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Dear Client:

A careful analysis of the most recent data on the Austin area economy separates the weak and the strong points, and on balance, the strong points outweigh the weak. Also, some intriguing facts emerged during our analysis.

First of all, let's take a look at the basic, overall situation. When you examine the **major industry employment numbers** comparing June this year (the latest figs available) with June last year, you find all are up impressively: Construction (+2.0%), Trade, Retail and Wholesale (+2.7%), Services (+2.7%) and Government (+2.0%). **Only Manufacturing (-2.7%) is down.** And though Manufacturing is an important segment of our economy, all the other areas (except Construction) are larger than Manufacturing, and they continue to be very viable.

Speaking of construction, permits issued for **new single-family homes are down 28.1%** year-to-date through June (compared to last year's first half) and the number of **existing homes sold is also down (8%)** for the same time period. But, if you've priced homes lately, you know prices are still climbing. The *average* home price (\$194,667) is up 5.1% and the *median* price of homes sold (\$149,517) is up 7.5%.

One intriguing note: while high tech business layoffs and business closures are up a sobering amount so far this year over last year at this same time, **patents issued to individuals and companies in the Austin area are up dramatically (18.2%)** during the first six months of this year, compared to 2000.

Another intriguing note: there are even **more vehicles on the road** (as if you couldn't tell every time you jump in your jalopy!). It's really obvious in Williamson County. The number of vehicles registered in Williamson County (224,317) is up 7.8% and the number in Travis County (888,298) is up 2.9%.

And, even though stop-and-go traffic is more prevalent as a result of more vehicles clogging our roadways – thereby adding more emissions to the air – the **number of Ozone Action Days, through July, is down significantly** (from 5 to 3). Also, the Overall Ozone Air Quality Index Rating is Good, even better than last year.

These are interesting times. We'll keep an eye on the ever-changing situation for you.

If you're concerned about the short-term and long-term prospects for our area, you need to be looking down the road just ten weeks – to 11/06/01. That's when you and your neighbors will be picking a new Austin mayor to serve until 6/15/03, and a decision will be made whether to spend a buncha bucks to alleviate some of our roadway problems.

These are not decisions to be made lightly and they need to engage as many as possible. Oh, we know, you hear all the same stuff every election cycle – about how important your vote is, blah, blah, blah. But, we're not talking about *voting* here. This election (as well as the next few local elections to follow over the next couple of years) is vastly important for our future. **Now is the time for planning and organizing — even scheming and conniving —** if you want your side (whichever side that is) to win.

The next mayor will set the leadership tone for about a year-and-a-half. And you well know the next 18 months are not going to be as good economically as what we've enjoyed the past few years. **The challenges will be different** and, well, more challenging.

It's critical to realize the new mayor will be serving a bob-tailed term. **Not much time to get a lot done, but plenty of time to screw things up.** Then the mayor's post will be open again – along with three city council seats. Count 'em. That's a majority of the City Council that will be on the ballot. **This won't happen again until 2006.** This is what we mean by planning and organizing now for the near-and-long term.

What's needed now is for you and others like you to decide what's important for our area's future success, and **begin the fund-raising, organizing and cajoling necessary to accomplish your objectives.** All this is being said without reference to who's in the mayor's race now or who may get into it by the filing deadline. Ditto for the councilmembers whose seats will be up for grabs in the next year-and-a-half. This is simply a prod to tell you, if you don't start now, you could be left at the starting gate at a critical juncture in our history.

Nuf sed about that. Let's talk a minute about roadways. Even though Austin voters will decide in a couple of months whether to fund some Travis County roadway improvements, the focus here should also be beyond just the November voting date. **There will be more votes down the line targeting transportation.** Remember, Capital Metro is gearing up again for another try at building a light rail system in Austin (they're calling it "rapid transit" this time, since "light rail" was recently turned down by the voters).

The roadway issues on the November ballot were placed there by the Travis County Commissioners Court. But, roads will still likely be Topic-A in the fall mayor's special election. Survey after survey has indicated residents in this area put **mobility issues at the top of their list of concerns.** The mayor's race and the road bonds will not solve our transportation problems, but they are the first steps in a long journey to ease the congestion on our roads.

Well, well, well. Now Chicago is claiming it has more high tech jobs than any other urban area in the country. Come on. Get real. They are really stretching it to get on the high tech bandwagon. In fact, when you analyze the numbers, you find out they're counting janitors who work at PR firms that rep high-tech companies. That's absurd!

Chicago is touting a study from the University of Minnesota. Here's how the *Chicago Tribune* reported it: "The reason for Chicago's high ranking, according to the study, is that established urban areas have both old and new industries using high tech. It is a rich and mature mix that, for sheer power and diversity, **swamps the narrower computer-making centers around San Jose, Phoenix, Austin or other new economy cities.**" What a stretch! Can you believe this hogwash! And this was a front-page story in Chicago.

Here's the deal. **Rather than limit themselves to obvious high tech categories such as electronics manufacturing or software services**, the Minnesota team calculated the percent of scientists, engineers and computer professionals in each industry's national workforce. If that percentage topped 9%, or three times the national average, it was listed as high tech.

This broader calculation included not only electronics and computing, but such industries and services as pharmaceuticals, photographic equipment, medical instruments, plastics, engineering and architectural services, management and public relations, and research, development and testing services.

Boy, does this broaden the usual definition of high tech jobs. **The total number of high tech jobs includes everyone – janitors as well as programmers – who works for these companies.** And it makes assumptions about adapting national high-tech percentages to local firms. This is a study that should be placed in File 13, never to be opened again.

Even using this definition, many other cities have a higher percentage of high tech jobs than Chicago. In Silicon Valley, for instance, 41.3% of all jobs fall into this category. In Seattle, the figure is 21.1% and in **Austin 19.7%** — **all well ahead of Chicago's 12.4%**. But, just forget it. Chicago should dump this study and not try to be something it's not.

It appears Austin's high tech folks, and others as well, are not traveling quite as much as they were last year. Austin's passenger traffic at Austin-Bergstrom International Airport was down ever so slightly in July from the same month last year. It was so slight (less than 1%) you couldn't tell it as you rushed to catch your plane, especially when you realize July is the busiest air travel month of the year and the terminal was teeming with people most of the time.

As you know, airlines are not doing well as an industry these days. But even in this down market, Southwest Airlines was up 2% in passengers in Austin while the other bigs struggled.

The number of Fortune 500 companies with headquarters in Texas nearly doubled between 1980 and 2000. To give you an idea just how much business has changed during that 20-year period, all you need to do is look at the Texas Top Ten in 1980 and the Texas Top Ten in 2000. Not one company appears on both lists.

You need to realize that back in 1980, the highest-ranked Texas company on *Fortune* magazine's list was Shell Oil. It was not even in the *Fortune* 500 Top Ten. Shell ranked #12. Now the **#1 Texas-based company, Exxon Mobil, is also #1 on the *Fortune* 500 list overall.** To further emphasize how Texas-based big businesses have risen in the rankings, Enron, #2 in Texas, is *Fortune's* #7. So Texas has two businesses in the Top Ten of the *Fortune* 500 list.

But that's not the only thing that illustrates how dramatically the statewide **big business landscape has changed.** Here's 1980's Texas Top Ten, with how they ranked overall in parentheses: Shell Oil (12), Tenneco (17), LTV (42), Coastal (66), Texas Instruments (92), Dresser Industries (93), Diamond Shamrock (119), Pennzoil (159), American Petrofina (178) and Cooper Industries (197).

Now, take a look at 2000's list. **You won't find any of the 1980 Top Ten names on this 2000 list of Texas's *Fortune* 500 Top Ten:** Exxon Mobil (1), Enron (7), SBC Communications (14), Compaq Computer (27), J. C. Penney (43), Conoco (44), Dell Computer (48), Dynegy (54), Reliant Energy (55) and TXU (85).

Some of these Texas companies moved here from elsewhere, such as Exxon and Mobil that had HQ's in New York City before moving to Texas following their merger. Others, such as Austin's own Dell and Houston's Compaq are home-grown tech giants. But, this new list not only illustrates the new face of Texas big business, it also indicates **the national economic clout that is increasingly being found in the Lone Star State.**

Dr. Louis Overholster asked one of his elderly patients how he was doing: "My arms are so weak I can't lift a glass, my blood pressure pills make me dizzy, my cataracts are so bad I can hardly see and my arthritis keeps me from turning my head. But, on the bright side, I still drive every day!"

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