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AUSTIN LETTER

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Volume 31, Number 2

April 10, 2009

Dear Client:

Passenger traffic at Austin's airport dipped 14% in February, compared to a year ago. But when you dig deeper, you find the totals for the first two months of 2009 are not only lower than 2008, but also are less than in 2007 and 2006.

The national recession is obviously impacting Austin business and leisure air travel. March numbers won't be available for a few weeks, but it is traditionally a heavy air travel month at Austin-Bergstrom International Airport (ABIA). However, when you compare the March 2009 passenger totals with previous years, **it is probable the airlines will also report negative numbers for March.** But, all airlines carrying passengers at ABIA are not suffering equally.

For instance, while American Airlines (-25.5%), Continental Airlines (-22%), United Airlines (-15.5%) and Delta Air Lines (-36.5%) all reported major drops in Austin passengers in February, Southwest Airlines was essentially flat (-0.22%). These carriers accounted for 77.4% of all Austin passenger traffic in March. Additionally, **Southwest's Austin market share went up** from 36.1% in January to 38.6% in February – almost equal to the other four combined. Impressive.

How is Southwest, the airline that has recorded 36 straight years of profits, able to do this? Well, **low air fares** have a lot to do with it. And **simplified operations** help – a single airplane model, the Boeing 737, keeps maintenance and training uncomplicated, as an example. But Southwest is not sitting pat. There is a bit of **tinkering and long-range planning** underway at the airline's Dallas HQ.

The airline is toying with **more extensive wine and coffee service.** (Coffee will still be free.) It is considering adding **on-board Internet surfing.** It is expanding into **new markets**, while other airlines are pulling back on less profitable markets. And it is aggressively pursuing code-sharing deals to **offer international service.**

What it will *not* do is to charge for checking-in suitcases or for using pillows. CEO **Gary Kelly** was quoted as saying **"Adding fees is not the way to grow the airline. Customers hate that stuff."** It is not considering adding full-scale meals. And it will stick with its point-to-point flights, not following other airlines by going to a hub and spoke model. But there are still concerns at Southwest. For instance, other airlines have used the bankruptcy court to tear up labor contracts and lower salaries. Wages continue to rise at Southwest. It bears watching.

Austin's airport marks a milestone next month. It was the last airport built in the US in the last century and now it is turning ten years old.

Austin-Bergstrom International Airport (ABIA) replaced Robert Mueller Airport 5/23/99 and, while current monthly passenger totals are slipping a bit, air travel at ABIA has increased 36% during the ten-year span following the closing of Mueller. Passenger traffic passed the 9 million annual total in 2008. **In other words, ABIA is a very important economic engine for business in the Austin metro area – and for quality of life, as marked by leisure travel.**

It's also important to pause on ABIA's 10th anniversary to recognize how the new airport came to be – and, in the process, how it came to be a model for US cities that faced the same situation. **Austin was dealt a major economic blow when it was announced that Bergstrom Air Force Base (BAFB) was among the first military installations in the nation to be closed** as a result of a major realignment of our nation's military installations. Austin joined other cities around the US in wringing their hands over the loss of a major economic engine. It was a bitter economic pill to swallow. But Austin made lemonade out of lemons.

Back when BAFB became a reality as a result of WWII, **the City of Austin donated the land to the US for the facility – with the provision it would revert to the city should the base be abandoned.** Good forward-thinking. So now the city had use of a large tract of land that huge military aircraft (B-52 bombers and KC-135 refueling aircraft) had been using for decades.

At the same time, the city had been exploring alternative solutions to an overcrowded Mueller Airport that would require acquiring large tracts of land. **Now it had close-in, "free" land, with a very long runway built to exacting standards to handle heavy aircraft, just sitting there. Easy decision.**

The decision to build ABIA may have been easy. But a number of questions were raised. After all, this was the **largest construction project ever undertaken by Austin's city government.** And Denver had just gone through so many years of problems and delays building its new over-budget airport that it was commonly referred to as The Denver Debacle. As a result, **many seriously questioned whether Austin's oft-criticized government was up to the task.** Especially since the site had to be mitigated because of jet fuel contamination (and many thought nuclear warheads, that were part of BAFB's mission, also might pose problems).

Well, it turns out Austin's governmental leaders pulled it off – from the design through the construction phase. It has been so successful that ABIA was recently **ranked third in the 2008 5-15 million passenger category of "Best Airports Worldwide."** This was a serious ranking by Airports Council International. Its' Service Quality Survey captured passengers' perception of the quality of more than 30 aspects of service experienced at 108 airports around the globe. It's comforting to recognize a government success that has withstood the test of time.

When the February 2008 employment figures were tabulated nationwide, the result was that job growth was negative in all 50 of the nation's largest metros – except Austin. Let that sink in for a moment.

Economists agree the US is in a recession. And while the impact differs region to region, the Federal Reserve Bank in Dallas finally declared last month that Texas has joined the recession. But when you analyze the numbers, **Texas metros remain high-performing relative to those in most of the rest of the country. And the Austin metro is the best of the best.** Think about it. This is important, especially when you read the national headlines.

Measuring job growth from February 2008 to February 2009, The US Bureau of Labor Statistics published the nation's Top Ten by percentage of job growth: **#1 Austin MSA (+0.2%) ... #2 San Antonio MSA (-0.1%) ... #3 Washington MDiv (-0.2%) ... #4 Houston MSA (-0.2%) ... #5 Fort Worth MDiv (-0.3%) ... #6 Virginia Beach MSA (-0.9%) ... #7 Kansas City MDiv (-1.0%) ... #8 Dallas MDiv (-1.4%) ... #9 Nassau MDiv (-1.7%) ... and #10 Pittsburgh MSA (-1.7%).**

Austin is the only Top Ten metro with a *gain*. So forget percentages. If you use *actual* job loss/job gain, **Austin is still leading the nation by this measure.** And **Beverly Kerr**, the Austin Chamber's VP/Research, points out "the rates of job loss in San Antonio, Houston, Fort Worth and Dallas are still moderate enough for them to remain among the nation's Top Ten performing metros."

To be sure, there are other metros with job gains. But only six more when you expand the list to the Top 100. In the expanded list that includes smaller metros, Oklahoma City, Baton Rouge, Wichita, Bethesda and New Orleans also posted net job growth. That's it. No more in the entire Top 100 in the US.

Okay, this reflects the important category of job *growth*. But what about the percentage of the work force that is *unemployed*? Kerr said "Austin's usual Top Ten ranking was speculated to be in jeopardy when the January's rate was reported at 6.4%. However, as unemployment rates have climbed across the country, the ranking on the February estimates shows **Austin and the other Texas metros continue to hold places among the best performing metros.**"

And by the *unemployment percentage* measure, here is how the top of the Top 50 metro list looks: **#1 San Antonio, #2 Austin, #3 Washington, #4 Houston, #5 Fort Worth, #6 Phoenix, #7 Boston, #8 Dallas, #9 Virginia Beach and #10 Miami.** Austin and other big Texas metros are still at the top.

All this simply reinforces the fact that **Austin and Texas is still *the* place to live and make a living – even during tough times.** The Austin metro, by the way, is the 41st largest metro in the US based on the tally of the civilian labor force in February 2009, and is the 42nd largest metro based on total non-farm payroll jobs in February 2009, according to Kerr.

UTAustin freshmen, unlike in years past, are being thrust into a challenging course that has nothing to do with their majors, but everything to do with a well-rounded education.

It doesn't matter if an entering student at UTAustin is planning to be an engineer, a scientist, a poet, a computer whiz, a writer, a lawyer, a business person, etc. **Each freshman is required to take a new, challenging course that is not necessarily specific to their ultimate degree choice.** Half of the freshmen are now taking the course and within the next two years, all freshmen will be enrolled in these courses. What's going on here?

It's all part of new undergraduate core curriculum that will hopefully "**better prepare students for lives of accomplishment.**" It is a First-Year Signature Course. **It's tough and it is taught by senior faculty.** In fact, UTAustin President **Bill Powers** teaches a freshman seminar himself. The courses stress writing, speaking and discourse. This is a chance for freshmen to confront big ideas and important issues in their first year.

The goal is for undergraduates to acquire important skills and experiences in writing, qualitative reasoning, global cultures, multicultural perspectives, ethics and leadership and independent inquiry. Most are small seminars. Space in the Main Building has been reconfigured into six new seminar rooms for the Signature Courses. **Freshmen can now have a small class experience in technologically advanced rooms** in UTAustin's most prominent building, the Tower.

By next fall, UTAustin plans to offer 650 courses that will meet the requirements for satisfying at least one of the skills listed in the previous paragraph. UTAustin stresses that this effort **emphasizes a competency and skills-based approach**, rather than a subject-matter approach. The subject-matter emphasis will still be there as the freshmen move on to complete their chosen degree plan.

Dr. Louis Overholster on two special days in April: "April 15th we send our money to Washington and on April Fool's Day we do wild and crazy things. Oh, I'm sorry, I already said that."

Sincerely



Editor/Publisher