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Dear Client:

When outsiders are asked what comprises the Austin economy, most will point to government jobs and high tech payrolls. But, it is more than this – much more.

In fact, longtime Texas economist **Ray Perryman** says the Austin-Round Rock metro area economy is **“one of the most diverse in the state.”** This is a *good* thing – the old “don’t put all your eggs in one basket” theory. And it’s a relatively *new* thing. For most of Austin’s existence (and up until the last few decades the metro area was, to exaggerate only slightly, within the city limits) this was a “one-company town” – state government/university.

While there were initiatives as far back as the 1950s to diversify the Austin area economy, the big trigger occurred in 1983 when Microelectronics and Computer Technology Corporation (MCC) decided to locate in Austin and started a hell-bent-for-leather high tech explosion.

State payrolls and high tech payrolls still make up the bulk of the worker’s wages that are spent throughout the 5-county metro. But Perryman notes that “services, finance, insurance and real estate, trade and manufacturing sectors **contribute “substantial shares to the area’s real gross product”** (this is how economists say they contribute a lot to our economy).

State paychecks are the strong, steady underpinning to our economy. But the growth in jobs is coming from elsewhere. “Key locations and expansions in microelectronics in recent years are **projected to contribute to strong growth in the information and durable manufacturing sectors,**” Perryman says. “These sectors, along with the **finance, insurance and real estate** sector, are expected to continue to be the drivers of growth in the economy over the short term.”

Where do we stand today in terms of jobs creation? You’ve seen the employment stats we’ve laid out for you over the past few weeks and months. They are the best in the state. So, let’s focus on the multi-million dollar effort by the Greater Austin Chamber of Commerce (GACofC) that is moving near the mid-point of a five-year effort. The GACofC set an ambitious goal of **creating 72,000 jobs with a payroll increase of \$2.9 billion** to the Central Texas region. This effort, in 2004 created 16,200 new jobs with a payroll increase of \$747.2 million. And, before the 2005 numbers are officially released, GACofC officials claim enough jobs have been added that the average employment number finally exceeds the pre-bust employment peak in 2001.

Some interesting initiatives are underway that, if successful, could pay long-term dividends for the Austin area economy.

A Central Texas Regional Center of Innovation and Commercialization has been created so that businesses in the five-county metro can have greater access to the Governor's Emerging Technology Fund. You'll recall we told you more than a year ago that this fund will **provide grants designed to build businesses** in such high tech fields as semiconductor manufacturing, biotechnology, nanotechnology and environmental sciences.

The technology fund is to be parceled out *statewide*. So there will be real competition for the dollars. The Central Texas Regional Center will **help local businesses and entrepreneurs as they vie for the state dollars**. Obviously if some of this money goes to local efforts, the plan would be for those entities to grow and expand locally, creating more jobs and possibly spinning off other enterprises in the process. (Interestingly, while high tech is now a staple of our economy, less than 20 years ago it was viewed as a move toward economic diversification.)

Speaking of economic diversity, an effort is underway to expand Austin's distribution and logistics industry.

It's only logical that you analyze your assets and competitive advantages before you set out to tout Austin as a place to locate a company. So the planners working to meet the Greater Austin Chamber of Commerce's ambitious job creation goals realized the Austin area had some competitive advantages for those companies involved in distribution and logistics.

Besides the assets that are important for all business, such as an educated workforce, etc., **this region has some major advantages for the rapidly-growing distribution and logistics industry – such as its central location**. Within hours of Mexico, this area is also very close to four of the nation's largest seaports and four of Texas's largest cities.

Additionally, Austin-Bergstrom International Airport (ABIA) is a **state-of-the-art facility recognized for its highly effective cargo port design**. In fact, more than 250 million pounds of air cargo shipments (along with 7.2 million passengers) passed through ABIA in 2004 and those numbers will undoubtedly be higher when the official 2005 stats are tallied.

This area also boasts a **portfolio of trucking and third party logistics companies** serving such major manufacturers as 3M, Advanced Micro Devices, Dell, Freescale and Samsung. In addition, the Austin area's supply chain management and logistics IT companies produce the software that makes modern logistics work. So, the plan is to expand this existing industry base while singing the praises of the competitive advantages listed here.

Two large Austin-headquartered companies made *FORTUNE* magazine's list of "The 100 Best Companies To Work For, 2006" – and Dell Inc was not one of them.

FORTUNE started with a list of 1,500 US companies at least seven years old, with more than 1,000 employees, and rated them on two criteria: 1) the magazine's evaluation of the **policies and culture of each company** and 2) the **opinion of the company's own employees**. The respected publication weighted the two factors, giving two-thirds to employee responses.

The two Austin-headquartered firms that made the list were #15 Whole Foods Market and #77 National Instruments. Firms based in other Texas cities also did well, such as #3 Valero Energy in San Antonio, #6 Container Store in Coppell, #24 David Weekly Homes in Houston, #32 Alcon Laboratories in Fort Worth, #36 TDIndustries in Dallas, #78 Methodist Hospital System in Houston, #83 Texas Instruments in Dallas and #92 Men's Wearhouse in Houston.

On what makes Whole Foods so great, the magazine touted the company's strong stock performance: "Employees up and down the food chain at this natural foods market have benefited from its rapid growth. **The stock has tripled in the past three years, and even part-timers are eligible for stock options.**" *FORTUNE* also reported the average annual pay for salaried employees was \$73,061 and for \$25,451 for hourly workers, and it pointed out that "**any employee can look up anyone else's salary.**"

On what makes National Instruments so great, the magazine noted: "**Employees at this tech-products maker have never faced a layoff.** When they aren't hard at work, they play foosball, socialize with co-workers at onsite deck parties, and participate in the annual talent show." The average annual pay for a salaried National Instruments employee is \$57,991 and it is \$26,090 for hourly workers.

Perusing the perks offered employees all over the nation in these 100 companies was quite enlightening. Some examples: "When an employee volunteers for a nonprofit, the company pays the *organization* \$10 for each hour worked (CarMax)" ... "You can bring your laundry to work and get your car serviced, packages wrapped and nails done at the headquarters (General Mills)" ... "**Take a six week paid sabbatical every four years** (AutoDesk)" ... "Onsite amenities include massage, haircuts, dentistry, car wash, oil change, foosball, bocce, free lattes and stock options for all (Yahoo)."

There's more: "Mom's hours' enable mothers to work while their children are in school – and take off the whole summer to be with them (Stew Leonard's)" ... "Sales people have the power to make decisions about refunds or exchanges – and top sellers can earn over \$100,000 a year in commissions (Nordstrom)" ... "**Employees who buy a hybrid car get a \$3,000 credit** and the company pays for up to 40 hours per year of volunteer work in the community (Timberland)." By the way the stocks of these "100 Best" out performed the S&P Index last year by far.

Depending upon how you look at it, the month of March is a great time to be in Austin – or to get out of town. Take your pick.

You can get in the middle of it – or you can get out of the way. Revel in it – or run away from it. **More than a half-million visitors will descend on Austin in March!** Count 'em, 500,000+ will overrun your favorite eating and drinking establishments, clog your roadways, jam the airport, fill the hotels, gawk at sights we take for granted and, in general, behave like, well, tourists. It's Austin's version of March Madness and it happens every year.

You can credit (blame?) a confluence of annual events ranging from the music/film/booze fest of South by Southwest, to the Rodeo and Livestock Show, to the high school boys and girls state basketball championships – and just about every other kind of event in between (Chocolate Festival, Kite Festival, Artisans Festival, Spring Garden Festival, Shamrock Festival, etc).

You name it. It's happening. Oh yeah, there's a big golf tournament, a celebration of Texas Independence Day, a huge UT Austin open house called "Explore UT," a sailing regatta that will bring in about 1,000 from around the nation, St. Patrick's Day Parade — makes you tired just thinking about it all. Austinites, folks from the surrounding areas and genuine tourists will be elbowing each other for position and in general having a great time. **If crowds are your bag, you'll be in hog heaven.**

In the midst of all this hoopla, it is Spring Break – kids are out of school. This works both ways. It adds to the crowding, but it also is the time of year when Austinites take family vacations and leave town. Best advice: if you are planning to travel, make reservations ASAP. **You have a lot of choices to make for March in Austin, and the time for planning is now** – so you can make specific reservations or get tickets ahead of time, or you can plan around the events for a little peace and quiet. Your choice. You're forewarned. You're welcome.

Reading the news recently, **Dr. Louis Overholster** was reminded it was Mark Twain who said "Suppose you were an idiot and suppose you were a member of Congress. But I repeat myself!"

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