

Volume 25, Number 45

February 20, 2004

Dear Client:

During this period when jobs seem to be recovering more slowly than the overall economy, US businesses that move operations overseas for cheap labor are getting bashed. One Texas economist thinks the complaints are misplaced.

We have a prime example of the situation right here in the Austin area. Dell, Inc., for instance, has a major operation in India, as well as in other countries, where the pay scale for the same task is much lower than in Austin. **Critics say even though Austin labor costs are higher than in India, Dell should keep those jobs here**, providing a big boost to our local economy. Texas economist **Ray Perryman** has a different, and much longer-range, view.

First of all, Perryman says, “as a society, the US has consciously and properly chosen **not to accept the standard of living achievable at the low wage** rates paid in many countries. The minimum *hourly* wage in this country is higher than the *daily* wage in numerous regions.”

For now, and especially in the future, Perryman thinks it is foolish to focus on this pursuit of less costly labor. As he put it: “**It is neither desirable nor possible for the US economy to compete solely on the basis of the cost of labor.**” He is not speaking about a specific company, but about overall industry competitiveness.

Perryman feels the American worker will benefit in the long run, if US industry continues to do what it does best and maintains its competitive status in the marketplace using cheap labor where it can find it.

“The path to American economic prosperity is through **innovation and embracing the technologies and methods that lead to high productivity and high value-added manufacturing**,” Perryman says. He didn’t specifically mention Dell in this breath, but you can easily see how it applies. “With each wave of discovery, some jobs may be lost in outdated areas,” he admits. “However, the **potential gains in other, far superior employment opportunities are substantial.**”

“The US needs a new vision that will **stimulate high-wage employment**, enhance the quality of life and business climate, assure greater security and sustainability, and **promote and support the very industries which hold the key to long-term success**,” Perryman concludes.

Speaking of jobs, let's check in on the fund-raising effort that has a goal to create 72,000 new jobs in the Austin area. If the \$11 million fund-raising campaign is successful and the money is spent properly, it could have a \$14 billion economic impact on Central Texas.

Opportunity Austin got off to a good start. As with most major fund-raising efforts, you go to your core group to get a big up-front splash. **Forty lead investors pledged \$4 million** to the five-year campaign, leading Campaign Chair **Gary Farmer** to say this moved the effort "ahead of schedule." You always go for the easy money first, so the remaining \$7 million will be more difficult. It now stands at \$4.8 million from 57 investors, still "ahead of schedule."

The effort, spearheaded by the Greater Austin Chamber of Commerce, has set some **lofty, measurable, economic results** it will try to achieve by spending the \$11 million. What's lofty? How about creation of 1,409 new businesses, \$1.2 billion in new bank deposits, construction of 18,459 new housing units and \$1.4 billion in commercial and industrial facilities – all while expanding annual payrolls by \$2.9 billion and bringing about an additional \$6.3 billion in total new consumer spending. Along with the 72,000 new jobs, these are the five-year goals.

Okay, then **how will this \$11 million be spent** to achieve these targets? Let's break it down. The bulk of the bucks, more than \$7 million, will be spent about equally between a national marketing campaign and local workforce development.

The **national marketing campaign** will have a five-year budget total of \$3,512,000. The challenge is to rebuild the Austin region's image as a premier business location at the forefront of competitiveness. A national **public relations and advertising campaign** – aimed at target markets – is at the core of the effort.

A like amount, \$3,523,821, will be spent to develop the local workforce to a higher level of capability. **Minority students** will be especially targeted. And enhancement of **education** is also high on the list. Also, some of this money will be spent to **improve conditions for business** such as transportation infrastructure improvements and elimination of regulatory and permitting impediments.

The next largest level of expenditures, \$1,925,691, will cover the costs of 1,000 relocation contacts and inquiries per year, **hosting 75 annual prospect visits**, while trying to achieve 25 relocations per year. One of the key targets of this budget will be the "**selling**" of **site consultants** who are retained by companies looking to expand or relocate.

"Existing business support" will get \$828,156 to help **retain existing business** and to help them grow, while "entrepreneurial encouragement" (supporting programs to **enhance the entrepreneurial environment**) will be allocated \$53,500. No budget is complete without holding back **funds for "unforeseen opportunities."** That amount is a significant \$1,150,000. First the money must be raised. Then you should pay attention to how it is spent.

Driven the Hill Country west of Austin lately? Notice all those high fences? It's the wave of the future in ranch ownership, and it's driving up prices.

The old classic western ballad, Home On the Range (“**Oh give me a home, where the buffalo roam, where the deer and the antelope play**”), is making a big-time comeback. Agricultural land and land for cattle and sheep grazing are giving way to land the way it was. And high fences are all part of the change.

“**Buyers want Mother Nature at her best:** rolling hills, lakes, creeks, beautiful sunsets over rock outcroppings,” reports the Real Estate Center at TexasA&M. “They want to hunt and fish. They want to watch birds and wildlife. They want private weekend retreats.” All this is transforming the Hill Country.

For most of this country's history, the price of an acre of land depended on agricultural potential – that is, what crops and livestock could be produced on the property. But the days of cotton-and-cow-driven land values appear to be over for most Texas land, reports TexasA&M's Real Estate Center. Now, recreational potential is what it's all about. As a result, **a different type of land – typified by the Hill Country terrain – has become more desirable.**

While rural land buyers long ago prized level, fertile farmland and improved pasture, current buyers prefer unimproved native rangeland. In fact, brush and other types of wildlife habitat enhance land values today much more than agricultural productivity. **High fences, established wildlife management plans, lakes, creeks and ponds – these are the factors influencing market prices,** reports TexasA&M's Real Estate Center.

Large landholders in the Hill Country who put in **high fences to control wildlife ingress and egress**, adopt a wildlife management plan, build and stock ponds with big bass – are getting a great return on their investment. In fact, few landowners can afford the luxury of leaving wildlife potential untapped for one simple reason – **a favorable tax treatment.**

A wildlife use provision in the Texas Property Tax Code means recreational investors may **no longer be required to maintain farm or ranch operations to qualify for reduced valuation.** And revenue potential is also enhanced. On a season-long basis, a hunting lease brings more than \$12 per acre to the landlord after deducting expenses. The same places have grazing rentals of \$4 to \$5 per acre. Obviously, hunting is the dominant activity.

On many Hill Country ranches these days, native deer and exotic antelope play — and pay — for the landowner. The high fences keep these high leaping, prized animals (just as lower fences kept cattle not so long ago) from wandering off the property. **Rocky, rolling Hill Country land – especially if water is a part of it – is valuable and getting more valuable.** And you can thank a change in the Texas tax code for helping this new trend take shape.

Even though Houston has long been one of the busiest ports in the nation, passenger cruise ships were not a significant part of the mix. Now, the nearby port of Galveston has jumped into the breach and cruise lines are ramping up big time.

It's amazing what has happened in just three short years. Apparently tired of going to New Orleans, Florida or other oceanic gateways, Texans are hopping into their jalopies for a short drive to Galveston and **boarding a floating city for a leisurely cruise** around the Caribbean.

Admittedly, the passenger cruise business pulling out of the Texas port is not yet on a scale found in, say, Miami. But **Galveston Island is now the US's sixth busiest cruise port to the Caribbean** and the 18th busiest in the world. An estimated 740,000 passengers were counted in Galveston just last year.

The trend line continues upward as the national travel media has discovered what's happening. Major stories have appeared and Galveston Island is touting this aspect of tourism to Texans. Royal Caribbean International and Carnival Cruise Lines have made Galveston a year-round homeport.

A variety of cruises are offered – from a long weekend to week-long jaunts. The ports of call out of Galveston include Key West, several Caribbean islands, Cozumel, Belize and the Panama Canal. **Cruise lines are planning additional offerings and new destinations.** Facilities on-shore to handle boarding and disembarking are being improved and Galveston retailers are revamping their sales approach to take advantage of this new tourism business.

Cost conscious and cruise starved Texans are finding the cruises appealing, especially since the **cost to get to the port is minimal and the commitment of time is less** than jetting off to Miami. It'll be interesting to see how long it takes before it peaks and levels off.

Dr. Louis Overholster reacting to the news story that, to save \$4.9 billion the White House has proposed a new budget for Congress to consider: "I see where the president is proposing to kill 65 different programs. Unfortunately, *American Idol* is not one of them!"

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 1407 Wild Cat Hollow, Austin, TX 78746. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

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