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Dear Client:

The first phase of the massive Trans-Texas Corridor transportation project that will slice through Central Texas is steam-rolling along. In fact, as early as this fall, a preferred corridor – as much as ten miles wide – could be identified.

Called TTC-35, the transportation route will include separate lanes for passenger vehicles and large trucks, freight railways, high-speed commuter railways and infrastructure for utilities including water lines, oil and gas pipelines and transmission lines for electricity, broadband and other telecommunications services. **TTC-35 is the first step in this enormously ambitious transportation system** that will take 50 years to criss-cross Texas in wide swaths.

More than 6,000 Texans have now participated in 47 meetings held along the proposed route that parallels IH35 from Mexico northward to the Oklahoma border. What's next? Based on the public comments received, and the continuing environmental and engineering analysis, the location of TTC-35 will be further defined during the next step of the environmental process.

This process is not your normal, take forever (see US183 in North Austin) highway program of the past. At a series of hearings, tentatively scheduled for this fall, **the public will be presented with a preferred corridor approximately ten miles wide or less.** If approved by the Federal Highway Administration, the corridor will become the study area for the second phase of the environmental study.

Identification of a preferred corridor will not authorize construction.

Additional studies will be needed to determine the *final* route location, but you can bet it will be to the **east of IH35** in the Central Texas portion.

How will TTC-35 be funded when Texas has struggled for years to pay for its highway system? Can you spell p-r-i-v-a-t-e s-e-c-t-o-r f-u-n-d-i-n-g? An international group of engineering, construction and financial firms – known as Cintra-Zachry – is proposing **to invest \$7.2 billion to help build TTC-35. The first phase will be a \$6 billion toll road running from Dallas through Austin to San Antonio by 2010.** 2010! This is just around the corner. In exchange for building and operating it as a toll facility, the consortium will pay the state an additional \$1.2 billion, which the state may use to fund road improvements, or high-speed and commuter rail projects along the IH35 or TTC-35 corridors. This is serious money and it will put this massive project on the fast track. TTC-35 will serve as a model for the rest of Texas.

After years of scrambling for Texas roadway dollars, the spigot was turned on this week to release a gusher of public funds to go along with the private TTC-35 toll-road money.

The Texas Department of Transportation (TxDOT) is wasting no time putting those dollars into building roadways. After the Texas Bond Review Board Thursday authorized TxDOT to issue up to \$4 billion in Texas Mobility Fund bonds and other obligations, **TxDOT immediately indicated it will issue the first \$1 billion in bonds within approximately 30 days.** And it said it will issue the remainder in \$1 billion chunks each of the next 3 years.

To understand the significance of what happened this week, **Ric Williamson**, the chair of the Texas Transportation Commission said “this action will help us **double in the next ten years** what we spent on mobility during the last ten years.” A billion here, a billion there – pretty soon it turns into big money, to paraphrase the late Illinois Senator **Everett Dirksen**.

The \$4 billion public funding authorized this week is ***in addition to the \$7.2 billion in private funding*** we referenced in the previous story – money that will be funneled primarily to TTC-35 to relieve congestion on the nation’s deadliest stretch of IH35 (that runs through Central Texas).

It’s not just the massive *amount* of money now becoming available for roadways, it’s the *type* of money. This funding is available immediately. In the past most roadways in the Austin area – and throughout Texas, for that matter – were doled out slowly, as available, primarily from the federal government. **This resulted in a painfully slow building process.** As we referenced in the previous story, look how long construction has been underway on US183 in the northern part of Travis County – and it is still a long way from completion.

What has happened to cause this change? As one of the fastest-growing states, Texas has been **falling behind the curve in keeping up with the number of vehicles clogging our roads.** The Austin area, one of the state’s fastest growing metros, has been especially hard hit. Leaders decided to **do something about the molasses-slow process** that has been followed for decades.

So, in 2001, the Texas Legislature established the Texas Mobility Fund and voters, upset about spending so much time commuting, approved the Fund the following November. In 2003, legislators authorized money for the fund. So, instead of waiting for the Feds, **Texas can now borrow the money to kick-start projects.**

Here’s the catch. **This borrowed money must be re-paid.** And while the Texas Bond Review Board specifically ruled Thursday that **toll roads would not be a prerequisite** to getting this bond money to build roadways, you can bet your bottom dollar road proposals with a pay-back method attached (such as collecting tolls from users of the roads) will be at the top of the priority list for funding. It’s not in writing; it just makes sense. Yes, more roadways will be built faster and, yes, it will ultimately cost you more to use them.

Waco, Temple, Midland and Odessa have long been sizable mid-tier metro areas. But did you know the workforce in Williamson County dwarfs these legendary Texas cities?

Of course Waco and Austin were similar in size years ago and look at the discrepancy now – **Austin’s workforce is more than seven times the size of Waco’s.** But Williamson County? The home of such “big” cities as Round Rock, Cedar Park and Georgetown? Many Texas cities have been left in the dust by the expansion of one of the nation’s fastest growing counties.

Population is important. But when you talk about the economic vitality of an area, the labor force numbers are the most significant, even though they usually run parallel – though lower – than the population figures. **So how does the workforce in Williamson County compare to the workforce in other Texas cities** outside the Big Five of Houston, Dallas, San Antonio, Austin and Fort Worth?

In March 2005 (the latest available totals), **Williamson County’s labor force totaled 168,887**, according to the Texas Workforce Commission (TWC). Here are the comparable TWC workforce numbers for some Texas mid-size cities:
Abilene, 56,811 ... Amarillo, 98,211 ... Beaumont, 54,863 ... Brownsville, 60,250
... Galveston, 27,452 ... Laredo, 88,888 ... Midland, 52,975 ... Odessa, 45,903 ...
Port Arthur, 23,450 ... San Angelo, 43,490 ... Temple, 28,253 and Waco, 54,484.

These numbers starkly illustrate the disparate growth in Texas. Many of the above cities have increased in population over the recent years. But Williamson County has skyrocketed. Of course, this is a bit of an apples/oranges comparison because we are putting a *county’s* numbers up against Texas *cities*. The reason we’ve chosen this route is that Williamson County’s growth has been spread throughout the county, rather than concentrated only in Round Rock, Cedar Park and Georgetown.

But given that, **Round Rock (with a workforce of 43,794) still has a bigger workforce now than Galveston, Odessa, Port Arthur, San Angelo and Temple.** If you quiz 100 long-time, old-time Texans, 99 of them probably would not be able to tell you Round Rock is bigger than these cities. FYI, Georgetown’s workforce is 16,932 and Cedar Park’s is 23,256.

While on the subject of workforce numbers, for the record, the Austin-Round Rock metro area recorded an **impressive 4.6% unemployment rate in March 2005**, compared to 5.4% in March 2004. Again, **our metro area continues to be the pacesetter for the major metros** in the state of Texas that recorded an overall average unemployment rate of 5.5% during this same time period (it was 6.4% a year ago). The Dallas-Fort Worth-Arlington metro checked in with a 5.4% rate (6.2% a year ago). El Paso tallied 7.7% unemployment, compared to 8.1% last year at this time. Houston-Baytown-Sugar Land metro recorded a March 2005 unemployment of 5.5%, compared to 6.4% a year ago. San Antonio was closest to Austin with 5.1% unemployment in the latest numbers, compared to 5.8% in March 2004.

Are high gasoline prices, in a state noted for its oil and gas, an anomaly – or a fact of life? The answer is “a fact of life” and not just for the heavy summer travel season, but beyond.

These high gasoline prices are the result of a classic economic case of **demand exceeding supply**, mixed in with a healthy dose of **uncertainty** about events that may happen in the future, according to longtime Texas economist **Ray Perryman**. The question is whether the situation will reverse. “For several reasons,” answered Perryman, “I’m afraid the answer is no – or at least not much.”

While prices will certainly fluctuate with changes in current conditions, “**the underlying trend will be upward or, at best, stable,**” he predicts. He cites several reasons, including a growing demand for petroleum products. Because of the dynamism of China’s economy and the resurgence of the US, European and Japanese economies, “world oil demand is increasing at the fastest pace in some 16 years,” according to Perryman.

“It’s a geological fact that much of the oil that is easiest (and cheapest) to recover in Texas (and most other regions of the US) **has already been found, pumped and used,**” said the Texas economist. And he notes US refineries are being stretched to meet continually expanding demands and have been operating at near peak capacity for years.

Average gasoline prices in Texas have seen a 35.8 cents per gallon hike during the last year and nearly 83% of that increase has occurred in the past three months, he says. Perryman said most of us will simply **endure these hikes because we are not willing to change our habits** by joining car pools or using public transportation. When will it end? As Perryman puts it: “it is a **virtual certainty the world is going to want more than it can have for a long time to come.**”

Dr. Louis Overholster is not surprised Austin convenience stores are starting to sell upscale products like sushi. He says “it’s all about marketing to your customer — now that gasoline has become a luxury item!”

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