



Volume 36, Number 44

February 6, 2015

Dear Client:

Uber, the ride-sharing company, is taking a big slice out of the transit market in Austin and elsewhere. Now, Google, one of the Uber's biggest investors, could become a ferocious competitor to the embattled app-based company.

Uber, the most highly-valued (at \$40 billion!) US technology startup, “embattled?” Oh, yeah. It had a well-publicized **Austin City Council tangle with local cab companies for the right to operate legally on the streets of Austin.** This is also happening in other major cities around the US.

Now Uber's private citizen **drivers are suing in federal court to be treated as employees,** rather than independent contractors, so they can receive benefits. There's more.

But Google could provide the biggest threat. Uber's dependence on the search giant goes far beyond the hundreds of millions of dollars Google invested in the company. According to *Bloomberg News*, **Uber's smartphone applications for drivers and riders are based on Google Maps and Uber would be crippled if it lost access to the industry-leading mapping application.**

Is that possible? How about some corporate intrigue. Google's Chief Legal Officer and SrVP of corporate development serves on Uber's board, if he hasn't yet been asked to resign. Why would he be forced out? **Google is “planning to offer its own ride-hailing service, most likely in conjunction with its long-in-development driverless car project,”** reports *Bloomberg*.

“Google's entrance into the ride-sharing market would also leave Uber without a partner in **the suddenly plausible future in which cars without steering wheels roam the streets,**” *Bloomberg* continued. Currently, the Uber experience is expensive because a human driver is paid. Well, what if there is no human driver? One executive is quoted as saying **when there's no other dude in the car, the cost of taking a driverless vehicle gets cheaper than owning a car.**

All this is a few years down the road. But the technology is moving along at a fast pace. And with Google's massive resources, it would not be wise to bet against them. It will be interesting to see how it plays out, especially since both Google and Uber have a major Austin presence.

Economic information we have been sharing with you for decades is now being called a “Big Lie” by an 80-year-old non-partisan, highly-regarded firm. This information generally placed the Austin area in a favorable light, but is now being debunked. So, where does this leave us?

“There is no other way to say this,” comments **Jim Clifton**, the Chairman/CEO of the venerable Gallup research and polling firm. **“The official unemployment rate, which cruelly overlooks the suffering of the long-term and often permanently unemployed as well as the depressingly underemployed, amounts to a Big Lie.”**

The official unemployment rate for December 2014 for the US was 5.4%. In Texas, it was 4.1%. **For the Austin metro, it was an impressive 3.4%** (which economists call “full employment) as we reported last week. Here’s why Clifton says the unemployment numbers are a “lie:”

“If you, a family member or anyone is unemployed and has subsequently given up on finding a job – **if you are so hopelessly out of work that you’ve stopped looking over the past four weeks – the Department of Labor doesn’t count you as unemployed,**” said Clifton.

“There’s another reason why the official rate is misleading,” he continues. “Say you are an out-of-work engineer or health care worker or construction worker or retail manager: **If you perform a minimum of one hour of work in a week and are paid at least \$20 – maybe someone pays you to mow their lawn – you’re not officially counted as unemployed.**”

One more thing. **“Those working part time but wanting full-time work ... if you have a degree in chemistry or math and are working 10 hours part time because it is all you can find – in other words, you are severely underemployed – the government doesn’t count you”** as unemployed.

“I hear all the time that ‘unemployment is greatly reduced, but the people aren’t feeling it.’ **When the media, talking heads, the White House and Wall Street start reporting the truth – the percent of Americans in good jobs – jobs that are full time and real – then we will quit wondering why Americans aren’t ‘feeling’ something that doesn’t remotely reflect the reality in their lives. And we will also quit wondering what hollowed out the middle class,**” Gallup’s CEO concludes. It’s important to underscore that Gallup’s non-partisan research has been widely respected for decades.

Well then, what about Austin? The same unemployment formula is used for the Austin workforce as it is elsewhere. But two keys put Austin in a better light: 1) **new jobs are being created here at an amazing rate and they are being filled**, and 2) **the Austin percentages are still valuable when used in comparison to others. And the comparison is favorable.** In fact, Austin could be considered somewhat of an anomaly because the economy is so vibrant.

Now that the price of oil has been slashed in half and gasoline prices at the pump are less than \$2 a gallon, have you noticed “fuel surcharges” levied by various businesses have been dropped? Didn’t think so. What gives?

Airlines claimed 30% of all expenses were for fuel when it instituted fuel surcharges as the price of oil escalated. Now that fuel costs have dropped dramatically (and airlines are reporting increased profits) **the airlines have been slow to respond with lower prices. What about ground delivery services such as FedEx and pizza companies? Same deal.** Fees are still being charged.

Oh, sure, the wording may have changed. In fact, one Austin business that delivers its product to business and residential addresses sent this notice to its customers: **“we will be replacing the variable Fuel Surcharge that you now pay with a flat Delivery Fee.”** And, surprise!, the flat fee is greater than the fuel surcharge.

The logic, as explained by the Austin company: **“This change is a result of the rising costs of providing the superior delivery services that you have come to expect from us.”** It said it has “avoided taking this action for as long as possible.”

Others are essentially singing the same song, with different words. Domino’s Pizza said **“delivery charges are meant to offset far more than just fuel prices”** – everything from uniforms to the bags that keep the pizza warm are part of the delivery equation. Airlines cite costs of labor, cost of aircraft rent, cost of buying new planes. Seems the fees are here to stay. Wonder what will happen when fuel prices go back up again.

Slowly, but surely, the Texas drought is easing. Current conditions are the best they’ve been since November 2010, which was close to the beginning of this bout of drought. Still a way to go. But the damp, cool days of January were a bit beneficial.

Three months ago, the Texas Water Development Board (TWDB) reported 49% of the state was in moderate to exceptional drought. Currently, it has improved to 39%. **But the big problem is still the level of water in Central Texas reservoirs. Lakes Travis and Buchanan are currently only 35% full.** Statewide, reservoirs are 65% full. Not surprisingly, East Texas where rainfall is abundant, is leading the way.

By the way, TWDB and UT Austin’s Jackson School of Geosciences have published a study on indicators for the early warning of drought in Texas. The study participants developed a statistical model they claim is about **70% effective in predicting summer precipitation.** A TWDB spokesman said “if we can predict summer drought in April, or as early as January, water providers have more time to prepare.” **The model successfully predicted rainfall conditions for last summer.**

Could a major hotel announcement away from here this week be a portent of things to come here in Austin? If so, it could add to the “variety” in Austin.

Marriott is set to open its luxury brand, the JWMarriott, in downtown Austin. **The convention hotel is the largest JWMarriott in the US – more than a thousand rooms – and second only to one in the Middle East.** Marriott’s name is on a number of other hotels in the area. So the company has banked a lot on Austin.

Could Marriott be on the verge of another hotel in Austin – one not aimed at the convention market, but whose target guests are tech-savvy millennials?

Possibly. No one is saying a word about an Austin location. But Marriott just unveiled plans for a sleek new concept. **The hotel is called Moxy.** And Marriott initially is planning three Moxy hotels in New York City and others in San Francisco, Seattle, Chicago and New Orleans. Why could Austin be on a Moxy horizon, even though the Capitol City is a much smaller market?

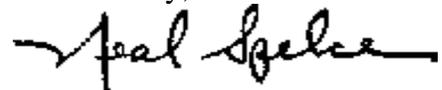
The Hotel Chatter website has details on the uniqueness of the Moxy concept. It talks about **affordable rates, “furiously-fast WiFi, Apple TV in the rooms, snug rooms and no phones next to the bed as Moxy is all about high-tech,** including keyless entry and motion-sensor lighting. And whatever else millennials are into these days.” Does this fit Austin’s young, techie image or what?

Stories about the Moxy (the first one opened in Milan) use words like **“fun” and “spirited” to describe the “playful” design** and refers to “pictures of sexy, semi-naked men” on walls and on the do-not-disturb door-hanger. **Moxy hotels are not large. Neither are the rooms.** It would not be considered a convention hotel.

Again, no Moxy announcement has been made for Austin. But, stay tuned.

When a clerk asked **Dr. Louis Overholster** “Can I help you find anything,” Overholster joked “How about my misspent youth.” The clerk quickly quipped “We keep that in the back, between world peace and winning lottery tickets!”

Sincerely,



Editor/Publisher