

Volume 27, Number 8

May 20, 2005

Dear Client:

What in the world is Dell Inc. up to now? A report from France says the world's largest maker of personal computers will start selling mobile phone subscriptions. Is the report of a "Dell cell" accurate?

The influential French newspaper *Le Figaro* quoted **Michael Dell** as saying Dell would be in the business of peddling cell phone subscriptions by 2006. Not so, according to a Dell spokesman back here in Round Rock. "That wasn't the point of the comments he was making at all," **Lionel Menchaca** told the Reuters international news agency.

But he *did* confirm Dell was heading into new phone territory. "The point Michael was making is that we have an interest in **bridging the gap between wireless technology on the computer side like Wi-Fi and wireless technology on the mobile phone,**" Menchaca continued. Dell already offers high-speed data cards for use with its mobile, or notebook computer, PCs by reselling service from Cingular and Sprint.

The rest of what Dell told *Le Figaro* was not disputed. Dell said his company (the largest private employer in the Austin area, by far) was looking to offer the **next generation of mobile broadband data connections**, including WiMax, which offers wireless broadband connections up to 30 miles and High Speed Download Packet Access.

"We are in talks with all leading operators," Dell told *Le Figaro*. "The mobile phone market has great potential ... **We will continue to add functions to portable computers, notably third-generation mobile telephony.**"

Dell Inc. has the resources to do whatever it wants to do, with billions in cash on hand. And it is generating even more cash. Within hours of the time Michael Dell was revealing his plans to tie into the mobile phone market to the French newspaper, the company announced it had **increased its profits by an impressive 28% in the first quarter.**

Just how much money does this represent? A lot. **First quarter income grew from \$731 million last year to \$934 million this year.** This is income for three months only. By the way, Dell's worldwide sales in the first quarter grew from \$11.54 billion last year to \$13.38 billion. And with Dell's move into the telephony field, the company's future continues to look bright.

Speaking of cell phones, if you blink, you may miss the trend in technology that could make your mobile phone the top choice for a portable music player, more so than Apple's iPod that sold more than 5 million units in the last quarter.

The tech visionary who is making this bold prediction is none other than Microsoft's **Bill Gates**. Of course, Gates' prediction is a bit self serving. Microsoft is now positioning itself to be a **key player in the growing market for digital movies, pictures and music** – to expand its offerings, much as Dell is doing with PCs – beyond Microsoft's core business of its Windows operating system. In fact, as we speak, Microsoft is working with partners such as Samsung to provide its Windows Mobile smartphone software to 40 different handset manufacturers.

Gates, who is known for his aggressive tactics, is not only targeting Apple's iPod in the music category, he is also going after the popular Blackberry wireless e-mail device, which has sold 3 million so far. Microsoft is ready to roll out its Windows Mobile 5.0, within the next few months. **It will let e-mails pop up on your mobile phone as soon as they arrive** and Gates claims it will be cheaper than the Blackberry (the darling of Type-A techies and execs alike).

Here's what Gates told a German newspaper, the *Frankfurter Allgemeine Zeitung*: "The Blackberry is great but **we're bringing a new approach**. With Blackberry you need to link to a separate server and that costs extra. With us, the e-mail function will already be a part of the server software. Therefore I'd venture the prediction that **Microsoft will make wireless e-mail ubiquitous.**"

Think about this. This isn't some ivory tower, tweed-coated, pipe-puffing prof musing over what *theoretically* might be possible. Gates is the guy who can make it happen.

Oh yeah, don't forget your neighborhood phone company and cable company. You're seeing their toe-to-toe ad battles to get an edge from the Texas Legislature. They, too, want to be a major player as your information provider.

As we told you 3/18/05, your phone company, SBC, wants to go to market with a high-tech TV service by year-end, and your cable company, Time Warner, is testing whether to add cell phones to its bundle of TV, telephone and high-speed Internet.

The Texas Legislature is the headline-grabbing battleground for SBC, but part of that battle involves local governments – cities and counties – that are bowing their backs and claiming SBC should **get a "franchise" from each community** (for which fees will be extracted), much as is required of cable companies. It may take SBC years to negotiate thousands of franchises. But if SBC sidesteps this process, and you add this to what we told you in the previous item, it won't be long before you'll need a printed program to determine who is offering what to you.

With all the talk the past year or so about a tight job market, what is facing UT Austin grads when they get their diplomas Saturday? Don't believe the doom and gloom.

The employment outlook for new college graduates is promising, according to Texas economist **Ray Perryman**. He says human resources surveys reveal expectations for adding new workers are high. For example, he notes some 80% of businesses with 5,000 or more workers, and approximately 90% of organizations with at least 10,000 employees, anticipate hiring 2005 grads. And **about 9% of all entry-level jobs opening in the US are likely to be in Texas.**

The salaries are nothing to sneeze at either. Perryman said **initial salaries are going to be higher** in a significant number of professions and the general health of the economy is credited for better entry-level job pay in many areas. The key point: salaries for 2005 grads will be higher than for 2004 grads.

What are the most valuable degrees? Based on the percentage increase of entry level salaries over the previous year, they are: aerospace engineering, +9.0% ... **marketing**, +6.0% ... economics/finance, +5.1% ... chemical engineering, +4.3% ... **liberal arts**, + 4.2% ... mechanical engineering, +4.1% ... civil engineering, +4.0% ... accounting, +3.9% and business administration, +3.2%.

The big surprise: **marketing and liberal arts majors cracked the list of historically high salary increases in engineering, business and finance.** Another surprise: where is the computer science major on this list? The percentage increase of entry-level salaries for the computer geeks over last year is rising by a modest 2.6%. However, the computer science category is expected to be one of the fastest growing occupations at least through 2012.

If you need any more evidence that toll roads are the wave of the future in Austin and Texas – despite the howls of protest – take a look at some pending legislation in the US Congress.

Legislation to authorize long-term funding of federal highway, highway safety and transit programs through fiscal year 2009 has already **passed both the USSenate and the USHouse.** The measure is being put into final form by a conference committee composed of members of both bodies and will be presented soon for a take-it-or-leave-it vote. And since it includes gobs of money for each state in the union, the conference committee version will likely pass.

Buried deep in the bowels of this measure is a provision for \$15 billion in tax-exempt private activity bonds for states to **leverage funding** for infrastructure development and improvements by **fostering public-private partnerships.** This hunk of funding can be used for the new *public-private partnership* Trans-Texas Corridor TTC-35 tollway that will slice right through Central Texas. Toll roads are the wave of Texas's roadway future because it all comes down to funding to keep up with the state's growth.

After screaming and battling to no avail, Austin made lemonade out of lemons when Bergstrom Air Force Base was targeted for shutdown during the first rounds of base closures more than a decade ago. What we learned – good and bad — may be helpful to others.

Memo to the civic leaders, city and state officials whose jurisdictions include the 33 bases named on the closure list: **Get over it — then get after it.** This includes Texas leaders, who will be storming around between now and the September decision date wringing their hands, talking about the importance to the local economy – yes, even demagogue-ing and pandering to their constituents. At the end of the day, **they are not likely to be successful.** So, get over it.

Austin followed this same pattern of trying to change the decision. But, along the way (after lengthy debate and elections to build a new airport in the northeast quadrant near Manor), someone slapped their forehead and exclaimed, “Hey, Bergstrom AFB is close-in, with a very long runway and houses and businesses nearby accustomed to the drone of high speed jets, **why don’t we quit batting our heads against the base closure wall and build our new airport there?**” Duh!

It wasn’t easy (speculators had been buying land near Manor, hoping to profit if a new airport was built near their property) and there were a lot of **bureaucratic hurdles** (contracting to return federal land back to Austin, environmental cleanup, etc.). But in the end, logic won out. And Austinites got a spiffy new airport.

It’s hard to assail the Pentagon’s logic to re-organize the massive military structure and to try to save money in the process. Most of the 33 communities, if they removed the emotion from their thinking, would agree. They say, “I agree with the closure concept – just don’t close *my* military installation.” Yeah, sure. Multiply that times 33 and nothing would happen. Those who get over it and start planning now to convert valuable property into another economic engine may turn out to be the real heroes, rather than those shouting from a political platform.

Dr. Louis Overholster is convinced e-mail messages are proof positive you don’t have to be illiterate to be illiterate!

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 4105 Bee Creek Rd, Spicewood, TX 78669. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

Sincerely



Editor/Publisher