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Dear Client:

There are times when some trends stop and others begin. These inflection points usually are not recognized at the time. But one noted commentator thinks he may have spotted such a current national demographic inflection point and Texas is at the heart of it.

The migration of millions to sunny California, starting during and after World War II, is one of two big demographic trends that reshaped the nation over the last 40 years, writes **Michael Barone**. The other is the **movement of vast numbers of people from high-tax states** in the Northeast and industrial Midwest to lower-tax and more economically vibrant states elsewhere.

Barone says “both these movements have halted, at least temporarily. American mobility is near an all-time low. As in the Depression of the 1930s, people tend to stay put in hard times. You don’t want to sell your house if you’re underwater on your mortgage.”

“And immigration has plunged,” he says. “The Pew Hispanic Center estimates from 2005 to 2010, **more people have moved from the United States to Mexico than the other way around.** I suspect that reverse migration is still going on. The question is whether those trends will resume when – if? – good times return.”

California (where Gov. Jerry Brown wants to raise taxes even higher) is “likely to grow more slowly than the nation, for the first time in history, and could even start losing population. Fortunately,” he says, “**governors of some other high-tax states are itching to cut taxes.** The shale oil and natural gas boom has job-seekers streaming to hitherto unlikely spots like North Dakota and northeast Ohio. Great Plains cities like Omaha and Des Moines are looking pretty healthy, too.”

“**Texas has been doing very well,**” he notes. “If you draw a triangle whose points are Houston, Dallas and San Antonio, enclosing Austin, you’ve just drawn a map of the **economic and jobs engine of North America.** Texas prospers not just because of oil and gas, but thanks to a **diversified and sophisticated economy.** It has attracted large numbers of both immigrants and domestic migrants for a quarter century. **One in 12 Americans lives there. America is getting to look a lot more like Texas, and that’s one trend that I hope continues.**” This, Barone says, may be the new national demographic inflection point.

A massive rebound in Toyota's car and truck sales in May gave a big boost to Toyota's San Antonio truck manufacturing plant.

The Japanese automaker says the company is experiencing the highest daily selling rates since August 2008, as the overall automotive market continues to recover. What does this mean for San Antonio where the Tacoma and Tundra trucks roll off the manufacturing line? **Sales of the mid-sized Tacoma pickup rose 24.6% in May 2012**, compared to May last year. **The full-sized Tundra pickup sales increased 87.9%** from May 2011 to May 2012.

San Antonio scored another economic success – this time, at Austin's expense. The Alamo City lured an Austin bio-tech company away from the Capital City.

A young company that is projecting explosive growth, **Xenex Healthcare Services**, is moving its headquarters and manufacturing operations from Austin to San Antonio. Established in 2009, Xenex has developed and patented a pulsed xenon technology that it has incorporated into a robotic device designed **to eliminate the deadly microorganisms that can cause serious hospital-associated infections.**

Xenex currently employs about 30 people. That number could double in 2012 as the company **expands its reach nationally and internationally to keep up with growing demand for its infection-fighting medical device.** According to Xenex, there are about 2 million cases of hospital-associated infections annually and the mortality rate from those infections is about 5%.

As of February, the company had its product in some two-dozen hospitals across the country. Xenex hopes it can grow that number to 240 hospitals by the end of this year. **That would represent a minimum of roughly \$20 million in revenue based on the sale of only one device per hospital.** Some hospitals are purchasing multiple machines. The cost per unit: \$80,000.

So why did Austin lose this company after it was nurtured into early maturity here? **"I don't know that the medical devices (industry) has been the focus of Austin the way that it has in San Antonio,"** said the company's new CEO. This may be true. But therein may lie another part of the re-location decision.

The new CEO is San Antonio resident **Morris Miller**, who was a co-founder of the San Antonio tech giant, Rackspace Hosting. And as you know, many companies also **base their location decisions upon the wishes of the CEO** – especially a very successful exec who may have established roots in one city.

Xenex is also planning to market its devices to hospitals in other countries.

A year-end (*school year*) review of developments at UTAustin reveals a diverse list of milestones and accomplishments for the 2011-2012 academic year.

The list of 12, compiled by UTAustin president **Bill Powers**, runs the gamut of academics, sports, concerts, rankings and fund-raising – and then some. Here is his list of 12, in no particular order, with Powers' comments about each:

Medical School Momentum. “With support from Senator **Kirk Watson**, the UT System, the Seton Healthcare Family, and others, **we now have real momentum toward a medical school at UTAustin.**”

Four-year Graduation Rate Initiative. “Our Task Force on Undergraduate Graduation Rates submitted more than 60 recommendations for faster time-to-degree, and **we're already acting on them.**”

Study finds UT No. 2 in efficiency. “Factoring together multiple indicators of efficiency such as graduation rates, state support, and faculty employed **put UTAustin near the top nationally.**”

New Deans and Vice President. “Leadership is critical to the success of any institution, and this year we **recruited four outstanding executives** to campus.”

Course Transformation. “**Introductory courses** in chemistry, statistics, and biology have been energized by **experimental formats that increase interaction** between students and among students themselves. And class attendance is up.”

Powers also said the UT business faculty, Graduate Programs in Education and Accounting were **named No.1 in the nation** ... UT's Texas Advanced Computing Center won a National Science Foundation **supercomputer grant worth a potential \$50 million** ... the Harry Ransom Center acquired the archives of UT Austin alum and Nobel Prize winner **J. M. Coetzee** ... and the **multi-year private fund-raising effort called “Campaign for Texas” reached \$1.93 billion.** He said he anticipates reaching the \$2 billion milestone this summer.

Other items made his list of the twelve best stories of the academic year. He pointed out the Big 12 sports conference *strengthened* with new members to replace departing Aggies and Tigers. He said a star-studded event in the Erwin Center **raised \$725,000 for Bastrop County fire victims.** And he singled out the local chapters of the Texas Exes for pitching in to take UT students' community projects nationwide.

All in all, Powers concluded, “**I'm so proud of this university and all it does every day to make the world a better place.** Although no one knows what will be on this list a year from now, I know it will change the world.”

That roaring rumble you're hearing now on Austin streets and Hill Country roads is coming from participants in one of the largest motorcycle rallies in the nation – and it will get louder.

Once again the Republic of Texas Biker Rally (ROT Biker Rally) is bringing an estimated 50,000 participants to Austin – according to the ROT website – **“to enjoy the amazing motorcycles, the Austin nightlife and of course the beautiful Texas women.”** It started Thursday and will end Sunday afternoon.

If you live or work downtown, you can enjoy (?) the ROT parade Friday evening, certified by the Guinness Book of World Records as the longest parade of motorcycles. It's big, all right. In fact, ROT officials say the **“largest biker party in a downtown area of a metropolitan city” will draw more than 200,000 spectators in 54 square blocks that will be closed off for the party.**

The big celebrity who will be part of many weekend ROT events is – tah-dah! – **Jesse James**. Yes, *that* Jesse James, the tattoo-festooned custom bike-and-car-building TV host who lived in Austin during his marriage to **Sandra Bullock**. Part owner of the Austin Speed Shop, James refers to himself as “a glorified welder.”

Entertainers? **Ted Nugent**, the guitar wildman, is the Saturday night headliner (opening act: Supersuckers). **Shooter Jennings**, the only son of country legends **Waylon Jennings** and **Jessi Colter**, is the Friday night headliner (opening act: A Thousand Horses) and Thursday night's headliner was Gov't Mule (opening act: **Kenny Wayne Shepherd**).

Ground zero for the bikers is The Travis County Exposition Center, where the music takes place and events such as the “World Famous Wall of Death,” a tattoo expo and “contests for the ladies” are scheduled for the participants. During the daylight hours this weekend, you can see/hear the bikers rumbling along area roads and hills.

Dr. Louis Overholster says a politician knows both sides of an issue (and may take them both)!

Sincerely



Editor/Publisher