

THE

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AUSTIN LETTER

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Dear Client:

Compared to California's Silicon Valley, North Carolina's Research Triangle and Massachusetts' Route 128, the Silicon Hills of Austin stack up quite favorably in trends for innovation and affordability.

This is the conclusion of the *Austin Index*, a Web service provided by UT Austin's Bureau of Business Research. The *Austin Index* is a **new, developing online databank resource that should provide long-term value to the Austin economy**. It debuted this month to illustrate Austin's performance today and compares it to that of other leading US high-tech regions.

Innovation. A frequently used index of innovations – patents per capita – indicates the city's capacity to attract highly innovative technology firms. The number of patents issued per 10,000 inhabitants in Austin increased 69%, from four in 1990 to thirteen in 1999.

Boston and the Research Triangle, in contrast, recorded only about five patents per capita for 1999. Silicon Valley, however, registered around 21 patents per 10,000 inhabitants in that year, according to the *Austin Index*.

Affordability. Despite the extraordinary growth of the high tech industry, **Austin continues to be the most affordable place to live among leading high tech cities**, according to the *Index*. The median housing price in Austin was \$156,500 in 2002 – much lower than those in Silicon Valley and Boston, where median prices were \$517,500 and about \$400,000, respectively, in the same year.

The *Austin Index* has emerged as a natural extension of the Bureau's long-established commitment to the economic development of the city, according to the Bureau's **Elsie Echeverri-Carroll** and **Rita Wright**. They say the primary objective of the Website is to be **the most comprehensive source of information about the progress of the Austin economy** in terms of economic, social and environmental indicators.

Since it just kicked off this month, it is still a work in progress. As they put it: "Our strategy has been to walk before we run." In the latter phases of this project, **other high tech regions will be added** to the *Austin Index* for comparison and tracking purposes. In the meantime, there is plenty there to keep you busy when you go to www.utexas.edu/depts/bbr/austindex/.

The extraordinary growth of Austin's high tech industry and population has generated new challenges to economic development. Road congestion is one of the most significant of these challenges.

So how do you measure, and compare, traffic congestion? Well, our friends at TexasA&M publish what they call the *Travel Time Index (TTI)*, and its' name is just what it implies. **TTI measures the amount of additional time required to make a trip because of congested conditions** on the roadways.

The *TTI* numbers for Austin show that **in 2000, a peak period trip required 27 more minutes than one made at free-flow speed.** Okay, how does that compare to the "good ole days", say, in 1982? **Back in 1982, a peak period trip only added eight minutes** to travel time. This represents an increase of 70%.

But, as the old saying goes, everything is relative. In terms of economic development, you need to compare the current situation with the same relative conditions in our competitive cities. When you put the peak period travel times in the Silicon Hills of Austin alongside other high tech cities, it becomes an easier pill to swallow and, actually, is an attractive feature when courting industry.

Peak traffic in Boston and San Jose, for instance, added about 42 minutes to travel time in those areas in 2000. By the way, the *TTI* is included in the *Austin Index* bank of data we referenced in the previous story.

One of the most important aspects to the new *Austin Index* is that it not only compares us with other high tech regions, but it allows us to **dig deeply into figures for our own region to get info that really tells us what is happening to our economy.** For instance, it gives an interesting picture of what's happening to jobs in our area during the current downturn.

Let's compare the third quarter in 1998 to the third quarter in 2002 (the latest data available from the Texas Workforce Commission). **The Austin economy added 51,113 new jobs during this period.**

Interestingly, **all the non-high tech clusters (with the exception of manufacturing) showed gains in employment,** according to **Elsie Echeverri-Carroll and Rita Wright.** Two core high tech clusters – computers and semiconductors – were where there was a heavy loss in employment. But, going counter to the job losses in computers and semiconductors, software development showed a positive employment gain. Some areas of high tech have been growing.

So, when the two main high tech clusters slowed down in 2000, **Austin's economic growth benefited from a highly diversified economic base,** where the "old" economic sectors continued to create new employment opportunities, according to the *Austin Index*.

The City of Austin now has in place an Economic Development Policy that should help create more jobs and a stronger regional economy. The policy includes performance-based incentives to businesses expanding or relocating in Austin.

We gave you a “heads-up” earlier (6/6/03) that the City Council would consider such a policy and it formally adopted it 6/12/03. The action directs the City to work with Chambers of Commerce to **identify diverse industries and coordinate the recruitment of those industries** for the purpose of job creation.

This is a significant development in a city where past City Councils have been labeled “no growth” and incentives to business have been roundly criticized. Now **future City inducements will be performance-based investments**. Prospective projects will be evaluated based on a series of criteria – including overall economic and fiscal impact, overall “goodness of fit,” environmental infrastructure impact, labor force and cultural/quality of life considerations. Then the investments will be granted as companies meet goals negotiated with the City.

Under this formal policy, the City of Austin will also create a Business Development Division in the Economic Growth and Redevelopment Office to **assist small businesses, artists, arts groups and organizations on business development and other topics**. It will provide a single point of contact for economic development.

We told you 6/6/03 that the Greater Austin Chamber of Commerce (GACofC), during the recent high tech boom “**changed its thrust from recruitment of new industry to create jobs” and focused more on workforce training**. Well, that’s all changed now. The Chamber Co Vice Chair for Economic Development for 2½ years, Frost banker **Tim Crowley**, confirmed the change saying he didn’t think the GACofC would backslide again. In a recent e-mail to us he said:

“As most of us in the ‘sales’ world will verify (and, essentially, we are ‘selling’ Austin) **you never quit developing your pipeline of future business**. We somewhat neglected this important rule during the ‘go-go’ days of the late 1990s, and I sincerely doubt that you will see that happen, again, at the Chamber.”

Crowley went on to say “I do think this recent downturn has at least galvanized many different constituencies in the realization that **a healthy economy is the cornerstone to a healthy community**, whether you are an entrepreneur, a small business person, or a supporter of the many civic, charitable and ‘quality of life’ causes that Austin enjoys.”

Some of the groups that “galvanized” and backed the new City Council policy include the GACofC, the Greater Austin Hispanic Chamber, the Capital City African-American Chamber, the Real Estate Council of Austin, the Homebuilders Association, Realtors, architects, contractors and engineers, Women’s Chamber, Asian Chamber, the Apartment Association, etc.

Do you want to get paid to drink in a bar, eat out or shop, or get paid to drive your own car/vehicle? This is part of a scam that's hitting Austin fax numbers.

It's hard to believe anyone would fall for the fax pitch, but they will. And the perpetrators will make a lot of money. The fax from Canada (with two American flags flying at the top) starts out saying "federal and local legislation in several states now mean that it is our duty to ask you whether your business wishes to receive promotions similar to those listed below."

The fax asks "Are these promotions appropriate or inappropriate to you?" Then **you've got two ways to lose money.** You're given a return fax number for "appropriate" and another for "inappropriate." The catch: they are "900" numbers and charge \$3.95 a minute and it takes between one and three minutes for each fax. **The tab to send your fax to either number will be from about \$4 to \$12.**

Now if that is not enough of a scam for you, the second part of the fax lists "a few of our great promotions: Get paid to drink in a bar, eat out or shop. Get paid to drive your own car/vehicle. The Yummy Yum Yum Diet. Up to 80% off designer goods. Cash 4 opinions. Butt & Guts (simple and effective exercises)."

And, guess what! All you have to do is send a return fax to the "900" number listed for any of these "great promotions". Each of these faxes will cost you \$3.95 per minute and should take between four and nine minutes. **So you can drop between \$4 and \$36 just like that** for one fax — before you even know whether you'll get anything in return. Raise your hand if you think you'll get anything but a lighter wallet.

Surely, you think, no one is stupid enough to fall for this. But a lot of folks will. Long, long ago, **P.T. Barnum** said, "There's a sucker born every minute." And these folks in Coquitlam, Canada are betting many of them have fax numbers in Austin.

Dr. Louis Overholster says optimism is asking God for another Ten Commandments because the first Ten don't seem to be working!

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Sincerely



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