

THE

*Neal Spelce*

# AUSTIN LETTER

[www.AustinLetter.com](http://www.AustinLetter.com)

P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail [News@AustinLetter.com](mailto:News@AustinLetter.com)

Volume 25, Number 48

March 12, 2004

Dear Client:

## **California Gov. Arnold Schwarzenegger's biggest post-election victory followed his release of a study that showed many California businesses were likely to leave for Texas.**

By a huge margin, voters in the Golden State approved a plan to **borrow a record \$15 billion** to refinance the troubled state's debt and to help close the gap in next year's budget. It was seen as the biggest test for the movie actor since he was elected five months ago. One of the main tools he used to persuade voters to borrow so much money was a study naming **Texas as the #1 destination when California businesses decide to leave their state.**

The California Business Roundtable, a nonprofit organization composed of CEOs of leading California companies, commissioned the report known as the **California Competitiveness Project**. Fifty employers were interviewed.

Half of the employers with mobile workers said they plan to **move jobs out of state, or stop importing jobs, if business conditions don't improve in California**. Most of that group — 27% — said they would send those jobs to Texas where the cost of doing business is about 30% lower than in other Western states.

This report, made public before voters approved taking on a massive debt, was used to show that many **California employers were fed up with expensive, complicated state regulations**, and jobs would flee the state if there was no turnaround in its economic condition.

About four million of California's 15 million workers are *mobile*. This means they can work from anywhere with a phone, fax and Internet connection. They're usually employed in higher-paying professions, such as information technology or marketing. The study is significant in that it shows **California businesses ready to ship those high-paying jobs to Texas and other states with a better business climate**. Interestingly, two-thirds of California's employers told researchers they would not be sending those jobs overseas.

This doesn't mean those jobs are automatically heading our way. After all, California may ultimately solve its business climate problems. But it does indicate a **current mind-set among California CEOs that Austin and Texas economic development pros should take advantage of**. And, ironically, this helpful info was paid for by California businesses.

**Speaking of jobs, the recent scare headlines on front pages all over the US, including Austin, made it sound like the employment picture was dire. But take a closer look at Austin.**

“Growth In Jobs Is Still Sluggish” was the headline atop *The New York Times*. The local daily’s biggest headline on page one read “Economy Stung By Slow Job Growth.” Nationally, **the number of jobs grew by 21,000 last month while the nation’s unemployment rate remained at 5.6%**. Hardly a crisis. But if you took those headlines at face value, Austin and Texas were downright bullish – using those same numbers.

Texas employers have added 44,500 jobs from September through January. The chair of the Texas Workforce Commission (TWC), **Diane Rath**, said “I am particularly encouraged by the addition of jobs over the month and since September. **The fact that Texas businesses are sustaining job growth is a good sign for both employers and workers.**”

And the Austin area is, once again, at the top of Texas metros. The Austin metro tallied **5.3% unemployment in January 2004. It was a big drop from the previous January’s total of 6.0%**. Quite an improvement, especially when you look at the other Texas metros.

Dallas improved from 7.6% to 6.7%. Fort Worth-Arlington dropped from 6.7% to 6.2%, Houston stayed steady at 6.7%, San Antonio dropped slightly from 5.7% to 5.6% and El Paso dipped from 10.3% to 9.4%. These monthly unemployment percentages are year-over-year for the month of January.

“We are seeing several positive signs in the Texas labor market,” said TWC Commissioner Representing *Employers*, **Ron Lehman**. “Slow but steady job growth over the last four months is one of the strongest indicators we have of an **improving economy and improving business outlook.**” The TWC Commissioner Representing *Labor*, **Ronny Creighton**, also weighed in saying he was “pleased to see that there were nearly 30,000 fewer Texans unemployed from December to January.”

While we’re on the subject of employment, longtime Texas economist **Ray Perryman** is predicting the **Austin metro area will add more than 80,000 jobs in the period from 2003 to 2008**. If his forecast is achieved, the workforce in the Austin metro will surpass three quarters of a million (777,172, to be precise) by 2008. This is a job increase that averages out at a 2.20% compound annual growth rate. It is also the greatest percentage job growth rate predicted for any Texas metropolitan area.

One of the reasons a close analysis is needed each month of the unemployment figures is they have become **fodder for the presidential campaign**. Most of the recent jobless stories carried a political twist – with many headline and story writers putting a spin on the numbers, trying to assess whether it helped or hurt the Democrats or the Republicans.

**The nation's most talked about new discount airline, JetBlue, may be looking at flying into Austin.**

Currently, JetBlue serves 23 US cities, primarily from New York City and Long Beach, California. The closest JetBlue city to Texas is New Orleans. The airline has only been in business for four years, and in a very tough economy for airlines, it brags about having the **highest operating margins in the industry**.

What makes JetBlue stand out from the rest, especially when compared to the epitome of a successful discount carrier, Southwest Airlines? **It's the flying experience** – at a time when most travelers complain that flying is a hassle.

When JetBlue started, it didn't conserve dollars by leasing used airplanes. It bought dozens of new Airbus A320s, and it spiffed them up dramatically. **Every seat was leather and had a personal TV screen** attached to each seat. A JetBlue passenger has a choice of satellite TV, and radio and pay-per-view movies. The seats, while all configured three-and-three on each row, have extra legroom. And, unlike Southwest Airlines, each passenger has an assigned seat.

Even with the frills, **JetBlue's operating costs are comparable to Southwest's**. Lower maintenance costs (because of new planes and engines) help keep expenses down. And even though the planes get older each day, as new planes are added to the fleet, JetBlue is expected to have the youngest fleet of all the airlines for the immediate future.

As far as JetBlue's plans to add new aircraft, this is where Austin comes in. JetBlue has announced it will buy smaller, but still 100-passenger, regional jets – the Embraer 190 – to serve smaller cities. Even though the planes have fewer seats, a **low-cost non-stop flight from Austin to New York City could be attractive** – especially to those who currently must change planes (adding to each trip's travel time) at Dallas-Ft Worth or Houston.

JetBlue has not yet announced service to Austin. But you can bet when the new regional jets are added to its fleet next year, **JetBlue will have Austin on the list of dozens of new cities it will want to serve**. When that occurs, look for the competition to heat up.

**While we're on the topic of transportation, construction-weary motorists who regularly drive US183 will get some relief in just a few weeks.**

Even with bad weather, TxDOT's US183 project manager, **Mike Miller**, anticipates opening the main lanes from Hunters Chase to just past RM620 by the middle of April. You'll still need to be alert to construction crews, who will be finishing frontage road work until this summer.

**With the presidential battle lines now drawn, be wary of polls that will come flying at you every few days between now and Election Day.**

The best advice to follow as you look at these polls is to see *who* was interviewed. **Any poll that was *not* made up 100% of “likely voters” should be disregarded.** “Likely voters” not only are currently registered, but they have voted in very recent elections. All others who are interviewed by the pollsters are not very likely to vote, and therefore, will have minimal impact on the election – they just skew the results of the polls.

**The very best polls are *not* national polls. They are polls that show how the candidates stack up in a particular state.** Remember, the person who gets the most electoral votes – not the winner of the popular vote – is elected president. There are **538 electoral votes**. The bigger states, and the states that were very close in the previous election, are the battleground states.

**If one candidate carries the eleven largest states, that’s enough to be elected president.** California (55 electoral votes), Texas (34), New York (31), Florida (27), Illinois (21), Pennsylvania (21), Ohio (20), Michigan (17), New Jersey (15), Georgia (15) and North Carolina (15) contain **271 electoral votes – a majority.**

**In the last election Democrat Al Gore won eight states by a margin of about 5% or less** — New Mexico (.06%), Wisconsin (.22%), Iowa (.32%), Oregon (.44%), Minnesota (2.4%), Pennsylvania (4.17%), Maine (4%) and Michigan (5.13%).

**President George W. Bush won six states by similar narrow margins** – Florida (.01%), New Hampshire (1.27%), Missouri (3.34%), Ohio (3.51%), Nevada (3.54%) and Tennessee (3.87%). These states are “in play” this election.

If you really want to make the best use of polls, watch for those that are **specific to the states listed here**. This will give you a much better handle on how the election is stacking up.

**Dr. Louis Overholster** says computers and teenagers have a lot in common: “They both know everything – only with a computer you have to ask!”

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.

Sincerely



Editor/Publisher