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Dear Client:

Long-time Texas economist Ray Perryman has been tracking Texas trends for decades. In his most recent analysis of Texas metro areas, he picks the 5-county Austin-San Marcos metro area as Texas's brightest economic star through the next decade.

Perryman analyzed each of the 27 metro areas in the state to determine where the jobs will be over the next decade. **“Through 2011, we expect Austin-San Marcos to continue to lead the pace in employment growth** (although its current recovery will lag that of some areas by a few months),” predicted Perryman. The economist also said the rest of the largest metro areas (Dallas, Houston, San Antonio and Fort Worth-Arlington), as well as the border region “are expected to perform particularly well.”

Well, if the Austin metro area is expected to lead the state from 2001-2011, **how does that compare with the past decade?** “There are some notable changes,” he admits. “Looking at the difference between the number of new jobs in the past ten years and the number of new jobs expected in the next ten years, **most of the largest metro areas come up short.** In other words, their growth pace is projected to slow.”

“Strong growth is still anticipated,” Perryman says. It’s just that “given the stellar performance of the 1990s, it isn’t surprising that the pace of new job creation is projected to slow to more sustainable levels.” His prediction by metro area: Austin, 2.53% ... Dallas, 2.41% ... Houston, 2.23% ... Fort Worth-Arlington, 2.22% and San Antonio 2.08%.

It’s worth noting that **Perryman has historically, year after year, markedly underestimated the Austin area’s job growth.** During the 1990s, he consistently predicted less than 3% job growth for the Austin metro, and he admitted in hindsight the 5-county Austin-San Marcos metro area had “an incredible 4.92% compounded annual growth rate over the past decade.”

He’s quite bullish on Austin (“**the star performer in the Texas economy is expected to continue to be the Austin-San Marcos metro area**”) and other big city metros. He just thinks we can’t replicate the pace of the past. “The mega-metros are projected to generate thousands of jobs over the next ten years, although the expansion clip will slow for most of them.”

Now that Advanced Micro Devices (AMD) has picked Singapore over Austin for the location of its new 300-mm wafer fabrication facility, does this mark the demise of Austin as one of the world's semiconductor centers? Though disappointed that Austin's massive effort to land the economic development plum was not successful, the president of the Greater Austin Chamber of Commerce doesn't think so.

"I think it important to remember that the **Central Texas region still has sources of competitive advantage** that can help stimulate growth in this and related industries," commented **Mark Hazelwood**, president of the Chamber. "Highly qualified talent, outstanding research and teaching universities, entrepreneurship, available office space and an outstanding quality of life, among other things, will continue to serve us well," he added.

In fact, Hazelwood thinks the major reason AMD bypassed Austin was out of Austin's control. "**I was told there was nothing we could have done that would have changed the outcome,**" Hazelwood said. The selection of Singapore, Hazelwood said, was driven first and foremost by AMD's decision to partner with UMC, the world's premier foundry (especially with regard to 300-mm wafer fab facilities) with operations in Japan, Taiwan and Singapore.

"AMD was forthright from the very beginning in stating that the selection of a partner was their highest priority issue. Many of us, of course, were **hoping that the partner would be Motorola or some other non Pacific Rim based firm.** Unfortunately, events and circumstances did not yield that result," said Hazelwood.

By the way, AMD (which came to Austin back in 1979 when Austin was not the high tech center that it is today) still has 3000 employees in the Austin area, and is making investments in its Fab-25 facility to utilize copper-based technology that will prolong the life of the facility by another ten years. "**AMD is not going anywhere,**" said Hazelwood, "and I believe that we will **identify other opportunities** to pursue with AMD.

Just a few months ago, Austin launched the new 3-1-1 non-emergency telephone response system to ease the burden on 9-1-1. Too many non-emergency calls were flooding the 9-1-1 operations, diminishing their effectiveness in dealing with immediate emergency situations. So, how's the 3-1-1 system working so far?

Quite well, thank you. According to **Cary Roberts** with the Greater Austin Crime Commission, "in the first four months of operation, the 3-1-1 non-emergency system has **reduced 9-1-1 calls by 28%.**" And Roberts further reports "The US Department of Justice rated the 3-1-1 launch as the **best system start-up in the country.**" As a result, he says the Austin Police Department "has been bombarded with information requests from municipal law enforcement agencies nationwide" to help with their 3-1-1 startups.

We've kept you ahead of the curve with advance tips on Dell's aggressive marketing strategy during this downturn. But a major newspaper is now reporting that, because Dell is gaining market share so rapidly at the expense of its competitors, Dell's "once-solid reputation for taking care of customers is showing some dents."

Just last month, Dell said it would earn more than it originally expected in the fourth quarter because consumers were buying 50% more PCs than in the third quarter. *The Dallas Morning News* reports Dell admitting **"an increase in consumers is likely to lead to an increase in individual complaints,"** but the overall percentage of complaints per customer hasn't changed.

However, *The News* reports "a survey of 27,000 readers published in November *PC World* magazine found that **Dell's service had slipped to a rating of 'good' from its old rating of 'outstanding' for consumers who bought PCs for home use.** Dell customers complained about longer wait times on the phone with service representatives and lower success rates in actually fixing their problems."

But, you need to keep this slippage in perspective. **The 'good' rating still keeps Dell ahead of its competitors.** *PC World* gives Hewlett-Packard and Gateway "fair" ratings and Compaq's service was rated 'poor.'

This dip for Dell should **serve as a wake-up call** because a diminished reputation can spread quickly, especially in this day of instant Internet communications. And with Dell's heavy reliance on the Internet, it becomes even more crucial for the Round Rock company to make major moves to get its customer service back to the lofty level that set it way apart from others.

Speaking of local companies, have you taken note lately of what's happening to Austin-based Whole Foods Market? The natural foods market opened a small, funky store on North Lamar Blvd, catering to aging hippies and organic food lovers 21 years ago. Now it operates 130 stores from coast to coast and is almost the size of Starbucks.

With that growth record under its belt, how are you going to argue with the company's projections that by 2004, it should generate about \$4 billion in annual sales from 200 stores, and **by 2010, it is targeting 400 stores to generate \$10 billion.** Talk about ambition.

Yeah, but are they making money? You better believe it. Whole Foods last year turned a neat **\$63 million in profit on sales of about \$2.3 billion.**

Okay, okay. What about the stock price? Go way back ten years and you find Whole Foods Market Inc. (NASDAQ: WFMI) **is trading today -- in this troubled market -- near its all time high.** The price is in the lower 40s this week, and just before year-end 2001 it reached its high of 46. Any way you slice it, Whole Foods is quite appetizing!

This year marks the 50th anniversary of two very different, venerable Austin eating establishments, and they are as “Austin” as Austin gets. Still run by the original founders, you owe it to yourself to patronize Holiday House #6 and Matt’s El Rancho soon. The food is just the same – and just as good – as it was a half-century ago.

Ralph Moreland started in the food service business in Austin 1/2/52. His Holiday House quickly became famous for “**flame-kissed hamburgers**” and you still get burgers cooked the same way. At the Holiday House you can also feast on old-fashioned food. Try the **chicken and dumplings** (if you get there before they run out — the place is usually packed at lunch) or the **meat loaf**, along with Texas Toast and two sides for less than \$7.

Texas 1937 golden gloves boxing champ **Matt Martinez** (107-3 as an amateur; 32-2 as a pro) opened his El Rancho 7/7/52 featuring what he modestly called the “best Mexican food in the world.” Fifty years ago you could pig out on such Tex-Mex fare as **chile relleno, tostadas compuestas**, and the **No. 1 Dinner**. You still can — prepared exactly the same way with recipes so good they don’t need improvement. El Rancho has lived up to its motto: “Always Good.”

Their success stories are truly inspiring. Palates and taste buds have been bombarded by different kinds of foods over the past 50 years. So, there’s something kind of **warm and cozy** in these fast-changing times, to be able **to feast on the same satisfying food** that, in our case, we first tasted as a teenager in Austin in 1952.

How have these two modest operations managed to survive 50 years of dramatic economic ups and downs while Austin food service establishments have fallen by the wayside by the hundreds? Moreland said it best: “**loyal customers, outstanding employees and my total commitment to quality.**” And he added: “We keep trying hard every day to deserve your patronage.” Hmmmm. There’s a message there for us all.

Speaking of economic ups and downs, **Dr. Louis Overholster** says it isn’t easy being an economist these days: “Do you know how hard it is to have to second guess your first guess?”

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