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AUSTIN LETTER

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Dear Client:

Want to know where there are plenty of jobs in Texas and you don't need a college degree to make \$100,000 a year? Go south, young man, go south.

The nation's unemployment rate has been stuck near 9% for more than two years. And that's not all. **The Federal Reserve predicted this month the national unemployment rate is *not* expected to make a significant drop from 9% through 2012.** It's better in Texas, but not much. Texas unemployment rate in September was 8.5%. Austin is better at 7.4%. Again, though, this is more than double the out-of-work rate enjoyed by Austin during the go-go-days.

Jobs are in abundance in South Texas. Well-paying jobs. They are going begging. Employers are frustrated. And they are going to great lengths to fill the job openings. What are these jobs? **They can be found in the oil and gas fields in the Eagle Ford shale play south of San Antonio and across to Corpus Christi on the Gulf of Mexico.**

The problem employers have faced is the difficulty finding qualified workers. The biggest need now is for **drivers who hold commercial driver licenses and are certified to transport hazardous materials.** Many potential employees are winnowed out at the very beginning because some applicants can't pass the drug test that is administered before training.

As a result, **some employers have relaxed their requirement that applicants have a commercial driver license.** One employer told the *San Antonio Express-News* "we've hired young men and women who know nothing about what we do. It takes several months to get these people where they need to be."

About those salaries: **average hourly earnings are up 40% over the past decade for non-supervisory workers in oil and gas extraction.** The *Houston Chronicle* reports those workers make an average of about \$28.13 an hour, according to preliminary data from the Bureau of Labor Statistics. **"It's one of the few industries where you don't have to have a college education and you can still make \$100,000 a year,"** noted Patrick Jankowski.

Check out the next item for more on these diverse jobs from a hiring perspective. You'll hear from oil and gas field giants Halliburton and Baker Hughes next.

Texas companies and the state of Texas are combining forces to find workers for high-paying jobs. Armed forces and aerospace industry workers are targeted. And one company is using RVs as Mobile Recruiting Offices. It's a frenzy to fill jobs in Texas.

The Texas Workforce Commission has stepped up to help with **job listings** and training grants. It is also working with **community colleges to provide customized training** to increase the number of qualified applicants for work during this oil and gas boom. And it is doing so saying the **job opportunities in the South Texas Eagle Ford shale play are expected to last for an extended time.**

But the private sector is not sitting around. **Baker Hughes** and its competitors have **turned to the armed forces and aerospace industry to attract skilled workers.** Military personnel have the mechanical training and discipline necessary for oil field jobs. And the end of the space shuttle program has left a pool of workers with technical skills.

Baker Hughes has outfitted **two RVs with interview rooms and computer stations.** And the Mobile Recruiting Offices are hitting the road to areas where the company's recruiters have not traditionally worked.

Halliburton offers an eight-to-16 week program that trains entry-level workers on mock rigs. **It also schools these employees on the company's proprietary technology.** The company has hired more than 4,000 new workers in Texas so far in 2011, according to the *Houston Chronicle*.

You get the picture. **The personnel needs are expanding exponentially** as companies pour millions of dollars into South Texas developing the Eagle Ford oil and gas fields using new fractionating technology to recover previously uneconomical reserves.

The need for new hires due to expanding efforts is not the only problem. Longtime baby boomer employees are retiring in droves. **One estimate says some oil field companies may lose up to 25% of middle and senior management over the next five years.** This is contributing to the worker shortage as much as expansion. Meantime, the boom continues.

Peak employment in Texas could be right around the corner. In fact, one estimate indicates it's just a couple of months away.

IHS Global Insight predicts **Texas will reach peak employment levels enjoyed before the recession as soon as January 2012 – and it could even surpass those levels.** IHS said there are two main reasons for this prediction for Texas: 1) the security of the oil/gas/energy market and 2) the fact that Texas was not hit hard by the housing recession that rocked the nation.

One of Austin's more successful business people weighed in this week on what the US should do to turn around its economy. Whole Foods co-founder and co-CEO John Mackey, an avowed Libertarian, says the reforms that need to be made are extensive.

"I want to make a few suggestions that, as an independent, I hope will **stimulate thinking and constructive discussion among concerned Americans no matter what their politics are,**" Mackey wrote in the 11.16.11 edition of *The Wall Street Journal*. (Mackey was criticized a few years ago when he spoke about the healthcare bill.) Here's some of what he said this week:

"Most importantly, we need to radically cut the size and cost of government. Government is gobbling up trillions of dollars from our economy to feed itself through high taxes and unprecedented deficit spending – money that could instead be used by individuals to improve their lives and by entrepreneurs to create jobs.

"Only if we focus on cutting costs in the four most expensive government programs – Defense, Social Security, Medicare and Medicaid, which together with interest account for about two-thirds of the overall budget – can we make a significant positive impact.

"It is time for us to scale back our military commitments and reduce our spending to something more in line with our percentage of the world GDP, or 23%. Doing this would save more than \$300 billion every year. Social Security and Medicare need serious reforms. **Retirement ages need to be steadily raised to reflect our increased longevity.**

"In addition tax reform is essential to jobs and prosperity. Most tax deductions and loopholes should be eliminated, combined with significant tax rate reductions. A top tax rate of 15% to 20% with no deductions would be fairer, greatly stimulate economic growth and job creation, and would reduce deficits by increasing total taxes paid to the federal government. **Corporate taxes also need to be reformed. A reduction to 26% would equal the average corporate rate in the 15 largest industrialized countries.**

"A simple reform that would make a monumental difference would be to require all federal regulations to have a sunset provision. All regulations should automatically expire after 10 years unless a mandatory cost-benefit analysis has been completed that proves the regulations have created significantly more societal benefit than harm. Currently thousands of new regulations are added each year and virtually none ever disappear."

Mackey concluded by saying "the US is still an extraordinary country by almost any measure. If we once again **embrace the principles of individual and economic freedom that made us both prosperous and exceptional,** we can help lead the world towards a better future for all."

It's hard to find anyone who has effusive praise for air travel these days. So, it's somewhat remarkable that Austin-Bergstrom International Airport (ABIA) continues to be singled out as among the top airports in the world for customer service.

In fact, accolades started when dirt was first moved to **convert the former Bergstrom Air Force Base into a municipal airport**. ABIA's construction occurred at a time Denver was building its new airport. Denver missed completion deadlines and turned out to be way over budget (we called it the Denver Debacle as we pointed out their problems to ABIA officials). However, **ABIA opened on time and received high marks**, even from skeptics who were concerned it was the largest construction project ever undertaken by the City of Austin.

And now, **after being ranked among the Top Five in the world for service quality over a five-year period, ABIA is one of only 14 airports (out of 200) worldwide** to be inducted into the first-ever Director General's Roll of Excellence by the Airport Council International.

This comes at a time that **ABIA's passenger traffic was greater in September than in any September for the past five years**. Passenger traffic was up 8.5% over September 2010 and is up 6% for the year over last year. Passenger traffic has struggled for much of 2011 to beat the numbers set in 2008 and 2007.

Also this week, **Delta Air Lines announced it will begin daily flights from ABIA to New York City's JFK airport in June**, giving Austin air travelers another option to connect with flights worldwide. By the way, Delta is on a roll at ABIA. It had long battled Continental Airlines for the #3 spot in terms of market share. **In September, Delta notched a 12.0% share of Austin's passenger market, compared to Continental's 6.6%**. Of course, the passenger travel gorilla at ABIA is **Southwest Airlines, carrying 36.5% of all passenger traffic in September**. American Airlines came in second with 22.1%, ahead of #3 Delta.

Speaking of air travel, **Dr. Louis Overholster** sent us an email question the other day: "If air travel is so safe, why do they call the airport – the terminal?"

Sincerely



Editor/Publisher