

Electronics' new refugees find a haven in Austin

Driven out by high costs and red tape in Boston and Silicon Valley, industry execs see a lot to like in the heart of Texas

By Quang Bao

Maybe it was the helicopter ride from the airport that ended in a sun-drenched meadow of bluebonnets. Maybe it was the offer of \$20 million in private funds for research. Or maybe it was the lack of corporate and personal income taxes. Whatever the inducement was back in 1983, officials of the new Microelectronics and Computer Technology Corp. (MCC) say they had little trouble winnowing their list of more than 50 U.S. cities to pick Austin, Tex., as MCC's home. Austin's infrastructure, proximity to brain power, and quality of life "made it very hard for us to say no," says Robert Rutishauser, MCC's vice president of finance and administration.

A lot of other executives apparently agree. At last count, more than 1,137 electronics companies operate in Texas, the fourth most popular state for the electronics industry, after Massachusetts, California, and New York, according to the American Electronics Association (AEA) in Washington, D.C. The roster in Austin alone—widely considered the state's most fertile soil for growing

high-tech companies—includes IBM, Motorola, 3M, Sematech, Cypress Semiconductor, and Advanced Micro Devices. Indeed, total electronics employment increased 13.6% from 1987 to 1990, according to the American Electronics Association (AEA), thanks to relatively low costs and a pro-business environment.

Austin's status as a great place for the electronics industry is a relatively recent phenomenon. During the 1980s, says Rutishauser, a "disorganized" city council seemed to change the rules for electronics companies every day. "Officials got into areas where they didn't know what they were doing," such as controls

on chlorofluorocarbon use and shipping, notes John Paxton, regional manager in Dallas for the AEA, who adds that businesses were threatening to leave.

The hostile attitude of politicians toward business changed when Ann Richards moved into the governor's mansion in Austin in 1991. A longtime environmentalist, Richards had been convinced that the high-tech business would destroy the state's land, water, and air. After a lot of education by the industry, however, Richards came to realize that the electronics industry in Austin contributed to the overall financial health of the state. "Electronics

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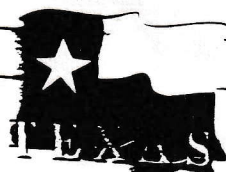
Richards set out to lure businesses to Texas. She dumped Austin's anti-growth city council and slightly eased the tax burden to business. Representatives of the electronics industry, including officials from Motorola and IBM, participate in setting environmental regulations. "Once a company comes here, the city council and the community is willing to help it succeed," says Sylvia Simpson, spokesperson for

Doing business in three states

(1990 data)

	TX	MA
Number of electronics companies	5,794	1,137
Number of electronics employees	566,135	164,969
Electronics employment % change (85-90)	-3%	8%
Electricity costs per kilowatt in cents	09	04
% of state funds spent on R&D	13.1%	6.4%
Median home price	\$255,000	\$95,000
Per capita income (\$ thousands)	\$19,849	\$17,945

Source: American Electronics Association, Bureau of Labor and Statistics, state chambers of commerce, Boston Edison Electric, National Assoc. of Realtors, U.S. Department of Commerce-Bureau of Economics Dept.



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Doing business in three states

(1990 data)

	CA	TX	MA
Number of electronics companies	5,794	1,137	1,380
Number of electronics employees	566,135	164,969	183,482
Electronics employment % change (85-90)	-3%	8%	-12%
Electricity costs per kilowatt in cents	09	04	08
% of state funds spent on R&D	13.1%	6.4%	5.8%
Median home price	\$255,000	\$95,000	\$182,000
Per capita income (\$ thousands)	\$19,849	\$17,945	\$22,569

Source: American Electronics Association; Bureau of Labor and Statistics; state chambers of commerce; Boston Edison Electric; National Assoc. of Realtors; U.S. Department of Commerce-Bureau of Economics Dept.

And what about the rest of Texas?

AS WITH Austin, Dallas, Houston, and San Antonio are aggressively seeking new high-technology investment to shed their traditional dependence on oil and other cyclical industries. Their relative size and weakened finances give them some advantages—Dallas, San Antonio, and Houston are among the 10 largest U.S. cities—but they suffer from some serious problems as well.

Once almost entirely tied to the petroleum cycle, metropolitan Dallas now attracts a variety of companies and industries. American Airlines, J. C. Penny, LTV, and part of GTE have arrived there during the past few years. Dallas offers free economic planning to relocating or expanding companies. In addition, the "Big D" has embarked on an ambitious program called Interlink to coordinate vocational schools' curricula and the future needs of companies.

Manufacturing has become the *raison d'être* of San Antonio. With wages running an average of 22% less than in Austin, Dallas, or Houston, a wave of production-oriented electronics companies have located there, including Sony

and Fujitsu. Despite its reputation as one of the least expensive cities to do business in, San Antonio is often overlooked by expanding businesses because of its perceived low quality of life and few cultural amenities compared with Dallas and Austin. The city's Chamber of Commerce is working to offset its modest amenities with programs to increase tourism and special efforts to lure new biotechnology companies to the region.

But Houston takes the prize as the most underrated city. The summer weather may be impossible due to the humidity, but real estate prices are cool. Buildings long abandoned by struggling oil and other energy-related companies are irresistible bargains for electronics companies looking for space—leases can be obtained for \$9 per square foot in top-quality buildings in metropolitan Houston. The city "hasn't bounced back from the natural-gas price reduction," says Barton Smith, professor of economics at the University of Houston. "If I were an electronics company, I'd move to Houston only because [of low real estate prices]," says Paxton. "Otherwise I wouldn't come." □

tions would not have happened if [MCC and Sematech] weren't here," says Angelos Angelou, vice president of the Economic Development Division for the Greater Austin Chamber of Commerce. MCC alone has spawned at least 12 companies, including Evolutionary Technologies Inc., a small company specializing in data integration software.

Numerous entrepreneurial successes have grown out of Austin, including Dell Computer Corp. and CompuAdd Inc. To encourage future entrepreneurs, the UT Graduate School of Business started the Austin Technology Incubator in 1988, matching venture capital sources and professional contacts with high-

tech start-up companies. One recent graduate of the program, Rochelle Communications Inc., has developed a caller identification device hooking the PC to the telephone.

In addition to the numerous start-ups, Austin's growing charms have attracted a host of large companies to locate or expand their operations in the area. IBM built a 1.2 million square foot addition to its existing manufacturing facility. Motorola added a \$650 million wafer fab plant to its Austin operations. Apple Computer Inc. recently announced a customer support center in Austin, which will create 400 jobs. "IBM and other companies expanding is a key sign that Austin's economy is im-

proving rapidly and coming back strong," says Daniel Van Cleve, state government programs administrator for IBM.

The influx of jobs and other upbeat signs of economic health provide a refreshing lift to life in Austin. Residents have been shielded from the unemployment problems that affected Houston and Dallas: The highest statewide unemployment rate during the 1986 oil bust was 8.9% compared with Austin's 5.6%. In fact, the gloom and doom of New England and the daily traffic hassles of San Jose seem light years away. "The Austin environment isn't deteriorating as it is in other places," says an official from the Environmental Protection Agency in Washington, D.C. The agency says that Austin's air quality was unsatisfactory for 79 days out of 1990, while San Jose's air was considered poor for most of the year—247 days.

Indeed, the style of life in Austin stems from a sense of confidence and well-being. The temperate climate offers an extended season for outdoor activities. Barbecuing and swimming in Barton Springs top Austin's activities list, because the summer is so long—grills are smoking from March to November.

However, the city may not be everyone's idea of heaven. One drawback is Austin Municipal Airport, a rather provincial facility for a city with a population of about 800,000. It offers relatively few direct flights to either coast. Consequently, flying to New York or San Francisco often becomes a two-day ordeal for local executives who usually have to first fly to Dallas or Houston before boarding a plane for either coast.

Another less tangible drawback is the common image of Texas remaining in the frontier mode. "It's hard to convince employees and companies to move here," says Tom Hillman, a human-resource consultant in Austin. "You have to do a lot of selling to push someone who is used to riding in cabs to move to a city where they think the main way to get around is by horse."

FORTUNE'S TOP TEN

The skilled, loyal workers in these choice metropolitan areas are the best you'll find anywhere. They're readily available—and should be for years. ■ *by Patricia Sellers and Antony J. Michels*

ASK A BUNCH OF CEOs about their favorite cities and you'll probably hear them evaluate urban life the same way anyone else would. They love San Francisco for the Bay and the restaurants, Seattle for its mountains and relaxed lifestyle, or perhaps Chicago because it's nearly as charged up as New York but not quite as dirty. Great images carry these particular cities and others a long way, and they will always attract companies. But they are not among FORTUNE's top ten cities for business, because they fall short in what has become the most important draw in corporate relocation: plentiful, high-quality, low-cost labor.

The cities that made the cut aren't necessarily the best known or most adored. Fred Rollins III, marketing chief for Delta Air Lines in Salt Lake City (No. 1), says, "People have a misperception that we're backward, that everyone wears wide-brimmed hats and we're out in the boonies, while in many ways we're very progressive." To escape stereotypes and evaluate labor markets objectively, FORTUNE asked the corporate relocation consulting firm Moran Stahl & Boyer to survey human resources executives in the 50 largest U.S.

metropolitan areas. Then FORTUNE and MS&B analyzed all sorts of information that measures worker quality and helps delineate availability not only today but also in the future. Extensive interviews and visits to several of the cities helped FORTUNE rank the top ten.

In reading the profiles, it helps to know what's behind a few important measures. The labor market stress index indicates the availability of workers. The higher the score, the tighter the labor market (the U.S. average is 100). MS&B derived the figures by tracking unemployment, changes in annual wages, and employment growth vs. expansion of the local labor pool since 1984. The U.S. population should increase 4% in the next five years; average 1989 unemployment was 5.3%. The average white-collar salaries for each metro area are for workers in finance, insurance, and real estate. The U.S. average in 1987 was \$25,326; the average manufacturing salary was \$25,473. In a few cases SAT scores are identical for city and suburbs because these places report only areawide scores. The U.S. average SAT score was 908; the average ACT score was 18.8.

REPORTER ASSOCIATES John Labate and Thomas J. Martin

5 AUSTIN



STEVEN PUMPHREY

The University of Texas

More of its residents have college degrees than do those of any other of the top 50 areas except Washington, D.C., and San Francisco. The University of Texas at Austin, with 50,000 students, has become one of America's premier research universities and supplies a steady stream of skilled graduates to high-tech employers. That's one reason Sematech and MCC, two major high-tech consortiums, placed operations in Austin. Hurt by state government layoffs in the past decade and by a plunge in its sky-high real estate market, Austin offers plenty of workers and lots of empty office space. And there's no better place to come if you've got a song in your heart: The city's Sixth Street is known for its terrific music scene.

Population 1990	787,360
Pop. growth 1990-95	12%
Unemployment 1989	5.4%
Average SAT scores	city: 930 suburbs: 983
Average salaries 1987	manufacturing: \$25,884 white-collar: \$20,585
Labor market stress index	80

■ "Austin isn't part of Texas—it's Austin," says Bruce Aumack, personnel manager at IBM's operation there. "It's not isolated or barren—and it's got hills." It's also growing faster and has better schools and lower labor costs than its bigger sisters Dallas and

FORTUNE

BEST CITIES For Business

Where to Find America's **KNOWLEDGE WORKERS**

/ Durham,
our list,
art choice



THE BEST CITIES FOR KNOWLEDGE WORKERS

A few fast-growing Sunbelt centers and—surprise!—several older cities of the North are rich in the brainpower that employers increasingly need. ■ *by Kenneth Labich*

ONCE UPON A TIME, a lot of backyard barbecues in Raleigh/Durham's tonier suburbs involved Sansabelted tobacco and textile executives. They would stand around grumbling about business, pounding down too many bourbons, and ingesting mass quantities of charred beef. My, how things have changed. These days you will more likely find a flock of microbiologists arguing about neurotransmitters as they knock back a few Evians. Or a gaggle of software designers huddled around a Powerbook while the tofu burgers burn. This chunk of piney-woods real estate in central North Carolina has smartened up over the past two decades and become a genuine intellectual capital, with one of the highest per capita concentrations of Ph.D.s in the U.S.

A lot of brainy types who made their way to Raleigh/Durham were drawn by three top research universities. Duke is in the old tobacco town of Durham; the University of North Carolina is in Chapel Hill, ten miles or so to the south; North Caroli-

na State University, in Raleigh, the state capital, is about 20 miles east. But the real action in the area involves commercial rather than purely academic pursuits. High-tech giants like IBM and Northern Telecom have put major research facilities in the region, as have big pharmaceutical companies like Glaxo and Burroughs-Wellcome. Dozens of small biotechnology and software operations are starting up each year and growing like kudzu in the fertile business climate.

U.S. businesses, especially those whose success depends on staying atop new technologies and processes, increasingly want to be where hot new ideas are percolating. A presence in brainpower centers like Raleigh/Durham pays

off in new products and new ways of doing business. As Glaxo research director James Nidel puts it, "Business is a social activity, and you have to be where important work is taking place."

All of which makes this rapidly growing metro area—population: about 925,500—a clear choice to top our fifth annual list of Best Cities for Business. The New York corporate relocation consulting firm Moran Stahl & Boyer assist-

Once a textile and tobacco town, Raleigh has become a magnet for high-tech business.

THE TOP TEN

- 1 **RALEIGH/DURHAM**
- 2 **NEW YORK**
- 3 **BOSTON**
- 4 **SEATTLE**
- 5 **AUSTIN**
- 6 **CHICAGO**
- 7 **HOUSTON**
- 8 **SAN JOSE**
- 9 **PHILADELPHIA**
- 10 **MINNEAPOLIS**

ed in compiling data for the project (see box).

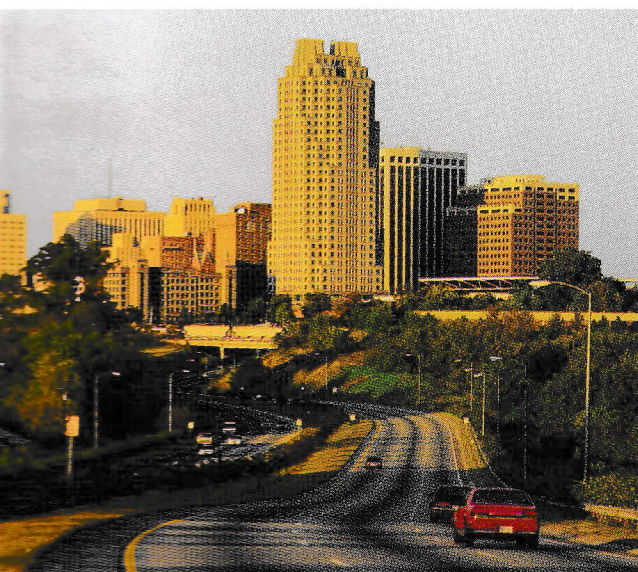
Executives consistently say the most important factor in choosing a business location is the quality of the work force—and the key workers of tomorrow will surely be knowledge workers. These folks don't fit traditional stereotypes that line up white collars on one side and blue on the other. Though often highly educated and sometimes engaged in arcane technical careers, many also often work with their hands. They might be computer field engineers or paralegals, physicists or accountants. Their value lies in their ability to solve problems in new ways

and bring candlepower to teams. They spark innovation.

Many jobs that didn't used to require knowledge workers soon will. Consider: Applied Materials, which makes large machines used in manufacturing semiconductors, has been hiring nothing but college graduates for its manufacturing jobs in Austin, Texas (No. 5 on the list). Says Irwin Carroll, the company's Austin site manager: "It's probably not necessary right now, but it will be as these jobs become more complicated. And that's one of the reasons we are here."

So cities that expect to thrive will have to furnish a growing supply of knowledge workers. Observes Steven Stavish, president of Moran Stahl & Boyer: "The new reality will drive cities to focus on improvements such as better education rather than on short-term fixes to compete in the knowledge society we have become."

REPORTER ASSOCIATE *Jacqueline M. Graves*



A number of elements draw knowledge workers to a particular community. Top-flight research universities and research centers are a must, along with the presence of innovative business enterprises. In assembling this year's list, we considered all these factors, along with more traditional elements such as costs, general quality of the labor force, and local attitudes toward business.

There were surprises. Certain older cities in the North rated extremely well, with business innovation and the presence of skilled technical workers among the key measures. New York City, home to many of the world's shrewdest financial and communications professionals, took second place. Boston, with its world-class universities and health care facilities, as well as a still potent high-tech presence, finished way up on the list. Philadelphia, the base for several pharmaceutical titans, made the cut, as did Chicago, home of innovative companies like Motorola and Abbott Laboratories. Seattle (with Microsoft and Boeing) and Minneapolis (with 3M and Honeywell) were obvious choices. Ditto Houston, with its vast medical infrastructure and NASA research complexes. San Jose, California, remains the premier global center for high-tech electronics of all sorts. Austin has become one of America's most vibrant centers of business innovation; it might have finished higher in our executive survey if more business people knew about it. More will soon.

But for now, Raleigh/Durham shapes up as the model of a metro region geared to the rules of the new economic game. Companies that prosper in the future will emphasize constant learning and more high-order thinking, and nowhere in America are such values promulgated with greater fervor. At the heart of the area's innovative prowess is the 7,000-acre Research Triangle Park, an enormous high-tech campus roughly at the center of a triangle with the region's three big universities as



ABB executive John Reckleff directs N.C. State scientists in the high-voltage lab his company leases on campus.



A less tangible though no less important business plus for Raleigh/Durham is the area's low-cost, laid-back lifestyle. Wages are

Kasarada, director of the Kenan Institute of Private Enterprise at UNC. Kasarda's vision is to construct a giant air cargo complex some 70 miles west of Raleigh. Kasarda argues that such complexes, which he calls Global TransParks, are an inevitable next step in transportation because economic progress increasingly depends on global trade and speed of delivery. Ground has been broken at the North Carolina site and at another in Belgium; Thai officials were on the UNC campus this autumn to learn about the project and may locate another TransPark in their country. The concept may be an ambitious one, says Kasarda, but it is typical of the kind of visionary thinking that takes place in Raleigh/Durham these days.

The state legislature has been an important player in building the area's high-tech base, providing most of the startup money for thriving microelectronics and biotech research centers. The area has been especially active in biotech, with 43 small companies started in the past five N.C. State.

leased a new building right on campus and stuck its company logo on the side. At N.C. State, the potential benefits to students and faculty outweigh any worry that scholarly independence might be compromised. "This is a place where people understand they can get things done in the real world," says Phillip Styles, who gave up a post as vice president for research at Brown Uni-

the verities. It is home to more than 34,000 scientists and researchers and over 50 corporate, academic, and government tenants specializing in microelectronics, telecommunications, chemicals, biotechnology, pharmaceuticals, and environmental health sciences. The roster of corporate residents includes Data General, Du Pont, Summito, Ciba-Geigy, BASF, and CompuChem. The U.S. Environmental Protection Agency has established its largest field installation there, and the National Institutes of Health has put up a major

Businesses that must stay atop new technologies find it pays to be where hot ideas are percolating.

CITIES

lower than in the Northeast or on the West Coast; an accountant with a bachelor's degree earns less than \$25,000 on average, while a mechanical engineer with a doctorate barely tops \$50,000. But costs are lower too. A four-bedroom Victorian home that would run \$900,000 in California or the Northeast goes for \$300,000.

Those with a yen for weekend recreation can choose the ski slopes on the Great Smoky Mountains three hours away or the beaches of the Atlantic Ocean about two hours away. A traffic jam consists of more than three cars in your immediate vicinity, and urban woes such as overcrowding, street crime, and pollution are rarely a problem. Employers have used quality of life as a powerful recruiting tool. Says James Goodnight, chief executive of the rapidly growing software firm SAS Institute: "The ease of living here allows us to bring in specialists from just about anywhere in the country."

AUSTIN, the pleasant college town that is home to the sprawling main campus of the University of Texas, also offers the crucial elements that attract major players in high tech. Situated in central Texas at the edge of the verdant hill country and in the middle of this year's top ten list, Austin represents the new wave of cities that draw knowledge workers. Like Raleigh/Durham, it features healthy cooperation between academia, business, and government—as well as the stiletto-sharp edge of innovation. This town fairly sizzles with optimism, new ideas for products, and new ways of doing business.

As in Raleigh/Durham, the presence of a large university and thousands of highly educated workers forms the basis of Austin's innovative potential. Nearly 50,000 students attend the University of Texas, which has top-ranked programs in physics, various engineering disciplines, computer and health sciences, and business administration. Oth-



Austin's nightlife scene has blossomed, with 180 clubs offering live entertainment.

er area universities and community colleges—Southwest Texas State University and Austin Community College among them—push the student population past 100,000, or better than 10% of the Austin metro area total.

With all those young people around, the town has long boasted a far more hang-loose, freewheeling atmosphere than other large Texas cities. City council members tend to be relatively liberal, and you can spot the occasional superannuated hippie wandering downtown. First-time visitors, expecting the flat terrain of Houston or Dallas, are usually shocked to discover Austin's rolling hills, lushly covered with oak and cedar. Seven lakes dot the area, and one even has a nude beach. Thanks in large part to the college-age population, nightlife choices are extensive; around 180 saloons and nightclubs offer live entertain-

ment. Austin's music industry has flourished and pumps about \$400 million annually into the local economy.

But we are not talking here about some large-scale Berkeley. Thanks mostly to the diligent efforts of academic, government, and business leaders over the past two decades, Austin has been transformed into one of America's most important

bases for emerging technologies and industries. Dell Computer is based there, and just about every big high-tech player in the U.S., from IBM and 3M to Texas Instruments and Applied Materials, maintains a research or manufacturing presence. IBM, Apple, and Motorola chose Austin as the location for their high-profile PowerPC joint project, aimed at developing technology that will run Windows, Mac, OS/2, and Unix software with equal ease. Motorola and Advanced Micro Devices, both of which manufacture semiconductors in Austin, each announced in recent months \$1 billion expansions to their local facilities.

The town's highly educated work force is the main attraction for many employers: About one-third of Austin's citizens hold college degrees, and the city ranks near the top nationwide in number of books purchased per capita. Low costs help too;

wages run about 70% of those in Atlanta or Dallas, and the median home price is \$116,000. The rapidly reengineering Apple Computer, smarting over labor costs in California, recently moved most of its back-office operations—including customer service telephone lines, accounting, payroll, and employee travel services—to Austin. Says Apple site manager James O'Neill: "It was simply too expensive to continue doing these manually intensive functions in the Bay Area."

A lot of techie types—"propeller heads" in the local parlance—seem drawn to the area because of the easygoing lifestyle. The dozen big technology companies—including Hewlett-Packard, Digital Equipment, NCR, and Rock-

HOW THE CITIES WERE RANKED

Contributing to this fifth annual study of America's best cities for business was the New York City location-consulting firm Moran Stahl & Boyer. It surveyed nearly 1,000 corporate executives in America's 60 largest metropolitan areas, asking respondents to rank their own cities and others on environment for innovation, costs, quality of work force, access to capital, and many other factors.

Separately, MS&B surveyed economic development agencies in the 60 markets, requesting data on local industries, training

programs, telecommunication infrastructure, and much else. The firm also analyzed data on each city's work force, research expenditures, patents issued, and other factors reflecting or influencing the presence of knowledge workers.

FORTUNE selected and ranked the top ten cities, using MS&B's data and our own analysis and reporting. For a copy of survey results and highlights of the research compiled by MS&B, write to Moran Stahl & Boyer at 355 Lexington Avenue, New York, NY 10017, or telephone 212-661-4878.

well—that located Sematech, a semiconductor research consortium, in Austin failed to anticipate the brain drain that would hit them as a result. Researchers are supposed to be detached to the project from their companies for a maximum of two years, but, says Sematech's chief administration officer, Frank Squires, "My biggest problem is getting them to go back to their hometowns."

SMALLER COMPANIES even closer to the leading edge are also discovering Austin's innovative magic. In addition to the heavy corporate hitters on the scene, dozens of high-tech startups continue to enrich the local business mix. Some of the more promising of these young firms were spawned in a highly successful University of Texas business incubator, where new companies get cheap office space and assistance on everything from how to market their product to where to get inexpensive legal assistance. Eight solvent

high-tech businesses—including an outfit that produces polymer-based products for the health care industry and a software firm that develops smart sensors for integrated-circuit manufacturing—have been hatched from the incubator. A couple of dozen more are gestating.

It all adds up to a steady flow of new ideas and products—and the sort of business atmosphere it pays to be near. That woman you meet at a business lunch may be working on a new process or a new product that will cut your costs in half; that guy you encounter on the first tee may become a dream customer for the computer program your company just developed. As James Truchard, a University of Texas Ph.D. who stayed in Austin to found a thriving computer and software company called National Instruments, puts it: "You've got to be aware of trends

before they happen, and early warning is critical. Change comes faster and faster."

All ten of the metro areas on this year's Best Cities list have a critical mass of dynamism to fuel business innovation.

One Austin employer hires only college grads for high-skill factory jobs.

Megacities like New York, Philadelphia, Houston, and Chicago are more often pilloried for crime and crumbling infrastructure than they are held high for the skills of their citizens. But each retains a core of educational institutions and forward-looking enterprises that draws knowledge workers by the thousands.

In that way, the older cities on this list are much like the new high-tech centers, the Raleigh/Durhams and the Austins. Perhaps the biggest difference between the old and new is attitude. The rapidly blooming Sunbelt cities are on the make, and the entrepreneurial energy radiating from them is palpable. They reek of the future. **F**

THE TOP TEN CITIES

1 RALEIGH/DURHAM

Population 1993	925,448
Research centers	248
Education of people age 25+ BA or higher	31.7%
grad. degree	11.6%
Patents issued 1988-92	1,745
Presence of innovative firms	rank 7
Pro-business attitude	rank 16

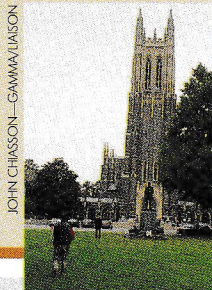
The presence of three top universities—Duke, University of North Carolina, and North Carolina State—and the 7,000-acre Research Triangle Park has fueled the area's capacity for business innovation. State-sponsored incubators for emerging com-

panies in microelectronics and biotechnology have spurred dozens of startups, and a brainy work force is luring big high-tech employers. The state will be wired for a super-fast electronic info

On the Duke University campus

highway by next year.

Low costs and a laid-back lifestyle are a bonus. Refugees from the North are often charmed by the mild climate (average annual temperature: 59°F.) and easy access to recreation and cultural events. A negative: American Airlines may shut down hub operations, cutting the number of nonstop flights.



JOHN CHASSON—GAMMA LIAISON

2 NEW YORK

Population 1993	17,033,162
Research centers	788
Education of people age 25+ BA or higher	25.4%
grad. degree	10.5%
Patents issued 1988-92	7,482
Presence of innovative firms	rank 16
Pro-business attitude	rank 46

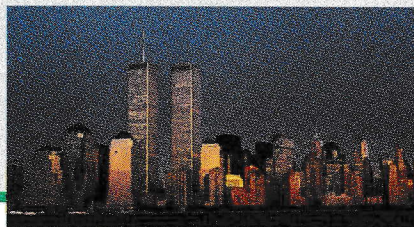
The nation's largest metro area can boast of a unique, irreplaceable asset: world-class talent in such diverse fields as finance, advertising, publishing, consulting, accounting, fashion, biomedical research, video, and the arts. Whatever a business needs, it can find in the Big Apple. "The ability to purchase specific, in-

novative, and customized service—that's New York," says Mitchell L. Moss, director of New York University's Urban Research Center.

The area's 100 colleges and

universities churn out potential employees, and immigrants provide an entrepreneurial spark, though new arrivals are also a drain on city services. New York's age is showing: Roads, transit, and housing all need repair.

Wall Street and the World Trade Center towers



NINA BARNETT

3 BOSTON

Population 1993	5,033,657
Research centers	650
Education of people age 25+	BA or higher 28.8% grad. degree 11.2%
Patents issued 1988-92	9,013
Presence of innovative firms	rank 3
Pro-business attitude	rank 55

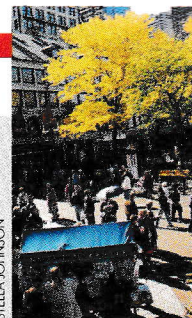
More than 60 colleges and universities dot the metro area, including Harvard, MIT, Brandeis, Tufts, and Boston University. These institutions enroll 250,000 students, pump \$5 billion into the local economy annually, and are a magnet for innovative enterprises of all types.

High-tech electronics, once a leading component of the

business mix, are now less important than medical research and related manufacturing. More than 150 biotechnology companies have sprung up over the past decade, and the industry is expected to generate 75,000 new jobs annually by the end of the Nineties. Environmental tech-

Strolling in Quincy Market downtown

nology firms are also sprouting rapidly. This young industry produces \$13 billion of revenues and about 25 new companies each year. On the downside, tax rates and costs in general are among the nation's highest.



STELLA JOHNSON

4 SEATTLE

Population 1993	2,171,534
Research centers	153
Education of people age 25+	BA or higher 29.5% grad. degree 8.8%
Patents issued 1988-92	3,424
Presence of innovative firms	rank 2
Pro-business attitude	rank 30

The University of Washington, based here, is a major recipient of federal research money, and its technology-transfer program has led directly to a score of biotech and engineering spinoffs.

Boeing is still a big draw for knowledge workers, though Microsoft commands a growing share of the local spotlight. The software company's

home office serves as a sort of high-tech laboratory for operating a business more efficiently; even government agencies thinking about reinventing themselves have stopped by looking for tips.

Outdoor enthusiasts find it all here—sailing, skiing, mountain climbing. Trend

surfers can sip espresso and listen to grunge music. Seattle lovers tend to ignore all that rain in the winter.



DAN LAMONT—MATRIX

Newsbreak: sun in Seattle

5 AUSTIN

Population 1993	918,123
Research centers	174
Education of people age 25+	BA or higher 30.7% grad. degree 10.3%
Patents issued 1988-92	2,121
Presence of innovative firms	rank 4
Pro-business attitude	rank 28

This high-tech boomtown, home to the main campus of the University of Texas and a rapidly growing roster of big corporate players like Dell Computer, IBM, Apple, and Motorola, has the hang-loose feel of an oversize college town. The local music industry has gone bigtime, and the seven nearby lakes and tree-covered hills offer views that

seem more like Maine than Texas. Corporate refugees tend to show up for business reasons and linger because of low costs and the mellow lifestyle. Startups, especially

in biotech and software, are sprouting all over town.

One sticky problem: A new airport, which will replace the current cramped and outdated facility, won't be ready for a couple of years, and only a few nonstop flights connect Austin with the big cities up North.

Crowds ogle sunset on Lake Travis.



ALAN LEVENSON

6 CHICAGO

Population 1993	7,612,116
Research centers	516
Education of people age 25+	BA or higher 24.5% grad. degree 8.7%
Patents issued 1988-92	11,793
Presence of innovative firms	rank 20
Pro-business attitude	rank 27

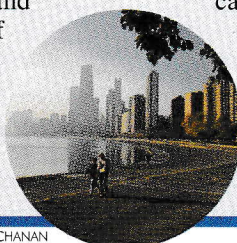
This city's greatest strength is a diversified economy that holds steady across business cycles. Its innovative ferment comes from top universities like Northwestern and the University of Chicago, along with an impressive roster of big high-tech companies—Motorola,

Abbott Laboratories, Amoco, and Baxter International among them. The city's Board of Trade and Mercantile Exchange have captured an increasing share of the nation's investment business with so-

phisticated options and commodity products.

Window of opportunity: Due to overbuilding, downtown office rents have tumbled to \$13 a square foot. Says real estate consultant Pamela Rose: "If you lined up all the empty office space end to end, you could create a foot path from New York to Los Angeles."

The Lake Michigan shoreline



TODD BUCHANAN

7

HOUSTON

Population 1993	3,536,757
Research centers	199
Education of people age 25+ grad. degree	25.0% 7.9%
Patents issued 1988-92	5,765
Presence of innovative firms	rank 30
Pro-business attitude	rank 11

The city is home to more than 260 academic and government research centers. Among the most prominent are NASA's enormous Johnson Space Center, which employs more than 20,000 scientists and researchers; the Houston Advanced Research Center, which links work from 11 universities; and the Texas Medical Center, which

has fueled the local biotech industry.

Area universities—particularly Rice, the University of Houston, and Texas A&M—provide a willing corps of trained high-tech employees. Still a leader in oil and gas, Houston has also become an important engineering and computer-



REID HORN

The Lyric Center's big bass fiddler

technology center.

Houstonians enjoy a full range of big-city cultural amenities, and elegant homes can be had at prices shockingly low by coastal standards. Locals say the heat isn't all that bad in the summer. Don't believe them.

8

SAN JOSE

Population 1993	1,524,168
Research centers	91
Education of people age 25+ grad. degree	32.6% 12.0%
Patents issued 1988-92	10,138
Presence of innovative firms	rank 6
Pro-business attitude	rank 48

Silicon Valley is still epicenter for information technology. About 1,500 of the nation's 2,500 largest electronics companies are based there, including industry behemoths Apple and Hewlett-Packard. Top-rank universities like Stanford and Berkeley feed hundreds of whiz-

A tranquil day in Fairmont Plaza

kid graduates into the action every year.

An array of private think tanks and national labs attract research talent from all over



MARK RICHARDS—DOT

the planet. This is where the money is as well: Drawn by the industries of tomorrow, more than half the venture capital firms in the world have set up shop in the Valley.

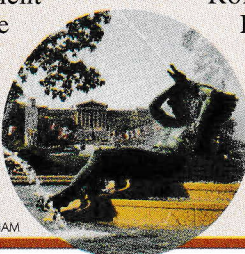
Residents pay to be near all that juice. Housing costs are high, traffic jams legendary. Downtown San Jose has been rehabilitated—but Paris this is not.

9

PHILADELPHIA

Population 1993	4,981,082
Research centers	469
Education of people age 25+ grad. degree	22.6% 8.3%
Patents issued 1988-92	8,565
Presence of innovative firms	rank 23
Pro-business attitude	rank 32

Some 50,000 graduates spill out of over 80 local colleges and universities, providing a yearly feast of new talent for the diverse economy. Helpful outfits like the University City Science Center and the Ben Franklin Partner-



DAVID GRAHAM

ship have sparked hundreds of high-tech startups.

Big pharmaceutical players like SmithKline Beecham, Rohm & Haas, and Rhône-Poulenc Rorer have long clustered here. Says Rhône-Poulenc

The swan fountain and fine arts museum

Chief Executive Robert E. Cawthorn: "What attracts scientists is other scientists. They want to mix with colleagues."

This town is famous for being dull, especially compared with nearby New York. The tired W.C. Fields jest: "I was in Philadelphia once—it was closed." But those who enjoy quiet will find costs moderate and the scale human.

10

MINNEAPOLIS

Population 1993	2,660,189
Research centers	235
Education of people age 25+ grad. degree	26.9% 7.7%
Patents issued 1988-92	7,513
Presence of innovative firms	rank 18
Pro-business attitude	rank 56

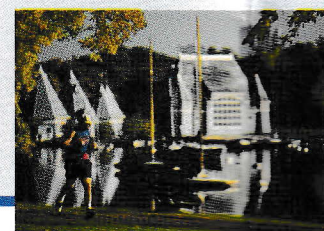
Consider the Twin Cities' combination of economic strengths: a highly educated work force, access to high technology, excellent transportation, available capital. Also based here are 31 FORTUNE 500 companies, including innovation leaders like 3M, Honeywell, and Cray Research.

A wealth of advisory

groups, many of them emanating from the University of Minnesota, assist small business. Project Innovation helps with technology transfer from federal labs. Project Outreach is an interactive computer network providing technical expertise at more than 350 business sites.

A bandstand on Lake Harriet

Environmentalists abound, and much of the countryside is unspoiled. You'd better like cold if you live here, however, and summer means mosquitoes the size of 727s.



STEVE WOLF



FORTUNE
The Case for Small-Cap Stocks • The Truth About IPOs

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THE BUSINESS LIFE **ALFA ROMEO** BEST CITIES

THE BEST CITIES FOR BUSINESS

Our top five wealth creators prove that you can't boom without tech.

AUSTIN NO.1

It should come as no surprise that seven of our ten boomtowns are located in the West. After all, this part of the country has always attracted pioneers—in this case, entrepreneurs such as computer titan Michael Dell and entrepreneurial impresarios like Richard Linklater. And in the Northwest, today, you need a great idea and some money to build it. Many of our top cities have become mecca for both hot startup companies and significant venture capital dollars.

Though No. 5 San Jose (which serves as a proxy for the greater Silicon Valley region) is the country's hub of technology, other cities on our list prove that innovation is not confined to the Bay Area. Up-and-comers like Austin, No. 1, and Las Vegas, No. 2, are expanding at remarkable rates, adding unprecedented numbers of people, startups, new homes, and jobs. If this isn't clear, any indication of what's to come, the capital of the 21st-century knowledge economy will no doubt be located far from the belly of the beast.

Authenticity. — Anne Fritchett

It's not Texas, it's Austin in the renaissance. The city has a lot of energy, a lot of creativity, a lot of talent. For years this green oasis of lakes and hills has served as a geographic and cultural counterpart to the flatlands, oil money, and cowboy ways of cities like Dallas and Houston. Austin has always been the sort of town where the '80s never really died, where creativity was encouraged and free spirit was nurtured. If you grew up anywhere in Texas and were kind of different, Austin would be the place you'd gravitate to, says Richard Linklater, an independent filmmaker who did just that, coming to Austin to make such movies as *Mulholland Drive* and *The Newton Boys*.

Economically, however, for a long time about all Austin had going for it was the University of Texas and state government, since it's the capital. "People used to say, 'I'd love to live here, but two



can't make a living," explains Bill Miller, founder of H.I. Partners, a peak, at-risk fund. "The fact that we're concerned on anyone's mind today—the city's economy has taken off like its post-famous boom."

grown success story, Dell Computer, whose stock has increased a Texas-sized 82-fold since 1984. Fully 65% of the company's workers are still based in Austin, where Michael Dell first got the idea for his direct sales model in a dorm room at the University of Texas. It's now the region's largest private employer, adding a staggering 100 to 200 jobs each week. Certainly Michael Dell and his posse of Dellies have irreversibly altered the Austin scene from sleepy college town to booming technology hub. But although this company is the most prominent wealth creator in town, it is by no means the only one.

"The role of government is not to create wealth but to create an environment where people are willing to risk capital," declares George W. Bush, the immensely popular governor of Texas, who has

DELL has made many bold bets, but he's not taking any chances. The 30-year-old entrepreneur has taken off like its post-famous boom.

DELL has made many bold bets, but he's not taking any chances. The 30-year-old entrepreneur has taken off like its post-famous boom.

Austin's hip-style emphasis on music and alternative fun has been a big draw for the young bodies. The outside of the city is also a magnet for young professionals. A more laid-back alternative to the high-tech scene, Linklater has also to the presence of residents like Mark and Susan Linklater, who recently moved to Austin. The couple, who have become a household name, but it's only a matter of time. When that happens, Austin's reputation as a breeding ground for high-tech entrepreneurs will be as solid as the Texas state capital. The old timers will complain too much. — A.F.

Newsweek
The Hottest Tech Cities
 Watch Out Silicon Valley They're Gaining on You.

◀ SEATTLE
 AUSTIN ▶
 ◀ SALT LAKE CITY
 WASHINGTON D.C. ▶
 ▶ BOISE
 BOSTON ▶

Where Wired Is A Way Of Life

DIGERATI CENTRAL The Texas state capital marries fun and technology—and draws folks like Humiri Gola and Lloyd Walker.

These 10 towns have been energized by a surge of high-tech innovation. Each has thrived thanks to some unique combination of luck, location, brains and money.

FROM THE CLUTTER DECK OF their Austin pad, Web designers Jennifer and Dave Evans can peer down and see sunbathers file onto Lake Travis's made beach, Hynnie Hollow. The two moved here a decade ago from the North to operate their start-up, Digital Voodoo, in a combined home and office they designed themselves. With plenty weather 10 months a year, no state taxes and an artistic scene that's hunched over one from Jans Joplin to "Beavis & Butt-Head" creator Mike Judge, lives in the area. They could be in the heart of any Silicon Valley. Or they can be in the heart of it, and traffic soon the rise. Still, says Dave Evans, "It's the utopian workplace of the future."

Austin's high-tech seeds were planted in 1958, with the opening of the University of Texas's Computation Center, from which

Austin, Texas
 No. of high-tech firms: 1,750
 Other companies: Dell Computer, AMD
 Top dog: U. of Texas dropout Michael Dell
 Not gathering spots: Ginger Man for happy hours, Las Moritas for power breakfasts
 Status tag: The \$30,000 Skunkape water-skiing boat
 Median home price: \$125,300

billionaire and local Big Man Michael Dell dropped out 26 years later. Soon IBM, Texas Instruments and Motorola established colonies. Austin Ventures, the region's largest venture-capital firm, and search consortium MCC hung their shingles in 1988; tech outfits started muscling along with the population. Today,

FOCUS ON TECHNOLOGY

1,750 tech companies—including three billion-dollar semiconductor plants—employ about 10 percent of Austin's population of 1 million. And local analysts say those numbers will keep growing despite economic slides in Asia and Europe.

Even though the '90s have seen this Hill Country college town and Texas state capital turn into digerati central, this laid-back, liberal oasis that starred as the locale for "Slacker"—the Generation-X defining 1991 flick—still isn't for Gates-like grinds. Austin is young (10 percent of this town is still in college, after all) and wild. Late night is as likely to find the tech set rocking at Antone's and swinging at Speakeasy as toiling at the office. Sporting life is such an obsession that city buses come equipped with bike racks.

The merging of Austin's cultures of fun and technology has made the area a leader in entertainment software. A local firm, Digital Anvil, will make game-programming history in January with the premiere of the first CD-ROM game-to-film project. And when "Wing Commander" comes to the screen, people in this town just might have time to watch it.

T. TRENT GEGAN

Want to build a software company? Your dollars will go a lot further in Texas than in California.

Startup City

By Daniel Fisher

WHEN FORMER IBM EXECUTIVE Andrew Heller got tired of nurturing new high-tech startups in Silicon Valley, he took his multimillion-dollar pile to Austin. That was in 1993.

Now 51, he is advising a profusion of would-be entrepreneurs in what has become a hot spot for technology startups.

"I look at 40 to 50 business plans a month," boasts Heller, who buzzes around the Texas hills in his twin-

engine Beechcraft. Duke when he's not talking to young entrepreneurs. "I used to do more, but I made an agreement with my wife to cut down to working 90 hours a week from 120."

Only slightly less busy is Michael Maples, who was executive vice president in charge of the software division at Microsoft from 1992 to 1995. Last year he moved from Seattle to a 1,450-acre ranch

west of town. Maples, 56, splits his time between raising exotic imported game and advising local entrepreneurs.

Then there's James Treybig, the colorful Texan who founded Tandem Computers Inc. in 1974, headquartered in California. Treybig moved to a ranch outside of Austin two years ago, shortly before Tandem was sold to Compaq Computer Corp. for \$3.3 billion. Now Treybig, 58, spends his time advising a series of young companies on recruiting managers and raising capital as a venture partner with Austin Ventures, the town's dominant venture capital outfit.

The collective brainpower and experience of Heller, Maples and Treybig are important contributions to Austin's new status as an alternative Silicon Valley. Add Austin's temperate climate, affordable real estate—you can still get a decent home for \$200,000—and lack of state income taxes, and it's not hard to see why Austin is grabbing more than its share of venture capital and young entrepreneurs (see table, p. 110).

Austin-area software firms pulled in \$72 million in venture capital funding in the first six months of this year, according to accounts from PricewaterhouseCoopers. That pales beside the almost \$1 billion showered on Silicon Valley software firms during the same period, but is seven times as much as Austin got in all of 1995.

Austin has reached critical mass as a technology center. In or near Austin are \$15 billion Dell Computer, the MCC research consortium, IBM's fast-growing Tivoli Systems division and a University of Texas campus that is

home to more than 2,000 budding computer scientists. The number of software firms in Austin has doubled, to about 800, in the past five years. Roger McNamara, a general partner at Integral Capital Partners, a Menlo Park, Calif. venture capital and public investing firm, says Austin has moved ahead of Seattle and Atlanta in the quality of its software startups—and is coming up fast on Boston.

Ten years ago semiretired executives like Heller or Maples would have had a hard time finding much to do here other than play golf. Back then Austin was still reeling from the Texas savings-and-loan collapse. Austin Ventures was the only local firm funding technology deals. Budding entrepreneurs usually had to fly in a lawyer from San Francisco to draw up the papers. Not any more.

Carmello Gordian, a lawyer at San Francisco-based Brobeck, Phleger & Harrison, one of the top Silicon Valley law firms, persuaded his firm to open an Austin satellite office in 1994. The 40-lawyer branch has participated in over \$250 million in venture capital deals over the past 18 months.

The capital is getting recycled. Founded in 1989 by two former IBM engineers with \$3.5 million in funding from Austin Ventures, Tivoli was one of the first companies to develop software to manage networks of disparate PCs, workstations and servers. IBM's purchase of the company in 1996 for \$743 million made millionaires of several dozen Tivoli executives and engineers.

The Tivoli veterans turned their attention to the Internet, which—like the client-server business in the early 1990s—is still a chaotic environment, with lots of opportunity, a profusion of different computer systems and no dominant players. Tivoli founder Robert Fabbio started Dazel Corp., which has devel-



ing executive quit to form his own company, Vignette Corp. Garber read every Internet trade publication he could get his hands on and began cold-calling the executives quoted in them to see what they wanted in Internet software. Soon, Austin Ventures and another company, Sigma Partners, handed \$400,000 to Garber and his partner, IBM alum Neil Webber. That was in 1995.

The pair came up with software that tracks the "footprints" of visitors as they move through Web sites; the collected data can be used to present targeted content and sales pitches. Their Vignette Corp. has 200 employees and cumulative venture funding of \$27.8 million; its value, in the last round of financing, was pegged at \$125 million.

"We've gotten this empire together in a very short time, and

opened software that uses the Internet to transmit documents such as invoices and memos across global networks to facsimile machines and printers. Dazel has raised \$23 million from Austin Ventures, Goldman, Sachs and others. The 150-employee company expects to top \$25 million in business this year.

Former Tivoli executives, including Maples' son, Michael Maples Jr., 30, are among the founders of Motive Communications, a developer of technical support software. Since its founding in May 1997 Motive has raised \$15 million in venture capital financing and has a blue-chip client list that includes Microsoft and Netscape Communications.

Ross Garber, 32, moved to Austin from Massachusetts in 1994 for "hot startups, warm weather and affordable geography." After a brief stint with Dazel, the market-



SCANNY TURNER



James Treybig, Tandem Computers founder
Now he's helping Austin startups.

there wasn't an original idea involved," crows Garber. Treybig, the Tandem founder, got involved with Vignette when it was just a 16-employee company and gave Garber and Webber advice on hiring managers and positioning it for rapid growth. Then he got out. "I'm not a founder. I don't like to work 60 hours a week," he says.

Treybig, Heller and Maples all had a hand in building Smart Technologies, an Austin company that wants to be to Internet software what German software giant SAP is to industrial automation. Smart Technologies co-founder Jeffrey DeCoux, then only 23, had vague plans for an Internet software firm when he met Heller at a conference on startup financing in early 1995.

Heller agreed, reluctantly, to help DeCoux and his equally youthful partners, Mark Benson and Jason Parrish, although he didn't expect much. "I kept thinking they'd disappear," Heller recalls. "They'd say, 'Hey boss,' and I'd say, 'I'm not your boss.'"

Boss or not, Heller helped focus the company on a single idea: software that pulls together all the data

a company needs to communicate and consummate sales with its customers. That done, Heller introduced DeCoux and his partners to venture capitalists and brought in his friend Treybig as chairman.

Maples, who oversaw the development of the Windows 95 operating

IPO fodder

When the market for new technology issues picks up, these Austin-area firms are ready.

Company/product	Founders	Year founded	Employees	Yearly financing (\$mil)	Est 1998 revenue (\$mil)
AcuityWebCenter, Internet customer interaction software	Andrew Barry	1995	110	\$20	not disclosed
Bazel/Software to translate, print documents across wide network	Robert Fabbio	1991	150	23	\$25 to \$30
Burton Escape/Gardening supplies sold over the Internet	Cuthbert Sharples, Lisa Sharples, Jamie O'Neill	1995	60	28	10
Erie Technologies/Digital ethernet controllers	Walter Thibien, Manuel Elswick, Peter Kautz, Brooke Wey	1996	30	6.5	not disclosed
Merive Communications/Internet technical support software	Michael Maples Jr., Brian Vetter, Scott Alpi, Tom Beecher, Scott Harman	1997	48	15	not disclosed
Smart Technologies/Internet customer interaction software	Nora Burrows, Jeffrey DeCoux, Jason Parrish	1996	160	17	16
Vignette/Software to set up Web site and monitor traffic	Nel Webber, Ross Garber	1995	200	27.8	not disclosed

110

Forbes ■ October 19, 1998

TEXAS JOURNAL

Bond Business: Goldman Sachs leads the rankings of the top 25 muni-bond underwriters, Page TX4.

Hot Texas Import: California Firms

Cities Lure Companies By Touting Low Costs And Less Regulation

By LAURA JOHANNES

Staff Reporter of THE WALL STREET JOURNAL

Goodbye, Los Angeles. Hello, Midland.

Sound familiar? It should. Hundreds of California companies, turned off by their state's high costs and burdensome regulations, have shopped the nation in recent years, looking for a new home. And Texas has emerged as one of the hottest destinations.

According to a 1992 survey of 1,000 manufacturers that had expanded or relocated out of California since 1980, 9.4% chose Texas, followed closely by Nevada, which captured 9.2%. The survey, prepared for Southern California Edison Co., found that California's other neighbors, Arizona and Oregon, lagged far behind—at 6.1% and 3.5%, respectively.

Moreover, it isn't only the state's biggest cities that have been attracting West Coast malcontents: Many of Texas' smaller cities have launched the most aggressive, and successful, efforts.

"The competition among cities and counties in Texas has increased dramatically," says Waco Chamber of Commerce President Jack Stewart.

This year has seen a slight slowdown in the torrent of businesses leaving California, as recession-strapped companies have become reluctant to cough up cash for a move or expansion. But Texas cities continue to focus as much as 50% of their recruiting efforts on the West Coast.

"I feel there is real promise in the California marketplace," says Dan Seal, a marketing executive at the Greater Houston Partnership.

Why Texas? California companies cite a host of economic reasons, including lower labor, operating and living costs, friendly regulators and a lack of a statewide personal income tax. Texas is centrally located between the East and West coasts, and is close to growing Mexican markets. And a high quality of life, including mild winters reminiscent of California, adds to the allure.

For Powell Clinton, president of Fuel Harvesters Inc., a maker of recycling equipment, the low cost of living in Midland was a key factor in his decision to move in late 1990 from Green Valley, Calif., where the least-expensive houses go for about \$125,000. "We couldn't afford to pay enough for our employees to afford to live there," he says. "We had employees living in trailers." Fuel Harvesters has had few employee-recruitment problems in Midland, a city full of skilled workers laid off from the petroleum industry.

Another reason so many companies have chosen Texas is that state personalities, from Gov. Ann Richards to former Dallas Cowboys quarterback Roger Staubach, have "done a remarkable job of selling the idea that Texas businesses have lower costs, and that the state provides a

Texas Dreamin'

Companies that have moved or expanded into Texas since 1988.

CITY	NUMBER OF COMPANIES	NUMBER OF JOBS	BIGGEST CREATOR OF JOBS
Austin	28	3,000	Apple Computer Inc. 700 jobs, 1992
Irving	10	2,350	Transamerica Insurance Group, 1,200 jobs by 1994
San Antonio	12	1,600	World S&L 650 jobs by 1994
Houston	17	1,150	Service Co 165 jobs, 300 jobs by 1994
Waco	2	500	Allergan 300 jobs by 1994
Dallas	9	450	Fujitsu 150 jobs by 1994
Midland	4	150	Jacob 70 jobs by 1994
Fort Worth	3	75	Colt 50 jobs by 1994

Note: The list includes relocations of California-based companies into Texas and the jobs still in the process of moving—the jobs they will include are expansions of companies that had or unless the local expansion involved relocating out of state.

Source: Figures are estimates based on interviews with officials, Chambers of Commerce and companies.

Hot Import: Texas Cities Lure Unhappy California Companies

Continued From Page T1

ber of Commerce this summer attracted a company that makes modular barns with its mailing, and hosted three visits from prospects in June alone, says Janna King, president. What's in the letter? Chamber nities, Ms. King won't release its contents. "You don't give away any secrets you don't need to," she says.

But Midland's success with direct mail seems to be the exception rather than the rule. Mario Hernandez, president of the San Antonio Economic Development Foundation Inc., says direct advertising helps enhance the city's image, but rarely nets immediate results when companies "actually get ready to form a list" of possible locations.

What works best, say recruited companies, is good service once they call a rule. Mario Hernandez, president of the San Antonio Economic Development Foundation Inc., says direct advertising helps enhance the city's image, but rarely nets immediate results when companies "actually get ready to form a list" of possible locations.

Austin, for instance, does no advertising, no direct mail and no telemarketing, says Angelos Angelou, the city's vice president of economic development. "We just answer the phone when it rings," he says.

But when the phone rings, Austin Chamber of Commerce employees jump. From researching successful sites to talking to employees about relocation, Austin spares no effort to show companies how helpful they are—and will be once they relocate. At several companies' request, Mr. Angelou's office lobbied American Airlines, successfully, to start up direct

Again, though, it's the extraordinary lengths to woo companies. For instance, when an outdated Midland zoning code menaced Christopher Jacobs's plan to move his tiny electronics plant to a Midland site, the city's mayor hand-delivered a letter that all but promised the regulation would soon be history. Then the

service between Austin and two California cities, Los Angeles and San Jose. Another example: Austin and San Antonio were both on the short list for Michael Angelo's Gourmet Foods Inc.'s expansion.

The Vista, Calif., company, which will have 200 workers in Texas by early next year, chose the Austin area partly because economic-development officials went to greater lengths to answer its inquiries than San Antonio did. Larry Parker, a board member at the company, says: "When I had some questions, they set me up for lunch with [an official] of the Texas Department of Commerce on a day's notice."

Sometimes, though, it's the small, intangible stuff that can seal a deal. Just before Apple Computer Inc. decided to move its administration and customer support facility to Austin last year, the Chamber of Commerce faxed the company a humorous memo adapted from a Motorola van. Stop the Music. Barnum without Sully as Austin. Doesn't Clowning... Apple without 100,000. James O'Neill, Apple's Austin site director for Apple's new Austin customer support division, says while Apple picked Austin mostly for its telecommunications infrastructure and the high quality of its work force, the Chamber's follow-up "conveyed a feeling of warmth and welcome that set it apart from other cities."

TEXAS JOURNAL welcomes your comments—by mail, phone or fax. Letters should be addressed to Michael Allen, Editor, Texas Journal, 1233 Regal Row, Dallas, Texas 75247. The phone number is 214-951-7010; the fax number is 214-951-7019.

California manufacturers plan visits to Austin.

While Midland doesn't send anyone to live in California, it does blanket the state with direct-mail pitches. The city's Cham-

Please Turn to Page T4, Column 5