

**2008 Economic Action Summit
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**Remarks
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“Taking Action for Greater Houston’s Future”

Thanks very much for having me with you today. And let me also thank Congressman Lampson for his leadership role in this event – and in supporting the region’s growth and prosperity. He’s been a consistent advocate for the Johnson Space Center and its 17,000 employees. He has stood up for the energy industry throughout his career, including leading the successful fight to beat back punitive language in the federal energy bill that targeted oil and gas companies. And his service on the Transportation and Infrastructure Committee will play a central role in helping our region get the resources we need to develop a 21st century infrastructure for a 21st century economy.

Congressman Lampson understands that leadership isn’t just doing things right. It’s doing the right things. And we are all better off for his hard work, seniority, and commitment.

Houston is a region of boundless potential. We are the creator of prosperity, and the sponsor of opportunity. Whereas others have sight, we have vision. And when we dream, we dream big.

In other words, if you want to do something great, this is the place to be. And I’m not the only one saying that, either. Listen to this:

- *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 among the top 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 we're among the top 10 American cities for green technology innovation according to SustainLane, an online media company that promotes healthier lives and stronger local economies.

I could probably spend the remainder of my time today discussing rankings like this. But that would only reinforce something that most of you already know already know to be true: The Houston region gives everyone a chance to be better. Not just to be as good as someone else – but to be better. And that's just as true for small businesses as it is for large ones. Make no mistake: We are a region full of smaller, entrepreneurial enterprises built by individuals who see opportunities wherever they look and whose can-do spirit is an expression of our progress.

According to the most recent data from the Small Business Administration, 84 percent of firms in the Houston metropolitan area employ 20 people or less. They account for more than 320,000 jobs and \$11.3 billion in annual payroll. And businesses with 100 employees or less provide 33 percent of our jobs and \$29.5 billion in payroll. So while there's no doubt that large corporations play a key role in our economy, there's also no denying that we enjoy all of the benefits that come from a vibrant entrepreneurial segment: job creation, innovation, productivity and exports.

Our collective responsibility as business leaders is to ensure that the economic climate continues to support that kind of achievement for companies of any size and scope. Simply stated, we must preserve and build on this region's tradition as a sponsor of innovation, a creator of wealth, and a champion of prosperity.

At the Partnership, we have a blueprint for doing exactly that. In 2005, we created a 10-year Strategic Plan whose goal is to make sure the region continues to pursue a path that encourages our growth, expands our opportunities, and enhances our lifestyle. It's big, it's bold, and it's going to stir the lifeblood of our economy – job creation, capital investment, business prosperity, and international trade.

To begin with, it sets some clear targets for the coming years: 600,000 net new jobs, \$60 billion in new capital investment, and \$120 billion in new foreign trade.

It also identifies multiple industry clusters that will be the focus of our efforts to achieve those targets:

- Aerospace and aviation;
- Medical and biotechnology;
- Energy and petrochemicals;
- Information technology; and
- Nanotechnology.

Let me take a moment to drill down a bit deeper into some of those industries. I'll start with energy.

We are, truly, the energy capital of the world. The sector accounts for 47 percent of our economic base employment, and we're home to almost a third of the nation's jobs in oil and gas extraction. More than 3,300 companies in the region support the industry. Eleven of the 25 largest publicly traded oil and gas E&P firms are headquartered in Houston; six of the other 14 have subsidiaries, major divisions, or other significant operations here.

While the depth and strength of the sector largely focuses on oil and gas companies, we are also seeing a significant emphasis on renewable energy. For example:

- BP announced that Houston will be the headquarters for BP North America Alternative Energy, a business unit created to develop low and zero carbon emissions-based power generation from wind, solar, hydrogen power, and natural gas fired plants.
- Chevron and the Texas A&M Agriculture and Engineering BioEnergy Alliance have entered into a strategic research agreement to speed the production and conversion of crops for producing ethanol and other biofuels from cellulose.
- Galveston Bay Biodiesel brought a 22 million-gallon-per-year unit online in 2006 and has plans to generate more than 100 million gallons annually. That would make it one of the nation's largest biodiesel producers.

- Contango Capital Management, a Houston-based alternative energy tech venture capital firm, has created an \$8.25 million fund to develop hydrogen generation technologies and fuel cell products.
- And the Lone Star Wind Alliance – led by the University of Houston – received a grant to design, build, and operate a research facility that can test offshore wind blades of up to 100 meters in length.

Our Strategic Plan's focus on growing the energy sector – and, as I'll discuss in a moment, regional entrepreneurial enterprises – recognizes the value of these types of initiatives. But we're doing more than "talking the talk" strategically. We're "walking the walk" operationally as well.

A perfect case in point is the Greater Houston Energy Collaborative. We created this program to bring together energy-related R&D and the commercialization capabilities of the region's colleges, universities, and research institutions. The goal is significant: To support the interests and needs of the energy industry by concentrating on areas such as alternative and "clean" energy, work force development and public policy.

Specific initiatives of the Collaborative include:

- Attracting to the region more research and development that centers on alternative energy;
- Working with private industry and academic institutions to help ensure that the energy sector at all levels has the workforce it needs to meet the demands of today – and tomorrow;
- And holding conferences and other high-profile events that showcase Houston's potential to become a hub for alternative energy.

One of the first – and certainly the most high-profile – of these events will come on February 28, when we host "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. NBC News and its cable network, MSNBC, will be the broadcast partners and Tim Russert of "Meet the Press" will moderate. And it will be followed by a World Energy Symposium that includes internationally known speakers and features exhibits of state-of-the-future technologies and innovations.

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.

But energy isn't the only cluster where we're working to grow smaller, innovative enterprises.

The fact is, our plan targets entrepreneurial activity as a whole. And we are committed to building on the strength of entrepreneurs by shaping a dynamic economy that delivers what smaller, innovative companies need to participate in – and contribute to – a future of regional prosperity:

A well-developed information technology sector, a pipeline for jobs, a skilled, talented workforce, minimal barriers to startup, low cost of living, ease of doing business, and an outstanding quality of life.

Of course, one of the best ways to achieve these goals is to ensure that we have the business-friendly environment I alluded to a moment ago – one that helps large and small companies to create wealth, improve competitiveness, and increase profitability. That means we must aggressively advocate public policies that are consistent with, and supportive of, regional growth.

Once again, our Strategic Plan commits us to such a course.

Let me be clear about something: I'm not talking about the Partnership just being "a" voice on issues that affect business and the economy. I'm talking about being "the" voice – **the** leading advocate for legislation, initiatives, and programs that foster economic development and position our business community as a national and global leader. That voice is already being heard, too. Loudly.

When Gov. Perry and the Sharp Commission laid out their plan to fix a broken tax code, the Partnership was the first large chamber in the state to back it. We were the most consistent, most aggressive, most vocal advocate of the proposal. And it paid off.

The plan overhauled the school finance system, cut taxes, and raised teacher salaries. It's expected to create 50,000 jobs, increase personal income by \$2 billion and boost retail spending by \$1.6 billion.

In other words, the Partnership led an effort that resulted in a package that was good for business, good for schools, and good for taxpayers. In terms of public policy, it doesn't get much better than that.

I spoke earlier of the importance of building a 21st century transportation infrastructure for a 21st century economy. That is a huge issue at a time when you consider these facts:

- A third of America's major roads 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.

Our Strategic Plan commits the Partnership to dealing with this challenge by taking a lead role in building, maintaining, and sustaining a world-class infrastructure that makes the region a magnet for commerce.

For example, we were instrumental in creating the Alliance for I-69 Texas, and we supported I-69's designation as a Corridor of the Future – which will ensure priority development and funding. When completed, I-69 will serve as the most direct trade route linking the industrial centers of Mexico, the United States, and Canada. It is expected to create more than 40,000 new jobs by 2025, generate \$12.8 billion in wages, and produce \$2.4 billion in added value.

The Partnership's focus on infrastructure underscores our basic belief that mobility – the ability to move people and products fast, efficiently, and safely – means freedom: The freedom to grow and achieve. It puts people to work and improves our communities. As such, it demands our attention, action and advocacy. And that's what it will receive.

One final public policy matter I'd like to discuss is the one that has the greatest visibility – and the greatest potential for divisiveness. It's one that affects the productivity and bottom line of small businesses. And it has social, political, and economic ramifications.

I'm talking about immigration reform. 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 such as 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.

So immigrants are essential to our current and future economy. We cannot afford policies that force them 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 essential 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, The Partnership has already taken a number of policy-related steps:

- Our board 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*SM – to advocate the positions of the region's business community.
- And we joined in lawsuits to prevent the government from sending "no match" letters that threaten actions against employers – often small businesses – who do not resolve workers' mismatched Social Security numbers. These letters impose unreasonable regulatory burdens and unfair costs on companies. Under pressure like this, the Department of Homeland Security has abandoned its efforts to enforce the no-match regulation.

Before leaving this subject, I'd like to say one other thing. We live in one of the most diverse metropolitan areas in the country. If you look at what the Census Bureau says America will look like in 2060, you'll pretty much see what we look like now.

Beyond that, we're also 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 all people deserve a chance to elevate their lives through conscious endeavor. Any

policy that substantially erodes this tradition also erodes the core and the character of who we are.

Clearly, we've had some successes in executing our strategy. We are making the necessary decisions today to prepare us for the challenges and uncertainties of tomorrow. But keep in mind that we're barely two years into the plan. Early achievement does not necessarily translate to lasting achievement.

Still, I am confident that we are well positioned to come out on top in the long run, too.

Last year, we launched a program called *Opportunity Houston*SM. It's a \$40 million fund-raising initiative designed to generate leads, create jobs, and help spread the word – nationally and internationally – about everything this region has to offer. Led by Astros' owner Drayton McLane, it has almost reached \$30 million in committed funds and has more than 140 investors.

I can't overstate the importance of this effort – both to the region and to our business community. The economic development marketplace is tough. We're going head to head with other countries, regions, states, and metropolitan 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.

On top of that, regions we see as our primary competitors have taken their game up a notch or two and are going after the same kinds of business – nationally and globally – that we are.

- Phoenix, for example, has a strategy that focuses on aerospace, bioscience, and technology companies – all of which are clusters targeted in our strategic plan.
- Miami-Dade County is positioning itself as a "Global Gateway." Already, 60 percent of all U.S. trade with Central America flows through Miami, as does 46 percent of Caribbean trade and 27 percent of South American trade.
- A Google search shows that places as diverse as Qatar, Dubai, Russia, Aberdeen, Oklahoma, and various regions of Canada have described themselves or been described as the "energy capital of the world," or a

“world hub” or “world leader” for the oil, gas, and petrochemical industries.

That’s what the playing field looks like. And the key to success is not simply having the “will to win”; most of us have that. The key is being “prepared to win.” With this Strategic Plan, supported by *Opportunity Houston*SM, we are. We will be one of America’s Top 4 locations for business growth, capital investment, and job creation.

Every age needs people who will redeem their time by shaping, pursuing, and realizing a vision of things that should be. We are fortunate to have such people working on behalf of the Houston region:

Policy leaders such as Congressman Lampson, regional leaders such as Judges Ed Emmett, Bob Herbert and James Yarborough; Commissioners Sylvia Garcia and Dude Payne; and the other co-chairs of this event, and business leaders such as the board and members of the Partnership.

So I can say with some confidence that we’re placing a large part of the responsibility for our region’s future in the hands of individuals, institutions, and companies that understand the obligations of success and the imperatives of action.

At the same time, though, they cannot do it alone. They need the support of people like you – leaders who have contributed to the growth and prosperity of this region, and who share our commitment to creating a more abundant life for our citizens.

So I am asking each of you to join us on the road to a better, more prosperous tomorrow. Strive to create something of lasting worth – whether it is through support of our strategy or your own continued innovation, entrepreneurialism, and inspiration. Dream and believe, then plan and act because **that** is how to produce outcomes of real value.

If you can do those things, you’ll be helping to invent the future. But perhaps even more important, you’ll be ensuring that Houston remains a region of true and endless opportunity for everyone.

Thank you all very much.