



# state'sman

Technology, entertainment and **team spirit** mean a bright future for California

**although** he has played many a character caught up in a turbulent future world, Gov. Arnold Schwarzenegger has something much more tangible on his mind these days: the future of California. The Golden State's main man is tasked with balancing the interests of Hollywood, Silicon Valley and the manufacturing community — while keeping each commercially strong — and dealing with myriad other issues including health care and immigration. All that, and a re-election campaign, is keeping him in overdrive: On Sept. 12, the day he sat down with **The Hollywood Reporter publisher Tony Uphoff**, Schwarzenegger managed to deliver surprise opening remarks at the CTIA Wireless IT & Entertainment 2006 Conference and approve legislation increasing California's minimum hourly wage from \$6.75 to \$8 — the highest in the nation — by 2008. And that was just before lunch! Nonetheless, the governor found a quiet moment in his downtown Los Angeles office to share his unique perspective on the state of the entertainment industry and the state of California.

**The Hollywood Reporter:** As governor of California, you probably spend a lot of time planning for the future.

**Arnold Schwarzenegger:** I just spoke at the wireless-services show at the Los Angeles Convention Center today. That is the future — it's unbelievable. In (1990's) "Total Recall," we were about 2030, 2040 and used technology like image suits. There was a scene where Sharon Stone was getting tennis lessons on Mars from a tennis instructor that was virtually created there. Today, the tape they showed had, for real, this woman teaching her grandson about furniture-making — and all of a sudden, they cut back to the grandson, and you realize there's a frame around it, and they're thousands of miles apart. It's really amazing the technology that we have now. In China, you can watch a movie on a cell phone, and you can watch news and TV programs and all of those things. That, I think, brings it to the debate of: What does that mean for the movie business?

**THR:** We have five screens now — the movie screen, the theatrical screen, the television screen, the computer screen and the video

game terminal — but we also have the mobile device, as you're witnessing in China.

**Schwarzenegger:** You forgot the most important one: the rip-off screen. With intellectual property, there is stealing and downloading and all those kinds of things going on. The more the technology develops, the more it will be an issue.

**THR:** Might that prevent theaters from embracing new technology?

**Schwarzenegger:** I don't think the low performance at the boxoffice has much to do with that. It's more challenging today to seduce people into coming to a movie house because there's so much other stuff going on in television and videos — I see it in our house. But the reality is that if you have a good movie like ("Pirates of the Caribbean"), or you make a "Terminator" or "The Lord of the Rings," or some little comedies that we've seen that have made over \$100 million, I think people will want to come see the movies. Over decades, the industry questioned themselves, "Are we on the way out because now there's TV?" Then there was, "Are we out now because of VHS?" Then it was

DVD, then it was this technology, then it was satellite, then it was all those programs from around the world because of satellite. So people say: "What now? You have choices of hundreds of channels. That's it — now we're doomed." But no one's doomed. I think that people always will go to see movies in a theater because it's an event — it's not to see the movie that much. We have a screening room at home where we see movies, but my children would rather go to the mall because it's an event, like, "I'm meeting my friend." See, when (my children's friends) come to the house, it's a dead-end thing: It's only three friends, or maybe they invite six friends. Even if it's 20 friends, it's not like seeing hundreds of people. It's not like interacting with those people, and it's not like going to a shop to buy a pair of jeans with your friends, where you all discuss whatever it is — it's an event. They're looking forward to the weekends

half an hour — I can't drive to the gym for half an hour and waste all the time. Or, when I want to see a movie, I don't have the time or luxury — so for me, it's perfect (to have everything in my home). But kids and other people love to go out, so I don't think that the movie houses and the traditional movies are in danger — but one should feel wary of the fact that now it takes more effort to bring people into the theater. You pay the \$5 or \$7.50 for parking, you go and buy your food, and then you go (into the theater) because, inevitably, you remember that movie houses make their profits only from the stuff they sell — the popcorn, the hot dogs, the Coke, whatever it is. That's where they make their money, which is creative because there wasn't that much profit in the movies. So, you have to think that it takes much more money to go out and to take a family member with you or your children and all this. So, you

hanging at the airport so you can watch a movie or the news — that is an unbelievable service. It's all about how well you can deliver to the people, which is quite the opposite of: How can you get people out of the house to go to the theater? I think people are ready for both. But then, what we've seen technology do now is just extraordinary, and I think people eat it up. At the same time, if you think about it, you can buy a phone for below \$100. When I bought my first cell phone, it cost \$1,400. Then they went to \$1,000, then \$800, and I just bought a phone for my daughter for \$69. I mean, that is unbelievable.

**THR:** That was not too many years ago.

**Schwarzenegger:** It just shows you that the business is booming. It's exploding, and the costs are down. As a matter of fact, I use a cell-phone theory when I debate about health care because the reason we have 7 million people uninsured is that they can't afford insurance. So, if we bring health care costs down, all of a sudden everyone can go buy health care. (One) can even go as far as saying, "Look, everyone has to have health care." But it has to be affordable. You can't say everyone has to have health care when they can't afford it — that wouldn't make sense. We are now working on that. But the cell phone and products like that are making huge profits and doing great for the economy. That's why I went (to the CTIA convention) today, to pump them up and to let them know that they're doing a great job, and they're responsible for us having a \$20 billion revenue stream when I came into office. And the new technologies are great for education, of course. Maybe we can talk about that a little bit: You can literally, today, join (an American) university (from) Beijing and become part of the education program with this high technology.

**THR:** How do you view the entertainment industry as a driver of California's economy?

**Schwarzenegger:** California has always been proud of the entertainment business. Of course, we all are sad that so many companies are moving with their productions to other places, and in some ways you cannot blame them because it is about dollars and

This is a service-oriented time now. ... It's all about how well you can deliver to the people, which is quite the opposite of: How can you get people out of the house to go to the theater?

because during the week, they can't do that.

**THR:** Is that unique to children? How do you and your wife feel about that?

**Schwarzenegger:** The kids love (going out); I, as a kid, always loved it. But I thought that by having everything at home — which parents do when you have enough money — you have the theater at home, you have the tennis court at home, you have the Jacuzzi at home and the swimming pool with the slide with the jumps and the dips. You have everything at home: The jungle gyms and the gymnasium, but the reality is the only one that really benefits is you — meaning me or my wife — because we don't have as much time to go out during the week. I come home and I need to work out right then because I have

have to offer more than just the regular movie that looks like you could've done this movie in the '50s or '60s. It has to have a little special effects, it has to draw you in more, it has to have more exciting music, the editing has to be more interesting than an old-fashioned movie.

**THR:** We started talking about how you have a unique vantage point on Silicon Valley and Hollywood, and it seems like we're seeing another phase where technology and movies are coming together to change the business. Can you talk a little more about that?

**Schwarzenegger:** This is a service-oriented time now. It's all about: What service can you provide me? I think that the wireless — being able to pull out your cell phone while you're

cents. But I'll always encourage the producers and the studios to be a little more patriotic ... because we don't just make decisions based on what's best for me — we also make decisions based on what is best for others. If we think about the thousands of people that are unemployed in the entertainment business — whether it's makeup artists, grips, electricians, set designers or wardrobe people — these are people that want to work. They love to work, to pay for their house and have money for their families. You rob those people of those things when you go to Canada for (an extra) \$2 million profit. I think that if the production companies and studios paid more attention to the story, so that the film grosses an extra \$2 million or \$5 million or \$10 million — rather than, "How do we save a penny?" — that's what will make you successful at the boxoffice.

**THR:** What's going on with AB777, the runaway production bill you supported?

**Schwarzenegger:** I think, by January, we may be able to flesh it out enough to pass a bill like that. This year, it didn't happen because it was still (viewed) too much like a bill that helped the rich studio executives. Most people don't understand the challenges you have when you're a legislator or the governor. You have legislators who say to me: "What am I going to tell my homeless people in Oakland? 'I don't have \$75 million or \$100 million for you — leave or stay in the streets. But I give it to the Hollywood community, to the actors, so they can get their big salaries and they can benefit the studio executives that are already millionaires.' Is that what I tell them?" Or my Republican colleagues say, "Well, that sounds great, but what about the manufacturers of California?" The manufacturers are moving outside the state line because land is so expensive in California. It's cheaper to go to Arizona or Nevada, in the middle of the desert, and pay three cents a square foot and build factories there. So, the Republicans say, "Why aren't we giving an incentive to the manufacturers to stay here, and we will be making a lot of money?" Then, all of a sudden, it's: "Why don't we give an incentive to the boat business so more boats are built? Why don't we give an incentive to Boeing right now because they're laying off thousands of people?" Boeing is laying off employees here in Long Beach because its contract went up with the government, and they've switched to the C-17 or whatever it is they're building. So now they say, "Why aren't we giving Boeing an incentive to stay here?" But I have to be honest and say, "You're right."

**THR:** But your trickle-down point is what most people miss about the entertainment industry. Eighty-five percent of entertainment companies have 20 or fewer employees.

**Schwarzenegger:** People always look at it as if the (major) studios make movies. The studios don't make movies anymore; they are distributors. They are the ones that have theme parks, and they get into big packaging. The independent production companies are little companies that we want to keep in California, but it takes time.

**THR:** Is the runaway production bill going to change a little and be geared more toward independents?

I think there probably will be an economic relief package for manufacturers and for the movie industry. We will be putting more money into the bucket, so everyone can walk away with something.

**Schwarzenegger:** I think there probably will be an economic relief package for manufacturers and for so-and-so and for the movie industry. We will be putting more money into the bucket, so everyone can walk away with something. That's the way it works in Sacramento: You say, "I want to go and get these 10 freeways built and add two more lanes to all the freeways" — then, by the time it gets down to the legislators, everyone gets a hold of it and says, "I need a road in my town," or, "We need an expansion." You get half of what you wanted, and the other half goes for other projects to get the votes. It's the way of democracy: I would not have known (a legislator) needs a road built in his district and that someone needs something else. So, the dialogue is good.

**THR:** Has being governor changed your relationship with friends in the entertainment industry?

**Schwarzenegger:** No — I've always had a great relationship with the entertainment business. I think I always managed not to get politics between us. Some people say, "If you tell them you're a Republican, you can't get a job in this town." That's nonsense. The reality of it is that I've always been a Republican, but I was always respectful of the Democrats or anyone else that has a different political belief. Lawyers come up to Sacramento to lobby me about intellectual-property protection or musical protection, and I never ask them, "Are you a Democrat?" It is irrelevant because when we protect someone's business, and we help someone and make the government a partner in prosperity, rather than a roadblock to success, that has nothing to do with Democrats vs. Republicans. A lot of decisions in Sacramento are made based on what's best for the people, what's best for business or what's best for the worker. When you talk about minimum wage, if someone gets an increase from \$6.75 to \$8, what do you care if he's a Democrat or Republican? We don't base it on that. It's always who benefits — that's the key thing. I like to be the governor of the people. My relationship with the Hollywood community is great; they can look at me as their built-in lobbyist (in Sacramento) because I love this industry, and I understand the hardship, and the challenges, and how we're competing with the global economy and all of those things. To me, the No. 1 (goal) is that everyone gets employed here in Hollywood, and the movies go great, and everyone has big success. ●