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Dear Client:

In the tale of three high-tech centers – San Jose, Austin and Boston – why are there three daily non-stop “nerd bird” flights between Austin and San Jose and none from Austin to Boston? The answer has less to do with airlines than with economic and business relationships.

Why do they call the flights from the Silicon Hills of Austin to Silicon Valley nerd bird flights? Because the segments claim the *highest laptop-per-passenger ratio* in the airline industry. But it goes deeper than that. Young high tech Austin has grown not only because of its ability to develop its own stock of ideas, but also because of its **“capacity to import ideas from other regions, especially those with a large accumulation of knowledge such as Silicon Valley.”**

This is one of the conclusions drawn by **Elsie Echeverri-Carroll** and **Sofia G. Ayala** in a paper published in the 12/2004 edition of the *Texas Business Review*. The business researchers spelled out why **Austin’s economic growth has been aided by a linkage with Silicon Valley**, not duplicated with the Boston/Route 128 high-tech center (hence no non-stop flights).

“In contrast to Boston, Austin’s per capita innovative capacity has been enhanced by **cooperative relationships between its high-tech industry and that of Silicon Valley**,” reported Carroll and Ayala.

“The strength of this relationship can be observed in three trends: the **dominance of the computer cluster** in both of these high-tech centers; the stronger presence of **high-tech branch plants in Austin**, with headquarters in Silicon Valley, than in Boston; and the **steady flow of college-educated workers between Austin and San Jose**,” the authors noted in their scholarly paper.

“**Furthermore, Austin has established an industrial structure that complements that of Silicon Valley.** The semiconductor industry is the top high-tech industry in San Jose and Austin. In contrast, high-tech services, such as financial and insurance businesses, are the top high-tech employers in Boston.”

The researchers tick off other facts illustrating the working relationships between the Silicon Hills and Silicon Valley – and contrast this with the **lack of such linkage with Boston**. So while Austin in many ways sees Silicon Valley as a competitor, the California center is also inextricably linked to Austin’s high-tech future success. Hence the non-stop nerd bird flights.

Get on board or get out of the way. As we barrel toward the end of 2004, recent economic development and transportation actions indicate the economy is building up a head of steam that will kick off 2005 with seemingly insurmountable momentum.

State and local initiatives are combining to generate energy that will be hard to stop – even if you oppose what is happening. This is why the “get on board or get out of the way” admonition may be more apt than some will want to accept –especially with **yesterday’s history-making Trans-Texas Corridor (TTC) transportation announcement.**

With word an international group, Cintra, is going to pony up \$7.2 billion that will solve a problem Austin drivers have complained about for years (deadly overcrowding of IH35), the deal is done. TTC is a reality. This enormous amount is *private* money, not state or federal tax dollars. How big is this commitment? **“By far, this will be one of the largest private-sector investments in transportation in U.S. history,”** said Highway Commissioner **Robert Nichols.**

Cintra is not doing this philanthropically. It hopes to get a huge return on its investment by charging for use of the roads over a 50-year period. In other words, *tolls*. And Cintra will move quickly. **By 2010, 316 miles of a new four-lane divided highway, TTC-35 roughly paralleling IH35, will be built** from Dallas to San Antonio, slicing right through the heart of our Central Texas metro area.

This is almost a finger-snap in time when you compare how long it has taken to try to build US183 north or the Ben White/IH35 interchange south – projects built parcel-by-parcel as tax monies *slowly* became available.

The 316 miles to be funded and built by Cintra is simply the first phase. We’ve reported to you many times (from our 3/15/02 edition through the recent 12/3/04 issue, available in the “Archives” section on our Web site) about the grand plan outlined by Gov. **Rick Perry** that will criss-cross Texas with **separate corridor lanes for cars, trucks, rail and utilities.**

Not only will TTC-35 aid commercial and private transportation needs, it “will mean jobs and opportunities for the people of this state for generations to come,” said Texas highway Commissioner **Hope Andrade.** Three groups bid to dump billions of dollars into this first phase won by Cintra. Obviously there’s a lot of money out there for future projects. **“Without a doubt, the private sector is knocking at our door with a nearly incredible opportunity for Texas,”** noted **Ric Williamson,** the chair of the Texas Transportation Commission. Again, this is a reinforcement of the “get on board or get out of the way” statement.

You can bet this **momentum will spill over to the local tollway proposals** making their way through the approval process. The Texas Transportation Commission has the ultimate say, and it can’t feel more vindicated than now about the viability of private funding for toll roads.

Texas economic development efforts scored a double-whammy this week and one of them – very important to Austin – will be the subject of debate during the first part of 2005.

As with the transportation action this week, differing economic development plans will also help close out 2004 with a headlong rush to greater success in 2005. Gov. **Rick Perry** unveiled “**the largest job creation announcement in the United States for the past four years,**” according to the nationally circulated *Site Selection* magazine.

He revealed that Countrywide Financial will bring **7,500 jobs to Texas to more than double Countrywide’s presence in Texas.** The impact will be immediate. Kicking off 2005, Countrywide will start adding 2,500 employees in January to its office in Richardson during the next two years. The remaining 5,000 will be added during the next six years.

While this announcement garnered national attention, the more far-reaching development for a **new technology fund** was announced the previous day by the governor. And if he can convince the Texas Legislature to endorse his plan, it could have wide-ranging significance for years and years to come. He has some ammunition for his proposal – the success of the recently-created Texas Enterprise Fund (TEF).

The \$295 million TEF is tapped to encourage companies to create jobs for Texans. About \$20 million was promised to Countrywide Financial. With the Countrywide announcement, the state has now allocated more than \$200 million from the TEF to bring more than **22,000 new jobs and generate more than \$6 billion in capital investments in the state’s economy.**

Perry now wants legislators to replenish the TEF to the tune of \$300 million and – this is the new initiative that holds great potential for Austin – **dedicate an additional \$300 million for a Texas Emerging Technology Fund (TETF).** Texas must now take the next step of investing more in emerging fields of technology in order to remain competitive in the evolving world economy, Perry added.

He points out many states – including California, Ohio, Florida, Pennsylvania and North Carolina – are pumping billions of dollars into efforts to **attract the world’s best scientists, and new companies that will market their innovations.** The \$300 million TETF will enable Texas to compete with them.

As a matter of fact, Austin economic development leaders are already working on a **project that would fit precisely within the governor’s parameters for the new TETF.** The state funds would go a long way to securing a commitment that can have a dramatic impact on the development of emerging technology in Austin.

All that remains is for the legislature to create and fund the TETF. It convenes in January.

When the Texas Legislature convenes in Austin in a few weeks, it won't have the previous session's controversial Congressional redistricting issue to face. But there is still fallout in Austin over this hot topic, though of a lesser variety.

All members of Congress have an office and staff in their home district to take care of the needs of their constituents. The key words here, according to USHouse of Representatives rules, are "in their home district." Okay, so longtime Austin Congressman **Lloyd Doggett** for years had his office in downtown Austin in the Federal Office Building. But Democrat Doggett's new district boundaries were re-drawn and the **Federal Office Building is no longer inside his district boundaries**. And he wanted to keep his office where it's been all along.

It gets more complicated. The freshman GOP Congressman who represents part of Austin, **Michael McCaul**, said, no, he wanted to have *his* home district office in the downtown Federal Office Building. Hold on. **The downtown building isn't in either Doggett's or McCaul's district**. The way the boundaries were drawn, the Federal Office Building is in a 3rd Congressman's district – the GOP's **Lamar Smith**, whose home in his district is in San Antonio. What to do?

It was resolved amicably. The USHouse Administration Committee granted a **special dispensation to both Doggett and McCaul so they both can have district offices outside their boundaries, in the Federal Office Building**. (Smith has an office in the northern part of his district in western Travis County, near Bee Caves.) So, no matter if you're a Republican or a Democrat, you can go to the downtown Federal Building to find a Congressman in your political party. Do you think this may finally mark the end of the redistricting fallout?

As has been our custom for 25 years, The Neal Spelce Austin Letter will not publish for the next two weeks of this holiday season. Our next edition will be published 1/7/05. It is our sincere hope you, and those who are most important to you, will treasure this holiday season. For diehard UTAustin football fan Dr. Louis Overholster, he will watch his New Years Day Rose Bowl ticket *torn* upon entry, knowing this is a different "*rip-off*" from when UTAustin was denied a BCS bowl game three out of the past four years, despite posting one of the nations' best records.

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Sincerely



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