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Dear Client:

**Dallas is doing some serious soul-searching about whether it has what's needed to be as economically viable in the future as it has been in the past. And, California economists have scaled back their already cautious predictions for the immediate future. Both these developments have implications for the Austin area.**

A new blue-ribbon report on the future of the Dallas-Fort Worth economy bluntly states the Metroplex doesn't have the tools to compete with Austin in future economic growth. Specifically, **it doesn't have the kind of relationship between a major research university and the private sector that can create new companies.** There is no world-class research university, such as UT Austin, in the Dallas-Fort Worth metroplex.

The report, commissioned by the North Texas Future Fund, points out Dallas has succeeded in the past because of *external* forces – such as the **emergence of the Sunbelt** as jobs and brains migrated to the South and Southwest. And the mighty **D/FW Airport, in the center of the nation, is no longer as attractive** because the Internet and other forms of high-speed communication make it easy to do business in all corners of the globe, no matter where you're located. There's no sign of a new engine to propel growth in the DFW area.

The important thing for Dallas is the leaders there recognize this looming deficiency and are determined to do something about it. In the meantime, **Austin needs to realize the importance of UT Austin and the high tech infrastructure of the Silicon Hills** to propel our economic future. These assets need to be maximized.

It's a different kind of story in California. A report out of LA last fall predicted Northern California would rebound this year, gaining 43,000 jobs, but it has just been revised. The economists now see more job *losses* ahead. **The San Francisco, Oakland and San Jose areas alone are expected to lose a combined 49,500 payrolls in 2003.** Even Sacramento, with the solid base of state government, is now projected to lose about 2,500 jobs this year as the state puts the brakes on government spending.

With California still reeling, **Texas and Austin in particular, need to put the pedal to the metal** (as New York is doing). Sure it's a tight time. But that's when economic development efforts can bear the most fruit. Now's the time to be aggressive.

## Are hospitals in Travis County deliberately refusing to test injured drivers for the presence of drugs and alcohol?

While no one will say it out loud, a research scientist looking at the numbers in a number of counties, including Travis, is making that indirect assertion. Statistics released by the Texas Transportation Institute at TexasA&M revealed that **3,724 people were killed on Texas highways in 2001 — more than ten per day**. In all statistical areas, Texas topped the national average and was worse than California, to which it is typically compared because of geographic size and population.

The TexasA&M researchers say the problem is compounded due to the **lack of standard reporting procedures by law enforcement and other public agencies**. This, they say, could give the false impression that progress is being made, particularly regarding the drunken driving problem and how it relates to traffic fatalities. And, Travis and Bexar counties were held up as examples of this reporting problem.

**In Travis County, in 2001, there were 54 fatal crashes reported, but only eight went in as alcohol – or drug – related.** In Bexar County, there were 63 fatal crashes and none were listed as alcohol-related. Compare those two with Harris County (Houston) where 146 of the 256 traffic fatalities were alcohol-related. And, according to the Institute, 43% of all fatal crashes in Texas involved at least one person who was drunk.

How could there be such a large discrepancy? Research scientist **Becky Davies** said interviews with emergency services personnel suggest that hospitals **deliberately may be refusing to test injured drivers for the presence of drugs and alcohol**.

Why would they do that? Because, under the Texas Insurance Code, life, health and accident insurance policies specifically say **they don't have to pay claims for a driver if he or she is determined to be drunk or on illegal drugs**.

“It's better if they don't know in the hospital whether or not this person is under the influence of alcohol or drugs, because if it turns out to be the case they are an impaired driver, **the hospital will not be reimbursed for the treatment cost,**” said Davies. “This is putting a major obstacle in the way of testing and reporting that goes on in hospitals.”

The number of people killed on Texas highways is a major problem. To put it into perspective, **Dave Willis**, director of transportation safety at the Institute said the 3,724 killed in 2001 is **“like crashing a fully loaded Boeing 737 every two weeks**. It's a big number. And if we crashed a fully loaded Boeing 737 every two weeks in Texas, the Legislature, the Governor and everyone else would be up in arms. Unfortunately, that is not the case about traffic safety.”

**Good news: 40% of Austin employers say they will be hiring in the 2<sup>nd</sup> quarter. That's higher than the state and national average.**

Manpower Inc, in its Employment Outlook Survey, found **22% of the employers nationally** say they plan to hire in the second quarter. **In Texas, 25% of the employers** said they will step up their hiring in April, May and June. Compare this with the fact that **40% of Austin employers** indicated they will be hiring during the same time frame.

Those who look at the half-empty glass will point out that, in the same survey, 50% of Austin area employers say there will be no change and 10% say they will actually decrease their workforce. But, hey, **40% is a good percentage** considering the downturn we've been through.

Also, look at the other major metros in Texas. Austin's 40% looks downright bullish compared to **only 8% of the employers in Dallas** who say they will be hiring in the 2<sup>nd</sup> quarter. **The Tarrant County area (Ft. Worth) weighed in with 20%** of their employers saying they will be hiring.

The situation is better in **Houston, where 33%** indicate they will be adding employees in the 2<sup>nd</sup> quarter and **San Antonio surpasses Austin with 50%** of their employers indicating they will be ramping up over the next three months.

Since economic recoveries are usually uneven, **it's hard to tell if this 2<sup>nd</sup> quarter estimate is a blip or a trend.** But, for the time being at least, it's a bit of good news – if it holds up.

**If you think there is more work on the traffic signals in Austin than normal, you're right. And the work on every single traffic signal, as well as all pedestrian crossing signals, will take about six months to complete.**

What's going on here? Well, it's a \$3.5 million upgrade. All the red and green incandescent **bulbs in the city's 7,000 traffic signals and the bulbs in 4,400 pedestrian crossing signals** are being replaced with energy-efficient light-emitting diode (LED) lamps.

Why LED – especially at such a high cost? An LED lamp, because it uses solid state electronics to produce light with a transistor rather than a filament, **uses only 10 watts of electricity**, compared to 135 watts for standard traffic signal lamps.

The upgrade is estimated to save 8.6 million kilowatt hours of electricity annually. That's enough to power about 460 homes. **It will save about \$1.5 million a year in reduced energy cost.** And the LED lamps, while making signal lights more visible, will last up to seven years versus one year for incandescent lamps. Sounds like a good investment.

**Of the Top Four “America’s Most Admired Companies,” one is in Austin and the top two owe a lot of their success to an Austin company.**

Each year, *FORTUNE* magazine ranks the most admired companies in America. The respected publication polls an astonishing **10,000 executives, directors and analysts**. This is the 21<sup>st</sup> year of the ranking. For the first time in its history, the nation’s largest company is also its’ most admired. **Wal-Mart**, headquartered in tiny Bentonville, Arkansas (which incidentally has two daily nonstop flights to NYC’s La Guardia Airport), **is #1** and Dallas-based **Southwest Airlines** (the only profitable airline during the nation’s worst airline industry crisis) **is #2**.

What do Wal-Mart and Southwest Airlines have in common? **Austin’s billion dollar ad agency, GSD&M, handles the ads for both these companies.** And GSD&M has been with Wal-Mart and Southwest during the period of the greatest growth for both companies. GSD&M was founded in 1971 by six UTAustin grads who, instead of getting real jobs, formed an ad agency. The rest is history.

Dell Computer is #4 on the list, right behind #3 Berkshire Hathaway. *FORTUNE* says Dell made the list because it sidestepped “the maelstrom that engulfed most of its computer-making rivals.” **President/COO Kevin Rollins attributed Dell’s resurgence to “a year spent on the basics: ensuring that customers and employees are happy.** When you get 38,000 people singing the same song, it makes beautiful music.”

In its 3/3/03 edition, *FORTUNE* said **eight key attributes of reputation were considered for its “Most Admired” designation:** social responsibility, innovation, long-term investment value, use of corporate assets, employee talent, financial soundness, quality of products/services and quality of management. The remaining Top Ten: #5 General Electric, #6 Johnson & Johnson, #7 Microsoft, #8 FedEx, #9 Starbucks and #10 Procter & Gamble. Pretty heady company for GSD&M and Dell.

**Dr. Louis Overholster** almost didn’t make it out of med school when, on his anatomy exam, he defined “shin” this way: “A device for finding furniture in the dark.”

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