a follow-up to that, and I think Andy Ball might want to jump in on this
582 one, too.

583

584 **Q:** I read this morning that you proposed to do major tax cuts if elected. The state is strapped
585 for revenue. How can you restore sanity to education, healthcare, transportation, and other
586 essential programs if you cut taxes?
587

588 **A:** (**Mr. Poizner**) Right. Yesterday, I did roll out a broad-based tax-cut proposal -- ten
589 percent across-the-board tax cuts in personal income taxes, corporate income taxes, sales taxes,
590 and a fifty-percent cut in capital-gains taxes. Now people ask me, "Well, how on earth can the
591 state afford to cut taxes when they can't even balance the budget?" And the answer is, "We can't
592 afford not to." The fact is, when we drive taxpayers out of the state with these high tax rates, tax
593 revenues go down. The key concept here that I hope voters will embrace is the notion that, when
594 tax rates go down, total tax revenues will go up. President Kennedy realized this in the 1960s
595 when he led major tax cuts that ended up resulting in a huge increase in total tax receipts into the
596 federal government. [There have] been many other examples of governors and presidents doing
597 exactly the same thing. Our tax rate is not average; it's on the extreme, and, in this global
598 economy, people are leaving because of these burdensome taxes. These lower tax rates will
599 stimulate the economy and bring more tax revenues into Sacramento.
600

601 **A:** (**Mr. Ball**) Yeah, I completely agree with that. I mean if you look at the states around the
602 nation, and all states are having issues right now, the states that have the lowest taxes are the
603 ones that actually have the fewest problems, and some of them, in fact, have budget surpluses.
604 And so if we just look around at the facts and the statistics, the key is to generate more revenue,
605 and you're going to generate more revenue by having a fair tax structure as opposed to just
606 steadily increasing the taxes. We have driven a lot of the businesses out, a lot of the people out, a
607 lot of the taxpayers out. The revenue has shrunk and we don't have a sustainable tax structure
608 right now. In fact, there was a tax commission that just came back and made a recommendation
609 for doing away with, or significantly reducing, the taxes – the personal taxes and the business
610 taxes. And...a disproportionate amount is coming from a group that takes a big dip whenever
611 there's a recession, and we can expect to have these kinds of budget issues if we continue with
612 that same structure.
613

614 **Mr. Hatfield:**

615 Do you see this man up here? That means –
616

617 **A:** (**Mr. Poizner**) Can I just say one thing real quick? People *want* to be here. This is a
618 fantastic state. People *want* to come to California. People *want* to start businesses and grow
619 businesses here. What a wonderful state! Now all we need to do is to get out of the way of
620 people so that entrepreneurs and innovators come back to California so that we can be the
621 innovation capital of the world again!
622

623 **Mr. Hatfield:**

624 Well, thank you. We're out of time, and I thank the panel for their answers and turn it over to
625 Carl. (loud applause)
626

627 (Mr. Guardino gives Steve Poizner a DVD box set of Bruce Lee martial-arts movies)
628
629 # # #
630 /WPP
631 September 16, 17, 23, 24, 2009