



Volume 40, Number 22

August 31, 2018

Dear Client:

The National Science Foundation announced this week that UT Austin will receive a \$60 million grant to build one of the most powerful supercomputers in the world. And, it will be the fastest of any university in the nation. This moves UT Austin to the very top in the field. And while vastly important for academic disciplines at UT Austin, the recognition also reinforces Austin's overall tech economy. So, how did UT Austin reach this pinnacle? It got a "rocket boost" 35 years ago when it did something it had never done before, nor since.

First a little background: **In 1983, Microelectronics and Computer Technology Company (MCC)** was a brand-new consortium composed of 15 of the US's top tech companies (it later grew to 21). MCC's task was to counter Japanese dominance in the tech field, which was supported/funded by its government. **In other words, Japanese companies were beating the butts off US companies** that didn't have that level of R&D financial backing.

With a wink and a nod to US anti-trust rules (later validated by Congress), these **companies ponied up big bucks and committed to offering their best and brightest minds to work together for far-sighted tech research.** Then the companies took the research results and competed in their own way in the world marketplace. **MCC's site location was a prize sought by 57 cities in 27 states.**

Bear with us. We're getting to UT Austin's unprecedented role. But, first you need to know Austin, Dallas and San Antonio were all part of the initial 57 cities. Following a presentation led by Texas Governor **Mark White** and UT Austin Engineering Dean **Ben Streetman**, Austin became one of the four finalists along with San Diego, Atlanta, and Raleigh-Durham.

Governor White tapped his chief of staff, **Pike Powers**, to corral the full force of state and Austin resources to successfully lure MCC to Austin. The governor said "Don't leave anything to chance, Pike." So, a team of mostly volunteers collaborated to prepare a precedent-breaking proposal that involved UT Austin.

Keep in mind, at the time, the university already enjoyed a solid reputation in computer science and electrical engineering. But, in 1983 it decided to make a quantum leap, and invest heavily and uniquely (with the help of benefactors) to support the bid to attract MCC to Austin.

UT Austin's commitment raised Austin's proposal above all others. Check the next item for how UT Austin helped itself, while it helped the city and the state.

A rare commitment decades ago by UTAustin, not only led the way for a decision that triggered Austin's high tech economic emergence, it set in place a process that year-after-year reinforced the university's pre-eminence in computer science. "Far-sightedness" is an understatement. So are "bold" and "unprecedented." And it happened under the umbrella of that much-cussed-and-discussed word, "incentives."

How it came together is fascinating. As mentioned previously, MCC's sole reason for being when it was created in 1983 was **cutting-edge research, a mission pursued aggressively in many disciplines at UTAustin**. So how could these similar goals become a win-win?

UTAustin's leadership created eight \$1 million dollar academic Chairs for professors in Computer Science and Electrical Engineering. This appealed to MCC who wanted to tap into UTAustin's wealth of research findings. (You'll recall academic Chairs are created in perpetuity. Only the *earnings* of the million dollar corpus are used by a professor who is awarded a Chair because of his/her exceptional work in a chosen field. The \$1 million stays in place forever.)

The creation of these Chairs for this purpose was unique in itself. But, this wasn't all. **An anonymous alumnus benefactor jumped in and donated another eight \$1 million chairs to attract even more professors.** Wow! Now there were 16 Chairs. But, as they say on those TV commercials, "wait, there's more."

Then, the UTSystem Board of Regents was approached and told these new eight Chairs were **contingent on the UTSystem matching the whole kit-and-kaboodle. Bingo! Now they had 32 new \$1 million Chairs** in computer science and electrical engineering. And, a million bucks was a really big number in 1983.

Oh, yeah. **UTAustin agreed to construct a building on university land for MCC to use for ten years at \$1 a year** -- another rare commitment by a public university. Talk about incentives. Obviously all this helped Austin knock-it-out-of-the-ballpark to win the national site selection battle.

MCC was never meant to exist after its mission was achieved. During its time in Austin, **MCC member CEOs and top execs from 21 of the nation's leading tech companies made frequent visits to Austin.** Many of the best and brightest MCC employees decided to stay in Austin and join the developing tech community. Austin was firmly placed on the US tech map.

Now for the key point. MCC has come and gone, but **UTAustin still has its 32 \$1 million professorial chairs. It has taken over the original MCC building** on the JJPickle Research Campus in North Austin. During the intervening 35 years, **more benefactors have stepped up**, and the 1983 impetus triggered **vast expansion and excellence** in Computer Science and Electrical Engineering. **Top talent has been attracted** (both profs and students). UTAustin's "incentives" won the day for MCC and **Austin and UTAustin continue to reap the benefits.**

You may have noted the significant international trade agreement unveiled earlier this week with Texas' top trading partner Mexico. In our August 17th edition we foretold the action, based in part on information from Austinite Tony Garza, the former US Ambassador to Mexico. While generally applauding the economic importance of this development, that is especially important for Austin, Garza now issues a cautionary note about the next steps.

How important is this to Austin? Consider this one fact: **More than 2,000 businesses in the Austin metro exported \$540 million worth of merchandise to Mexico in 2016.** And look at the business growth Austin has experienced since then. This occurred while the North American Free Trade Agreement (NAFTA) was in effect. NAFTA will be supplanted by this new agreement, which by initial reports, is more favorable to Austin, the state and the US.

What is unique at this juncture is that Canada, the other NAFTA partner, was not a part of this US/Mexico pact. Garza says that one possible explanation for the exclusion at this point is a move to “pressure Canada to go along with the other two countries’ agreement – and quickly. Time is critical, particularly for the Mexican negotiators.”

Why? Well, it’s complicated because of rules/regs to approve trade agreements. But a very real reason is that Mexican president-elect **Andres Manuel Lopez Obrador begins a 6-year term December 1st.** Lopez Obrador had a rep sitting in the negotiations, but a new president is somewhat of a wild card.

Canada has now been brought to the table. **But Garza maintains the US/Mexico trade tango “undermined the regional trust and cooperation.”** Garza points out: “Every day, there are billions of dollars of goods crossing North America’s borders and supply chains that cross all three countries. Yet, any discussion of these ties was absent and replaced by **a divided approach wracked with uncertainty over what comes next.**”

Even when/if these 3-nation concerns are addressed, **Garza says it will be a long slog before a final trade agreement is signed, sealed, delivered and takes effect.** Be patient.

A third Texas city considering an ordinance similar to one in Austin that forces certain private employers to provide paid sick leave, has backed down for the time being. San Antonio already adopted mandatory paid sick leave. But, Dallas, taking a look at a current legal challenge and possible state legislative action, said “Uh, I don’t think so right now.”

The *Dallas Morning News* reported the coalition “Working Texans for Paid Sick Time” failed to collect enough signatures to put the issue on the ballot in Dallas. “Since then, **the coalition has unsuccessfully lobbied the City Council to act.**” Austin’s ordinance has not yet gone into effect, pending the aforementioned challenges.

The *Austin American-Statesman* announced three weeks ago it was giving all 200+ employees a voluntary severance package. (Gatehouse Media bought the *Statesman* in April for \$47.5 million, a price that did not include the prime lakefront downtown real estate. It is still on the market). Gatehouse said the employees who took the package would leave the newspaper next month. Well, “next month,” September, starts tomorrow. And at our deadline, no official list of those departing was announced.

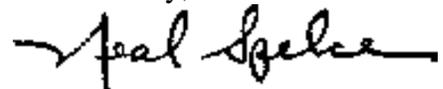
However, the publisher and the editor have said their goodbyes as both had already announced they would be leaving the newspaper. **Debbie Hiott, editor since 2011, will leave the paper September 30th. Susie Biehle, the paper’s publisher since 2012, will leave November 30th.** Those are the only two official announcements. But word is leaking out on others.

A major loss will be the *Statesman*’s longtime transportation reporter, **Ben Wear. Wear is by far the most knowledgeable local journalist on roadways, tollways, congestion, buses, rail, bicycles, parking, airport issues, etc.** He’s been on the beat longer than any other local reporter and, with his engineering training, he’s been meticulous in his reporting. Don’t know his departure date.

According to our sources, another longtime journalist with a nationally-recognized byline will *not* be leaving – **sports columnist Kirk Bohls. The joke about Bohls is that he was born in the *Statesman* newsroom.** (Actually he is a Central Texan who proudly claims Taylor as his hometown.) Bohls’ decision not to take the severance package is timely, as **it coincides with the beginning of the Texas Longhorns football season.** He fondly recalls sitting in the knothole section in Memorial Stadium as a kid, O-D-ing on Texas football.

Speaking of Longhorn football, **Dr. Louis Overholster** wants you to know why Texans say “Y’all.” This is because the phrase eliminates two unpopular letters that are tied to the Longhorn’s bitter competitor from north of the Red River – O-U.

Sincerely,



Editor/Publisher