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Dear Client:

The Aggie-Longhorn sports rivalry will be set aside 2/11/03 for “Orange & Maroon Legislative Day.” And while the gathering doesn’t have the emotional intensity of a UT/A&M classic clash on the gridiron, the stakes are much higher and more important.

The Texas Exes of UTAustin and The Association of Former Students of TexasA&M are pairing up their key alums to call on legislators, **speaking with one voice**, on behalf of funding and support for the two flagship institutions – because, frankly, their financial future is bleak.

“A top university requires substantial resources to be competitive. **Texas simply isn’t providing these basics to the University and A&M,**” says **Michael Thomas**, former provost and interim chair of biomedical engineering at Georgia Tech. “And being competitive is a key factor in continued economic prosperity,” Thomas continued. “Texas’ natural resources won’t drive the economy any longer. Now the **brainpower necessary to attract and keep high-paying jobs is the coin of the realm** in economic development.”

Just how serious is it? “Texas isn’t keeping up in faculty salaries and good faculty members are leaving because of it,” Thomas writes in the Jan/Feb 2003 issue of *The Alcalde*. “**The University of Texas simply does not have the resources necessary to compete with the top public universities in this country.** A brain drain is the natural consequence.”

That’s not all. Citing a 1999 study of the top public universities in the country, Thomas points out that “**of the 54 public universities ... UTAustin ranked #52, just ahead of LSU and Kansas State in resources per student** when combining state appropriation and tuition per student.” TexasA&M fared slightly better.

Several years ago, a nationally renown UTAustin president, **Bob Berdahl**, left to head up The University of California/Berkeley. A telling statistic: UTAustin had roughly \$8,000 per student in state appropriation and tuition each year, while UC Berkeley had \$20,300 per student. Thomas says “the resources allocated to the universities in Texas to be nationally competitive fall far short. This is reflected in the **poor level of faculty salaries**, in the **large class size** students at UTAustin experience, and in the **equipment faculty have available for research and teaching purposes.**” These are comments from a competitor at Georgia Tech, where two top engineering faculty members were lured away from UTAustin just in the past two years.

Along the 1,700-mile length of IH35 from Mexico to Canada, the highest levels of fatalities, the worst congestion, the slowest average speed per mile, the lowest levels of service and the most air pollution occur right here – in the Austin-San Antonio corridor.

There's more. More than 100 people a year are killed in the main lanes of IH35 between Georgetown and San Antonio. What's causing all this? "The problem we have in this Corridor is a combination of rampant population growth and increased NAFTA (North American Free Trade Agreement) traffic," concludes Austin City Council member **Will Wynn**, the chair of the Austin-San Antonio Corridor Council.

One solution: "A judicious use of expanded rail service for freight and passengers could help **alleviate both congestion issues and public safety concerns**," says Wynn. And that's where a new entity comes in. The first meeting of the Austin-San Antonio Municipal Commuter Rail District board takes place today, 2/7/03.

Authorized by the Texas Legislature, the Commuter Rail District was formed to specifically address freight and passenger congestion issues. The Corridor Council's plan starts with **Union Pacific's 34 freight trains per day on a rail line (with 187 grade crossings between Austin and San Antonio)** that parallels IH35 between Round Rock and San Antonio on tracks that were laid more than 100 years ago. It would shift those trains to a new, grade-separated, more efficient corridor in or near the new SH130 route.

If this is accomplished, then more time-competitive rail freight service would encourage movement of through freight from trucks to rail. **Each train car would represent three fewer trucks on IH35.** Also, freeing up the existing Union Pacific rail lines would allow passenger commuter trains (*not* light rail) to ferry people between Austin and San Antonio – taking passenger cars off IH35.

Besides the startling statistics at the top of the story, what is motivating this movement? Wynn pointed out "A federal Highway Administration-funded study has recommended that we try to shift 50% of freight currently moving by truck up IH35 to freight rail cars by 2025." So, if you don't do that, what happens? "The study found that **IH35 would have to be expanded to 18 lanes through Central Austin in order to meet anticipated demand**," Wynn said. How's that! "That's just unacceptable," he added.

How much has the big rig truck traffic on IH35 increased? Well, 80% of Mexico's trade with the US and Canada passes through Texas and 75% of that is by truck up, you guessed it, IH35. Wynn said "we've watched loaded truck crossings at Laredo – where the vast majority of that trade enters the US – go from 15-20,000 per month to more than 120,000 a month since the passage of NAFTA." What does that mean for Austin? A TxDOT spokesman, **John Hurt**, recently estimated that **more than 40,000 trucks per day travel through Central Austin – and they're increasing at 6% per year**, compared to a 2% per year nationwide average.

Dallas-based Southwest Airlines is the only major air carrier that is making money and has not laid off employees since 9/11/01. So, are the six other major airlines planning to replicate the low-cost, quick-turn-around Southwest business model?

The short answer: some of them are, some of them are not, according to *The Dallas Morning News*. It's interesting to see how each of the biggest US airlines is approaching the **biggest industry-wide economic crisis in the history of commercial aviation**. It's also informative to check out the plans of the carriers that serve Austin-Bergstrom International Airport.

First of all, Austin is fortunate in that the nation's most financially-sound carrier, Southwest, carries more Austin passengers, by far, than any other airline. And Southwest (as **Darrell Royal** used to say about his football team's plans) is "going to dance with the one who brung ya." **The only change Southwest is contemplating is to slow its growth a bit.** And it will continue to hammer its competitors, old and new, along the way. But what about the others?

American Airlines. The world's biggest carrier, and #2 in the Austin market, has indicated it will be sticking to its basic business, but slash costs dramatically. The Ft. Worth-based carrier has said it will not re-make itself. It plans to continue its focus on serving the business traveler while drastically cutting overhead.

Delta Airlines. The Atlanta-based airline is going to introduce its own low-cost carrier, named "Song", to compete with Southwest and Jet Blue 4/15/03. It will replace the Delta Express and plans to use more regional jets to keep costs low.

Continental Airlines. The Houston-based airline says while it is cutting costs, it will keep food and entertainment on flights. And it will expand its regional service.

United Airlines. Struggling to come out of Chapter 11 bankruptcy protection, the carrier's leaders have said it hopes to emerge as a low-fare airline.

US Airways. Also battling bankruptcy, US Airways was in merger talks with United before the bottom fell out of the airline industry. Now it is reorganizing in hopes of using many more smaller, low-cost regional jets.

Northwest Airlines. The airline, with strong international routes – particularly in the Pacific — has said it hopes to become the lowest cost big network carrier.

The business traveler has long been the backbone of most airline revenue. As the economy suffered over the past two years, corporate travel budgets were reduced – cutting into airline revenue well before the events of 9/11/01. Ironically, American Airlines, maintaining its focus on the business traveler, is actually reporting **it has gained more corporate contracts.** But with business airfares continuing to drop, profitability is still a long way down the road. Meantime, Southwest continues to plug along — leading the low-cost way.

When you're in the midst of one of the nation's major growth areas such as Austin, you sometimes get a skewed view of how things are going. It not only impacts decision-making, but it also colors our day-to-day perceptions.

Take last December. The end of the year is a very important economic time – especially for retail, and as a result, for individuals who make buying decisions based on their personal (or *perceived*) economic situation. Businesses take stock of the year they've been through and make plans for the next year. **In hindsight, December was a blah month.** Retail sales weren't bad – or great. Businesses were cautious. Individuals, the same. It was as if not much was happening, and to some, the downturn seemed to be continuing its downward slippage.

In fact, there were **1,600 more people out of work in the Austin metro area** during December 2002 than the previous December – 36,800, compared to 35,200, according to the Texas Workforce Commission. Looking at this, you can conclude the downturn is still going down. But that view is skewed by growth.

Look at the other side of the coin. Yes, the number of workers out of a job was up by a little more than a thousand, but **the number of new workers increased by 11,000.** See what's happening. People continue to move to the Austin area and most of them are finding jobs. But, when you have more people out of work than the year before it's easy to focus on a half-empty glass.

If there had been no population growth in the Austin area, jobs would have been filled by those already here and the unemployment number would have dropped dramatically. Growth is a driving economic force. Long before the high tech boom that made our area a national leader in population increases, Austin experienced sustained solid growth. For a period prior to high tech, the Austin area doubled in size every twenty years. Growth has always been with us and will continue to impact everything we do for the foreseeable future.

Dr. Louis Overholster says the dot-com bubble taught us a lot about opportunity. “It showed us just how fast you can go from *exercising* your stock options to *exorcising* your stock options!”

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