

# Flawed Process Resulting in \$1.8 Billion Annual Economic Blow to Houston Region

HOUSTON, Nov. 18 /PRNewswire/ -- A flawed bidding process that took away the contract for building the U.S. Army's Family of Medium Tactical Vehicles from BAE Systems of Sealy, Texas, will cost the Houston region \$1.8 billion annually if not reversed, according to an in-depth analysis by the Greater Houston Partnership.

The \$3 billion contract is currently under investigation by the Government Accountability Office in Washington, D.C., which will unveil its recommendations to the U.S. Army no later than Dec. 14. The contract bidding process failed to follow its own guidelines and awarded the contract to a vendor that underbid by at least 30 percent.

"The total impact to our economy is huge," said Jeff Moseley, president and CEO of the Greater Houston Partnership, the region's business advocate. "The region would lose 3,400 direct jobs and 6,766 indirect jobs based on a flawed process. The Partnership is joining other Task Force members in calling on the Army to put this out for a re-bid that will result in a fair contract award."

After 17 years of BAE successfully building this vehicle for the Army and meeting stringent war-time requirements, the contract was awarded to a vendor with no experience manufacturing FMTVs, said Lance LaCour, Chair of the Sealy FMTV Task Force - a coalition of industry experts, public officials and economic developers. Kim Meloneck, Executive Director of the Sealy Economic Development Corp., co-chairs the Task Force.

"This isn't just a Sealy or Katy issue, although our communities stand to lose the majority of the jobs," said LaCour, president and CEO of the Katy Area Economic Development Council. "This also has tremendous negative impact for the entire state of Texas from the suppliers right down to the local businesses that support the work force."

Members of the Task Force, which was formed in the wake of the reversal of BAE's long-term relationship of manufacturing the FMTVs, also are questioning the timing of the contract award. The FMTV contract came up for renewal two years beyond the traditional bid process schedule. Military analysts have called the winning bid financially unfeasible.

The Sealy Family of Medium Tactical Vehicles Task Force is comprised of civic leaders, citizens and business owners who support the effort to keep the U.S. Army's Family of Medium Tactical Vehicles contract in Texas. The Task Force is a joint effort of the City of Sealy, Austin County, Sealy EDC, Katy Area EDC, CenterPoint Energy, Greater Houston Partnership, Governor Rick Perry, U.S. Representative Michael McCaul, U.S. Senator Kay Bailey Hutchinson, U.S. Senator John Cornyn and Texas State Representative Lois W. Kolkhorst, Austin County. For more information go to [www.defendtexasjobs.org](http://www.defendtexasjobs.org) or visit our Facebook page, Defend Texas Jobs.

The Greater Houston Partnership is the primary advocate of Houston's business community and is dedicated to building regional economic prosperity. It represents 10 counties: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller. With about 2,000 Member organizations, the Partnership represents approximately one-fifth of the region's work force. Visit the Greater Houston Partnership at [houston.org](http://houston.org).

### BAE's Economic Impact

BAE Systems Sealy plant has a \$1.8 billion annual impact on the Houston region.

- The annual economic impact is the sum total of all goods and services purchased at the plant, supplied locally to support the plant, plus the sum total of all goods and services purchased by the employees working at the plant.
- BAE's Systems in Sealy supports more than 3,400 direct jobs and 6,766 indirect and induced jobs in the region.
- Direct jobs are those at the plant, these are jobs that would be lost should BAE's Sealy operations be discontinued. Direct jobs include, but are not limited to, assembly workers, warehouse workers, supervisors, office clerical workers, and administrative and management positions at the plant.
- Indirect jobs are those jobs in the economy dependent on local purchases by BAE. These include, but are not limited to, jobs at equipment and parts suppliers, maintenance and repair services, office supply stores, insurance companies, consulting and other business services. If BAE's Sealy operations shut down, these indirect purchases and the associated jobs would be lost.
- Induced jobs (a subset of indirect jobs above) depend on purchases of goods and services by those employed by BAE. This includes jobs at grocery stores, construction firms, retail outlets, health care providers, government agencies, etc. These jobs would disappear if BAE's Sealy operations shut down. Operations at the Sealy plant generate \$445.2 million in wages and salary in the region. This includes wages and salaries paid directly to BAE workers plus wages and salaries paid to indirect and induced workers. This income and subsequent purchasing power would disappear should BAE shut down its Sealy operations.
- BAE pays an estimated \$5.1 million in state sales, franchise and unemployment taxes each year. This includes an estimated \$2.2 million in sales taxes, \$2.85 million in franchise taxes, and \$240,000 in unemployment insurance taxes.
- BAE pays an estimated \$1.9 million in local property taxes each year.

### BAE Employee Impact

In addition to the taxes paid by the company, BAE's employees and the employees of firms that support BAE (*i.e.* the indirect jobs/workers) and BAE's employee's (*i.e.* induced jobs/workers) generate significant tax revenues for the region.

- BAE employees pay approximately \$7.1 million in property taxes in the Houston region each year. This includes \$850,777 in property taxes to Sealy ISD, \$210,995 to the City of Sealy, \$250,677 to Austin County and \$114,954 to other jurisdictions in Austin County.
- BAE employees pay an estimated \$1.2 million in annual sales taxes in the region. An accurate estimate of the amount of sales taxes paid to the city of Sealy and Austin County is not available.
- BAE employees pay nearly \$211,000 in vehicle registration fees each year, this includes \$56,000 in vehicles registration fees to Austin County.

### **Additional Impacts**

- BAE has been an engine for growth in Sealy and Austin County. The plant supported 630 direct and 1,495 indirect jobs when it opened in 1992. Both direct and indirect employment has nearly quintupled since then.
- BAE is a major customer of the Ports of Houston, Galveston, Freeport and Beaumont, using these facilities to ship 1,000 or more trucks overseas each year.
- If the plant should shut down throwing 3,400 employees out of work, the burden to the state of Texas in unemployment benefits could exceed \$26.0 million.

*Note: The economic impacts have been calculated by the Research Department of the Greater Houston Partnership using various models, e.g ImpactData Source model, the Regional Input Modeling System RIMS-II) developed by the U.S. Bureau of Economic Analysis, and the Partnership's own proprietary models. The calculations were based on data provided by BAE systems and from public agencies such as the Texas State Comptroller and the Austin County Appraisal District.*

SOURCE Greater Houston Partnership