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Loss of bank financing puts billions at risk and jeopardizes thousands of jobs

Will they or won't they? Members of Congress failed to reauthorize the Export-Import Bank prior to a July 1 deadline, allowing the Bank's charter to expire.

An article in the Oct. 9, 2015, *Houston Business Journal*, *Petition forces House to vote on Export-Import Bank*, reports that more than 40 Republicans have signed a discharge petition that would force the House to vote on the issue. Support from Democrats in the House would provide the 218 signatures needed for the petition to be successful and therefore enough votes to eventually pass the bill.

Why should this matter to anyone living in Bay Area Houston? Glad you asked.

What is the Ex-Im Bank?

First, what is the Export-Import Bank of the United States and what does it do that affects the pocketbooks of Texans?

The Bank was started during the Great Depression to help companies in the U.S. to sell their products overseas. It is a government agency that provides a variety of loan, guarantee, and insurance products intended to aid the export of American goods and services.

The mission of the Bank is to create and sustain U.S. jobs by financing sales of U.S. exports to international buyers. The

Bank's charter includes the principle that the Ex-Im Bank does not compete with private sector lenders, but rather provides financing for transactions that would otherwise not take place because commercial lenders are either unable or unwilling to accept the political or commercial risk inherent in the deal.

Foreign countries operate ECAs

Similar banks, known generally as export credit agencies (ECAs), are operated by roughly 60 foreign countries. The United States is a member of the Organization for Economic Cooperation and Development (OECD) and conducts its activities by following OECD rules and principles. The goal is to permit exporters in various countries to compete on the basis of the quality of their goods and services, not on preferential financing terms. Countries outside the OECD, such as the China Exim Bank, Ex-Im Bank of Russia, Brazil, and India, do not require their ECAs to follow OECD rules.

Ex-Im Bank returns millions in profits

Last year, the Ex-Im Bank provided \$20.5 billion in assistance that financed \$27.5 billion in U.S. exports. This was actually less than two percent of \$2.4 trillion in total U.S. exports last year. It's a significant two percent, however. The bank is

funded through interest and fees, and it sent \$675 million in profits to the U.S. Treasury last year.

Exports are BIG business in Texas

Exports are BIG business to the Lone Star State, since Texas is the nation's top exporting state. For the past 13 consecutive years, Texas has outpaced the rest of the country in exports. In 2014, Texas exports totaled more than \$289 billion, up from nearly \$280 billion in 2013, according to annual trade

reporting signs of slowing trade. General Electric made news when it announced that it will cut 100 jobs in Jacintoport, moving the work of packaging its gas turbines to Hungary and China. Another 100 jobs will move to France because of that country's export financing. GE also stated that up to 1,000 jobs could be created in the U.K. because of financing from its export credit agency.

The LA Times reported on Sept. 29 (*Bid to revive Export-Import Bank gets a*

undoubtedly be lost.

In the meantime, American companies are losing out on billions of dollars in international projects. The consequences have already begun to create ripple effects not only across Houston but across the country.

Arguments abound both for and against

There are many arguments both for and against the Bank's reauthorization. Some say that the Ex-Im Bank is a financial support that U.S. exporters need to

require government export assistance for power plant and other projects, according to Rice.

GE is bidding on \$11 billion worth of such projects and needs to make the equipment in countries with export-assistance agencies to be eligible. "They think it's our choice. Big GE or big Boeing can suck it up and provide the financing themselves," Rice said of bank opponents. "No you can't."

If House passes bill, will Senate do same?

According to Kent Hoover who penned the article in the HBJ, even if the House reauthorizes the Ex-Im Bank, there's no guarantee that the Senate will do the same. Senate Majority Leader Mitch McConnell, R-Ky., is against the Ex-Im Bank and has stated that he will not allow a standalone Ex-Im bill to go to the Senate floor. Passage of legislation in the House may change that.

Outcome in Congress to have major impact in Texas

Whatever the outcome of this last-ditch effort by the proponents and opponents of the Export-Import Bank of the United States, one fact remains abundantly clear. Texas is America's #1 exporting state. The decisions made in Washington regarding the fate of the Ex-Im Bank will affect those 12,000 Houston exporting companies and the rest of us for years to come.



Ex-Im Bank financing helped Kenya Airways buy this 787 Dreamliner. Loss of the bank funding is a big blow for Boeing, which utilizes the loan guarantees to reduce the cost of selling aircraft to some international customers. A top U.S. exporter, the company supports airlines and U.S. and allied government customers in 150 countries. Boeing employs 4,300 in Texas out of 163,070 worldwide (www.boeing.com).

data from the U.S. Department of Commerce. Many of those exports pass through the Port of Houston, a huge economic driver for the region.

According to a Houston Chronicle article that ran Sept. 25, 2015, *Local businesses seeing effects of Ex-Im Bank impasse*, companies doing business along the Houston Ship Channel are

boost) that GE will shift an additional 350 jobs to Canada to take advantage of the export financing there.

More than 12,000 companies export from the Houston area. Many of those are small companies that rely on the Ex-Im Bank for the majority of their sales. Without the reauthorization of the Bank, many more jobs will

compete globally. Opponents feel equally as strong that the Bank is just government interference in the private-sector lending market, primarily helping big companies that don't need it.

The above-mentioned article in the LA Times quoted GE's vice chairman, John Rice. The article stated that many countries

Judges Emmett and Henry detail economic outlook for Harris and Galveston counties during BAHEP membership meeting

During the October general membership meeting of the Bay Area Houston Economic Partnership, attendees learned from Galveston County Judge Mark Henry and Harris County Judge Ed Emmett that the economic state of each county is as fine as the beautiful fall weather that everyone was enjoying the day of the event on Oct. 14th at Lakewood Yacht Club in Seabrook, Texas.

Storm surge suppression remains at forefront

Galveston County Commissioner Ken Clark introduced Judge Henry who related that storm surge suppression continues to be an important topic. He heads the Gulf Coast Community Protection and Recovery District committee. The GCCPRD's final recommendations for a storm surge protection system are due in June 2016. Henry thanked BAHEP for its long involvement in this important issue. Once studies are completed and a plan is finalized that includes additional recommendations by Rice University and Texas A & M University at Galveston, then Congress will be asked to provide the approximately \$10 billion needed for construction. Henry acknowledged that this sounds like a lot of money, but he reminded everyone that Hurricane Ike caused \$30 billion in damages.

Clean water and infrastructure are priorities

A guaranteed, sustainable clean water supply is another major issue. Expressing a concern that the county's "painful growth rate" will create a problem in the delivery of fresh water, he said that long term solutions are needed

that may well include desalinization.

In closing, Henry reported on several infrastructure projects including development of available land along the Hwy. 6 cor-

Commissioner Jack Moran then introduced Judge Emmett who declared that "the state of Harris County is pretty darn good, and the reason is we're engaged in governing not politics."



Galveston County Judge Mark Henry (left) and Harris County Judge Ed Emmett are shown on Oct. 14, 2015, prior to addressing the members of the Bay Area Houston Economic Partnership.

ridor and a large expansion to Hw. 146, which has just been designated a hurricane evacuation route. This is of major importance to Galveston County, because the Texas Department of Transportation will cover the cost of \$10 million in right-of-way acquisitions. Formerly, TXDoT looked to the county to absorb this cost.

Emmett reports on county's challenges

Harris County Precinct 2

There are problems that must be addressed, however, such as transportation. Emmett feels that the most important transportation project looming in the future is the I-69 bypass.

The bypass will serve the ports of Freeport, Galveston and Houston. The judge stated, "I've looked at every road map there is, and I see no other corridor except the 146 corridor. That's got to be the priority, and it's got to be a state wide priority."

Indigent healthcare is another huge issue. He also spoke of mental health care reporting that he's often said the largest mental health facility in the state of Texas is the Harris County Jail. That's fundamentally wrong, he stated, and the county is working to change that.

TranStar facility finest in nation

Flood control was Emmett's next topic that presents ongoing challenges for the county. He spoke of the new TranStar facility, calling it the best office of emergency management facility in the country.

The Houston TranStar consortium is a partnership between the City of Houston, Harris County, the Metropolitan Transit Authority and TXDoT which is responsible for providing transportation management and emergency management services to the Greater Houston Region.

What's happening with the Astrodome?

Emmett also addressed the questions surrounding the Astrodome and what to do with it. Although the "Dome" is fully paid for, it costs about \$166,000 each year to keep it maintained. It can't be torn down, because it's currently being protected by the Texas Historical Commission due to a pending application

designating it as an antiquities landmark. The current plan in the works, Emmett explained, is to raise the floor to ground level, put two levels of parking underneath to generate revenue, and use the indoor space for festivals and other events.

Bond issues critical for growth

Additionally, he stressed the critical need for approving the four bond issues on the upcoming November ballot. Road bonds in the amount of \$700 million, a park bond, a flood control bond, and \$24 million for much-needed improvements to the animal shelter are all necessary to keep Harris County moving forward.

In closing, he talked about a recent cost-cutting idea by that state that would put a revenue cap on counties. "It's a horrible idea. Local officials have done a really good job of managing the finances of Harris County. That's why we have a AAA bond rating. The worst thing that can happen to us is for somebody from outside to come in and say, 'No, you can't manage the way you have in the past,'" Emmett concluded.

BAHEP hosts the Harris and Galveston county judges annually to better inform its members about issues that affect their jobs and families. It is just one of numerous benefits provided by BAHEP to its valued members.

BUSINESS to BUSINESS is a monthly Bay Area Houston Economic Partnership publication in partnership with the Houston Chronicle. BAHEP is a member-driven organization in southeastern Texas that includes more than 265 business partners encompassing 14 cities, Galveston and Harris counties, the Houston Airport System, and the Port of Houston Authority. For membership information, contact Membership Director Harriet Lukee at 832.536.3250. Bay Area Houston Economic Partnership 18045 Saturn Lane Houston, TX 77058 832.536.3255 "Like" us on Facebook: BayAreaHoustonEcon Follow us on Twitter: @BAHEP