

The
Economic
Club of
New York

ESTABLISHED 1907

The Economic Club of New York

113th Year
552nd Meeting

Ambassador Charles H. Rivkin
Chairman and Chief Executive Officer
Motion Picture Association of America

August 12, 2020

Webinar

Moderator: Andrew Ross Sorkin
Founder and Editor at Large, DealBook
Columnist, The New York Times
Co-Anchor, Squawk Box

Introduction

Vice Chairman Michael O'Neill

Welcome to the 552nd meeting of The Economic Club of New York in our 113th year. I'm Mike O'Neill, Vice Chair of The Economic Club. With a distinguished history, since 1907, The Economic Club of New York is the premier forum for discussion on a wide range of issues facing New York City, the United States, and the world. Our mission is as important today as ever as we continue to bring people together as a catalyst for conversation and innovation. We proudly stand with all communities seeking inclusion and mutual understanding.

In our effort to connect with and encourage the next generation of business leaders, we welcome members of the ECNY 2020 Class of Fellows as well as graduate students from NYU Tisch School of the Arts, Baruch College, and Fordham University.

It is now an honor for me to introduce our guest today, Ambassador Charles H. Rivkin, Chairman and CEO of the Motion Picture Association. Charlie leads the MPAA's global mission to advance and support the film, television, and streaming content industry. The MPAA's members currently include Disney, Netflix, Paramount, Sony, Universal, and Warner Brothers.

Drawing on almost 30 years of experience as a media executive and a leading U.S. diplomat, Charlie advocates for policies that drive investment in film and television production, protect creative content, and open markets. In 2018, Charlie was appointed to the U.S. Trade Representative's Advisory Committee for Trade Policy and Negotiations.

Prior to joining to the MPAA, Charlie served for more than seven years at the highest levels of the U.S. government's diplomatic corps. He was the U.S. Assistant Secretary of State for Economic and Business Affairs from February 2014 to January 2017. He led the State Department Bureau responsible for managing international trade negotiations, intellectual property rights protection, and global internet policy, among other major policy issues. From 2009 to 2013, Charlie was the United States Ambassador to France and Monaco. In this role, he guided America's oldest and one of its largest diplomatic missions.

Before his government service, Charlie worked in the media and entertainment sector for more than 20 years. During that period, he served as President and CEO of Jim Henson Company, home to The Muppets and other award-winning film and television franchises and beloved characters. Charlie is a member of the Board of Trustees of the American Film Institute, a member of the Academy of Motion Picture Arts and Sciences.

The format today is a conversation in which we are fortunate to have Andrew Ross Sorkin doing the honors. Andrew is the Founder and Editor at Large of DealBook, a columnist at the New York Times, and co-anchor for NBC's Squawk Box. He's also the author of *Too Big to Fail*, generally seen as one of the very best books on the financial crisis of 2008 and 2009.

We'll end promptly at 2:45 and any questions that were sent to the Club from members in advance were shared with Andrew. As a reminder, this conversation is on the record as we do have media on the line. Over to you, Andrew.

Conversation with Ambassador Charles H. Rivkin

ANDREW ROSS SORKIN: Hey, Michael, thank you so very, very much. And thank you to all the members who are joining us and everybody who has put this together. It's a privilege to be with you. It's a privilege to be with the ambassador to talk about so much of what's going on in what is a transforming and changing media landscape right in front of our eyes during this remarkable period. And I think there are so many questions, many of which you've written in and we will get to them, and we'll get to them pretty quickly.

But let me just start, Ambassador, take us through the way you're thinking about the film

business, in particular the production side, because you've been spending a lot of time on the phones with governors around the country trying to get film production up and running, talking to unions about whether the actors or the production teams or the crews can actually pull this off. How quickly do you think we will get back to some semblance – not necessarily normal in the theaters, we're going to get to that – but some sense of normal in terms of making these productions and films and TV shows that so many of us have been bingeing and living off of during this Covid period?

AMBASSADOR CHARLES H. RIVKIN: Well, thank you. And before I answer your question, Mike, thank you for the kind introduction. I really appreciate that. Barbara, thanks for the invitation here and it was so much fun to host you when I was in France and it's good to see you again. And Andrew, for you to take the time to interview me today, I really appreciate it. You've got a lot going on. And also, it's pretty appropriate because you're a television guy yourself, right? I mean Billions is a heck of a show. And I love that, I love that you're part of the industry and engaged. So thank you.

ANDREW ROSS SORKIN: We can talk about back end in just a moment. We'll talk about back end.

AMBASSADOR CHARLES H. RIVKIN: Fair enough, fair enough. Well, listen, on your point. The Motion Picture Association represents the largest content producers on the

planet, and we are one of America's greatest exports. We employ about 2.6 million Americans. We export four times what we import, \$12 billion surplus, in normal times. And right now our objectives, 1, 2, 3, 4, and 5 are get back to work and get back to work safely at the same time. So you're right.

We, the first thing we did is we put together protocols where we work with unions and guilds, and we came up with safety protocols that will make our people feel comfortable going back to work. And by the way, this industry is not about, the 2.5 million people are not about the guys you see on *People* magazine on the cover. It's about electricians and construction workers and hairdressers and makeup artists and all the people you saw on the set. And we need to make sure everybody is safe.

So we got those done with the AMPTP, which is the Alliance of Motion Picture and Television Producers. I couldn't negotiate it for antitrust purposes but the AMPTP negotiated with the unions, got it done. And we sent it out to all the states. You talked about governors. In the last two weeks, I've been on the phone with more than 20 governors now. And what I'm telling the governors is that we want to be part of the reopening. We want to be part of driving economics and driving job creation to their states. And it's been very well received.

ANDREW ROSS SORKIN: So what does this look like? Tell us about the bubbles that

are being created, some of the places that this is happening. We're hearing news reports that production is going to start in places like New Orleans, New York City in a couple of weeks may reopen. How close are we? Because I think in an interesting way you are an interesting indicator of economic activity.

AMBASSADOR CHARLES H. RIVKIN: Well, I'll tell you one thing – and not that this should come as a surprise – this is not a Red State/Blue State issue. All of America likes, you know, watching entertainment. And all the governors – Republican and Democrat – want us in their states. The states that have opened up quickest and safest, most safely, have a chance to drive production there. And when you make a major motion picture in any city in the United States, it pumps about \$250,000 a day into the local economy. So they all want in and it's fun. It's also fun, there's a Republican governor – I won't mention his name – who said to me, you know, you guys got it all wrong. My cousin's uncle's half-brother was actually Butch Cassidy and he didn't die in Bolivia. He was buried in his backyard. And we want you to make Butch Cassidy-2 in our state. I mean it's fun to watch.

But here's the problem, to your question, Andrew, is that it's not open yet in America. And it is open overseas. So, in New Zealand Disney is doing Avatar. Amazon is doing Lord of the Rings. In Australia, Nicole Kidman's show, Nine Perfect Strangers, I think it's called. South Korea is opening up. Europe, we have productions in Germany like The

Matrix and I know that Jurassic Park is being made in the U.K. So, unfortunately, we're making these things overseas right now. We want to bring them home. And we can't do it until it's safe. We can't do it until the states are ready for us. But I'm trying to tee that up so that when the levels go down, we can get in and work.

ANDREW ROSS SORKIN: What are the protocols that are being created, that are being used – now clearly the levels are so much lower in a place like New Zealand, which up until today I think it had gone over 100 days without any cases – but what kind of protocols are being implemented? And what do you imagine it will look like, both elsewhere but here in the U.S. when it happens?

AMBASSADOR CHARLES H. RIVKIN: You know state by state everybody is going to decide when it's safe for us to go back into production. But on the sets themselves, you know, we have a lot of protocols in place from testing regimes to handwashing facilities, access to PPE equipment, utensils individually packaged, distancing, different zones. We have it down to, you know, to a tee and I think all the governors appreciate that. We are turn-key ready to roll as soon as they're ready to welcome us in.

ANDREW ROSS SORKIN: But testing is a big part of it. The reason I ask is because I think there's a lot of people on this call that may not even be in the entertainment business but are in other businesses that are trying to figure out, do they need to do

testing themselves? Every day? Is it a spit test? Is it a nasal test? Is it a group test? Do they have to just do temperature checks? What's the approach? Abroad, are they doing it all differently in different places or are the unions mandating one uniform system?

AMBASSADOR CHARLES H. RIVKIN: The unions that we negotiate with are for the U.S. but they're influencing all the operations abroad. Tyler Perry, for example, in Georgia, which is a huge state for us, is doing quarantines so that everybody is quarantined together, safe, and then can go into the production more normally. We have, there's examples of soap operas that are being made where the sex scenes are done with mannequins from behind so you can overcome that obvious obstacle. It's tough. I won't lie about it. It's tough. But we're doing everything we can to make it work.

ANDREW ROSS SORKIN: What do you think the production schedule looks like in terms of new productions that people will see, fresh content, especially on these streaming services? We'll get to the theater experience in just a moment. But the reason I ask is you're starting to hear people in the media industry talk about how, well, if we get to December, January, February, and there's not a lot of fresh new stuff – now some stuff can get made on stages. There could be stuff made in editing bays, you know, animations and other things. But there is a view that some of these services which don't have a massive library, and even those that do, are going to want to need fresh stuff. And whether they really will, and if they don't, what that's going to do to

churn and everything else?

AMBASSADOR CHARLES H. RIVKIN: Well, I'm optimistic. I guess I'm just naturally that way. I'd like to believe that, you know, in the new year we're going to start to see something approaching normalcy. I'm hopeful anyway, I have no scientific basis for saying that. But I will tell you that in production – I mentioned all the international production that we're doing that's being logged – I will tell you that our studios have a real big backlog of feature films. And you may want to talk about it later as you said. But some of them are going direct to consumer already. Others are just being held in the vaults deciding what to do with them for distribution purposes. Animation, we find, is uniquely suited for this period because you can actually do animation from remote locations and you'll probably see a lot more of that. And our industry is obviously known for its creativity. So if we're not able to do the traditional big budget productions, there'll be other productions.

My industry, or the MPAA anyway, is about content creation and content protection screen agnostic. So we will make things. Our member studios are going to make things for smartphones as much as HD IMAX theaters.

ANDREW ROSS SORKIN: A great segue, though, to the issue of theaters. If we're having this, because as agnostic as the industry wants to be, there are economic

implications and it's a little bit harder to be agnostic in certain instances. If we're having this conversation together hopefully in person in five years from now, what does the theater business look like?

AMBASSADOR CHARLES H. RIVKIN: Well, when you say hopefully in person five years from now, well, forget my industry. If that's the way we are, we've got big problems in the economy. What does the theater business look like? Well, it's absolutely fascinating. Think about this. The theatrical exhibition was a \$42 billion business last year alone, reaching records, and it went to zero overnight. But the demand is still there. It's still there and still pent-up. I mean, I don't know if you've seen the articles or talked about it on your shows, but people are overcrowding drive-in theaters right now, want to get out of the house. You know some of my exhibition friends in the theaters, they tell me that, look, everybody likes a home-cooked meal but they also like going out. People want to go to the theaters.

In my opinion – well, I've seen the statistics actually – horror films, comedy films, much better to see surrounded by people that you don't know who are screaming or crying or whatever they're doing. It's a communal experience. Not everybody has the technology for surround sound that our modern theaters have. People want the theaters.

But, to your point, these crises have a way of accelerating existing trends. And all of my

member companies have direct-to-consumer businesses right now. Not just Netflix who is a member company, but Disney Plus, which just launched, HBO Max, Peacock, Amazon, Apple, they're all new venues, which means more opportunity for creation. So in some ways it's the Golden Age of content ironically because there's so many more distribution vehicles.

But I'm sorry, I digress. Quickly on the theaters, the reason I know that this is going to come back is that theaters still remain extraordinarily economic. An interesting statistic, more people, if you add up all the tickets sold to baseball, football, basketball, hockey, and soccer in the United States combined, twice as many tickets were bought to the movies. It is still the most affordable thing to go out and do with your family. It's gonna be. The experience won't go away. But they have two problems. Problem one, making it safe. Problem two, convincing people that it's safe. And that's going to take a lot of work.

ANDREW ROSS SORKIN: But to speak to the issue of the shortening window, though, because clearly the theater owners are very frustrated and worried and scared about a shortening window and the economics of this because you're also seeing, you know, Disney, Disney Plus is going to do a pay-per-view version effectively of Mulan. And what's that going to look like? Is it possible that the direct-to-consumer experience can actually be a more profitable experience for the content creators than the theater

experience?

AMBASSADOR CHARLES H. RIVKIN: You mentioned Mulan. So Mulan is going out, I think, at \$29.99, basically \$30, as a Premium Video on Demand, a PVOD, on top of the money you'll spend to join Disney Plus. So it's a September 5th debut, and the truth is no one knows what's going to happen. This is, the press reports a \$200 million or so movie and you get higher margins when it's streamed to your home than you do from the theaters, the studios do. I think they pull about an 80% margins on direct-to-consumer and about 45% - 50% in the theaters. So you have higher margins and big premiums, but will there be enough people coming to justify the investment? Or is it worth it to grow Disney Plus because of the premium products that are coming on there in the long term? We're living this out right now. I don't know the answer to the question.

But in terms of what will happen to theaters, our statistics show – we put out research every year – that the more electronic devices – iPad, you know, computers, phones, etc. – that people have, the more likely they are to go to theaters. It's counterintuitive. But it's not cannibalism. They don't cannibalize each other. If you like technology, you're more likely to go to the movies also. They can both co-exist. Adam Aron, who runs AMC supported this model because they're going to get paid too. So I think everybody can win with this. But I'm sorry to say this to you, Andrew, I'm sorry to keep rambling here, but I can't talk about the pricing strategies in general because that would be antitrust.

ANDREW ROSS SORKIN: Okay, let me ask you a separate question then, and it comes from one of our viewers and members right now. You had mentioned the drive-ins. Do you think that's here to stay or do you think that's just a temporary throwback for the Covid era?

AMBASSADOR CHARLES H. RIVKIN: That's a great question. I'd like to believe it's here to stay because I love drive-ins. It reminds me of my childhood and, you know, visiting Wisconsin as a kid. But I think that what we're finding is people like good stories well told and they'll see them anywhere. They'll see them on their small devices and drive-ins, IMAX theaters, big theaters. It's just where people, the more places we give as distribution...

ANDREW ROSS SORKIN: Let me ask you about that. So we're talking about big screens. We haven't talked about IMAX, but we're talking about big screen drive-ins. Let's talk about this little guy for a second, the phone. During the Covid period, Quibi launched its service. These are high-end videos and production. I think by all accounts it has not gone the way Jeffrey Katzenberg and Meg Whitman had wanted. Do you believe long term that films and TV programs, high-end TV programs will work on a small screen like this? Or do you think that it's the user-generated content that people put on Facebook and Instagram and now TikTok that will have success and that the form factor does matter?

AMBASSADOR CHARLES H. RIVKIN: Well, first of all, I would never bet against Jeffrey Katzenberg and I'm sure he'll figure this out. But he really got hit with some unfortunate circumstances by launching that product at that moment in time right into the pandemic. I personally believe that there's no question that consumers want to watch what they want to watch when they want to watch it and where they want to watch it. So, for me, you know, I've been watching a lot of Peacock lately and all the other streaming services. I can download on my iPad with most of these services an entire series and take it with me on airplanes or trains – as I used to in the past anyways. And it's fantastic, I can catch up on everything.

Absolutely people want to watch on these devices. But there are some devices, there are some films that you want to see in the theaters. I just watched Apple TV had Tom Hanks' Greyhound. It's a great movie. I paid the money for it and I watched it at home. But you could tell it was made for the big screen. You could tell that it was meant to be these giant expanses and the sound and everything. Some movies are better experienced in theaters, in my opinion. But I definitely would watch it on phones.

ANDREW ROSS SORKIN: I want to pivot the conversation for a moment across the world frankly and maybe put on your ambassador hat at the same time, which is that we have clearly increased tension with China. China has been such a big market for Hollywood for so very long. And what do you think that tension means? Obviously,

we're seeing issues around national security with TikTok and Huawei and others but, you know, you hear from US companies a real worry that there could be a backlash. There could be a day where Chinese leadership says, uh-uh, we're not doing this with you and that list expands beyond, you know, certain other businesses and whether it could hit a Hollywood or hit a movie studio world.

AMBASSADOR CHARLES H. RIVKIN: Well, it's a complex question and multifaceted. Let me just start by saying last year the U.S. box office, U.S. and Canada is about \$11.4 billion and China was in the \$9.2 billion range. And most people predicted that China would overcome or take, you know, become the box office leader this year. It's not going to happen obviously. And China has about 70,000 screens. They love our product. They like our movies. But what people don't understand when you walk into the political lens of the U.S.-China relationship is that in spite of the size of that market, currently only 3%, let's say 97% of my member companies' media revenues come from outside of China, 97%. So the idea that we're going to be turning on our ear just to get into the China market is not accurate.

Having said that, it is a growth market. It's an opportunity. The problem with the market for us is that we're not being treated fairly. We have right now – Ambassador Lighthizer in the USTR is negotiating an MOU that is meant to give us market-based returns on our investment. Right now we get about half of the revenue that we get from other parts

of the world when a movie is playing at box office. And so there's a bunch of economic issues that we need to solve and we're always working on market access issues. But we, you know, we see it as a future player, but right now we're not dependent on the Chinese market.

ANDREW ROSS SORKIN: Let me ask you a more specific question. This comes directly from one of the members who I imagine is on the line right now. IP is the lifeblood of our business. I imagine they're in the business. Can you share whether the MPAA is aligned with the Trump administration's increasingly tough stance on the Chinese IP infringement enforcement mechanisms? Or would you prefer to see greater infrastructural collaboration in the international tech sector?

AMBASSADOR CHARLES H. RIVKIN: Well, my industry is a little bit different. I don't know which industry the member is part of. But China, let me say it differently, the Trump administration works very closely with us. We are nonpartisan. We are completely bipartisan actually. The president, as you mentioned, Mike, in the introduction, put me on his Advisory Committee for Trade Policy Negotiations because _____ used to run trade at the State Department. And we supported his tax deal, his trade deal for our industry. They made sense for our industry.

The problem we have with China is not IP protection actually. It's funny, and we'll talk

about that later if we have time, but we built the most powerful coalition of companies to fight IP on the planet called ACE. And IP theft can occur anywhere. It doesn't need to be based anywhere. And China is not on the top of our list for stealing our movies. Why? Because China is building their own movie business. They're helping us protect against thieves that are stealing movies. That's not the issue with China.

The issue with China for us is market access and economics. It's not IP protection per se. But there's still a lot that goes on, on those platforms in China that aren't good for us. But speaking merely about my industry, it's not the same thing as technology transfer as lot of other companies have.

ANDREW ROSS SORKIN: Because we have mentioned the Trump administration, and because you are in Washington, and because we are in the midst of an election, and because Hollywood has historically been aligned with Democrats, does the MPAA have a particular hope or plan to support a particular candidate? Is one candidate going to be more helpful than the other for your industry?

AMBASSADOR CHARLES H. RIVKIN: You know, as I said, we've been working very closely with the Trump administration on key issues. We're working even closer with them now about having the Covid Relief Package help our industry and help exhibition. And we have a very, very solid, good relations with them. But it's, there's not a debate

that Joe Biden has been a very big supporter of our industry. In fact, he negotiated the current MOU we have opening up China to 34 films, you know, back in, I think it was 2012. And Kamala Harris, I know, is personal friends with a number of the CEOs of the companies that I represent. But it really isn't what we're about. We're bipartisan. This is not a Red State or Blue State industry. The job creation, the 2.5 million come from all 50 states. So we don't support a single candidate and we certainly don't advocate to run against incumbents.

ANDREW ROSS SORKIN: Okay, back to China for a second. This is maybe more of a philosophical, cultural question of sorts, which is, you know, in the 80s and 90s Russia was the clear foe, was the clear enemy. And it wasn't just a clear enemy politically, it was a clear enemy in culture, in Hollywood films. You'd watch a Rocky, for example, and the Russians were the enemies. And interestingly, and I wonder why you think this is the case. China is rarely depicted in Hollywood films or television shows as the enemy. Is that a function of the financial relationship that Hollywood, and dependence that Hollywood has on China?

AMBASSADOR CHARLES H. RIVKIN: Well, are you talking about self-censorship as a topic?

ANDREW ROSS SORKIN: Yes, whether you think it's either self-censorship or real

censorship or soft power where the Chinese indicate, look, you know, you're going to make these movies. If all of a sudden there's a Chinese character who is the enemy, that's a problem for us.

AMBASSADOR CHARLES H. RIVKIN: Our industry, as you know, was built on freedom of expression and free speech and it's at the centerpiece of everything that we do. We're against censorship as much as anybody else. But let me just, before I answer your question, just to put it in a frame, if you don't mind, I don't know if you've heard of the Hays Code, which was in effect in America from 1934 to 1968. And the Hays Code said that movies cannot, if they're going to be shown in America, show any prostitution, childbirth, indecent dancing, open mouth kissing, couples in the same bed together, damn can't be said as a word, or hell, you know, all that. And movie makers were starting to violate it at which point the U.S. government threatened to come in and regulate the business and tell our industry what it can and can't make.

And in order to prevent that, one of my predecessors, Jack Valenti, created the rating system for the Motion Picture Association which has been in place for 50 years. And it's, to this day, an example of self-censorship, or I should say, self-regulation that has stood the test of time. But in some ways, you could call it censorship because movie studios want to get a PG versus an R for a certain film and they will willingly change content in that movie. If you go to an airplane, not every movie is shown in its original form on an

airplane for fear of somebody seeing it who shouldn't see it. So we have 100 countries around the world with different requirements about what can and cannot be shown in that country. And we have been sensitive for 100 years to those cultural mores. So China has some but they're no different than Russia or the GCC or other such countries.

So there's no way that our member studios say we're not going to tell the truth. We'll only tell stories that China wants to see. Because once again it's 3% of our revenues and there's no single market on the planet that would cause us to kowtow to China and that's not happening, but it seems to be being a little bit politicized and it's just not true.

ANDREW ROSS SORKIN: As somebody who has lived abroad, has represented our country abroad, how important is the "soft power" of Hollywood on behalf of this country?

AMBASSADOR CHARLES H. RIVKIN: Well, as I mentioned earlier, we're one of our America's greatest exports. And we're not just an economic driver, but we also export soft power. We export the American way of life because we are a reflection of American society, a true and honest reflection, good and bad, sent all over the world. And I'll give you an example, if I have time. Interrupt me please if I'm talking too long. When I arrived in France, President Sarkozy was president at the time. And he was known to not like

his own ambassadors, not to mention, you know, foreign country ambassadors. And instead of the personal meetings that American presidents would have, he just grouped them all together, took their credentials, sent them on their way.

So before I went, I went and saw his State of the Union Address in 2007 where he said to Congress that what gave him his vision of the world, what gave him his entire political theory was watching American movies of the 50s and 60s – John Wayne, Rita Hayworth – all these films influenced him in a way that gave him his positive outlook on life. I'm sure some people in the audience might know Michael Lynton who used to run Sony. He's currently Chair of Snapchat and other things. He's my cousin. And so when I went to post, I asked him for an unreleased Rita Hayworth portrait that no one had ever seen, framed it in an art deco frame and brought it with me to France, sent it to the Elysee before I presented my credentials. And I walked in and he ran over to me in the crowd and he goes, (Speaking in French)...I love that picture. It's in my house. I think about it every day. He thinks about what he loves about America every day when he wakes up because of that picture of Rita Hayworth.

And a similar story, and again just interrupt me, Andrew, if I'm getting off course.

ANDREW ROSS SORKIN: I love a good story.

AMBASSADOR CHARLES H. RIVKIN: Well, I like this one. I was, you know, I was the only ambassador in Paris to that point to visit these disadvantaged communities. They call them the banlieue where they were angry at the French government, angry against America at the time, just when Obama took over as president. And so I went out there and they're complaining about everything. I said, what do you like about America? And they go, what do we like? We like Samuel Jackson and will.i.am, and Will Smith and Jodie Foster and Woody Allen. That's who we like. And so I said, okay, I'm going to come back here with these guys.

And the category of better being lucky than smart, because that was a big promise, Sam Jackson called me the next week because he was in town. I knew him from the campaign. And I go, you're coming out with me to the banlieue. And I go out there with these armored cars and they open it up, the doors open up and they see him and they start yelling Big Mac, for those of you that have seen Pulp Fiction, that was the reference. And he gets on there and he gives him this tough love speech saying the American dream is the French dream. You can achieve anything you want if you work hard for it. And basically, they came up to me and they said, Mr. Ambassador, (Speaking in French). You're a man of your word.

And not only did I reinforce my credentials with that community which helped me a lot in diplomacy, we used Hollywood to inspire others around the world. And they watch his

movies but they think of him as a two-dimensional character. When they see him in person, they see a three-dimensional American and it's amazing for us. So, yes, soft power works. I've seen it firsthand.

ANDREW ROSS SORKIN: How much do you worry about competition from abroad? I mean clearly, we're making lots of programs now abroad. But, you know, one of the big issues obviously even in this discussion with China is there's a real view about technology coming from abroad. Do you see a day where either China or other countries meaningfully are competing on a different playing field? Right now there's one playing field. But you're starting to see programs, especially on Netflix, they're dubbing foreign TV programs quite brilliantly actually in ways that are much more sophisticated than they ever were before.

AMBASSADOR CHARLES H. RIVKIN: Well, what's brilliant about this industry, this uniquely American industry that's existed for 100 years, is that it's – as I said earlier – a reflection of our society. And as such, we export four times what we import. People want our product. And one of the reasons is the freedom to tell stories, good and bad. And, you know, even China, who I mentioned aspires to be a global maker of films, they're controlled by the Communist Party. The film industry is controlled by the Communist Party. They're exporting films that nobody wants to see. So you have to have a society capable of making these movies that actually has a broad global resonance and that's

not what you're seeing. China is ultimately just making it for their internal market.

There's a film they did called Wolf Warrior 2 which did a billion dollars inside China – it's kind of like a Chinese Rambo – but no one wants to see it outside of China. I'd put my money on the American creative industries and I think we're going to be leading in this space for a long time.

ANDREW ROSS SORKIN: Let me bring it home with a couple of other questions. This is an interesting one. It comes from another member who is, I imagine, on this call right now. It says a concern of producers, we're tasked with mitigating systemic injustices, so we're living through a very unique and important moment in time with BLM, is that quotas will run afoul of EOC regs, regulations. Can you comment on whether the industry is able to regulate itself with a newly enhanced level of social justice awareness? A lot of big media companies, including, by the way, one of my parents, NBC Universal, announced a diversity target of 50% recently. Goals are one things. Quotas are another. But there's lots of questions about whether there's a line in between there?

AMBASSADOR CHARLES H. RIVKIN: So I represent the six Motion Picture Association studios but I don't speak for their operations. So I'm not able to speak for any one of these companies and how they're doing it. I can tell you that the Motion Picture Association is prioritizing the Black Lives Matter movement. We're prioritizing

diversity, equity, and inclusion. And all of our member companies are doing the same and they're doing brilliant work. You mentioned NBC-U. I could go on and talk about the other five and the amazing stuff they're doing. But it's got a long way to go. So I can't speak to the quota issue specifically. That's beyond the scope of what I can talk about.

But I can tell you that it's not only the right thing to do, to increase the diversity and inclusion of our product, but it's the economic thing to do. You know people want to see themselves on screen. That's why Crazy Rich Asians and Black Panther did so incredibly well. And it's not just about on-screen though. It's about behind-the-camera. It's about, you know, the below the line players.

So we're putting in place all these internship programs and all these exchange programs to really help train up and diversify the workforce as best we can with our six member companies. And we've got a lot of work to do but we're getting there. Women is another issue where the industry is doing better but not good enough in terms of having broader opportunities for women behind the camera. And so, anyway, it's a huge issue for us. I can't speak directly to that question of quotas unfortunately.

ANDREW ROSS SORKIN: Let me ask you a different question, not related, but here in the United...it's a U.S. question, which is how do you think about consolidation? Clearly, there does feel like there's a lot of competition to some degree in the business. But at

the same time, you've already seen a lot of consolidation and there's lots of speculation that some of the big tech companies, which are under regulatory fire as is right now, would love, if they could, to even get more into the media business, the studio business, the production business. Where's the line?

AMBASSADOR CHARLES H. RIVKIN: It's funny, the way that, just to re-frame it a little bit what you're saying. There was a time when we talked about the technology companies and those Luddites down in Hollywood who make content, but that time is over. We're not in the era of what was called SOPA/PIPA, which was this big fight of Southern versus Northern California. And the reason I say that is NBC Universal Studios owned by Comcast who have this new digital distribution system, Peacock, they're a technology company. AT&T Time Warner or AT&T owns Warner Media. And they own Warner Media which owns Warner Studios and everything else. Netflix, clearly a technology company. Disney, with Disney Plus, you saw from the recent earnings call, has been the centerpiece of their growth strategy. So we are technology companies, and I think that's the future, which is that you can't really draw that line. It's a gray line. Technology and media are one.

ANDREW ROSS SORKIN: Let me ask it differently then. How about the distribution channel, the vertical integration of the distribution channel and content at the same time? You've seen it obviously with Time Warner, AT&T. Verizon hasn't done it. Is there

any worry in your mind about the pipe owners deciding to be all in the content business and what that would ultimately do to it?

AMBASSADOR CHARLES H. RIVKIN: What I see from my vantage point is the Golden Age of content as a result of the proliferation of distribution opportunities, that all of these direct-to-consumer services that I just riled off are just going to proliferate even more. They're going to require to get content and it's going to have to be made for those distribution systems. So there's no strangulation. We're going to have a lot more great product, a lot more choices. Just as soon as we can get over this horrible pandemic, you're going to see a huge boom in content creation as a result.

ANDREW ROSS SORKIN: Okay, a couple of quickies because I know we're going to run out of time. HBO is now running Sesame Street and lots of other programming. What would Jim Henson think?

AMBASSADOR CHARLES H. RIVKIN: Jim Henson was one of the most extraordinary people I've ever met in my life. I joined the Henson, the little Henson Company, out of business school and was able to work very, very closely with him. He was one of the most gifted creators of his generation.

And by the way, in terms of creativity, he was so confident in who he was that I

remember one night I was downstairs late, working on models that, you know, they had never done before at that company and I see this figure go around the corner and go into the boiler room. And eventually I was like, who is going to the boiler room in the middle of the night? And it was Jim. And I found out that Jim was going to the boiler room because he thought that the janitor named Matthew Carens had some good ideas. And he would say to me, well, good ideas come from anywhere.

You know in Hollywood sometimes the higher your title of Senior Creative Whoop De Woo, means the less creative you are. But this guy was genuinely creative. He would have loved the digital era. He would have done things that we can only, we couldn't even imagine. And he missed out because he was ahead of his time technologically. He did the first 3-D movie at the Orlando theme park with Disney.

So as far as Sesame Street, that's really controlled, as you know, and I think, isn't Jane Hartley a member here, I think she's Chair of the Children's, Sesame Workshop. That's owned by them. Jim created the characters for them but it's owned by them. So I don't think he would have had much say about where that was distributed, but that is an amazing show that continues to delight audiences around the world. And I think it was a smart move on their part to have it go to HBO Time Warner or HBO Max.

ANDREW ROSS SORKIN: Okay, a couple quick, a couple other quick ones. Do you

have any good legacy Jack Valenti stories that you'd like to share?

AMBASSADOR CHARLES H. RIVKIN: I met Jack, I used to go to this, I go to this conference and I think, I know you've been there as well, the Allen Conference in Sun Valley. And I used to have a chance to see Jack years and years ago. And he was larger than life in so many ways. Even though he was not physically very tall, I think he was about 5'5" or 5'6", but he had this incredible voice that resonated. And he gave me his book that he wrote called *Speak Up With Confidence*, which he was very proud of.

And if you read the book, what it basically says is that all of his extemporaneous brilliance was completely BS because he didn't say a single thing out loud in public that he hadn't rehearsed so much looking in the mirror and memorizing that he knew he had it perfectly done. And he said the key to speaking in front of crowds is to make it look like it was spontaneous but it was actually rehearsed so much that there was no spontaneity at all.

But he was incredible. He lived at a different time. He would have done great at my job today. I followed these giants like Jack Valenti and Chris Dodd and others. But I'm running a very different association. Jack would call one guy in Hollywood, Lew Wasserman, and things would get done. Jack could entertain people in Washington with Three-Star chefs. I can't do that. The rules have changed. Jack didn't have digital

distribution. He didn't have to worry about anything except motion pictures which is a very different world. But he was extraordinary in every way and I'm certain that were he alive today he would be even more so. Incredible person.

ANDREW ROSS SORKIN: Well, we're at the back end of this interview and I mentioned back end at the top. Is the back end in the TV and film business over? I think all the creators want to know.

AMBASSADOR CHARLES H. RIVKIN: I think that there's no back end need for Billions, right? Because Billions, you know, everybody did so well. Nobody needs, the creators of that show, you know, you're fine, right? But you mean generally speaking?

ANDREW ROSS SORKIN: Generally speaking, there's a whole view in the creative community that what's happening now is all of the film industry and TV business is basically buying people's back end out up front? And by the way, maybe that's a better model.

AMBASSADOR CHARLES H. RIVKIN: So I kid you. And as I said to you earlier, I'm a huge fan of Billions. It's an amazing show and it's an example of how brilliant television is nowadays. To answer your question, the models are changing. There's no question about it. Because, you know, listen when I was starting in the industry there was first-

run syndication. Everybody tried to get to 65 episodes of a television property so they could syndicate it and make the big money there. That's how Jim Henson got rich on The Muppet Show. That was first-run actually. But nowadays it's different. And I think that the content creators, the artists will continue to do extremely well, but they're going to be paid in a different way. And the money will come more up front, there's no question about it. But luckily for me, that's above my pay grade because I'm just an industry association chief.

ANDREW ROSS SORKIN: It's been a thrill to be with you. It's been a privilege and a fascinating discussion and a lesson for all of us. I want to thank you for the conversation and I want to kick it back to Mike. I think Mike's volume may be off. Mike...

VICE CHAIRMAN MICHAEL O'NEILL: How's that? All right. Thanks to both of you. Very, very interesting conversation, very informative, very interesting. And so, Ambassador, thanks so much for taking the time to do it. And Andrew, I think you know how to do this, this gig here. Not bad. Let me tell our members that we've got a lot of good stuff coming up. John Barry, New York Times bestselling author of *The Great Influenza*, is going to be addressing us on the 18th followed by Larry Kudlow, Ken Frazier, Henry Kissinger, General H.R. McMaster, and Thomas Barkin, the Head of the Richmond Fed. So stay tuned. Check our website and we'll be communicating with you via email as usual. But very much appreciate your attendance. Thank you.