



Volume 40, Number 2

April 13, 2018

Dear Client:

Don't know if you noticed, but the #2 person in line to become US president spent a lot of time in Austin this past week while the US Congress was in recess. House Speaker Paul Ryan also hit other cities to "preach the administration gospel" and raise money. But, he also participated in a 3-day Republican retreat in Austin, discussing politics and policy. All this was before Ryan announced Wednesday he was retiring at the end of his term in Congress.

According to the *Texas Tribune (TT)*, Ryan has just concluded a swing through Texas that included a **retreat in Austin with about 100 GOP donors**. Additionally he held fundraisers in Dallas, San Antonio and Corpus Christi. Along the way, he was promoting new legislation like last year's sweeping tax overhaul.

The Wisconsin Republican raised almost \$4 million with these events – quite a haul. Where did the money go? It went to "Team Ryan" -- a joint fundraising committee composed of Speaker Ryan and other Republicans running for Congress, reports *TT*.

Three Texas GOP Congressmen have been publicly targeted for defeat by the Democrats – **Will Hurd from Helotes, John Culberson from Houston and Pete Sessions in Dallas**. Some of this money will go to help their re-election.

Make no mistake. **There were a lot of Republican heavy-hitters here in Austin, both elected and powerbrokers**. The focus was on elections later this year. It is somewhat interesting Austin was chosen for this politically-oriented retreat. After all, Austin leans heavily democratic. (Apparently, the attractions of our fair city appeal to a wide political spectrum.)

Ryan's retreat and fundraisers were private affairs. However, he did make a few public appearances, including stopping by the Austin Police Department to thank local officers for their response to the deadly bombings last month. This rare, high-level GOP concentration in Austin – albeit briefly -- brings to mind the enthusiasm powering local Democrats. As we mentioned two weeks ago, there are three Democratic Party runoffs May 22nd that will determine which candidate will run against local GOP Congressmen **Michael McCaul and Roger Williams, as well as, who will contend for the seat left vacant by Lamar Smith, who decided not to seek re-election**.

Wanna know why the Houston area is gonna soon thrive, even though Hurricane Harvey caused widespread devastation? This economic surge, by extension, will impact Austin and the State of Texas. It obviously has to do with oil and gas. And it got a gigantic boost this month from an unlikely source – Saudi Arabia.

According to the *Houston Chronicle*, none other than **His Royal Highness Crown Prince Mohammed bin Salman** made an official extended trip to Houston within the past week, and personally made the announcement that **Saudi Arabia's premier energy companies are planning to invest billions of dollars in their Houston-area petrochemicals operations.**

In fact, Saudi Aramco, the world's largest oil company, signed separate agreements with two oil equipment makers. One of those agreements will involve a study that could potentially result in building a manufacturing complex on the US Gulf Coast. **"Saudi Aramco expects to invest between \$8 billion and \$10 billion in the projects, pending the evaluations,"** reported the *Chronicle*.

This wasn't all, by any means. As just one other example, Saudi Basic Industries Corp, **the Middle East's largest petrochemicals maker, plans to build a headquarters in nearby Katy for its operations in the Western Hemisphere,** with a predicted headcount of 1,000 within two or three years.

Beyond the Houston boundaries, SABIC, which is controlled by the Saudi government, is working with Exxon Mobil Chemical Co. to build the **world's largest ethane cracker as part of a massive \$10 billion petrochemical complex near Corpus Christi.**

There's more. But let's examine some of what is triggering this. As we have been reporting recently, **a surge in shale drilling in the West Texas Permian Basin and the South Texas Eagle Ford oil and gas fields has unleashed an abundance of cheap natural gas for petrochemicals manufacturing.**

Additionally, for some time now petrochemicals have been replacing traditional refining as a driver for fossil fuel demand. **"The International Energy Agency anticipates petrochemicals will account for a quarter of the growth in global oil consumption during the next five years as electric cars and renewables erode demand for gasoline,"** reports the *Chronicle*.

As we have noted frequently, **a thriving oil and gas business generates massive tax revenue to support state government,** the bulk of which is located in Austin.

Furthermore, **a billion dollars is headed to Houston for help in hurricane recovery projects.** The money was allocated this week by Texas Land Commissioner **George P. Bush** from a federal grant. Bush spread another \$4 billion around the Gulf Coast area for the same purpose. These dollars will greatly aid the economy.

Just how serious is the oil/gas surge in Texas? An economist, Ray Perryman, has tracked Texas booms and busts for decades. Notice the use of the plural when referring to boom/bust energy cycles? This is intentional. Perryman has lived through, and commented on, *several* booms and busts. So, what is his informed view on the current oil/gas surge?

“Rig counts in Texas have been averaging almost 500, about 100 more than a year ago and well above the March 2016 level of 17,” Perryman said this week. **“This level of drilling activity not only supports strong hiring in the industry (up an estimated 28,300 jobs), but also additional jobs across the economy.”**

Okay, then, what does this mean for gasoline prices as we approach the summer hit-the-road travel season? Let’s turn to the US Energy Department for a current forecast -- noting that the cost of gasoline has already begun to rise. Why a rise now even though crude oil prices have stabilized?

The Energy Department says refiners are already transitioning to pricier summer blends of gasoline. Alright. What does the Department think will happen to prices at the pump?

“Drivers will pay the highest gasoline prices this summer since 2014.” Record demand is expected to contribute to this.

“Gasoline will average \$2.74 a gallon, topping last summer’s average by 32 cents,” predicts the Department. Of course this is a *national* average. Prices will vary from state to state, and in the past, Austin and Texas in general have enjoyed lower prices than the average.

For the first time in ten weeks, less than 50% of the state is impacted by drought. A week ago, drought conditions were recorded in 64% of Texas. This week’s tally is now 49%. The last week of March brought much-needed rainfall and improved the drought conditions, including in the Austin metro area and especially downstream from Austin.

The 2018 edition of *USNews&WorldReport*’s “Best Places to Live in the US” named Austin as the best in the nation – for the 2nd year in a row. The list considered factors such as unemployment, annual household income, cost of living, migration, health care and education for the 125 largest US metro areas.

Well, if Austin was #1, **what cities made the 2018 Top Ten?** In order from the top down: Austin ... Colorado Springs ... Denver... Des Moines ... Fayetteville, Ark ... Portland, Oregon ... Huntsville, Ala. ... Washington, DC ... Minneapolis-St. Paul and Seattle.

The big expansion project at Austin-Bergstrom International Airport (ABIA) will add nine additional gates, a new concourse, apron, mezzanine and platform level space. The terminal space alone will add nearly 175,000 square feet. The building's exterior is about 75% glass to allow for natural lighting and provide views of the runway, taxiways and apron operations. Wait a minute. Won't all that glass also let in a lot of heat? Yes. But.

The reason for the “but” reference is they are now in the process of installing massive sunshade canopies. How massive? **Each sunshade panel is 8 feet long and 20 feet wide and weighs about a thousand pounds. Together the 162 panels will cover 28,000 square feet to provide enough shade for two football fields,** according to ABIA.

What will they look like? Here's how ABIA describes them: **“Serving as a design feature mimicking a wing that floats around the building, the canopies are intended to provide an airplane and aerospace industry theme for passengers.”** Got that?

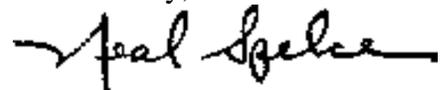
The functional purpose of the canopies is to **reduce the amount of heat gained from sunlight entering the building through the windows.** The canopies should also reduce the amount of energy required to cool the building.

ABIA says the placement of the last glass panel is to be completed at the end of this month. This will mark the completion of the building envelope to separate the interior and exterior parts of the building.

Speaking of completion, when will all this construction be finished? On the inside, rough plumbing, electrical and HVAC work are underway. The crew is doing the prep work to install new terrazzo floors in the terminal expansion. Okay, okay, get to the point. **The targeted completion timeframe is early 2019** – about a year from now.

Dr. Louis Overholster, always a stickler for language, when told at boarding to get on the airplane always responds with sarcasm: “I prefer to get *in* the airplane, if you don't mind!”

Sincerely,



Editor/Publisher