

THE

*Paul Spelce*

# AUSTIN LETTER

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Dear Client:

**With the overwhelming vote this week to bring a modern commuter rail system to Austin, 2004 will go down as the Austin area's "Year of Far Reaching Transportation Decisions."**

The way you *move around* to live, work and play in the Austin area for the foreseeable future will be dramatically altered as a result of this week's rail vote and by the toll road decisions earlier this year. As we foretold 7/16/04 when we alerted you to these impending momentous developments, "**Transportation decisions – good and bad – have a way of altering history.**" And it involves not only the movement of people, it impacts economic success.

The implementation of commuter rail and toll roads, will **impact *where and how* the Austin area grows**. (These developments will not contribute all that much to the *extent* of the growth – after all, Austin has had a history of doubling in size every couple of decades since the city was founded.) Transportation is not the sole determinant of economic success, but it is a biggie.

These transportation double-steps are just the beginning. No matter how you feel about toll roads, they are the wave of the future in Austin and Texas. Look for more toll roads to be proposed throughout Central Texas. For instance, Bastrop is looking at the possibility of a toll road, because it's the only way it can get immediate funding to take care of its growing traffic problem. **You can bet there will be more toll roads in-and-around other cities in our metro area.** Funding is driving tolling, plain and simple.

As for commuter rail, the Leander to Austin line approved Tuesday by voters is just the beginning. Check out these words by the influential Downtown Austin Alliance *before* Tuesday's vote: "We endorse the proposed Red Line from Leander to the Convention Center as a vital first step, but not the 'end of the line.' **Our ultimate goal is to see this line connect all the important Downtown destinations – the State Complex, Seaholm and The University of Texas.**"

**You'll probably get a chance to vote on the commuter rail expansion within two years.** Capital Metro will begin studies ASAP of options for transit circulation areas to locations such as the old Robert Mueller Airport development, Highland Mall, the UT Austin Pickle campus just off MoPac North and downtown. The Downtown Austin Alliance sees this as a way to attract new retail and entice people to live, work, and play in downtown Austin.

**Speaking of developments that will alter our history, we're witnessing a wireless revolution, just like the power industry of the 1940s or the railroad industry of the 1800s.**

This is the view articulated by one of the world's whiz kids in wireless communications, **Ted Rappaport**, director of the Wireless Networking and Communications Group (WNCG) at UTAustin. This "revolution" has been driven largely by new research in the field of communications engineering by people like Rappaport, who **heads up the largest and one of the top programs in the country.** And it is happening right here – on the UTAustin campus.

So, what are we talking about? **Imagine a cell phone, personal computer and television all contained in one device the size of a thin notebook with no wires, visible antennas or disk drives.** "People will be able to carry around all these technologies in one device," Rappaport says. Think about that. This isn't some futuristic, sci-fi device. Rappaport says such instruments will be as common as the cell phone in ten years.

The benefits will be myriad, he says, starting with enhanced productivity in the workplace and at home. Going wireless means information and connectivity will be at one's fingertips. The technology will provide critical services, such as **enabling drivers to learn about road conditions and weather in real time, or helping law enforcement agencies locate missing people.**

How did the cutting edge of this revolution come to be in our midst? UTAustin launched an aggressive effort two years ago to lure Rappaport to Austin from Virginia Tech. At the time, he was heading up another wireless networking research group – one of the first in the world – and directing a prestigious program he'd built from scratch during his 14-year tenure. **His students were in such demand corporations were willing to travel to the campus in the Appalachian Mountains to recruit them.** But his work at Virginia Tech came to an end when **Ben Streetman**, dean of the College of Engineering, called with an offer.

"I love the can-do attitude of Texas and UT and thought we could make a positive impact in the world pretty quickly," he said. **"We've done in two years what we thought would take five."**

The accomplishments of the WNCG under Rappaport's direction have indeed been impressive. The program has 70 graduate students (translation: top new hires for major firms) and has opened a new research center on campus. It has received generous funding from seven technology firms – **Motorola, SBC Communications, ADC, Dell, National Instruments, Texas Instruments** and **Time Warner Cable** – each of which has committed \$50,000 a year for three years. In addition, TI provided funds to launch Rappaport's research and Dell and National Instruments donated equipment, while Motorola provided cubicles for the researchers.

**The world is taking notice.** And, soon, you will be the beneficiary of this "revolution."

**UTAustin is a great economic engine for this area. It provides knowledge, research, collaboration and people. This, in turn, creates jobs and is one reason Austin was recently ranked 3<sup>rd</sup> in the nation as the best area to launch a business or a career.**

The listing came courtesy of *Forbes* magazine as it named the nation's top metros for new business operations. The national business publication cited our area's **diverse, educated workforce** as one of the main criteria for selection. And, of course, UTAustin figures prominently in that equation.

This designation is just one of many where Austin and the state as a whole rank at, or near, the top of many lists ranking the most dynamic regions in the country. For instance, just this past week, *Site Selection* magazine, the world's foremost publication for business expansion and relocation, proclaimed **Texas the top state in the nation to do business**. The Lone Star State surged ahead of three-year leader North Carolina as the top business climate in the country.

*Site Selection* magazine said in creating jobs "Texas' not-so-secret weapon is the Texas Enterprise Fund (TEF), a **\$295 million fund established in 2003 to help lure projects to the state.**" (See our 10/15/04 edition for an analysis of the results of the Fund's first year).

"But there is more to Texas' business climate than TEF money," the respected publication continued. "Corporate America has taken note of the state's recent passage of a constitutional amendment mandating tort reform. By one estimate, the state's lawsuit reform measures will lead to the **creation of more than 240,000 permanent jobs** and add \$36 billion to the Texas economy."

Texas Governor Rick Perry points out "economic growth is about more than paychecks." He says "**by creating jobs, we create the wealth that generates the tax revenue to fund important priorities such as education, health care and transportation.**" In fact, *Site Selection* magazine noted Texas "is also investing heavily in education despite a recent \$10 billion budget shortfall which has been eradicated – without raising taxes."

As the Austin area economy continues its slow climb upward, recognition such as this should go a long way toward speeding up job creation.

**Austin's upward economic climb continues to be reflected by the unemployment figures.**

A year ago in September, the Austin area notched a 5.8% unemployment rate, while the state as a whole registered 6.8%. It's impressive to note the latest jobless figures available show the 5-county **Austin metro area leading the state's major metros with a 4.2% unemployment total (the state: 5.5%)**. Economists say unemployment this low is close to "full employment."

**With the GOP *national* sweep this week, what does this mean for Texas GOP officeholders who swept into office last time around? There could be some significant changes.**

The brilliant political strategist who masterminded President **George W. Bush**'s re-election and GOP gains in the USHouse and USSenate, **Karl Rove**, was also the architect whose hand guided the effort that put Republicans in every statewide office in Texas. Now Rove is going to have more time on his hands and you can bet Texas will receive his utmost attention.

It's generally believed Rove was instrumental in convincing USSenator **Kay Bailey Hutchison** to remain in Washington even though she openly spoke about running for governor of Texas four years ago. With the Senate becoming more solidly Republican (and Rove may now "owe" Hutchison) Rove may not stand in her way to run for Governor. This will trigger a huge domino effect in the GOP.

Governor **Rick Perry** and State Comptroller **Carole Keeton Rylander** are both making noises about the governorship. But Hutchison's poll numbers are so high, Rove may start directing a game of musical chairs. And he now has another tool with which to work – **the historic shuffling of a presidential cabinet and staff in a 2<sup>nd</sup> term**. You could imagine a scenario where several GOP state officials could end up in Washington, preventing an intra-party campaign bloodletting in Texas.

For instance, would Rylander want an important job in Washington where two of her sons hold very high-level Bush administration positions? Would Texas Agriculture Commissioner **Susan Combs**, a Bush friend and loyalist, be offered the US Ag Secretary's cabinet post? Would Perry and/or Lt. Gov. **David Dewhurst** want Hutchison's USSenate position or an administration job? Rove could make any or all of these options happen. And he would probably be inclined to do so as he shuffles the Texas GOP deck to insure harmony, and at the same time, try to keep a GOP headlock on the state's top offices.

As the campaign ended, **Dr. Louis Overholster** remembered that Mark Twain once declared himself a greater man than George Washington, for Washington couldn't tell a lie and he could!

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Sincerely



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