

THE

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AUSTIN LETTER

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Dear Client:

Despite the growth of the Austin area and Texas, it is important to note a trend is running counter to what has long been historically true in the US. While America has always been a nation on the move, the mobility of our society is slowing.

Oh sure, it is hard for those of us who have been surrounded for years by dynamic growth to realize this trend toward less mobility is actually taking place – a trend that was popularized in the US back in 1865 when **Horace Greeley** editorialized in the *New York Tribune* with the admonition to “Go West, young man.”

But an examination of recent USCensus Bureau data by Texas economist **Ray Perryman** shows “**the percentage of resident relocations is now at the lowest point since World War II.**” And by movement, he’s talking about moving between residences, cities, counties and states in the US.

Why has this trend that has been in place since the 17th century changing?
“**Families with dual incomes often find it difficult to move** and find employment that equates with their current level,” Perryman observed. He also noted that “as the nation ages, **people are becoming more settled and financially secure** with less economic needs forcing a move.”

You can also credit technology. “**Americans’ desire to move has proportionately decreased with the advancement of technologies**, enabling work to be accomplished from locations outside of the main office,” Perryman said. “And people are more willing today to **make longer commutes and endure traffic congestion** than to uproot a household.”

The reason this trend away from mobility is not as apparent to us is due to *averaging*. Texas and the rest of the South and West are gaining population, while from 2000 to 2004 New England and Middle Atlantic states had an average annual population loss of 4.6%. As a result, 20 of the current Top 25 fastest growing cities with populations greater than 100,000 are located in **California, Florida, Arizona, Texas and Nevada. These five states now comprise more than 30% of the total US population.** And, as we have reported in previous editions, many who migrate to Austin and Texas tend to stay here in greater numbers than is true in some other locations. Let’s look at who is moving here – and from where – in the next item.

Texas ranks among the top states in attracting newcomers. Who are these newcomers, where are they coming from and what is drawing them?

First of all, even though California is home to some fast-growing cities, it is also the state that contributed the largest number of residents to Texas. According to an analysis by **Ray Perryman**, USCensus Bureau data from 2000 shows that of Texans born in other states, **California tops the list with 2.09% of the total Texas population.** Louisiana is close behind at 2.02%, followed by Oklahoma (1.77%), Illinois (1.32%) and New York (1.13%).

Among all states, Texas ranks 6th in average net domestic migration expansion. What is fueling this? Perryman says a “**strong economic performance** is drawing in a substantial number of workers and a **relatively warm climate** is contributing to growing retirement communities.” There’s more to it, though. He also points out that “given the proximity to Mexico, a **substantial number of immigrants** are also increasing the number of Texans.”

He noted a report released last year by the Census Bureau calculated that about **60% of Americans live in the same state in which they were born.** Texas is a bit above the average, at 62.2%. Of course, Texas’ percentage would be much higher if it were not for the huge numbers moving to the Lone Star State each day.

Another interesting element in all of this is the movement *within* Texas. As always, when you drill deeper into the numbers, there are anomalies that show up. Sure Texas is among the top states in attracting newcomers. But, **did you know that Dallas and Harris (Houston) counties were among the nation’s Top Ten counties for outmigration?** How can that be – the two largest cities in Texas and their counties are losing population?

Frankly, it’s easy to explain. Many center cities (Austin/Travis County is an exception, even though Williamson and Hays counties are exploding) are **losing residents to surrounding areas outside the county**, but still in the metro area. Between 2000 and 2004, Dallas County lost an average of 40,528 residents each year and Harris County lost 23,193 annually.

Where did they go? Many to adjacent counties. For instance, the **multi-county metropolitan statistical areas** in which Dallas and Harris are located actually achieved an **annual net population increase** of 17,119 for Dallas-Fort Worth-Arlington and 12,212 for Houston-Sugar Land-Baytown.

Who moves? It’s fairly obvious. **Those who rent** – they relocate about four times as often as individuals who reside in owner-occupied units. **The young** – the 20-24 age category has the highest rate of relocations at about 30%. **Those who earn less** – household incomes less than \$25,000 annually change homes about 50% more frequently than those making more than \$100,000. We’re still moving as a population, but less than in the past.

What about that other start-from-scratch Austin entrepreneur (the one *not* named Michael Dell) who built a company from zip that had sales last year of \$5.6 billion? You know, the one who is cutting his salary to \$1 a year next year and only owns 1% of his company's stock? You know, *that* guy – the vegan Libertarian who fights unions? What's he up to?

There is no question **John Mackey**, who founded Whole Foods Market in Austin in 1980, doesn't fit the mold of the successful corporate CEO, who has grown his little one-store market that catered to the 80s hippie generation into an overwhelming presence with 189 stores around the US. **Yet, he's on his way to becoming the world's largest organic and natural grocer.** So, this week, the *Wall Street Journal* (yes, that buttoned-down business pub) ran a major profile on Mackey. And some interesting tidbits emerged.

In these days of high CEO compensation, the *Journal* asked pointedly, "why are you cutting your salary to \$1?" Mackey's response: "I've always followed my own heart, and this is what my heart is telling me is the appropriate thing to do right now. I have enough money, and the **deeper motivations for me are to do service and try to do good in the world.** I don't think of myself as particularly special or noble for doing it. It's just what I want to do."

Whole Foods last month projected same-store sales increases of 6% to 8%. Most retailers can only dream of such growth, but it was *less* than historical growth and Whole Foods' stock plummeted 23% on the news. The *WSJ* asked about the lower projections and got this response from Mackey: "We've had three consecutive years of double-digit same-store sales growth and our sales per square foot are \$900. **It's harder to raise the bar if you keep raising it. You can't compound at the same rate.** No retailer ever does."

What about unions, asked the *Journal*? "**It's often been said by labor unions that we're preventing unions from organizing. That's a lie,**" Mackey said. "The fact of the matter is there's been little evidence that our team members have any interest in labor unions."

He went on: "**At Whole Foods Market, we pay better. We have better benefits, better working conditions, an empowering working environment.** There's very little unions can add in terms of value to our team members. There's a lot of harm they can inflict by lowering the cooperation in the store, which is ultimately what pays the wages."

Mackey says he still has a day-to-day "strategic role" at Whole Foods, but that he spends time talking with the media and to investors. As he put it: "As CEO of Whole Foods, I have expectations that are made of me to do things in a public way." "Do you like all of that," asked the *Journal*. "**To be perfectly honest, I don't like it all that much.** I enjoy my privacy, my time with my wife and my close friends. Doing a lot of ceremonial stuff, it's just kind of boring to me. I'd much rather be reading a good book or having a good conversation with someone."

The City of Austin claims its experiment was a success so, by 2010, every home and business served by Austin Energy will have a meter installed that automatically sends to its utility billing system — by radio wave, every 15 minutes – the electricity usage for that facility.

No longer will the meter reader walk up to the side of the building where the electricity meters are located to take a visual reading each month. The experiment started in 2003 when Austin Energy replaced the standard electric meters with Automated Meter Reading (AMR) meters at about 127,000 apartment units in Austin. **The AMR meters operated at 99.7% reliability and eliminated some 250,000 vehicle trips annually** for monthly meter reads, or to collect ending or starting meter readings each time a tenant moved in or out of an apartment.

Another positive aspect of the new AMRs: **each unit includes a battery-type device that sends a signal when it is not receiving power.** Right now, unless a major power line goes out, Austin Energy does not know a customer is without power unless the customer reports the outage. AMR meters can also signal when power is restored.

What this AMR installation also means are some possible changes in the way each customer is billed. With the ability to read the meters each fifteen minutes, Austin Energy could **institute time-of-use electric rates, with lower rates made available during off-peak hours** (or *higher* rates during peak usage).

Beginning in January, all Austin Energy meter installations for new homes or businesses will be AMR meters. And an AMR meter change-out will occur throughout 2007 for Austin businesses that have peak electric usage each month of 20 kilowatts (kW) or more. (Peak usage for the average home is 3-4 kW, when air conditioning is running.) Also hard to access meters, or those where security limits access – such as the airport – will be changed this year. The goal is to have 100% AMR meters installed for *all* Austin Energy customers by 2010.

Speaking of science-type things, you know light travels faster than sound. Well, this is why **Dr. Louis Overholster** believes some people appear bright until you hear them speak!

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