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Dear Client:

There is an interesting “push-pull” situation developing over what could be the biggest single economic development event to occur in the Austin area since the advent of high tech in 1983.

It’s a long way from happening – because of its complicated structure and because of the many, and diverse, bureaucratic hoops that must be negotiated before it occurs. But there are few who would argue that a **first-rate medical school, in association with a first-rate research university, UTAustin, would be a long-range economic boon to the entire Austin area.**

The “push-pull” situation starts with location, location and location. In fact, three locations are possible and different constituencies put forth different arguments in support of each. The first location that was floated (some say prematurely) was in **far North Austin**, on undeveloped land known as **The Robinson Ranch**.

Another proposed location is on the **city-owned, old Robert Mueller Airport property**, abutting IH35’s eastern edge, near the planned Children’s Hospital. A third location, not yet identified, could be on **property owned by UTAustin**.

For a medical school to be established here, it would take the close cooperation and strong support of the UTMedical Branch in Galveston. **No, UTMB would not move to Austin.** But a number of different medical research institutes, working hand-in-glove with related nationally-respected components on the UTAustin campus, would greatly enhance both institutions.

Such a cooperative venture could potentially **attract hundreds of millions of research dollars to the Austin area.** But it doesn’t stop there. Medicine is increasingly reliant on high tech breakthroughs. And the number of bio-tech, pharmaceutical, and other health-related companies that would flock to be near (and a part of) such an enterprise is difficult to overestimate.

The 600-pound gorilla in this equation is the UTSYSTEM. And the wild card is the Texas Legislature. Legislators, who come back to Austin in January, must approve a new medical school as proposed by the UTSYSTEM. The City of Austin, the local hospitals and hospital district, the medical community, etc. all have a stake – and will have a say – in how this proposal moves forward. It could be a long haul. But, if it comes together as envisioned, the long-term economic impact – not to mention the health benefits – make the effort worthwhile.

Now that USAirways has declared bankruptcy for the second time, what does this mean for Austin air travelers?

You may remember we told you 9/10/04 that when USAirways declared bankruptcy again (which it did shortly after our report), “this time it could lead to the airline’s liquidation.” Even though USAirways impact on travelers using Austin-Bergstrom International Airport is minimal, the **ripple effect will be felt on other airlines and schedules**. And the effect won’t be all that negative.

In fact, as you watch to see if/when USAirways moves toward liquidation, you can anticipate its **assets will be gobbled up by other carriers**, even in these tough airline times. Look for discounters, like JetBlue and Air Tran, to pick up its assets – particularly the East Coast shuttle service – making them stronger.

However, the more important thing to watch (for its impact on your travel out of ABIA) is **what this will mean for Delta and United**, who have bigger presences in Austin. A USAirways demise will still mean too much capacity among the remaining air carriers. So this won’t lessen the pressure on Delta and United we told you they were facing 9/10/04. Cuts, cuts and more cuts are in their future if they are to survive.

Enjoy (if this is the right word) this situation for now. As the airline industry shakes out, **deep discounts will likely disappear (though high business fares will probably dip)**. Another factor we highlighted recently is taking on another dimension. Remember we told you to check the equipment being used on your flights – because many airlines are moving to the smaller, regional jets. Tighter seating, no first class, etc. were some of the problems travelers complained about with the smaller planes.

Now there’s another problem surfacing that will impact you. *The Wall Street Journal* reported this week the “**spread of regional jets**” has spurred “**the biggest delays since 2000**.” In fact, the headline on its story screamed “The Worst Flights In America.” There are now a lot more of these smaller planes taking the place of fewer bigger aircraft. The problem, according to the *WSJ*, is “flocks of these jets have left airports more congested.”

What can you do about delays? Not much, except try to **avoid the flights that are chronically delayed**. Go to <http://airconsumer.ost.dot.gov/reports/atcr04.htm>. You will find the USDepartment of Transportation’s list of the worst offenders for each month in the DOT’s “Air Travel Consumer Report.” This is well worth doing when you’re on a tight schedule.

Once you get past the flight delay potential (coupled with increased time due to increased security), you can take heart the three major airlines located in Texas – and carrying the most Austin passengers – **Southwest, American and Continental are the nation’s three strongest**.

Finally, a national list where you can say with certainty Austin's rich kid Michael Dell will never rank #1 again – never.

Not only has Michael Dell been ranked as this nation's wealthiest person under forty years of age since 1999 – while all others in the Top Ten have careened up and down the rankings – but he is, by far, **wealthier than any of the others on FORTUNE magazine's annual ranking of "America's 40 richest under 40."** Number two is not even close.

Just how wealthy is your neighbor who for years has lived atop a hill in West Lake Hills? **FORTUNE estimates Dell's personal fortune at – are you sitting down? — \$17.95 billion.** If you remember Dell's estimated fortune last year, you'll see he increased it by about \$1 billion in a year's time.

Michael Dell of course is the largest shareholder at Dell Inc., where he serves as Chairman/Founder after dropping the CEO title this year. **But his surge in wealth is not based solely on the stellar performance of his company's stock.** In 1999, Dell began diversifying, launching MSD Capital as a private investment fund.

The investment fund started "modestly" with less than a half billion dollars. Six years and lots of Dell stock sales later, according to *FORTUNE*, those **assets in MSD Capital have bloomed to \$10 billion.** By the way, MSD didn't focus on tech stocks. One of its recent stock picks was Darling International, which collects grease from restaurants (good investment; it's up 66%).

Dell is a fitness advocate, along with his wife, Susan. But that didn't keep his investment fund from pumping bucks into IHOP and Steak N Shake, both noted for their hi-cal menus. *FORTUNE* also reported that "when MSD dove into real estate this year, **buying a Four Seasons Resort on Maui for a reported \$280 million, Dell's money managers took out a mortgage, like anybody else. There's a reason he stays rich.**"

The reason Dell will not make this list any more has nothing to do with his massive wealth. **He's 39 years old and he will be dropped from the list next year because he reaches the ripe old age of 40.**

Because Michael Dell has so dominated this list (#2 this year is 37-year-old **Pierre Omidyar**, the chairman and founder of eBay, with an estimated wealth of \$10.05 billion), few people know another Austinite also made the "40 Under 40" ranking of rich kids. He is the President/CEO/Founder of Trilogy, **Joe Liemandt.** *FORTUNE* reports the 36-year-old Liemandt's wealth is now \$234 million.

Omidyar is likely to move to #1 next year, but watch those two 31-year-old Google guys who are ranked #4 and #5. If **Larry Page** and **Sergey Brin** are as wise with their investments as Michael Dell, they may quickly increase their current wealth of \$4.19 billion.

With the jobs picture heading in the right direction (Austin is leading the state's positive movement), let's put the spotlight on a segment that is largely overlooked.

Quick. Can you name the state's largest single-site employer? Hint: it is here in Central Texas, north of the Austin area. Give up? **It's Fort Hood, the largest military post in the world.** Located near Killeen and Copperas Cove, the base has had such an impact, **a new \$83 million Killeen-Fort Hood Regional Airport is being unveiled.** It's no small town facility. It will have a 10,000 foot runway, enough to handle the largest of jets. And the airport alone will create about 800 new jobs, according to an analysis by The Perryman Group economists.

In fact, when you examine the military presence all around the Lone Star State, you'll find it is an integral part of the economy. **Texas has 17 active-duty military installations.** (The number was larger in the past — until the military closed a number of bases — including Austin's Bergstrom Air Force Base).

These current bases provide employment to more than 195,000 service-related personnel. This includes active duty members, reserve and national guard components (such as Camp Mabry in Austin) and civilians. It is such a large presence that the military forces stationed in Texas represent about 11% of all the US military.

And when we talk about the economy, you should understand **Texas ranks 3rd in the amount of money received from the US Department of Defense.** These government funds are used for military and civilian payrolls (that are, in turn, circulated through various communities — generating more and more business activity), contracts and grants. Recognizing the economic value of military base presences, **Austin battled mightily to keep Bergstrom AFB,** as did other communities where bases were closed over the years. Austin fared better than most because it made lemonade out of a lemon when it converted the base to a new, modern airport.

Dr. Louis Overholster had a bad experience this week. Someone stole his identity — looked at it — and gave it back!

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