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Dear Client:

**Austin's smaller city sibling, Round Rock, "is a market that is as diversified economically as any in the South."**

"Round Rock has been under Austin's thumb for years. **It has never received the credit it deserves** for creating an economic base that is near or at the top in the South for markets its size." These are the observations of **Mike Randle**, the Editor and Publisher of *Southern Business & Development* magazine in its Winter 2005 edition.

**"I spent three days in 2004 in Round Rock, Tex. and was blown away by its economic base,"** Randle said. "From high-end metal fabrication to a single \$15 million photomask to be used in semiconductor production to Dell's massive headquarter campus, Round Rock is a market that is as diversified economically as any in the South."

"Yet," he continues, "have you noticed Round Rock as a major economic player in Texas and the South? Probably not, since it adjoins Austin and is part of the Austin-Round Rock MSA. **In fact when you hear or read about Austin's magical economy, you might be misinformed since the speaker or writer may be referring to companies in Round Rock.**"

Obviously this is something we regularly highlight, but now an economic development trade publication, with a wide circulation throughout the southern US, is spreading the word to its influential readers. The publication also points out another smaller market in Texas that ranks #6 behind Round Rock's #4 in the magazine's listing of **Ten Strong Southern Economies You May Not Have Noticed**. This one may surprise you, because of its recent meteoric rise.

It is the mushrooming McAllen-Edinburg-Pharr MSA (sharing a border with Mexico) that tallied a 264,000 civilian labor force in January 2005. **"We can't think of a place in the entire South the size of McAllen that continues to offer up a larger labor pool,"** Randle noted. "The economic development folks in the area have done a great job of putting those folks to work."

The McAllen metro had unemployment rates top 20% in 1992, 15% in 1998 and 11% in 2003, he pointed out. McAllen's January 2005 unemployment had dipped to 9.7%. Impressive.

**The new Toyota truck plant has not even opened in nearby San Antonio, yet 18 suppliers have announced they will build facilities directly on the Alamo City site and there is speculation about future expansion.**

Let's go to the speculation first. (After all, a juicy bit of gossip is much more readable than a listing of auto parts suppliers!) Remember, the only vehicle announced by Toyota to be assembled at the San Antonio plant is the Tundra pickup truck. **"In today's auto assembly world, one vehicle built at a single plant won't cut it,"** reports *Southern Business & Development (SB&D)* magazine.

**"Toyota went to Texas to sell Tundra pickups to Texans,"** noted the mag. "But Texans like real big things and the Tundra is not a real big truck. Could a larger version of the Tundra be in the works for the San Antonio plant? Or would the Tundra remain the same as it is and a larger truck model announced soon in San Antonio." This is just the starting point for the gossip.

Here's the juicy part. **"What many people think will happen is that the San Antonio Toyota plant may be readying itself to build a large, gas-electric hybrid truck of some kind,"** the pub continued. "Last year in Detroit, Toyota unveiled a hybrid truck prototype they called the FTX. The company is already seeing strong interest in its Highlander and Lexus RX400h hybrid SUVs." And with gasoline prices soaring into the stratosphere, this rumor could take off like a, well, uh, a souped-up Toyota.

Now to the more mundane. The suppliers. **"Never before in the South's US auto assembly plant history have as many as 18 suppliers built facilities on the site of an assembly plant,"** reported *SB&D*. "The advantages of locating these suppliers on site include holding down logistics costs, as well as the ability to work closely with Toyota in assuring quality."

"The 18 suppliers are expected to **employ about 1,500 workers** with a total investment of around \$150 million," *SB&D* indicated. "That's in addition to the 2,000 workers the plant itself will eventually house."

Okay, so who are these suppliers? And what do they supply? In alphabetical order: **AGC Automotive** (glass assembly), **ARK Inc** (industrial waste management and recycling), **Avanzar Interior Technologies/SAT Auto Technologies/Johnson Controls** (seats and interior parts), **Curtis-Marusaya America** (tubing) and **Futaba Industrial Texas** (stamped products). There's more. **Green Metals Inc** (scrap steel recycling), **HERO Assemblers/Valiente International/Toyota Tshusho** (tire and wheel assembly and logistics), **Metalsa** (truck frames), **Millennium Steel/Henry Jackson** (steel processing), **PPG Industries** (glass assembly), **Reyes-Amtex** (interior parts), **Takumi Stamping** (stamped parts), **Tenneco Automotive** (exhaust systems), **Toyoda-Gosei Texas** (interior and exterior parts), **Toyotetsu Texas** (stamped parts) and **Vutex Inc/Operational Technologies/Vuteq** (assembly services).

**With predictions that airline service will get worse (can you believe it!), one segment of the Austin travel industry is perking up quite nicely.**

Smith Travel Research reports **Austin's hotel occupancy increased more than 18% from February 2004 to February 2005.** This is a healthy increase in anybody's book and the year-to-date increase is also healthy, at 15%. Some of this increase is undoubtedly due to the every-two-year gathering of The Texas Legislature that began in January and will run through May.

March numbers are not yet available. But with two huge events – **South by Southwest and the NCAA Regional Basketball playoffs** – in March, hotels should have fared very well indeed. And the convention business is vibrant. When hotels do well, restaurants and tourist attractions also pick up business.

Properties in the downtown and northwest areas continue to show the biggest jump from a year ago, but **hotels throughout the city are also enjoying increased business.** By the way, Texas' other major metros are not showing the same hotel vibrancy. Dallas and San Antonio experienced single digit increases in February, and Houston occupancy remained flat.

Airlines are another story. **Losses are being trimmed by the big carriers, but cutting costs in many cases means cutting service.** Add on top of this, high fuel costs and intense fare competition showing no signs of letting up, and you have a struggle that doesn't appear to have an end in sight.

As a result, our friends at *Kiplinger Forecasts* are predicting additional airline belt-tightening will lead to **fewer flights**, more **cramped seating** arrangements, **fewer attendants** and **even less food** – especially if your ticket is one of those low-fare jobbies and you are sitting in the back of the airliner's cabin.

**Austin continues to attract national attention and this spurs travel to our area. These stories don't just happen. Many of them are generated by the Austin Convention and Visitor's Bureau and the Greater Austin Chamber of Commerce.**

In its March/April 2005 edition, *National Geographic Adventure* wrote: **"The downtown music scene may rule the night, but that doesn't mean Austin isn't just as exciting by the light of day.** In the Greenbelt, a network of parks that rings the city, you can fly-fish, ride singletrack, climb a rock wall, or take a dip in a refreshing spring."

We mentioned South by Southwest in the previous story. *The Miami Herald*, in its 1/30/05 edition, wrote this preview of SXSW's Film Festival in March: "The scene for a film festival is **appealingly relaxed and loosey-goosey.** You'll see your share of celebrities and maybe even a couple of terrific movies, but you won't get stressed out doing it."

**At UTAustin, the large number of undergrads seem to get all the public attention (not always in a positive way), but the graduate students are the bread and butter of a research university. So, what about the grad programs? How good are they?**

National rankings of higher educational institutions are not the be-all, end-all. But the independent listings do provide a bit of a **measure of accomplishment**. The magazine that for years has carved out a niche with its rankings, *USNews&WorldReport*, has come out with a listing of the nation's Top 20 graduate programs.

And UTAustin ranked way up there. **UTAustin's schools of Business and Law, and colleges of Engineering, Education and Pharmacy, each rank among the Top 20.** And when you break down the disciplines *within* those, and other schools and colleges on campus, you find several PhD and graduate programs were ranked among the nation's Top Five.

**The College of Engineering's petroleum program and the College of Liberal Arts' Latin American History program are ranked #1 in the nation.** The College of Pharmacy is ranked #2, and the accounting and information systems programs in the McCombs School of Business rank #3.

Also in the College of Engineering, the civil engineering program is #3, while the environmental/environmental health program is #5. The College of Liberal Arts' sociology of population program is also ranked #5.

President **Larry Faulkner**, speaking of the programs that rank among the very best in the nation, said "**few institutions can match the wide range of graduate programs we offer** that are annually recognized as being among the best in higher education."

**Dr. Louis Overholster** has this standard advice for overburdened parents: "If you have a lot of tension and you get a headache, do what it says on the aspirin bottle – 'Take two aspirin.' 'Keep away from children'!"

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