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AUSTIN LETTER

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Dear Client:

The Austin area and Texas are US economic leaders, and now new trend lines indicate they will be part of a new US *regional* economic powerhouse. Move over East Coast and West Coast. Make way for the Third Coast – the Gulf Coast.

Not very long ago, Austin labeled itself the Third Coast, comparing the emerging film and entertainment community here with both US coasts. There was even a short-lived local news publication calling itself *Third Coast*. But now, they're talking about a different animal. **The *new* Third Coast encompasses the various states ringing the Gulf of Mexico, with Texas as the main anchor.**

“The 600,000 square mile Gulf region ... is destined to emerge as the most economically vibrant of our three coasts,” writes the executive editor of www.NewGeography.com, **Joel Kotkin**, in *Forbes* magazine. **“This reflects a long-term shift of money, power and jobs away from both the North Atlantic and the Pacific to the cities of the Gulf.”**

“In *Forbes*' rankings of the fastest-growing job markets in the country, six Gulf cities made the Top 50: Houston, Corpus Christi and Brownsville in Texas; New Orleans; and Gulfport-Biloxi and Pascagoula, in Mississippi,” Kotkin pointed out. **“In contrast, just one Pacific port, Anchorage, Alaska, and one small Atlantic port, Portsmouth, N.H. made the cut.”**

“This growth stems from a host of factors ranging from politics, demographics and energy to emerging trade patterns and new technologies,” he reports. The Port of Houston, for example, enjoyed a 28.1% jump in foreign trade this year, and trade at Louisiana's main ports also reached record levels.”

“Despite a legacy of hurricanes and floods, Houston, with over 5 million people, has emerged as among the fastest-growing metropolitan areas in the country,” Kotkin reported. **“The region's population is expected to double in the next 20 years. Most of the economies its port serves – Dallas-Fort Worth, San Antonio and Austin – also have experienced rapid growth.”** This is important. While not widely noted, the proximity of the Houston port is important to Austin's economy. Check out the next item, where we break down the reasons for this emergence that is so significant to the Austin area's future.

The emergence of this “Third Coast,” of which the Austin area is a part, can be traced to a number of factors that show no sign of slowing.

For most of the nation’s history, the Atlantic region – and we’re talking primarily New York City – has dominated US trade. **In the last few decades of the 20th Century, the Pacific region** – Los Angeles and Long Beach, not so much San Francisco – gained prominence, according to **Joel Kotkin**, executive editor of www.NewGeography.com writing in *Forbes* magazine. Now there’s a strong trend to the coast of the Gulf of Mexico. Some reasons:

“One potential game-changer is the scheduled 2014 \$5.25 billion widening of the Panama Canal, which will allow the passage to accommodate ships carrying twice as much cargo as they are able to carry currently,” Kotkin reported. “This will open the Gulf to megaships from Pacific Basin ports which have mostly sent their cargos to Los Angeles and Long Beach. **Some analysts predict that more than 25% of this traffic could ship to Gulf and South Atlantic ports.”**

“The area also is getting a big jolt from ascendant Latin America, the Gulf’s historic leading trade partner,” Kotkin noted. He says economist **Bill Gilmer** with the Federal Reserve Bank of Dallas reports that **Latin America is home to many of the world’s fastest-growing economies**, with overall growth rates last year exceeding 6.1%.

“The energy industry represents another critical force in the Gulf’s resurgence,” he adds. “It employs at least 55,000 workers in the Gulf, which produces roughly one-quarter of the nation’s natural gas and one-eighth of its oil. **The energy-related economy produces high-wage jobs that range from geology and engineering to the muscle work on the oil rigs**, which provide well above average wages for blue-collar workers.”

“Finally there is the matter of political will,” he pointed out. “Both the Northeast and the Pacific regions are increasingly dominated by environmental, labor, urban land and other interests often hostile to wide-ranging industrial expansion.”

“In contrast,” Kotkin wrote, **“the Gulf’s leaders in both parties support broad based economic growth.** New Orleans Democratic Mayor **Mitch Landrieu** is no less friendly to industrial and port expansion than Republican Gov **Bobby Jindal**. Houston Democratic mayors like **Annise Parker, Bill White and Bob Lanier** have been as strongly in favor of critical business and infrastructure investment as their Republican counterparts.”

“Texas, Louisiana and other Gulf Cities seek to reorder the nation’s economic balance of power,” Kotkin concludes. **“Unless California and the Northeast awaken to the challenge, they will be increasingly supplanted by a region that seems more determined to expand their economic dominion.”**

What is going to happen to Real Personal Income in the Austin metro over the next five years? A longtime Texas economist projects it will be among the best in the state.

The president and CEO of The Perryman Group, **Ray Perryman**, has been tracking the Texas economy for decades. And importantly, he and his company are known for their economic forecasts. Recently, Perryman and his colleagues projected what they feel will be the **growth of real personal income** for each metro area in Texas. The period covers 2010 to 2015.

Only one other metro area is predicted to have a greater Compound Annual Growth Rate of Real Personal Income than the **5-county Austin-Round Rock-San Marcos statistical area's tally of 4.40%**. **This is a very healthy percentage** and indicative of the trend shown by most nationwide economic studies tracking current and future job growth over the next few years.

The only higher forecast came after the Dallas-Fort Worth major metro area was broken up into two Metropolitan divisions. **The Fort Worth-Arlington Division's Compound Annual Growth Rate was projected to be 4.46%**. The Dallas-Plano-Irving Division's Compound Annual Growth Rate was projected at 4.35%. Others: San Antonio-New Braunfels, 4.39% ... Houston-Sugar Land-Baytown, 4.21 and El Paso, 3.94%.

The president of the South Congress Merchants Association doesn't like the City's proposal to change "normal" angle street parking to "back-in" angle parking. And he isn't shy about it.

The owner of the Big Top Candy Shop, **Brandon Hodge**, took issue with the city's claim that **90 new parking spaces would be created along this SoCo dining and shopping district** with Back-In Angle Parking. Not so, he says. All 90 spaces would be along the *entirety* of South Congress Avenue all the way south to Oltorf – not just in the limited dining/shopping area.

"This was just another clever little deceptive twist the city used to try to sell this unusual parking configuration to those of us who will be most strongly affected by it, and **something to which merchants are universally opposed**," Hodge said. He zeroed-in on safety issues that might arise by backing into reverse angle spaces.

"After researching dozens of other cities nationwide with reverse angle parking that limit its use to 25 mph and 13,000 vehicles per day, the City of Austin is still **forcing this down our throats**, despite our higher speed limit and a traffic count exceeding 27,000 cars per day – **more than double the traffic count of any other American city street with this type of parking**," he noted.

"As you can imagine, we are not pleased," Hodge concluded. **"We'll let you know when people ... start getting hurt as a result."**

There were pleas for energy conservation this week. Searing temperatures put strains on electrical systems. The high temps continued to exacerbate the exceptional drought conditions. Water supplies were impacted. What about firefighting?

The current weather conditions in the Austin area probably represent the worst situations for firefighting. Not just wildfires. Overworked residential electrical systems can trigger blazes in homes and commercial structures. **And one aspect of trying to extinguish a structural fire, especially one involving a very large structure, is water pressure.**

“A pump operator with any time on the job has experienced times on a fire, especially at a larger fire, where **firefighting crews are calling for more water and not one more gallon can be provided,**” observed **Bob Nicks**, the president of the Austin Firefighters Association.

“When this happens,” he continued, “we are required to **alter tactics based on the available water supply** and this certainly DOES negatively affect fireground operations.”

“Lack of adequate water does not happen all the time but **it certainly is not rare, particularly at large structure fires and almost any wildland fire,**” Nicks concluded.

All of Central Texas is in the midst of the worst possible drought classification – “exceptional.” Most of the area relies on the Highland Lakes for its water supply, and water storage at both Lake Travis and Lake Buchanan is only at 57% of capacity.

The level of Lake Travis continues to fall dramatically, about a foot a week. **It is 25 feet below its historic June average. Creeks and rivers have little or no flow into the lakes.** In other words, it is a serious situation and the weather forecasts don’t show any major modification.

Speaking of rain, **Dr. Louis Overholster** observes that *timing* has a lot to do with a rain dance!

Sincerely



Editor/Publisher