

Volume 29, Number 38

January 4, 2008

Dear Client:

For the first time since the new Austin-Bergstrom International Airport (ABIA) opened for passengers 5/23/99, a major terminal expansion will begin in 2008.

Coming off a year when a record number of passengers crammed into ABIA, look for airport officials to seek permission from the Austin City Council in February to **add from 6 to 9 gates to the existing 25 gates at the Barbara Jordan Terminal**. Final 2007 passenger numbers will not be available for a few more weeks, but based on 11-month totals (and your experience if you traveled at peak periods) the 2007 tally of Austin air travelers will reach a record level.

What will this expansion mean for you? First of all, this project will not likely be debated during a long-drawn-out process, as **the City Council is expected to give quick approval**. Besides the increase in passengers, two other reasons will drive a quick decision:

1) The three-city-block-long terminal was designed to **grow to 55 gates from its initial 25** (so lengthy planning is somewhat circumvented), and 2) it is a **self-funding project** (paid for in large part by airline and other fees) with no major city tax increase needed.

The biggest impact on you, the Austin air traveler, will be the hassles you'll face during construction. You may encounter temporary facilities and there may even be busing involved to work around the construction. And, these hassles could continue until 2013.

Ironically, **the expansion project could take about five years before the new gates are online**, even though the construction of the entire new airport took just less than five years from groundbreaking (11/19/94) to start of passenger service (5/23/99). Of course, construction goes faster when you start from scratch without worrying about disrupting, or working around, existing busy operations.

Fast facts: ABIA was built on the site of the former Bergstrom Air Force Base that was decommissioned in 1993; the base was named for the first soldier from Travis County to be killed in WWII, **John August Earl Bergstrom**. The Barbara Jordan Terminal is named for the former Texas Congresswoman who was the first black woman elected to the Texas Senate.

Two major decisions will dominate Austin's 2008 agenda and both have long-term economic implications. One is whether (and in what form) a medical school will be located in Austin and the other is what to do with several hundred prime West Austin acres owned by UTAustin. Not coincidentally, the two decisions could be inter-related.

Regular readers will recall that as far back as 2004, we discussed the possibility of a full-blown medical school in Austin and have reported on various steps that have been taken during the subsequent years that could impact such a development. Well, **this is the year an Austin medical school, with a number of components and elements, could come into clear focus.**

The focus is necessary because so **many disparate elements are involved** at this stage. They range from the UT Medical Branch at Galveston, to the UT Southwestern Medical Center at Dallas, to the local Seton Family of Hospitals, to the Clinical Education Center at Brackenridge Hospital (that could be re-named University Medical Center at Brackenridge), to the Dell Children's Medical Center, to Austin Community College, UT's Nursing School, Concordia University – you get the picture. Right now, it's all over the map.

The key is this: the 600-pound gorilla, **The University of Texas System (that already operates six health institutions around Texas), is committed to expanding medical education in Austin.**

A clearly-focused plan should emerge sooner rather than later in 2008.

This is because, whatever the ultimate plan, it is good to have the blessing of the Texas Legislature. It takes time to get the necessary legislative support and that is best done *before* the Legislature next convenes in Austin in January 2009.

The timetable for a decision on what may be proposed for the valuable and beautiful lake-side Brackenridge Tract in West Austin is currently set for next year. But, if the stars begin aligning on the medical school, **there is a possibility the decisions on a medical school and the land could merge during this year.**

Heads up! This is speculation. But an intriguing scenario could be developing here. The **UTAustin-owned Brackenridge Tract is composed of about 345 acres** – the largest chunk of that being used as a municipal golf course. Student housing, a biological field lab and businesses are also on the prime property.

But, what if? **What if the UTSsystem and UTAustin determined the highest and best use of all that property was for a medical school? What then?**

If a med facility is built on the tract, money would not be spent to acquire land for a medical school. And while closing the golf course is highly controversial, **it would be hard to argue to keep using the land for recreation when it could be used for saving lives.** Interesting.

For the 2008-2009 biennium, the Texas economy should outpace the US economy for the same reasons that it is outperforming the national economy today. Just what is it about Texas?

It's not one thing, it's a bunch. Economist **Gary Preuss**, in the Revenue Estimating Division with Texas Comptroller of Public Accounts **Susan Combs**, ticks off the list: "continued net migration into the state, a central Sunbelt location at the buckle of the nation's burgeoning southern and western regions, an experienced workforce, a comparatively healthy housing market, a strategic geographic location for Latin American trade, an oil and gas industry serving as a buffer for high fuel prices, and a relatively low cost of doing business."

The first item on his list – net migration – is quite impressive. The most recent USCensus Bureau's annual estimate of state population changes covers the 12-months that ended 7/1/07. **Texas gained 496,751 residents, more than any other state.**

On the other hand, residents of California continue to leave. In this same Census Bureau tally, **263,035 people left California for another state.** The state's 0.8% population growth was primarily because of births. The US growth rate is 0.96%; Texas' rate is 2.12%.

By the way, Preuss predicts that just over 60% of **Texas' population growth in the 2008-2009 biennium will be driven by natural increase (births)**, while slightly less than 40% will be due to net migration. The rate of growth should step back from its 2006-2007 growth rate, which was unusually high due to the large number of migrants displaced by Hurricane Katrina.

Another Texas economist, **Ray Perryman**, looks ahead and says the Texas economy is moving forward, though the pace of expansion has slowed recently. "Even so," he noted, "the economy of the Lone Star State appears strong enough to weather current problems and uncertainties."

One of the reasons for Perryman's optimism is the **growth rate in Texans' personal income.** He points out that Texas has performed better than the national average, "a pattern," he said, "which is expected to continue."

Perryman also credits the **strength of the Texas job market** and cites the "climb in oil prices" for creating more jobs in this oil-and-gas producing state.

When issuing his analysis, Perryman felt it necessary to note that over the 30 years he has been examining the Texas and national economies, "the current environment is marked with an unusually high level of concern and anxiety and is **probably one of the most volatile I've studied over my lengthy career.**" But Perryman went on to add that "**economic growth is predicted over the short term**, though the climb will be rather modest compared to gains in recent years."

Something interesting is going on at Round Rock-based Dell Inc. The personal computer behemoth, long associated with boxy, boring machines, has started emphasizing industrial design. And the result was on full view during bowl game TV commercials this week.

The Wall Street Journal also took note 12/27/07, reporting that “the company, which in recent years seemed to care only about corporate customers, techies and hard-core gamers, **appears once again interested in average, mainstream consumers who value simplicity.**” The *Journal*’s technical writer, **Walter Mossberg**, drew a comparison with the iMac.

“Unlike the Apple, for example, **the Dell has a built-in slot for camera memory cards.** It comes standard with a wireless keyboard and mouse, which cost extra on the iMac. Its screen can be turned off with the touch of a button without turning off the computer itself. It’s USB and headphone ports are arrayed conveniently on the side, instead of mainly at the rear, as on the iMac,” Mossberg wrote.

“When you wave your hand in front of the black border to the right of the screen on the (Dell) XPS One, a set of blue, back-lit touch controls magically appear for controlling playback of music or video. They go away after a few seconds. **The Dell also comes with a free year of 10 gigabytes of online backup,**” he wrote.

Mossberg called the Dell XPS One desktop “**an elegant, handsome, cleverly designed one-piece computer.** If it didn’t have the Dell logo on it, the XPS One might be mistaken for a product of the PC industry’s design leaders, Apple or Sony.” High praise from an expert who prefers the iMac.

As far as Dell’s operations are concerned, **PC sales rebounded and were higher in the 3rd quarter of 2007**, while other segments of the technology market remained stable.

With the presidential primaries now kicking off, **Dr. Louis Overholster** was reminded of this comment from a Texan running for Congress about his opponent: “That lowdown scoundrel deserves to be kicked to death by a jackass, and I’m just the one to do it!”

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 512-327-2172. 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.

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