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Dear Client:

Longtime residents know to stay clear of downtown Austin when Spring Break and South by Southwest (SXSW) coincide during the same week – as they will next week (in fact, the 10-day SXSW congestion starts today). Once the nightmarish crowds begin to flock to the downtown area, many residents just leave town. But this year, there's good news for those leaving via the Austin airport, as numerous projects to reduce airport congestion are nearing completion.

There's no way to avoid the fact that this annual influx of crowds to Austin impacts the Austin-Bergstrom International Airport (ABIA). To give you an idea of the scope, consider this: **Scandinavian Airlines (SAS) for the first time is operating two nonstop, round-trip flights between Stockholm, Sweden and ABIA – just for SXSW.** This marks the first flights for SAS at ABIA, and the first nonstop flights ever between Austin and Stockholm.

Add to this, **total passenger traffic at ABIA for January 2018 was UP 13.2% compared to the same month in 2017** (a year that smashed passenger total records). And, January is traditionally the month with the fewest passengers. So, construction at ABIA can't be completed soon enough.

What are some of the new changes at ABIA? **A new retail component outside airport security is nearly 85% complete at the same location as the previous free cell phone lot.** In addition to 50 new cell phone parking spaces for those waiting to pick up arriving passengers, the retail complex will include **ten covered Texaco gas pumps, a convenience store, a drive-thru Austin Java coffee store, a Subway sandwich and a taco shop.** And, for all the local hybrid cars owners, there will also be **electric car charging stations available.**

These improvements were undertaken to help ease longtime congestion at ABIA due to passenger pickups from (sometimes-delayed) incoming flights. And, to further keep cars from "cruising" around ABIA waiting on arriving passengers, **the new retail complex will also have picnic tables, restrooms and an aviation-themed playground for kids.**

(By the way, the air carrier dominance at ABIA shows no sign of changing. In January, Southwest Airlines passenger total was 396,931 ... #2 American Airlines' total was 200,256 ... #3 United Airlines passenger numbers were 148,312 and #4 Delta Air Lines carried 131,494 passengers. Each of the remaining air carrier totals serving ABIA dipped to five digits, not six).

What's happening with Amazon's site selection for its second headquarters (Amazon HQ2)? As the case from day-one, (when Amazon announced it would ultimately bring up to 50,000 high-paying jobs to its HQ2 site), just about everything has been shrouded in secrecy. After narrowing its semi-finalists down to Austin and 19 other cities nationwide, there's been no further announcements. But, word's spreading Amazon is moving briskly to make a decision.

Details of corporate site searches are traditionally kept very private. But, because this is such a big deal -- an investment of \$5 billion from Amazon -- speculation has abounded. **Austin has been prominently mentioned in most – not all – of the speculation about the ultimate site.**

When Amazon first announced the project months ago, we had no inside knowledge. But, we've had decades-long experience dealing with site searches. **So we outlined the likely process in past issues. So far, we appear to be on target.** The obvious first step: receive bids from cities/regions.

The next step was conducted privately: set up a matrix utilizing Amazon's criteria to cull the 286 bids down to a manageable number. **Twenty cities, including Austin, made this cut.**

Then we told you what would likely occur after the 20 cities were selected: **site visits. This is happening now. And, it is an important milestone leading to a final site decision.**

Information-gathering teams are going to each location – again secretly – to personally interview/analyze/inspect all aspects of each city's bid. This is essential prior to making another cut to get down to a handful of finalists, likely a "Final Four," or some smaller number.

How do we know these site visits are taking place? The secrecy has been broken by some cities that have had visits so far. **For instance, it was reported locally that an economic development team of ten visited Denver for two days in February.** There was also another report Amazon reps have already visited the **Dallas** area. The *Washington Post* reported an Amazon team visited **Washington DC, Northern Virginia, and Montgomery County, Maryland.** Who knows how many others have received an Amazon delegation.

As to whether Amazon reps have visited the Austin region about HQ2, no one is talking. Not surprising. In fact, the only leader who met with Amazon reps in Denver was the Colorado governor – no other local elected officials.

Texas Governor **Greg Abbott** will meet with Amazon, especially as two Texas cities/regions made the 20-city cut. Don't know if the meeting with the governor has happened yet. We said *region*, because as we previously told you, an Austin Chamber official referred to its proposal twice as coming from the Austin *region*, not the City of Austin.

Speaking of corporations selecting cities for re-location or expansion, this week Texas was awarded *Site Selection Magazine's* Governor's Cup for the sixth year in a row. The award recognizes the top performing states for business and job creation. This year's award marks the 14th time Texas has achieved this distinction, more than any other state.

This is not just another trophy for the shelf. *Site Selection* focuses on corporate facility projects with significant impact to the state, such as **corporation headquarters, manufacturing plants, R&D operations and logistics sites**. The specific criteria include capital investment, job creation and square footage.

What happened in Texas to earn this accolade? **In 2017, Texas led the nation with 594 business relocations or expansions.** Ohio came in 2nd with 467 new facilities. Not even close. Said Governor **Greg Abbott** as he accepted the award: "In Texas, we don't settle for the status quo. **We are always striving to be even better and we will ensure Texas remains the best state for businesses.**" Are you listening, Amazon?

Abbott also told the magazine what companies told him about Texas. "I asked them directly why they keep opening facilities in Texas, thinking they would tell me because taxes are lower and your regulations are more reasonable and so forth. **Instead, they were immediate and direct in their response. They said it's the top quality workforce.**" Are you paying attention, Amazon?

Not only do businesses do well in Texas, many of those who own/run the businesses are doing exceedingly well. Remember when young upstart Michael Dell was Austin's only billionaire? Now, seven other Austinites have reached that lofty financial status – at the same time Dell has improved his ranking as the wealthiest Austinite.

According to the latest annual *Forbes* ranking of the world's billionaires, **Dell increased his net worth from \$20.4 billion last year to \$22.7 billion this year.** What about the other billionaire Austinites? See how many you can name.

Robert Smith, co-founder/Chairman/CEO, Vista Equity Partners ... **John Paul DeJoria**, co-founder, Patron Tequila and John Paul Mitchell Systems ... **Bert "Tito" Beveridge**, founder, Tito's Handmade Vodka (Fifth Generation, Inc.) ... **Brian Sheth**, co-founder and president, Vista Equity Partners ... **David Booth**, executive chairman, Dimensional Fund Advisors ... **Thai Lee**, CEO and co-founder, SHI International Corp ... **James Truchard**, board chairman and former CEO, National Instruments Corp.

The wealthiest American: **Jeff Bezos**, Amazon founder/CEO, **\$112 billion.** Wow!

The sky is falling... the sky is falling. Oh, really? Last week, Texas' main electric grid operator issued a comment that you may see sky-high electric bills this summer. The Electric Reliability Council of Texas (ERCOT) has issued the same warning for years now. So, is this year different? Well, maybe. Maybe not. Let's dig a little deeper.

It's not just pricier electric bills, but power outages. ERCOT's reasoning noted **three major coal-fired plants in Texas have been closed and some power projects have been delayed.** Couple this with an increasing state population, and it stands to reason there could be record high demand. And, who can predict how many hotter 'n hell summer months are ahead?

But ERCOT has been issuing summertime doom and gloom predictions for at least the past decade – and they haven't come to pass. So, is the sky falling? **Michael Webber**, Deputy Director of the Energy Institute at UT Austin, told the *Texas Tribune* **"I think generally we'll be fine."**

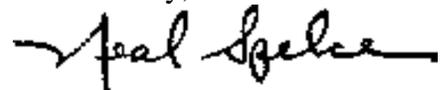
Webber hedged his bet a bit when he said **"certainly there is a cause for concern,"** but price spikes are more likely to affect **large-scale commercial power purchasers and utility companies that sell power.** Anyone who passed Economics 101 will tell you those hikes are generally **passed on to end users, including residential customers.** So, stay tuned.

As we noted last week, "a price of about \$50 million is being bandied around as speculation swirls about the possibility of a sale" of the *Austin American-Statesman*. Well, this week the sale of the *Statesman* to GateHouse Media for \$47.5 million was officially announced.

This price includes only the newspaper itself, **not the prime downtown location.** The new owners will be looking for space to house reporters and other staffers in the 2nd quarter.

Dr. Louis Overholster says since the *Statesman* will continue its print publication, you can probably still see such headlines as "Man with 8 DUIs blames drinking problem." Ya think?

Sincerely,



Editor/Publisher