

THE

Neal Spelce

AUSTIN LETTER

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Dear Client:

A long-range transportation plan so bold it could change the Texas way-of-life is getting underway and the first phase rolls right through the Austin area.

As far back as 3/15/02 we told you about this plan that would affect “our ability to interact personally and professionally in much the same way cattle drives, covered wagons, telegraphs and steam engines did when the Lone Star State was born.” The Texas Department of Transportation (TxDOT) and the Federal Highway Administration (FHWA) have served notice of their intent to prepare a Tier One Environmental Impact Statement (EIS) for the **Central Texas “high priority element” of the proposed Trans-Texas Corridor System.**

This segment of the system, called TTC-35, would extend from the Oklahoma-Texas state line north of the Dallas/Fort worth metro area, **through Central Texas parallel and to the east of IH35**, all the way to the Texas/Mexico border and/or the Texas Gulf coast.

Here’s the bold part of this plan that would ultimately spider-web Texas for 4,000 miles. The transportation corridor would be up to 1,200 feet wide. It would contain **three lanes in each direction solely for the use of passenger vehicles** and an additional **two lanes in each direction for truck traffic**. That’s not all. There would be **six rail lines**, one in each direction for high-speed rail, commuter rail and freight rail. And finally there would be a **200-foot wide utility zone** for water, natural gas, petroleum, electricity and communications.

When the plan was unveiled two years ago, Governor **Rick Perry** said it would “**ease traffic congestion** and increase the safety and security of Texans ... **reduce air pollution** and lead to better stewardship of our national resources ... **create hazardous materials routes** outside of our crowded cities ... provide **more transportation alternatives** in the event of a disaster ... and provide **unprecedented opportunities for economic growth** for all Texans, whether they live in rural, urban, developed or undeveloped areas of the state.”

The full plan could cost a whopping \$175 billion and **take several decades to complete** (Texas will grow from 22 million people to 50 million during this time span). But the first step is now taking place with TxDOT and FHWA seeking comments by 6/14/04 during the EIS Tier One phase. You can get additional info at www.transtx.com or by calling 1-877-872-6789.

Critics are carping about the Texas Enterprise Fund, even as it has been a part of success after success in creating jobs in Texas. What gives here?

The multi-million dollar Fund was created during the last legislative session to give the state flexibility and deal-closing capability in economic development. The Fund appears to be facing the ultimate irony. As Texas economist **Ray Perryman** said about the Fund: “it is both **incredibly successful and subject to extensive criticism**. In fact, it seems as if the more ‘wins’ the Fund chinks up, the more vociferous the outcries become in editorial pages across the state.” His perspective is valuable because he conducted an extensive analysis of Texas economic development, for free, when the state was at its lowest ebb.

While Texas consistently ranked first or second in the country in new manufacturing locations in the early 1990s, our totals fell precipitously thereafter as we dropped to an embarrassing 37th by 2000. “In the early 1990s, Texas also landed a dozen new locations with investments in excess of \$500 million,” he said, but “**between 1996 and the Toyota plant (selection of San Antonio as a site), we didn’t land any.**”

“The reason was quite simple,” he declared. “**Other states had become very aggressive in economic development and incentives; Texas had not.**” Perryman said his analysis showed the “major difference (among many) between Texas and the ‘winner’ in many location decisions was a deal closing fund.”

The Fund has been in place for less than a year and it has “already (1) secured a multi-billion dollar investment in a state-of-the-art microelectronics facility (Texas Instruments) with a corresponding commitment to a **world-class nanotechnology program** at The University of Texas at Dallas; (2) brought thousands of new aerospace jobs from Vought in a consolidation that, without these resources, could well have resulted in the loss of several thousand jobs; and (3) **ensured that SEMATECH would do the prototyping for the next generation of technology products in Austin, rather than New York,**” Perryman said.

“Critics say we shouldn’t be giving incentives at a time of pressing needs in other areas,” Perryman points out. “If this were a debating society or a scientific laboratory, I would be in total agreement. In the ‘real world,’ however, **such incentives are critical**. Our seven-year drought while others prospered is compelling evidence on that score. **To abandon this effort would be to eat our seed corn**. A stagnating economy would certainly compound problems such as unemployment, underinsurance, and inadequate funds for schools.”

Perryman has many other arguments to counter the critics. He concludes that “while incentives may not be particularly attractive in principle, they are **an essential aspect of the contemporary quest for sustainable economic growth**.” Recognizing the state’s budget problems and that there are many people in Texas in need of assistance, he says these economic successes generate millions of dollars each year that could be used for meeting those needs.

Even during the recent economic slowdown, Texas was among the nation's fastest-growing states in 2003.

According to the USCensus Bureau, the state's population grew by 1.8% from 2002 to 2003, increasing to 22.1 million people. **Texas is now the second most populous state** – behind California with 35.5 million residents. Florida, which grew a bit faster than Texas, now registers a population of 17 million.

The states that grew at the faster percentage pace, from 2002 to 2003: Nevada, 3.7% ... Arizona, 2.6% ... **Florida, 2.0%** ... **Texas, 1.8%** ... Idaho, 1.7% ... Georgia, 1.6% ... Delaware, 1.4% ... Utah, 1.4% ... **California, 1.4%** and Hawaii, 1.4%. It's not that big a deal for a *small* state to increase by a large percentage. But it's quite impressive when states with the largest population base – California, Texas and Florida – grow at a similar, or greater, rate.

An online service planned to exceed anything of its kind in the world is being developed here in Austin and you can access it right now to marvel at what is already available.

It was a bold plan when UTAustin President **Larry Faulkner** announced it two years ago, calling it the Knowledge Gateway. It is now called **UTOPIA** and it is a centralized and guided point of entry into the rich world of knowledge, research and visual wonders that make up UTAustin. The Web address (be sure to bookmark it) is <http://utopia.utexas.edu>. This rich online venue is breaking down walls and changing the way a university connects to those outside the campus community.

No longer do you have to be on campus to **see Renaissance paintings** at the Blanton Museum of Art or to **hear a lecture** by a UTAustin scholar on how to take your invention to market. You can sit at your computer and **gather helpful info** from a university professor on how to do your income taxes. A teacher can go online to **put together a lesson plan** or gather ideas for a class field trip. You can view in your own home the Harry Ransom Humanities Research Center's **memorabilia of the movie classic, "Gone With The Wind."**

The possibilities are endless and they are growing by the day as what is there now is only the beginning. **Funded mostly with private money, the site will evolve over time into a voluminous resource presented in an easy-to-use navigable format.** The site can be navigated by user category – educators, students, families – or by areas of interest: the arts, business, health and fitness, history and culture, law and politics, science and nature, technology and Texas.

UTOPIA is different from the main UTAustin Web site. Project director **Liz Aebersold** says: "Our purpose is to create the universal university, the **pathway to information for all people**, regardless of where they are or the level of their technical skills." Truly, a great resource.

Ooops! In an effort to help with your financial planning, we misspoke about what is likely to happen to interest rates.

Pesky mistakes (made in haste, in our case) can totally change the gist of a story. In the 4/30/05 issue, we told you what would likely to happen to interest rates. But **we slipped big time when we interchanged “prime rate” with “fed funds rate”**. We know better, but we thank one of our banker subscribers for calling it to our attention.

In summary, the *benchmark federal funds rate* is expected to edge upwards, in quarter-percentage point increments over the next couple of years – **moving from 1% to about 4% by the middle of 2006**. The fed funds rate is the rate at which large banks can borrow overnight funds from one another.

The prime rate has been holding at 4% since 11/7/02. *The Wall Street Journal* prime rate (that has grown in popularity) is what the *WSJ* refers to as “the base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks.” Of course the Federal Reserve actions influence the movement of the prime rate. Hopefully, this clears up our muddled word slippage.

Speaking of interest rates, this same banker friend of ours suggested two Web sites for you, if you want to track what is happening. **He points out that www.bankrate.com provides updates to posted interest rates, while www.forecasts.org provides forecast assumptions.** For instance, on 5/20/04, the “bankrate” site showed “average rates on 30-year fixed mortgages in Austin-San Marcos rose one basis point to 6.00% on Thursday.” It reported the “highest rate on a 30-year fixed mortgage was found at one institution that charged 6.63%. The lowest rate was found at seven institutions that charged 5.63%. Six months ago, the average rate was 5.39%.” These specific mortgage rates are updated daily, by individual metro areas nationwide. You can check out these two sites to see if they have application for your situation.

Dr. Louis Overholster likes to repeat the old cliché “A journey of a thousand miles begins with a single step” with his own caveat: “Of course, so does falling down a flight of stairs!”

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Sincerely



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