

THE

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AUSTIN LETTER

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Dear Client:

The Austin area's job growth is so impressive some say it is nearing the level of the dot-com boom days. How is it different today? And is this good or bad for the immediate future?

In the latest available figures, there were **more than 21,000 people gainfully employed** in the Austin metro area in May 2007 than there were in May 2006. And for the same period, the number of *unemployed* dropped from 4.2% to **one of the best levels in the nation, 3.2%**. All the while our total civilian labor force in the five counties jumped from 826,600 to 840,400. This is vigorous and dynamic by any standards.

And this is not a recent phenomenon. It's not just a blip on the radar screen. **The job growth and lowering unemployment has been sustained for some time now.** Taking a different set of numbers gives you a longer-term picture. For instance, regional employment grew 8% from the 1st quarter 2004 to the 1st quarter 2006, compared to 3.8% nationwide. New jobs were added and filled at the same time the number of those who were *unemployed* went down.

During the dot-com boom days in Austin, we were seeing similar job growth trends, even though they were a bit more dramatic. But you can't talk about the dot-com *boom* without discussing the dot-com *bust* that followed. **Are we reeling headlong toward the same dot-com bust fate?**

No, because this job dynamism is different. Back then, it was **heavily fueled (almost totally) by rapid high-tech hiring** in the frenetic days when IPOs made instant millionaires out of computer geeks and anyone else who got in on the ground floor of a number of Austin companies that are now history.

Today, this positive job and wage growth has been posted in every business sector – including particularly strong growth in health care (with a lot more to come in this category), professional services, finance and insurance. And it's even more diversified with solid growth in areas such as arts and entertainment and transportation.

Our economy is diversified and stable right now. And, in fact, it is strengthening with no major warning signs visible on the horizon.

First steps are now being taken that *could* lead to a source of additional electric energy for fast-growing Austin. The source: the cheapest electricity now available to Austin electric customers – nuclear power.

As regular readers know (check out previous issues in our “archives” section), nuclear power is being provided to the City of Austin electric customers through the city’s 16% ownership in the South Texas Project (STP). **Nuke-generated electricity is cheaper – by far – than the traditional sources also used by Austin Energy, such as coal-fired and natural gas.**

No nuclear plants have been built in the US since 1979 and there are only two nukes in Texas presently – one at Glen Rose and the South Texas nuclear plant (in which Austin participates) in Matagorda County near the Gulf of Mexico. Both are operating cleanly, efficiently, safely and providing cheap power.

Now, one of the nation’s largest electric utility companies, Exelon Corporation, has taken very preliminary steps to build a nuclear plant, with its primary site possibility just a few miles down the road from the South Texas Project. (The secondary site is in nearby Victoria County.) STP has also announced it is considering adding two new nuclear reactors to its current site.

What does all this mean for Austin electric customers? Well, first of all, there is no Austin ownership in Exelon’s proposal, unlike STP where Austin, San Antonio and Houston ponied up much of the money to build the site in return for getting “dibs” on a pro-rata share of its output. But, Exelon is a private company in the business of selling power. **And it will be looking for customers to buy the nuclear-generated power if/when it comes online.**

This begs the question of “when?” Bringing a \$4 billion nuclear power plant from scratch to fruition takes time – and a lot can happen along the way. Exelon is planning to submit its application to the federal Nuclear Regulatory Commission in November 2008. In fact, even though **Exelon may spend as much as \$23 million to just prepare, submit and process the application,** the company says it will be four or five years before a “go-no go” decision is made.

Then, if all goes as planned, it could take four-to-five years to build. This would put the **nuke online no sooner than 2012.** Somewhere along the way, you can bet Exelon is going to be peddling electricity to users so it can have an income stream when the nuclear spigot is turned on. This is where Austin Energy could come in.

Admittedly, this is a long process. But when you factor the fast growth of the Austin area and the inadequate infrastructure in place to serve that growth, **it’s not too early to start planning for the energy needs of the Austin area.** With Exelon’s recent moves near the Gulf Coast, this puts another possible option on the table to meet the Austin metro’s future needs.

Nuclear energy is not without controversy. Austin lived through some tumultuous times in the 1970s when the vote was taken for ownership in the South Texas nuke. Have times changed or is conflict boiling beneath the surface if nuclear power gets closer to reality?

One could argue that the long delay in building new nuke plants was caused by the failure of feed-water pumps and consequent partial-core meltdown at Pennsylvania's Three Mile Island plant in March 1979 (just as Austin voters trooped to the polls to approve the South Texas nuclear project). **You might say the Three Mile Island incident virtually nuked the US nuclear industry** – though there were no deaths and no injuries. Even the radiation exposure was minimal – less than one-sixth the amount of a typical chest x-ray.

Then, seven years later, **a fire at the Chernobyl nuclear power plant in the Soviet Union released huge amounts of radiation. More than two dozen workers died** within months of the disaster and thyroid cancer spiked among children. Together, Three Mile Island and Chernobyl staggered and ultimately stunted the nuclear power industry in America.

But one *proponent* of nuclear power argues this way: **What if we had reacted the same way in 1947, when a port explosion in Texas City, Texas triggered a massive fire at an oil refinery and killed 500 people?** Should we have stopped, drilling, pumping, exploring and transporting oil; should we have reverted to windmills; should we have turned back to firewood?

Not only did Three Mile Island play an important role in the history of US involvement in nuclear power, **Exelon Nuclear, the company taking the first steps to build another nuclear power plant in Texas (see the previous story) now operates the nuke at Three Mile Island.** Ultimately, this could provide a bit of fuel to fan the fires of the anti-nuke crowd.

There was a great uproar about those two incidents all over the US and especially here in Central Texas, because of the concurrent decision about the South Texas nuclear plant. **No doubt, if the proposed nuke keeps moving and Austin considers it as an option, the no-nukes bunch will start making noise.** But, this time around, a serious search for energy sources may mean the debate is not likely to reach the decibel level heard 20-30 years ago.

Speaking of energy sources, the feds punted and instead of picking one competing bid for a wind turbine research lab, it named Texas and Massachusetts *both* as sites.

The site for the large-scale wind-turbine and blade testing facility will be just north of Corpus Christi. The facility, that will develop the **next generation of wind turbine technology**, will be operated by a number of entities, including UTAustin, TexasA&M, UofH and TexasTech, as part of a public private partnership with industries and the USDepartment of Energy.

You probably know that Schlotzsky's, the national food franchise started in Austin, and is headquartered here. But did you know another franchise based in the Austin area now has about 440 locations nationwide?

Schlotzsky's has been in the news quite a bit in recent years, primarily due to financial troubles. But after a bankruptcy and change in owner/operators, it is now back on solid footing. Flying below the radar, though, is **another local franchise operation that has made it big, and in fact, is pioneering a new way of operating franchises.** We're talking about Sport Clips, a men's hair-cutting franchise, headquartered in Georgetown, TX.

Sport Clips is built around the concept of women barbers (Stylists? Haircutters?) trimming men's hair while the guys watch sporting events on TV sets in the shops. I mean, how could it fail? **You tell guys they will have women running fingers through their hair while they watch sports on the tube** – the market is huge. And the results speak for themselves – 440 franchise locations across the country.

Besides the obvious appeal to a targeted customer, Sports Clips is at the forefront of an operational trend for franchises. **It estimates that as many as three-quarters of the franchise owners have other jobs.** No longer are franchise owners required to be "hands-on-all-the-time" to be successful. In fact, Sports Clips says most of its owners spend no more than 10 hours a week in their stores.

Technology plays a big part. A streamlined computerized inventory system generates, on its own, orders for products such as shampoo and conditioner. This operational method is in place at other franchises as well, **enabling owners to simply go on-line to track sales, etc., while they are on another job, sitting at home, traveling, etc.** It's easy for owners to stay on top of what is happening as long as they have a Treo 700w Smartphone in their hand.

Dr. Louis Overholster cited a study that reported hospital and doctor visits were up 20%. The same study indicated the biggest prescription item was anti-depressants. He surmised this was to help people cope with their doctor and hospital bills!

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Sincerely



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