



Volume 35, Number 8

May 17, 2013

Dear Client:

**Texas and Austin are pegged as one of the few places to dominate a new and growing part of the global economy – unmanned vehicle systems. Yes, you heard right -- drones.**

The Association for Unmanned Vehicle Systems International (AUVSI) ranked nine US states that are **best positioned as sites for the emerging boom in unmanned aircraft**. Texas is near the top of the list and Austin already boasts of a company that **bills itself as a “global leader”** in one facet of this industry’s boom.

Wait a minute. Does this mean the skies over Austin and the Lone Star State are poised to be filled with militarized MQ-9 Reaper drones? Not necessarily, reports *FORTUNE* magazine. **Small Unmanned Aircraft Systems (UAS) – those under 55 pounds – “will drive the coming drone industry boom,”** the magazine reported. “And Texas has its fair share of small UAS makers emerging as well.”

In fact, **one Austin company produces small UAS suitable for non-military applications such as aerial photography roles**, as well as onboard autopilot modules and other flight components. More about DJI Innovations in a minute.

Texas was singled out because, like California, Washington state and Florida, its **existing aerospace and defense industries are strong**. “**The state of its engineering education and workforce is likewise strong**, with universities like Texas A&M taking an active interest in UAS development and traditional aerospace anchors like the Johnson Space Center drawing the right kind of educated workforce to the state,” noted *FORTUNE*.

“But that’s still not the most notable thing about Texas,” *FORTUNE* continued. “On top of its generally business-friendly climate, deep aerospace roots, and a varied geography and climate (for flight test purposes), **Texas as a state is fairly friendly to drones.**”

“Fairly friendly” refers to current drone usage. A drone was used in Austin in a drug raid and one sheriff’s department has been operating an unmanned helicopter for more than a year. Not big steps, but “in terms of drone adoption it’s pioneering,” notes AUVSI. However, the **Texas Legislature has been fiddling with drone-related legislation** (already with so many exemptions it looks like swiss cheese), so it is wait-and-see until the session ends May 27<sup>th</sup>.

**An Austin company's vision is "for a world in which flying cameras are as popular as DSLR cameras are today." And DJI Innovations says it is a global leader in Unmanned Aerial Systems (UAS).**

DJI is a company with more than 500 employees operating in Austin, Europe and Asia. It says it is **"the global leader in developing and manufacturing high performance, reliable easy-to-use small unmanned aerial systems, for commercial and recreational use."** DJI says it is among the largest companies in the UAS market.

What is the market for non-militarized UAS products? DJI says it is working to make **"aerial photography and videography accessible to professional photographers, cinematographers and hobbyists anytime, anywhere."**

How do these drones work? DJI says it uses advanced autopilot technology and a unique gimbal stabilization system on its camera-carrying drones. **And small unmanned remote-controlled helicopters are part of this mix.**

The value? Advanced cameras on these remote-controlled flying machines can, according to DJI, **"deliver images of comparable quality as those shot on manned helicopters in a safer and more cost-effective manner."**

When you mention safety, you immediately think of security and law enforcement. **Can these unmanned drones and helicopters be used to enforce the law? Absolutely.** In fact, they are already being used for such purposes – albeit on a limited basis for now. For instance, Arlington police have secured certification from the Federal Aviation Administration to operate two unmanned helicopters during police operations.

Even though this is a new and rapidly-advancing field, privacy issues are being raised. What about the **"hobbyist" who decides to hover a small chopper containing a camera over your normally-private backyard?** These unmanned devices are relatively small and not easily detectable. These issues are playing out now in the State Capitol building as the Texas Legislature winds down its regular session.

Meantime, the UAS industry is developing at a fast clip. And Austin and Texas are in the forefront. As far as *military applications* are concerned, **the aerospace and defense industries have a huge presence in Texas** -- Lockheed Martin, Bell Helicopter, General Dynamics, Boeing, Raytheon, Rockwell Collins come to mind.

As a pioneer in the *commercial and recreational* side, DJI says it is "continually investing in the research and development of advanced unmanned aerial technologies to make them easier to use and more reliable, and for more and more **practical uses from applications in the film, advertising, law enforcement and farming industries, to many more.**"

**Texas ranks 2<sup>nd</sup> in the nation in high-tech employment and, within Texas, there is movement of tech jobs between cities – such as one tech company moving from Houston to Austin.**

The TechAmerica Foundation publishes a report called Cyberstates. Its' 15<sup>th</sup> edition ranks **Texas #2 in number of high tech jobs**. Additionally it ranks Texas 2<sup>nd</sup> in **Internet and telecommunication services** employment ... 2<sup>nd</sup> in **engineering services** employment ... 2<sup>nd</sup> in **semiconductor manufacturing** employment ... and 3<sup>rd</sup> in **computer systems design** and related services employment. The fastest-growing of these: computer systems design and engineering services.

Yes, the surge in tech jobs and related increase in population has been one of the leading indicators of the strength of Texas economy. **But lost in these stats is movement *within* the state.** For instance, a data-compilation service that helps companies organize data collected from the Internet announced last week it was leaving Houston and moving its HQ to Austin.

**Why is Datafiniti leaving Houston?** (Biased comment: why wouldn't you move from Houston for a better life in Austin!) Datafiniti's execs said they were having **trouble recruiting technology workers in Houston** and it already had a few employees based in Austin.

Admittedly, **Datafiniti is a very small company and will not make much of a ripple when its HQ opens in Austin's tech pond.** But it is an example of the difference in the diverse economic strengths of the state.

**Don't feel sorry for Houston** – its energy-sector employment is exploding and it's more than enough to offset the loss of tech or other type jobs.

**Look for Google Fiber to not waste time expanding its superfast Internet service to communities *around* Austin, even though it is now in its first phase of providing service *within* the City of Austin.**

The reason for this prediction. Austin is the 2<sup>nd</sup> city to receive Google Fiber. **It launched its first service in Kansas City in November.** Already it has expanded its service to several communities surrounding KC, including **Shawnee** and **Olathe**. The City Council in nearby **Gladstone** this week voted to bring Google Fiber to its city.

With the experience gained in the Kansas City operations, Google Fiber should be able to **move a bit quicker in the Austin area.** Also, **Google Fiber wants to get a competitive edge** and the faster it gets widespread market penetration, the better its competitive position. By the way, this is not an experiment. Cash-rich Google has already announced a 3<sup>rd</sup> city: Provo, Utah.

**New developments are underway at Austin's airport as passenger traffic has reached record levels, with no signs of slowing.**

A record that was set back in June 2008 (869,308 passengers in a single month), was **broken in March 2013 when 876,806 passengers flew in and out of Austin-Bergstrom International Airport (ABIA)** – a total that exceeded by 6% over the same month a year ago. For the 1<sup>st</sup> quarter, the cumulative passenger total at ABIA is up 4% over the 1<sup>st</sup> quarter of the previous year. And as usual, in March, **Southwest Airlines** carried the lion's share of passengers (38.9%) followed by **American Airlines** (18.3%) and **Delta Air Lines** (12.3%).

Next week, May 21<sup>st</sup>, low-fare **Virgin America** (a US-controlled airline HQ-ed in San Francisco) inaugurates flights connecting the Silicon Valley to the Silicon Hills with **daily non-stop service between San Francisco and Austin.**

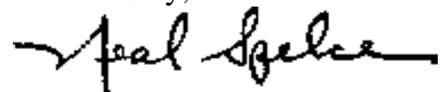
Virgin America flies the new **Airbus A320** and boasts that it contains **WiFi** on every flight and offers passengers access to on-demand films, live TV, videogames, and music videos. It also has an on-demand menu so flyers can **order cocktails or snacks from their seat any time during their flight.**

Construction of a **\$155.5 million consolidated rental car facility** is underway and scheduled for completion in Fall 2015. Ten car rental agencies – Ace, Advantage, Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National and Thrifty – will operate out of the five-level facility. **This move will open approximately 900 covered short-term public parking spaces.**

By the way, Southwest Airlines is instituting a new “no-show” policy. **Certain travelers will forfeit their fares for not showing up for flights.** Check with Southwest for exclusions.

**Dr. Louis Overholster** says when Harry Truman was first elected to the USSenate, a senior senator told him: “For the first six months, you’ll wonder how you got here – after that you’ll wonder how the rest of us got here!”

Sincerely,



Editor/Publisher