

THE

Real Spelce

AUSTIN LETTER

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Dear Client:

The high tech industry has become one of the best paying industries in Texas, yet there are more than 34,000 job vacancies in the state — even though recent headlines about job layoffs may have left a different impression.

Currently, state colleges and universities are producing about 2,200 graduates a year in electrical engineering and computer science, while the **high tech companies have created 132,000 new jobs within the past five years**, according to the Texas Association of Business and Chambers of Commerce (TABCC).

“It doesn’t take an engineer to figure out these numbers create a shortfall, but even if you did need one, you wouldn’t be able to find one for hire anyway,” claims TABCC President **Bill Hammond**. “In fact, some 195,000 visas have been issued to meet engineering needs and **it doesn’t make sense to import our workforce** when we have the talent right here in Texas.”

“It’s not that we need to lasso more students into our institutions of higher learning,” he continued. “Rather, we need **incentives** to lure them into the fields of engineering and computer science.”

Hammond has a warning in face of recent layoffs: “If the high tech workforce dries up even more, these companies that bring such a boom to our local economies **just might decide to move elsewhere** – to states committed to promoting math and providing incentives for those who want to enroll in electrical engineering and computer science programs.”

He points to bills pending in the Texas Legislature that would give \$5 million a year in state funds for university grants to **increase enrollment and improve retention rates** in electrical engineering and computer science. That money would be matched by a donation of \$5 million a year from the technology industry. “**With 50% of students enrolling in an engineering program at a state university failing to graduate with a degree**, this legislation would be a great start in addressing this state’s problems,” Hammond says.

“Legislators are on the right track to keep these companies in Texas by supplying a qualified workforce, but **Texans need to keep a close eye that these initiatives** don’t get lost in the shuffle,” Hammond concluded.

No economy operates in a vacuum, so it's instructive to check out cities that are considered to be competitive with Austin. Remember, Austin suffered more than it should have in the Texas recession of the 80's because California's economy was ginning right along at a fast pace. **We lost everything from companies to college professors to California.** It would not have been as severe if California's economy had been in the dumper at the same time as Texas.

Well, **California has a bigger crisis than Texas** right now, exacerbated by a shortage of electricity. So that's not a worry. But, what about key cities such as Raleigh, Denver and Phoenix? What's happening to them? Let's take a quick look, courtesy of Economy.com.

RALEIGH. As in Austin, Raleigh's long-term economic outlook is expected to be strong, while short-term job losses will continue to occur. **Growth is slowing.** Raleigh's high concentration of Internet and telecom service providers could be a challenge. WorldCom, AT&T, Time Warner Telecom and a slew of Internet service providers with a large presence in the area are involved in **merger and restructuring activity.** From March through October last year, about 20 Internet start-ups made plans to raise about \$280 million in venture capital. Few of those plans succeeded and few of the dollars have found their way into company coffers.

DENVER. Denver's labor market, like Austin's, is one of the tightest in the nation with a jobless rate there of 2.1%. The Denver economy is softening, but construction and high tech remain relatively strong. The telecom industry is most **at risk in the near term due to large company split-offs and restructuring.** It's reported AT&T Broadband may cut 1,000 jobs in the Denver area. Janus Capital, which laid off 219 jobs in Austin, laid off 468 in Denver. The office market is expected to continue strong, although the failure of some dot.coms and telecom companies has left some empty space in Denver's southeast sector.

PHOENIX. Phoenix and Austin are both in the Census Bureau's Top Ten fastest-growing metro areas in the nation. Interestingly, Phoenix's **slowdown in growth is most pronounced in manufacturing** where industry is recovering from layoffs last year, as well as from the aftermath of the Asian crisis when Phoenix suffered severe declines in exports. The announcement of 4,000 worldwide layoffs in Motorola's Semiconductor Products sector had an impact, since 7,700 people are employed in Motorola Semiconductor in Phoenix. The services industry continues to grow and the overall economy is boosted by continued population growth.

By and large, it appears the Austin area has **neither a big advantage or is at a competitive disadvantage** with these three great metro areas. The softening economy is being felt in all, though in different ways. And none of the metro areas has been disproportionately impacted.

The bottom line is that **Austin's economic momentum will continue to sustain us** and we won't be hurt as we were in the 1980s by other, somewhat stronger, cities or regions.

The chilly, rainy weather over the past four months has left road construction crews wallowing in the mud. Nevertheless, a major step in the US183 project is on the road ahead. The wet weather that started last fall has meant crews could only work about half the time in October, November, December and January.

“Every time we would think it would dry up enough to push ahead, here came more rain,” complained **Mike Miller**, the US183 Project Manager for the Texas Department of Transportation (TxDOT). The cooler temps also meant puddles did not evaporate quickly and the contractor had to pump them dry, further slowing progress.

But, in the midst of mounds of rock and dirt, the new northbound frontage road has been slowly taking shape. TxDOT’s Miller indicates **a portion of the new road should be open, if there are no more major weather delays, before summer.** In fact, Miller says he is somewhat surprised the project is actually this far along.

Workers have started spreading flexible base rock on the new route near Pond Springs Rd. The outline of the new frontage road is visible between Hunters Chase and Anderson Mill Roads. In some areas, crews have **laid a layer of asphalt as the base foundation.** The asphalt provides a temporary driving surface, and cleaner easier access to many commercial driveways. Miller says the approach keeps businesses and drivers as happy as possible, considering they’re in the middle of a construction zone.

With airlines and airport officials constantly urging you to arrive very early for your flights, you now have a way to get some work done when you get to Austin-Bergstrom International Airport (ABIA) and are waiting for your flight. ABIA has just opened its new Business and Technology Center.

The Center offers **daily business services** including Internet access for laptops, computer work stations, faxes and copy services, as well as products such as computer disks, folders and pens. It’s obviously a good place to pick up last-minute business supplies for your trip.

Additionally, the Center’s **on-site bank** is fully equipped to handle transactions ranging from traveler’s cheques and check cashing to foreign currency exchanges. There is even an **on-site travel agent** to help with last-minute itinerary changes.

A state-of-the art **conference room construction is nearing completion** and will soon open on the Business Center’s second floor. The room will have teleconferencing capabilities, Internet ports, computers and video presentation equipment. The Business and Technology Center is located in the east concourse, by the Southwest Airlines ticket counter.

There's a new breed of Texas Landman roaming the ranges of West Texas. He's not scrounging around hardscrabble ranches looking for oil leases. He's looking to lease land for wind farms. With the scramble for electricity (look to California for Exhibit A) and new legislation that accommodates renewable energy sources, Texas ranchers have found a new source of income.

It's somewhat ironic that **West Texas wind**, which has been cursed and discussed by every rancher who ever grabbed hold of his hat, **is the new income producer for ranchers who daily battle the elements.** But, if a rancher has a nice, elevated mesa, he can lease it out for 20-30 years and sit back and give thanks for that ever-present wind.

Austinite **Chris Crow**, who was battered by the real estate recession winds in the mid-1980s, is riding the breezes now as Manager, Texas Land for Enron Wind. He scours West Texas much as the oil landmen did in years past. Only Crow is looking for unobstructed land (which is almost *all* of West Texas!) where Enron Land erects **towering, modern windmills to generate electricity** – wind farms.

Crow can catch an early morning flight from Austin to Midland, rent a car, drive up to 500 miles locking up land leases, and fly back to spend the night in his bed in Austin. Crow says he takes an option on the land, slaps an **anemometer on the property to measure the wind** over a period of time, and if the reading reaches the optimum level 45% of the time, he locks up the lease for a wind farm. He says ranchers now seek him out because they like the idea so much.

Of course, the idea of windmills is nothing new to ranchers. They've used them since day-one to pump precious water out of the land. Now the windmills are modern looking, lined up in a row, atop a mesa – **pumping kilowatts, instead of water.** By the way, Crow says the prevailing winds in West Texas, nine months out of the year, come from the South/Southeast (not the west) as they do here in Austin.

Speaking of prevailing winds, **Dr. Louis Overholster** observes that when they talk about the most promising political candidate, they mean the one who can think of the most things to promise!

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