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Remarks
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“Challenges and Opportunities in 2008 and Beyond”

Thanks very much for having me this morning. I’m going to try to cover a lot of material in a short period of time – so I’ll spare you the pain of my joke-telling and get right to the substance.

I realize the topic of the day is “forecasts.” But I also realize that it’s always a little dangerous for anyone to get too far out on the limb of predictions. Just recall the immortal – and infamous – words of Thomas Watson, the founder and president of IBM, who said, “There is a world market for about five computers.”

So while forecasting can be hazardous, circumstances often leave us with no choice. Our ability to identify the challenges that linger just beyond the horizon can mean the difference between creating the future and simply letting it happen.

Of course, any discussion of where we’re going starts with where we are now. And I have to tell you, we’re in a pretty good place:

- *Fortune* magazine has rated us the nation’s No. 1 region for fastest-growing companies.
- According to the U.S. Bureau of Labor Statistics, we’re No. 1 among the 10 largest metropolitan areas in job growth.
- *Forbes* says we’re the third-best metropolitan area for business and careers.
- We have 23 Fortune 500 companies with headquarters here – the fourth-highest in the country – and 13 of Fortune’s 100 fastest-growing companies are headquartered in the region.

- *Expansion Management* puts us at No. 5 for best business opportunities.
- *Site Selection* ranks us No. 7 for new and expanded facilities.
- And in data released just last week, Moody's predicts we're going to keep our high rankings in 2008, putting us in the Top 10 metro areas for jobs – better than places such as Dallas, Orlando, Tampa, Miami, Boston and San Diego.

All of this underscores my belief that we live in a region of endless possibility. Our obligation as business leaders is to ensure we stay that way – a sponsor of progress and innovation, a creator of wealth and prosperity, and a champion of growth and opportunity. At the Partnership, we have a plan to promote that kind of success, and to ensure that we seize the opportunities – and confront the challenges – that await in 2008 and beyond.

In 2005, we adopted a 10-year Strategic Plan for economic development. Its goals, while ambitious, are quite simple:

- To help grow jobs by 600,000;
- To increase capital investment in the region by \$60 billion; and
- To expand foreign trade by \$120 billion.

We plan to reach those goals by focusing on key industry clusters: Aerospace and technology, medical and biotechnology, energy and petrochemical, information technology and nanotechnology.

I should point out that as we add jobs in these industries, we'll need more offices, warehouses and manufacturing facilities. We'll need space to accommodate high-tech enterprises. We'll need innovative, alternative options like green buildings. In other words, we'll need commercial real estate professionals to keep doing what you do best.

Just over a year ago, we launched *Opportunity HoustonSM* to support the Strategic Plan. It's a \$40 million fund-raising initiative designed to generate high-quality leads, create high-wage jobs, and help spread the word – nationally and internationally – about everything this region has to offer. We've just completed Phase I of the fundraising campaign, led by Astros' owner Drayton McLane, in which we generated more than \$30 million in committed funds from more than 150 investors. According to National Community Development Services, a respected manager of community projects and initiatives, this represents the largest public-private economic development fundraising initiative in the nation.

Though we're barely two years into our Strategic Plan and are just beginning to implement the programs of *Opportunity HoustonSM*, the results are already starting to roll in – and they show we're on the right path, headed in the right direction.

I believe these ambitious goals bear repeating.

- To help grow jobs by 600,000;
- To increase capital investment in the region by \$60 billion; and
- To expand foreign trade by \$120 billion.

Both the Strategic Plan and *Opportunity HoustonSM* are already paying dividends. According to the latest available data, more than 60,000 jobs were created in the region during 2007, and we expect to show capital investment increased by at least \$6 billion. Both of these figures are right in line with our targets.

Of the advances realized in the Houston region during 2007, *Opportunity HoustonSM* is directly responsible for more than 14,000 jobs and over \$500 million in capital investment.

Additionally, through our support of the Port of Houston and the Houston Airport System, foreign trade for the region has increased by an amazing \$15.2 billion. That's more than 125 percent of our annual goal.

Those results take on added significance when you consider just how tough the economic development marketplace has become. Every day, we go head to head with other countries, regions, states, and metro areas that are offering hundreds of millions of dollars in tax breaks as an incentive to attract investment. They're willing to slash property and corporate taxes, pay thousands for every job created, and in some cases give companies a blank check – literally – to locate in their area.

And while we've made progress, it's early in the game. Scoring a touchdown in the first quarter doesn't guarantee you'll be ahead when the game is over. Still, I am confident that we're strongly positioned to come out on top in the long run – because in addition to having a strategy for the future, we have a plan to support it.

The key to success in this climate isn't just having the "will to win." We have that. The key is being "prepared to win." With this Strategic Plan, supported by *Opportunity HoustonSM*, we are. We will be one of America's Top 4 locations for business growth, capital investment and job creation.

So let me repeat: We're in a good place now, and we're well prepared for the future. But there are some challenges that loom large on the road to tomorrow – challenges that demand our attention, advocacy and action.

I'll start with one that may not be at the top of your list – but has the potential to affect us in a lot of ways. I'm talking about our declining power in Washington.

We often speak of the “good old days,” when Lyndon Johnson was majority leader of the Senate, and Sam Rayburn was speaker of the House, and we had more clout over more issues than any other state. But let's not forget that as recently as 1995, we were in pretty strong position, too. We had the No. 2 and No. 3 leaders in the House. A Texan chaired the House Ways & Means Committee. And on the Senate side, we had the head of the Commerce Committee's appropriations subcommittee.

How times have changed – and fast.

A president from Texas will be leaving office in a year. We've lost much of our seniority in Congress. And if reports are true, and Sen. Hutchison decides to leave Washington to run for state office, we may lose even more.

Let me say quickly that this is in no way a comment on the leadership of Senators Hutchison and Cornyn or our Congressional delegation. They have protected our interests, and ensured that liberty, opportunity, and possibility continue to be uniquely American possessions.

But the reality of politics is this: When you lose seniority, you lose clout; and when you lose clout, you lose money. It goes someplace else – to another program, in another district, in another state. So until time and the electoral calendar restore our seniority, we may have some uncertain years ahead of us.

A more visible challenge is transportation infrastructure – whether we'll have a network that can support our continued growth. And getting there could be a rough road when you consider these facts:

A third of America's major highways are in poor or mediocre condition. A quarter of our bridges are structurally deficient or functionally obsolete. By 2020, every major U.S. container port is expected to double the volume it was designed to handle.

Clearly, a declining infrastructure – in some cases, a crumbling infrastructure – is a trend that we have to face. Because if we can't get people and products where they need to be, we will put the dream of future prosperity at severe risk.

Most of you probably know of Jesse Holman Jones. He was one of Houston's great businessmen and builders – the man largely responsible for securing funding for the Houston Ship Channel.

A report from the Harvard Business School said he was “responsible for the transformation of Houston into the most important city for international commerce in the South.” *The Saturday Evening Post* wrote in 1940 that, “Next to the President, no man in the government and probably the United States wields greater powers.”

But Jesse Jones was also responsible for what is widely believed to one of the greatest infrastructure-building programs in history.

As head of the Reconstruction Finance Corporation, he oversaw a multi-billion-dollar effort from 1933 to 1939 that included construction of the Hoover and Grand Coulee dams; river diversion, flood control, levee, and irrigation projects; the Golden Gate Bridge; and the Pennsylvania Turnpike.

Given the current state of our infrastructure, we need to reinvestigate the RFC model. I'm certainly not advocating direct government involvement in business, nor am I suggesting we need the kind of massive job-creating public works programs that by necessity emerged from the Great Depression.

But let's face it: One of the reasons for the current infrastructure crisis is that the federal government has pretty much removed itself from the process. The stunning fact is that America has spent, on average, just 2 percent of the Gross Domestic Product on infrastructure. In contrast, China and India spend 9 percent and 5 percent, respectively.

Meanwhile, states, facing constrained budgets, have been left to their own devices and forced to make priority decisions among competing interests. And the demands of increased capacity keep growing year after year.

We need to reverse this trend, and our Strategic Plan commits the Partnership to taking a lead role in building, maintaining, and sustaining a world-class infrastructure that makes the region a magnet for commerce. This reflects our belief that mobility – being able to move people and products quickly, efficiently, and safely – means freedom: The freedom to prosper and achieve. It puts people to work and improves our communities. That's why we need to start building a 21st century infrastructure for a 21st century economy, and we need to start now.

Over the past year or so, there has been a lot of heat shed on the issue of immigration – but not much light. So let me provide some illumination: Undocumented workers contribute about \$27.3 billion to our Gross Regional Product – that’s more than 8 percent of total GRP. They are represented in 16 different economic sectors, including high-growth areas like construction, professional services, accommodation and food services and healthcare. Statewide, the Comptroller’s office estimates that without these workers, the Texas labor force would shrink by 6.1 percent.

The fact is immigrants are essential to our current and future economy. An article in the yesterday’s *Wall Street Journal* gave some staggering figures on the economic impact of undocumented works. It stated that, according to an estimate by the Bureau of Labor Statistics, at least one-third of the work force in the \$1.2 trillion construction industry is undocumented. It also stated that in 2006 alone, nearly half of new construction workers were Hispanics who had arrived in the U.S. since 2000, and an existing guest-worker program supplies less than 2% of the work force required each year.

These figures clearly show that we cannot afford policies that force immigrants into the shadows or push them underground. And the idea that overnight we can somehow send millions of people back to their country of origin is logistically impossible and economically unsound.

But if you listen to the debate, that’s where the trend is heading – and that is absolutely counterproductive. So it is imperative that we stop the heated rhetoric and steer the dialogue back onto a common-sense path – one that ensures genuine immigration reform and creates an efficient temporary worker program that supports the regional economy.

Certainly, this should provide for the safety and security of our borders. But at the same time, it should allow employers to recruit skilled and unskilled immigrant workers when there’s a labor shortage, and offer legal status for qualified, screened undocumented workers who are already here.

To that end, we have already taken a number of policy-related steps:

- The Partnership Board has passed a resolution that calls for a rational, pro-business, pro-growth plan for immigration reform.
- We formed a national coalition – Americans for Immigration Reform – to advocate the positions of the region’s business community.

- And we joined in lawsuits seeking to prevent the government from sending “no match” letters that threaten actions against employers who do not resolve workers’ mismatched Social Security numbers. These letters amount to a weapon against undocumented workers, while imposing unreasonable regulatory burdens and unfair costs on businesses. Under pressure like this, the Department of Homeland Security last month abandoned its efforts to enforce the no-match regulation.

Before leaving this subject, I’d like to say one other thing. We are known as an open and “welcoming” region, with a willingness to embrace new people and cultures. We are connected to the world in ways that go beyond our economy alone. And we have always believed everyone deserves a chance to elevate their life through conscious endeavor. Any policy that substantially erodes this tradition also erodes the core and the character of who we are.

Finally, I want to talk about a challenge that touches on two seemingly unrelated matters: energy and space exploration.

Higher oil prices have certainly contributed to a robust energy sector, and the resulting increase in job growth has certainly benefited our region. But high prices can also have a chilling effect on the economy.

They force people to make choices – a tank of gas, for example, a trip to the mall. They hurt retail spending. They take a bigger bite out of household budgets, causing Americans to fall back on their credit cards – and thus raising personal debt.

It’s easy to frame this issue in terms of oil company profits versus people. That’s not just over-simplifying. It’s flat wrong. The issue is energy security versus energy uncertainty. And we think that just as Houston is the energy capital of the world, it could also be the energy **security** capital of the world – or, perhaps better stated, out of this world.

The Johnson Space Center has 17,000 employees, with annual expenditures in the neighborhood of \$4 billion. Its role in our national progress is undeniable. Yet its programs face skepticism and its budget is threatened. To ensure that JSC continues to thrive and support our economy, we’re going to have to do whatever is necessary to make the case for its relevance.

That’s why JSC would be an ideal site for a Federal Center for Excellence in energy security: Because the space program can play a huge part in helping the nation kick the foreign oil habit.

Take space-based solar power, for example. Since the 1960s, NASA and the Japanese and European space agencies have been exploring space power, and for good reason: Solar energy is eight times more powerful in outer space than it is after passing through the Earth's atmosphere. One NASA study says that solar-panel bundles three by six miles in size, transmitting carbon-neutral power back to Earth, could produce 5 gigawatts of power. That's over twice the output of the Hoover Dam.

The technology exists to do it now. The issue is how to launch the necessary equipment into space economically. And I say, what better place to solve that issue – and to develop newer, better, more effective technologies for harvesting energy from the sun – than JSC? The talent, capabilities, and commitment are there. We just need to find a way to make it happen.

Let me quickly add that this whole issue of energy security is very much on the Partnership's radar.

On Feb. 28, we'll be hosting "America's Energy Future: Houston's Presidential Summit." More of a dialogue than a debate, this event is designed to give top-tier White House candidates a chance to discuss their energy platforms and policies with the country. In other words, the summit puts us where we belong – at the center of the national policy discussion – and further reinforces our claim as the energy capital of the world.

The Greater Houston Partnership is made up of 2,000 of the top business and community leaders in this region. The annual sales and other receipts by firms and organizations represented on our Board of Directors alone is more than \$1.92 trillion.

To put that number in some perspective, it is larger than the Gross Domestic Products of all but six nations and equivalent to nearly one-fifth of U.S. GDP.

So I feel safe saying that we have placed a large part of the responsibility for our region's future in the hands of individuals and businesses that understand the imperatives of success.

But they cannot do it alone. They need the support of people such as you – people who share our dedication to ensuring that ours remains a region of enduring opportunity for everyone.

In conclusion, let me say this: The future belongs to those who dare to believe in their aspirations. We are fortunate to live in a place that encourage us to dream

– and to dream big – and then provides the resources to achieve greatly. That’s why even in the face of great policy challenges and marketplace competition, I feel confident about the Houston region. Because I know that as good as things have been in the past, and as good as they are now, the best is yet to come.

Thank you.