



Volume 37, Number 47

February 26, 2016

Dear Client:

It's one thing for Texas to "bash" California. But when a California newspaper editorially makes the charge that California policies are driving tech expertise to Texas, well, that deserves attention. One quote: "there are signs that the tech industry in the Bay Area has become a victim of its own success – and state policies." Let's examine the editorial's specifics.

"Like many other California businesses, tech firms are relocating or expanding operations in other states – particularly Texas -- at an alarming rate," editorializes the *Press-Enterprise*. "The need for a more stable workforce was one of the main reasons **cloud-computing company LiveOps Cloud moved from Silicon Valley to the Austin area.**"

"Other reasons to move or expand out-of-state are *government created*:" the editorial continues, "**high taxes, burdensome regulations, unaffordable housing due to excessive development fees and restrictive land-use policies.**"

"**California's highly-educated workforce is not so unique anymore, and its quality of life has been tarnished by regulatory and affordability issues.** Texas, by contrast, has no personal income tax and no corporate income tax (though it does have a less-onerous gross margins tax), and is universally hailed for having one of the friendliest business climates in the nation," states the editorial.

Major Austin companies are at the forefront of this move. The editorial pointed out that "**Google, Facebook, Apple, Dropbox, Oracle and nearly two dozen other Bay Area tech companies have all built or expanded facilities in Texas just since 2014.**" Additionally, there have been more than 1,500 publicly reported "disinvestment events" (don't you just love this phrase?) across all industries in California the past seven years. Others estimated it could be as high as 9,000.

The editorial concluded: "**California's anti-business climate has clearly started to have a negative impact on even its most prosperous industry.** If California's anti-business attitudes do not change and the state continues to **chase its brightest and most productive members of society to states with greater economic opportunity** who will be left to prop up its burgeoning welfare state and radical environmental agenda?"

By the way, not to miss a beat, Texas Gov. **Greg Abbott** is widely distributing this editorial.

You can't make this up. Just as we finished writing about the assertion that California's policies are driving tech businesses to Texas, it was revealed that Shopgate, a mobile e-commerce company, is moving its US HQ from Palo Alto, CA to Austin.

Shopgate is jumping right into the Austin mix. It will have a presence at South by Southwest Interactive in a couple of weeks -- telling media SXSW is a "perfect space for us to show who we are and to **tell Austin and the US tech scene that we're here now and we're serious.**"

How serious? Well, Shopgate raised \$15 million from investors last month and it is using those funds to build its Austin office, where it plans to house 50 new employees this year. And after checking out several cities, **Shopgate CEO Marc Biel said "we quickly realized Austin offered the best opportunity for the kind of rapid growth we envisioned."**

With major national focus on immigration, it's easy to lose sight of the positive relationship between Texas and Mexico. Texas leads all US states in exports and Mexico is the Lone Star State's biggest trading partner. It's a big bucks relationship that is good for all.

Texas exports more goods to Mexico than any other state. These exports sustain tens of thousands of small- and medium-sized businesses in Texas. **It's also estimated this export activity involves more than 1.1 million jobs** – the most in the nation.

Of course, Austin's economy contributes heavily on exports to Mexico, especially in the tech sector. **Overall, the state exported more than \$100 billion in technology, machinery and other commodities to Mexico in 2014** – about 35% of the state's total exports.

Oh yeah, it's a two-way street. **Texas also imported more than \$90 billion of goods from Mexico.** As we said, it's a good economic relationship for all involved.

The remaining Republican presidential candidates are happy Jeb Bush suspended his campaign – but TV stations in Austin and throughout Texas are not pleased. The day before Bush said he was dropping out, \$4.4 million in Texas airtime had been booked by a Super PAC supporting Bush. The day after – it was all cancelled.

This included ad buys on the network-affiliated stations in Austin, San Antonio, Houston and Dallas that were to have saturated your TV sets up to Super Tuesday this week. **No other candidate was planning to dump as much money on TV in Texas major metros.** (All was not lost for local TV stations. For example **Marco Rubio** allocated \$50,000 for Austin TV.) The flip side of Bush's action: you were spared a lot of political TV commercials.

“Austin: the city of the eternal boom ... and the eternal festival ... and the eternal traffic jam ... and the eternal start-up ... and the eternal food truck ... and the eternal buzz” is the headline on *Texas Monthly*’s (*TM*) March 2016 cover story that purports to analyze “The New Austin And How It Became the Center of Everything.” Well, not quite. It could more accurately be called “A history of Austin’s changing music scene, with a buncha other tidbits tossed in.”

A veteran of the Austin music scene since graduating from UT Austin in 1979, the accomplished writer has an insider’s perspective that makes the story entertaining. **Michael Hall** says after college “I lived in a series of large, cheap, drafty houses in West Campus, also with three or four roommates. **I was a slacker. I waited tables and clerked in a record store, working as few hours as possible. What I really wanted to do was write songs and play the guitar.**”

And he did. To this day, he is still involved in the music scene. He also has strong reporting credentials, such as having written for alternative pubs like *Third Coast* and the *Austin Chronicle*. **Currently Hall is an Executive Editor with *TM*.**

His lengthy cover story focuses intently on the music scene and downtown. He writes: **“If you had to point to one single thing that has driven Austin to be a hip boomtown, it would be SXSW, which got its start in the fevered mid-eighties music scene.”** Hip, maybe. Driving Austin’s boom? Not so much.

Oh sure, he weaves tidbits of Austin’s history and development throughout his examination of the music evolution. But make no mistake, he only gives a “wink and a nod” to significant Austin occurrences that also contributed to the New Austin. **Some would argue those occurrences impacted the Austin of today much more than music.**

Because Hall’s perspective is very personal, it is naturally open to some minor questions of fact and impact. But his thesis is accurate: **“Somewhere in the haze of the last generation, funky old Austin disappeared and was replaced by something sleek, fast, and unbelievably popular.** Suddenly everyone wants to be in Austin ...”

“It’s impossible to say when Old Austin died and New Austin was born,” Hall writes. “Some hippies will tell you that it happened back in 1980, when the **Armadillo World Headquarters closed.** Others will say it’s when the West Campus café **Les Amis shuttered in 1997, and was eventually replaced by a Starbucks.** Maybe it was when the **bulldozers demolished Liberty Lunch.** Then again, maybe it was the day in October 2013 when **ACL Fest expanded to two weekends.**”

And then there’s growth. “A lot of cities are growing fast, especially in Texas. **But Austin is reinventing itself in a manner unlike any other place.** In many ways the transformation has been painful. I don’t recognize some parts of my city anymore,” writes the former slacker.

Is the wildly-popular Whataburger hamburger chain making moves that could leave its orange-white, drive-thru store-front operations obsolete? That's the legal claim of one longtime Texas franchisee. And all you need to do is check Austin grocery store aisles to see the basis for that assumption.

The first Whataburger store opened in Corpus Christi more than a half-century ago. It has since moved its corporate HQ to San Antonio. But the many Austin area locations and other sites around the state are doing so well that **Whataburger is now packaging its products and peddling them in local grocery stores** – such as H-E-B, also HQed in San Antonio. This has so upset one of its oldest franchisees, Whataburger of Alice (WOA), that it's taking legal action.

“It's obvious from these products that Whataburger has begun a plan to sell at retail virtually all of the ingredients that go into its hamburgers, such that **customers can have the Whataburger experience back at their own homes without the necessity of coming into restaurants,**” WOA claims in legal docs.

Right now, you can only buy Whataburger's famous Fancy Ketchup and its own brand of Original Mustard as well as a few other items. But WOA claims “**there is nothing that would keep them from selling patties, buns, fries or any other such products.**” Got news for you, WOA. You can now get *fries* (just heat and eat out of the package) at Austin H-E-B's.

This legal confrontation has a long history between WOA and HQ. No need to go into the back-and-forth claims. There have been legal “victories” for each side over the last few decades. And appeals are underway. But, for now, Whataburger's legal eagles are saying “**the court's order did not prohibit Whataburger's sale of retail products in any manner and we proudly continue to sell our retail products without any limitation whatsoever by the court.**” No telling how long this will drag on. But for now, no store locations have closed and new products, such as the fries, are being offered for sale at grocery stores. Stay tuned.

Dr. Louis Overholster advises his patients to never blame anything on laziness, just on being old!

Sincerely,



Editor/Publisher