

Resolution of the Board of Directors in Support of BAE Systems' Formal Protest to the Government Accountability Office (GAO) for the Loss of a U.S. Army Contract

RECOMMENDATION

The Greater Houston Partnership strongly supports BAE Systems' formal protest to the Government Accountability Office (GAO) for the loss of an incumbent contract estimated at \$3.0 billion for the continued production of the U.S. Army's Family of Medium Tactical Vehicles (FMTV). The contract previously ensured the continuous production of the safest, most time-tested and proven FMTV in history to our fighting men and women in conflict.

The majority of the contract award process evaluates a company's capability and performance, and the U.S. Army has failed to adequately consider important risk factors. The flawed process is absent of an evaluation of the awardee's (Osh Kosh Corp.) financial capability and an independent cost evaluation to satisfy the contract for bid.

- **The Greater Houston Partnership requests the Department of Defense and U.S. Army perform critical analysis and diligence of the contract award process and, if merited, reverse their award decision.**

BACKGROUND

The FMTV is a series of military trucks and trailers built in Sealy, TX. The vehicle performs a variety of roles for the U.S. Army, from cargo and troop carriers, to artillery and air defense missiles weapons carriers for military personnel in Iraq and Afghanistan.

Over 3,000 Houston region workers have delivered an estimated 56,000 FMTVs to the U.S. Army over the past 17 years. The Sealy, TX, location produces 40 FMTVs per day with the highest ISO quality manufacturing unit ratings in the industry. The Army has even coined the term "ultra-reliable" to describe the FMTVs built by the work force of the greater Houston region.

FISCAL IMPACT

The Houston region and state of Texas may lose an economic impact of \$1.8 billion annually:

- 3,400 direct jobs and 6,766 indirect jobs
- \$445.2 million annual wages and salaries
- \$5.1 million annual state sales, franchise and unemployment
- \$1.2 million annual sales taxes in the region
- Ports of Houston, Galveston, Freeport and Beaumont, using these facilities to ship 1,000 or more trucks overseas each year

IMPLEMENTATION

BAE System's filed a protest with the GAO, and the congressional investigative arm has until December 14, 2009, to uphold or reject the protest.

To make the GAO and key decision makers aware of the substantial attention this matter is receiving, a regional task force was formed, and its members requested the Partnership to lend political support and raise awareness of the impact to the region.

The FMTV Task Force includes key Federal, State and Local government officials along with regional and local economic development representation.

The Partnership will take a lead role in:

- Analysis of the regional impact of operations ceasing
- Development and implementation of a public relations strategy to influence messaging and awareness of the flawed bid process.
- Utilizing political network to provide awareness of key issues to the GAO and various decision makers

RESOURCES REQUIRED

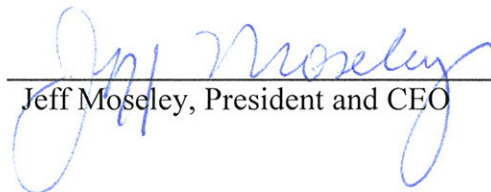
This recommendation can be implemented with available Greater Houston Partnership staff, and within the current operating budget.



Daniel G. Bellow, Chairman



Patrick Oxford, Secretary



Jeff Moseley, President and CEO