

Volume 31, Number 50

March 26, 2010

Dear Client:

“Austin is emerging as one of the first pockets of the country where people are getting back to work, showing that even in this dreary economic environment, job creation can happen – and illustrating how it will eventually take root around the nation” — *TIME* magazine 3/29/10.

This is not simply a quote from a small article. It is the gist of a significant cover story about Austin – yes, a cover story. (Oh, you won’t find a skyline picture or the word “Austin” on that cover. In fact, it is dominated by a four-letter word – Jobs. But make no mistake, it is all about the Austin metro.) And it is such an **important national recognition of the unique aspects of the Austin economy** we’re going to devote the bulk of this newsletter to what it reported.

Before telling her readers all over the US that **Austin “offers a model of hope,”** reporter **Barbara Kiviat** reports the Austin metro “has a few built-in advantages over other cities. The University of Texas and the state government – Austin is the capital – provide some economic stability. And as the Southwest’s technology center, Austin is home to many high-growth (though high-risk) companies.”

“It is also a music mecca and the gateway to Texas hill country, attributes that help it attract desirable workers. For all these reasons, **it hasn’t been battered quite as hard as other cities by the recession:** the unemployment rate was nearly 3 points below the national average at the end of last year,” she reported.

“The cold truth of the matter ... is there’s not much Washington can do to gin up permanent jobs. **The great American job-creation machine has always been and will continue to be private enterprise,**” she wrote. And this is the major focus of her reporting about Austin.

“The city’s surfeit of computer-programming talent allowed a video-game outfit to **hire 50 developers and designers** in the past two months. A manufacturer is **building a new plant** north of town to take advantage of the growing commercial lighting industry, even as its construction-related business falls off. A pharmaceuticals start-up is **looking for new lab workers.** **Some companies are expanding** and others – markers of the city’s entrepreneurial spirit – are **starting from scratch,** she summarized.

The article put the national spotlight on several Austin area companies. See the next item.

The rocket ships of job creation are not just *small* businesses, but *young* businesses – start-ups. And innovation is where the Austin metro excels.

The *TIME* magazine 3/29/10 cover story spreads the word about the Austin economy nationwide saying “Austin provides a useful lesson in how to stay on top of the innovation game. Start with an **educated population** (43% of Austin residents have a bachelor’s degree or higher), mix in a **robust venture-capital scene** (one of the best outside Silicon Valley), add a **supportive community of peers** (groups like Bootstrap Austin band together hundreds of entrepreneurs) and wrap all that up with a **state government unafraid to throw money at companies that need a little help getting off the ground.**”

The cover story written by **Barbara Kiviat** also mentions a UTAustin entity: “The nonprofit Austin Technology Incubator houses fledgling firms, plying them with business-plan advice, contact with financiers and lots of coffee over which to share ideas and solve problems. **The incubator’s 20-year record: more than 200 companies and thousands of jobs created.**”

TIME said that in the long term, there is only one way to create enough jobs for the economy and that is through **innovation**. Create *types* of jobs that haven’t been available in the past. And it reported that “20 miles south of Austin, in a nondescript industrial park, sits a bland, corrugated-metal building with a roll-up door. **Inside the building sits the future of the US economy.** Or at least part of the future.”

“Five and a half years ago, the lights went on at **Xtreme Power with half a dozen employees and a vision to make wind power an easier sell,**” wrote Kiviat. “One of the **big stumbling blocks in persuading utilities to buy wind is its unpredictability.** The wind blows, then it stops, while utilities’ customers demand a constant flow of power. Xtreme’s solution: a shipping-container-size power-management system that takes in energy from wind farms, stores it and then smoothly **releases an uninterrupted supply of it out the other end.**”

“That innovation carries real economic value. Wind-farm operators want to sell more power, and they’ll pay for something that helps them do that. As a result, jobs are created. **Xtreme, which employed 57 people at the beginning of 2009, installed its first major system in Hawaii over the summer and now has \$100 million worth of orders in its pipeline.** The firm currently employs 105 people and is again looking to grow,” *TIME* reports. “Its plan is to buy a factory in Wixom, Michigan ... a plant that used to make Lincoln Continentals, and start churning out the mechanical apparatus of wind-power storage.”

As *TIME* put it: “**create new products and new markets, and watch new jobs flow.**” Another Austin start-up that has made big headlines recently was presented by *TIME* as a poster child for this approach. Check out the next item.

Joblessness is the most pressing problem in the US economy today. And the *TIME* magazine article suggests that the creation of one Austin job (that no one has ever done before) offers a good example of how to solve the problem.

The *TIME* magazine 3/29/10 edition distributed nationally screams “JOBS” on the cover and the Austin metro’s job situation is the only one featured in the lengthy article. **This is very important for Austin’s economic future – now and in the immediate future.** To illustrate this phenomenon, HomeAway.com, was profiled. This is the first paragraph of *TIME*’s story:

“Later this year, a marketing manager will sit down for his first day of work at HomeAway, a company that helps people rent their vacation homes online. In the firm’s sleek Austin, Texas headquarters, a glass-wrapped building decorated with travel souvenirs, **the marketer will flip on his computer and do his job – a job no one has done before. This, you see, will be a brand-new job, one of the most coveted commodities of economic recovery.**”

“The story of how this job will come to exist starts five years ago, with one man’s frustration at how hard it was to find and rent a beach house for his family vacation. **Brian Sharples**, who was between jobs at the time, didn’t understand why he couldn’t go to a single website – as he would go to Expedia for airline tickets – to find a comprehensive list of houses for rent. So, with a business partner, he started such a site. Five years later, **the company has \$120 million a year in sales, employs 600 people in five countries and is ramping up its marketing push to grow even larger.** That’s why it needs a new marketing manager in Austin,” said the article.

Sharples is quoted as saying “jobs get created by providing a product or service that’s better than what’s out there. There was an existing market for vacation rentals and we’ve created efficiencies in that market. Now that it’s cheaper and more efficient, more people are doing it, and the market is expanding.” **In other words, to create jobs, start by creating something people are willing to pay for.** Can you spell “i-n-n-o-v-a-t-i-o-n!”

Another Austin area example is more re-invention, rather than innovation. Ringdale, in Georgetown, was suffering because, as construction slowed, so did demand for products like its ID-card readers that go in buildings. So Ringdale re-invented. It threw resources and personnel at its line of light-emitting diode products and **answered increased demand for low-energy commercial lighting.** As a result, Ringdale will open a plant expansion, adding 10-15 jobs, in about a month. And it has plans for a second, larger one next year, creating 120 more jobs.

While other companies were cited (such as California-based video game company **Electronic Arts** and family-owned **Mateus Construction**), there were other important elements to Austin’s job growth that *TIME* pointed out – such as Austin’s efforts to make sure area **workers are trained and able to adapt to creating tomorrow’s goods and services.** See the next item.

Austin's approach to making sure people have the right skills to match what companies need is an important key to creating jobs to drive its economic growth.

Job creation is also a function of the labor supply. **It's not just about firms wanting to hire but also about having people they can usefully employ.** As a result, *TIME* magazine examined that aspect of the Austin metro economy in its 3/29/10 cover story. It pointed out that Workforce Solutions, a government-funded not-for-profit, has been partnering with businesses and local schools like Austin Community College to **develop a series of training courses to help people upgrade their skills and earn certifications.**

“The modules are built to be accessible to people well into their careers – **recognizing that a 40-year-old isn't likely to have two or four years to return to school full time** – and focus on Austin's up-and-coming industries, like biotech, renewable energy and video-game development,” noted *TIME*.

There's more, much more, about the Austin area economy in the article — Samsung's \$500 million upgrade of its only semiconductor-fabrication plant outside South Korea, the Seton Family of Hospitals, etc. **This edition of *TIME* should be used by anyone whose livelihood depends on the metro economy. It's that strong.** It will give economic development staffers ammo to compete against any other city in the quest for jobs. And it couldn't come at a more opportune time. Get your copy ASAP. It's the US edition of *TIME*, Volume 175, No. 12.

You probably didn't notice the “Volume 31, Number 50” designation at the top of this newsletter. This means this is the last edition to be published in our 31st year. The edition next week, April 2nd 2010, will be labeled “Volume 32, Number 1.” We published our first issue the first Friday in April 1979. Hard to believe. A lot has happened during the years since 1979. And we've been there, every week, offering perspective on the economic, business and political developments for you.

Dr. Louis Overholster took the occasion to toast our more-than-three decades with this newsletter, this way: “May you have the *hindsight* to know where you've been, the *foresight* to know where you are going and the *insight* to know when you have gone too far!” We'll try, doctor, we'll try.

Sincerely



Editor/Publisher