



Stanford eCorner

Clean Tech's Impact on Recessionary Times

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When orders for Tesla cars outshine orders for the GM Saturn, Steve Westly takes this as a sign that clean technologies are going to help lift America from the recession of 2008/2009. He points to other indicators, such as that abundance of clean tech company IPO's, that will also help add new stems and leaves to the economy. As an aside, he also parallels the difference between US start-ups, enabled by the safety net of a VC-backed ecosystem, and their Chinese counterparts, who are forced to be profitable immediately or shutter.



Transcript

Historically, every five or ten years, entrepreneurs - which is you, primarily young people, come up with some new breakthrough: iPod, iPhones, eBay, Google, Twitter, even as big as Guitar Hero. All of a sudden, sales go through the roof. It employs people, and in theory, it makes people's lives better. We're seeing that now with clean tech. I'll tell you now, just through the things I talked about, zero-emission vehicles, this is a big deal. To your point, what is this going to do for the economy? We're in a recession. One of the things that jumpstarts you out of recession: part of it is consumer psychology, but part of it are products that people have to have that drive the economy. This Tesla Model S, not the sports car which is historic, that goes zero to 60 like a Ferrari, but this five-seater that's cheaper - we released that car five-and-a-half to six weeks ago in Los Angeles. We've taken over 1,000 orders in five weeks. We're taking more orders for this than GM is taking orders for Saturn.

The point is, I believe that clean tech industry is likely to help provide the jumpstart that will lift America and, hopefully, the rest of the world out of recession. You saw today, I don't know if you follow this as closely as I do, but we had the first big IPO we've had in 10 months, the longest stretch in 50 years since we had a big IPO. It was a billion dollar company. I love this joke. The company is called Solar Wind. It has nothing to do with clean tech. Nothing to do with solar. Nothing to do with wind. It's OK. It's a software company from Austin.

People at UT beat you to the punch, but this is going to reignite the economy. I think the next two or three IPO's, big ones we will see are likely to be clean tech companies. By the way, Tesla and a firm called Silver Spring, it's in Smart Grid space, I think will be blockbuster IPO's. Clean tech will help lift the country out of recession. By the way, one of the things you should always ask yourself is where are the most IPO's happening? For my entire life, your entire life... I'm just about the oldest person here with a few exceptions. Where are the most IPO's? Are we awake here, folks? US, every year, huge. United States is leading the pack, and California is leading the US. It's all happening right here, and about a third of it by Stanford grads. Amazing! But the question you should always ask - by the way, always ask in life - is who's number two? Who's behind me? The answer now is China.

China is really closing in on the United States, especially in clean tech IPO's. It's stunning. By the way, for my whole life, if you talk about doing investing in China, you would say, "Well, big market but there are all these transparency issues." You would say, "We need these laws, these accounting standards." The Chinese, by and large, would say, "We don't want to have the US dictate this stuff to us. We're going to do it our own way and the US can go jump in the lake." But regardless of what the

US wanted to dictate and regardless of what the Chinese government thought was appropriate, there is a powerful force that exceeded all else. A guess? Please work with me here, folks. Take a guess. It's the force of human greed. People want to make money. Chinese watch TV and the Internet like everybody else. They're looking at Bill Gates and Jeff Bezos and Sergei and Larry and saying, "I want to take a company public." If you want to take a company public, you got to have audited financials.

The hottest commodity in the world right now, I think, is a Chinese-speaking CFO. If you speak Chinese and you went to Stanford or UCLA or Berkeley Business School, you've won. It's like the jackpot. They're dying to get you right now and to take the company public because that is how you can make money, if the Chinese government allows you. The Chinese government has decided it's a good thing to have companies go public. So, all of a sudden it has changed. Our firm is thinking about how quickly we can open our office in Beijing. It's a fascinating thing. I'll tell you one parallel story to go with it. Almost every week we'll see a ton of entrepreneurs, Americans and immigrants from everywhere and some from China.

Whenever we see a deal from China, it's almost always growing quickly just like the other deals we see, and it's profitable. I'd say, "Your company is profitable? You are a startup, it's profitable? I've just seen 90 entrepreneurs. None of them have profitable companies." They'll say, "What do you mean? We come from China. There's no safety net here. We have no choice but to be profitable, so we are."