

World Report

TEXAS

LONE STAR STATE

Home of the
'Can Do' spirit

Blazing a trail

Hi-tech takes off

New frontiers

From cowboys to outer space

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Exciting attractions from country and western dancing to space exploration



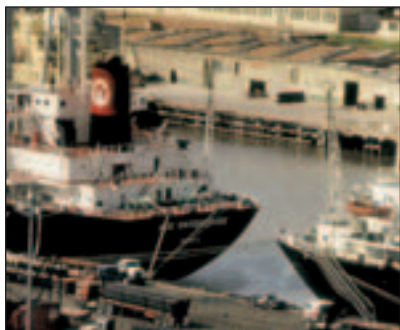
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A confident city with an enviably low cost of living and highly-skilled workers



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Billions of dollars are being invested to ensure Houston's position as a transport hub



Cover photo: Bob Rowan; Progressive Image/Corbis

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For more information contact:
World Report Limited Inc, PO Box 2339,
London, W1A 2NX. Fax: (020) 7495 3707

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An economic powerhouse, Texas boasts a wealth of hi-tech companies on top of its traditional strengths

It may not be the biggest state in the US, but Texas is still mighty big. Nearly three times the size of Britain, the Lone Star State is one of the most economically impressive in the country.

It has benefited from wealth initially accumulated by the early ranchers and then by becoming the country's leading oil and gas supplier, but the foundation for the state's success is what Texas Republican senator Kay Bailey Hutchison describes as its "can do" spirit.

Texans are supremely confident in their ability to get things done. They like to think of their state, actually the second-largest after Alaska, as "like a whole other country", which happens to be the latest slogan on their car licence plates.

The essential business of Texas is oil and gas. Houston is the energy capital of the world, as well as being the world's petrochemical industry capital.

However, the state's economic complexion has been changing in recent years as more and more hi-tech firms establish themselves there. Indeed, 23 of the fastest-growing technology companies in the US are located in Texas, according to Deloitte & Touche's annual *Technology Fast 500* report.

"The growth of the Texas technology industry continues to be impressive," says Deloitte & Touche managing partner Sandy Rothe. "Last year, Texas had 15 companies on the list. This year there are 23 and we expect to find many more in future years."

The highest-ranked Texan company on this year's list is Plano-based PFSweb Inc, ranked fourth in the US. It provides outsourcing solutions, web-enabled customer contact services management and international distribution services.

Of the 23 Texan firms in the Fast 500, more than half are involved in software and the others in communications, internet services, computers and biotechnology. Fifteen are in the Dallas-Fort Worth area, five in the Houston area and three are based in Austin, the state capital.

Next April, Texas holds its second annual state-wide technology conference. It is expected to attract 300 organisations, twice as many as its predecessor.

Although the US economic downturn has had a significant impact on the sector, the level of interest and participation is undiminished, declares conference chairman Barry Cohen. "As long as there are new technologies rising within the universities and corporations, people will need to talk about their intellectual properties and discover potential market niches for their technologies," he says.

He adds: "This is an opportunity to take the time to learn about different



technologies from companies that are already generating revenue."

The conference bills itself as an educational symposium serving universities under pressure to commercialise their technologies. For the Texas Medical Center, one of the biggest medical complexes in the country, it will be a great opportunity to exchange ideas and new



BAILEY HUTCHISON

'The quality of life that people enjoy here is incomparable'



MURRAY

'From what I have seen, employers find the tax regime very attractive'

developments in biotechnology, a sector that is showing rapid growth.

Houston mayor Lee Brown says the city's diverse economy will help to defend it against the downturn in the US, despite locally-based Continental Airline's plan to lay off thousands. "Houston does not rely on one particular product," he says.

"We have oil and gas, an impressive port, the medical centre, space and hi-tech industries. That diversity gives Houston an advantage and has helped it maintain a strong economy, even in difficult times."

The \$1.7 billion development project at Houston's George Bush Intercontinental airport, the headquarters for Continental Airlines, will continue with the building

of a new runway and other facilities. The airport, the 11th busiest in the US, handled 35 million passengers last year. It is in a better position than many other US airports because most of its revenue comes from business travel.

Meanwhile, the economy of Dallas, home to Dallas-Fort Worth international airport – the second-largest in the US in terms of area and third-largest in the world – will depend on the return of consumer confidence. Nevertheless, the authorities are pressing ahead with a \$2.6 billion enhancement project, which includes a consolidated international terminal, an automated passenger-transit system and a new hotel.

Although Texas boasts some of the best highways on the continent, travellers continue to demand ever more and better roads. Texas voters have overwhelmingly approved constitutional amendments authorising the sale of \$3.5 billion worth of bonds for several state agencies and allowing the state to borrow money to build highways for the first time.

With the money raised from bonds, the creation of the Texas Mobility Fund will allow the state to finance the construction, acquisition and expansion of state highways, and also pay a portion of the cost of public toll roads and other transport projects.

The city's port is one of the most important in the country, strategically located for the growing trade between Latin America and the US. The passage of the Trade Promotion Authority Bill, for which the Port of Houston Authority (PHA) has lobbied energetically, would generate new economic opportunities.

The port authority is to spend around \$1.3 million on the design of the proposed Bayport Terminal Complex. A major

No place like home for the oil business

□ Texas is the world's pre-eminent oil state. If you're in oil and working in the US, it often makes sense to have an office in Houston, Texas, if only because more or less everybody else does. It makes it easier to do business within the industry – or, of course, to keep an eye on what the competition is up to.

More than 5,000 firms involved in the energy sector are located in Houston, including more than 200 of the best-known oil and natural gas exploration and production companies and more than 50 important pipeline companies.

About a quarter of all jobs in petroleum and natural gas production in the US are in Houston, along with a fifth of those involved in servicing production fields. Many of the other jobs in the city are in manufacturing and engineering industries related to the oil sector.

Oil fields in the Texas Gulf Coast region account for a fifth of all output in the US, and oil refining capacity totals 3.3 million barrels a day. Almost half of the US petrochemical industry is also located in the Lone Star State, employing over 40,000 people, many of them in and around Houston.

"We consider Houston to be the home of the world oil industry," says Archie Dunham, chairman of Conoco, a leading US oil company. "It is important to be where you can interact with other energy companies and chief executive officers. Texas is a good place to be."

Oil dominates the culture and business community of the city and, to an extent, the rest of Texas. "Historically, Texas has been a place where trust is important, where integrity is really important, and where your word is your bond, or your contract," says Mr Dunham.

"In this part of the US, the verbal commitment is very important for personal as well as business transactions," he adds. "That culture still exists in this part of the country, and especially in Texas."

The company is very conscious of the industry's impact on the societies in which it works, and of the need to preserve and protect the environment. Conoco has a policy of setting up advisory committees to ensure that local communities are aware of what the company is doing.

"We want them to trust us," says Mr Dunham. "We have to really let them understand everything that is going on in a refinery, gas plant or upstream operation."

Conoco started life as Continental Oil and Transportation in Utah in

1875. Some years later, it moved to Oklahoma, then made its home variously in Houston, New York, Connecticut and Delaware before ending up in Houston once again. The name Conoco was adopted in 1979.

Apart from its operations in oil and gas production and marketing in the US and the Gulf of Mexico, Conoco has operations in the North Sea, Indonesia, Malaysia, Ecuador and Venezuela. Last year, it began exploring for oil in waters off the coast of Vietnam.

The company has also been on the takeover trail, acquiring big natural gas reserves when it bought Gulf Canada Resources earlier this year.

Since then, Conoco has itself been at the centre of a huge merger after it announced in November that it was joining forces with Phillips Petroleum. The new entity, ConocoPhillips, has a market value of around \$35 billion.

Working out just who is who, and who owns who, in the US oil sector has become increasingly confusing after a spate of mergers and consolidations. BP and Amoco merged and then took over Atlantic Richfield. Exxon and Mobil got together in 1999, while Chevron teamed up with Texaco in a \$38.7 billion deal last year.



A quarter of US oil and gas jobs are in Texas



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HOUSTON

built renews

Photo: Texas Department of Economic Development

change in phase one of the terminal will increase its size from 46 to 65 acres.

In Houston, almost one in three jobs is tied to international trade. Mexico is the top trading partner, with \$5.5 billion in annual trade volume. Trade with Venezuela tops \$3.2 billion and that with Brazil is about \$2.1 billion.

Senator Bailey Hutchison says: "Our state was built by entrepreneurs and the spirit is still here. Although oil and gas will

Though based around energy, the economy is busy diversifying

always be part of our heritage, in future we will grow in technology and defence."

Mrs Bailey Hutchison, whose great-grandfather signed the Texas Declaration of Independence in 1836 before it joined the Union, was the first woman to represent the state in the US Senate on her election in 1993. "People who come to Texas love it," she says.

"The quality of life that people enjoy here is incomparable with other cities. We are the second largest state, in both size and population. I like to tease my friends from Alaska that Texas is the largest state in terms of useable space. Alaska is larger in size – but it is largely unuseable space."

Iain Murray, the British Consul in Houston, adds: "From what I have seen, employers are very satisfied with the quality of the workers and the tax regime is attractive." ■



Photos: Greater Houston Convention & Visitors Bureau

Something for everyone: the rough and tumble of ice hockey and bronco-busting to the gentility of 'the boating capital of Texas', the state boasts an overwhelming array of distractions

From cowboys to cheerleaders

Texas is America's second most popular tourist destination. Last year some 177 million people went to the state, many of them combining their visit with a quick trip across the border to Mexico.

Tourism is Texas's third major income earner and the authorities are anxious that it continues to provide revenues.

The terrorist attacks on the World Trade Center and subsequent events have caused a severe downturn in travel, but the tourist authorities have been working flat out to redress the situation. Last month the Texas Economic Development Tourism Division, the Greater Houston Convention & Visitors Bureau (GHCVB) and travel industry leaders held the annual National Tour Association (NTA) conference in Houston – the first time it had been held in the state since 1994.

More than 1,500 North American tourism representatives attended and many went on arranged tours to discover the local attractions, with themes such as the Wild, Wild West, golfing, cuisine, culture, historical sites and Texas's

The industry is flying the flag for a wealth of attractions that embrace everything from country dancing to space flight

presidential legacy. Throw in armadillo racing, major league baseball, country and western singing and dancing, and it was inevitable that they would come away from the conference determined to jolt the industry back into action.

There are, of course, hard economic reasons for all this. Direct travel spending in Texas from both domestic and international visitors generated more than \$40 billion last year, an increase of 10 per cent on 1999. This generated more than \$5.9 billion in tax revenue for federal, state and local governments. Without this tax revenue, each Texan household would have to pay an average of \$792 in added taxes to maintain government services.

Texas is also known for its contribution to space exploration. Once a cow pasture, the Johnson Space Center (JSC), about 25 miles southeast of Houston, is

NASA's gateway to space. From the Mercury project to Gemini and the Apollo moon landings, the JSC's work has culminated in the space shuttle and international space station. Each year (generally in August), the centre offers the public a free 'behind the scenes' look at the space programme.

Throughout the year, the JSC sponsors special events where visitors can watch human spaceflight activities, the return of shuttle crews and launch presentations. One of the flight control rooms of the JSC Mission Control Center has been designated a national historic monument.

The NASA area is in the part of greater Houston known as Clear Lake City, which has plenty of hotels, motels and restaurants. Clear Lake, 'the boating capital of Texas', is a pleasant place to stay and you may be lucky enough to witness a space shuttle launch.

About 25 miles southwest of Houston is the George Ranch Historical Park, a 480-acre piece of 'living history', where you can encounter life in the early 19th century. Visitors can participate in hands-on activities such as corn-grinding and cotton-spinning, or simply wander through the elegant Victorian mansion. The park is the centrepiece of a 23,000-acre working cattle ranch, where you can watch cowboys rope cattle or even take part yourself.

For those people interested in early American history, Houston's Bayou Bend Collection is one of the nation's premier museums of furniture, paintings, silver, ceramics, glass and textiles. The collection was built up by a wealthy spinster and is housed in a magnificent plantation-style house built in the 1920s.

On display are masterworks by prominent American artists like John Singleton Copley and Charles Willson Peale.

Among the fine examples of silverware is a sugarbowl by the American patriot Paul Revere.

The state is best explored by car, but visitors should be prepared for long hours behind the wheel if they are planning to view all the top sites in the state or wish to make a side trip to Mexico. It takes more than a day to comfortably drive from east to west across the state.

The Texan coast on the Gulf of Mexico offers all that is needed for a classic US seaside holiday. Galveston Island is a popular centre, although it is worthwhile venturing further south to the Padre Island National Seashore.

It takes more than a day to cross the state by car

Galveston Island is a great place for families with children. You can soak up the sun at Palm Beach, where there are freshwater lagoons, waterfalls and – for the kids – a yellow submarine. And at Moody Gardens there is a rainforest pyramid with more than 1,700 species of tropical plants, fish, exotic birds and brilliant butterflies. The space discovery and aquarium pyramids will keep children amused for hours.

Although Austin is the capital of Texas, San Antonio gives a fuller flavour of the influences that have shaped Texan culture. The Institute of Texan Cultures in the city highlights 26 cultural and ethnic groups which have made their mark on the state, from British to Hispanic as well as native American.

From San Antonio, a drive across the plains and the Stockton plateau brings you to the Big Bend National Park, tucked into a corner of the border with Mexico. From there you could head on west to El Paso and enter Mexico itself. ■



Photo: www.traveltext.com

Wild at heart: adventurous visitors can get a hands-on experience of life on the ranch

Bricks and mortar boom benefits builder

□ Americans are little different from the English when it comes to watching house prices. The major difference is that the former have much more space than the latter in which to create their dream home – and Texans have more space than most.

Houston is the fourth-largest city in the US, and Dallas the third. Both have seen tremendous growth in the past decade, as have the state capital Austin, San Antonio and other cities.

There has been a trend, primarily among young professional families, to move out of the centre of the cities to the leafy suburbs where houses are cheaper to buy.

In Houston, prices in the apartment market, one of the healthiest in the US, have been steadily rising. The population of the city, with an enviable infrastructure and a bustling port – the nation's second largest – continues to expand.

Houston was recently named one of the four finalists in the US bid to host the 2012 Olympic Games. Construction of a light rail system has been approved and federal officials have committed themselves to greatly reducing air pollution.

The September terrorist attacks on the US appear to have made little impact on the Texas real estate market. Propped up by low mortgage rates, Houston house sales registered a significant gain in October. And home resales were the highest ever for the month, according to the Houston Association of Realtors (HAR).

The association reported that some 4,376 properties were sold in the area, up 2.3 per cent on last year. The



FEDRICK

'Sales have been consistent in Houston and San Antonio'

HAR predicts that this year will be the best ever for used home sales.

The average price of an existing family home (as opposed to new build) is a shade under \$124,000. Prices have been rising steadily as Houston has experienced strong job growth. The area has added 43,000 new jobs in the past year, although the recession may result in layoffs.

Lonnie Fedrick, president of Newmark Homes, which designs, builds and sells high-quality homes, says: "Operations in the Texan market have seen some improvement, especially in Houston and San Antonio where sales have been consistent. The Austin market has shown improvement since the devaluation of the hi-tech industry, and hopefully this market will continue to improve."

Newmark's third-quarter revenues were \$163 million, up 11.5 per cent on the same period of last year. Net income increased 18.6 per cent to \$6.7 million. For the first nine months of this year, revenues increased to \$451.4 million, up from \$447.7 million in the same period of last year. Net income rose 8.3 per cent to \$19 million.

Mr Fedrick and a now retired partner established Newmark in 1983. Ten years later, Taiwan-based Pacific Electric Wire & Cable bought 80 per cent of the company through its US subsidiary, Pacific Realty. Greek construction firm Technical Olympic bought Pacific Realty's stake in 1999.

Mr Fedrick says Houston's diversification from oil has brought it



Photo: Newmark Homes

Going up: the market is showing growth

a less cyclical economy. "We have the port, the Texas Medical Center and a Continental Airlines base," he says. "Unlike California, for instance, where things got overheated and the downturns are severe."

He adds: "Population growth has been good, too. The economy has been performing well, with a lot of industries coming in including a lot of hi-tech firms. We also have a lot of cruise lines coming into Houston and that is a pretty good indication. All the major sports are represented here, we have really good theatre and the schools are good."

The city that put man on the moon can also keep him quite entertained on earth.

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Diversification into biotechnology and other hi-tech industries is the key to future development

Tucked away on the Gulf coast just a short drive from Mexico, the city of Houston is one of the world's leading international business hubs with an economy bigger than Hong Kong's.

The maritime gateway to Texas has become such a cosmopolitan place that at least one in three jobs there is tied to international trade, many of them in the oil and gas sector. Houston is now ranked as the fourth-largest metropolitan area in the US, with an ethnically diverse population of around four million people.

With its strong energy profile – it is home to some of the US oil industry's most famous operators, such as Conoco and Enron – the city has flourished in the past year or so on the back of high oil prices, although these have dipped more recently. "We are to energy as New York is to the financial markets," says city mayor Lee Brown.

But this is only part of the story. Houston has diversified significantly in recent years into a modern and dynamic centre that boasts one of the most highly-skilled and educated workforces in the US, serving a sophisticated commercial and industrial mix.

The Texan spirit of entrepreneurship thrives. Evidence of success in new economic areas is all around: the city is

home to the headquarters of computer giant Compaq, while global software giant BMC Software is also based here, as well as around 200 other significant high-tech companies.

In all, 18 Fortune 500 companies are headquartered in the city, supported by a flourishing services sector and extensive recreational facilities. Among its other notable employers are the NASA space

A major draw for companies is the low cost of living

centre and one of the world's largest medical research centres.

Houston's highly developed infrastructure of ports and airports provides a vital link for these and other companies with the rest of the world.

The mayor believes Houston continues to be a choice location for business and a great place to live and work. The cost of living is a lot cheaper than other parts of the country – a major draw for companies, he says, while its ethnic diversity is perhaps its greatest asset. "Houston is a microcosm of what the

United States might look like 20-25 years from now," he says. "What is interesting is that we celebrate our diversity. It works as a strength and not as a problem."

Mr Brown wants the world to recognise Houston as a premier world-class city, in business, as a place to live or visit, and even as a sporting venue. The city is due to host the American football Super Bowl in 2004 and is in the running for the 2012 Olympics.

He concentrates his efforts on creating a better place for ordinary people to live and work. This means safe neighbourhoods, good healthcare, providing children with parks to play in and, of course, attracting business opportunities to boost the local economy.

Mr Brown says the city is looking to diversify further, although he admits that energy will always play a huge role in the local economy. "We have the medical



Centre stage: capital of the US oil industry, Houston



BROWN

'Our diversity works as a strength and not as a problem'

Showcase for a new approach

□ Houston, hot on the heels of US leader Chicago, is positioning itself as a major international venue for business conferences and conventions, as well as tourism.

Officials are looking to take advantage of the city's superior travel connections – it is home to Continental Airlines – its moderate climate and diverse charms, to attract the travelling business community and more holidaymakers.

There is now a real determination to show people the other face of this bustling oil town, according to Jordy Tollet, president and chief executive of the Greater Houston Convention and Visitors Bureau (GHCVB), which is promoting itself as one of the country's most progressive destinations.

The city's attitude towards conventions and tourism has shifted considerably in the past few years, according to Mr Tollet. Houston is now second only to Chicago in the amount of convention space it offers for major exhibitions.

The GHCVB's marketing slogan states: 'You'll think the world of this city', a motto which is to be put to the test in a little over two years' time when the US's greatest sporting event arrives.

Mr Tollet says the 2004 Super Bowl – to be held in the new, purpose-built

Reliant Stadium next to the city's famed Astrodome, due for completion in August 2002 – will provide an ideal showcase. "On February 1, 2004 we want 800 million people looking at a new Houston," he says.

With a television audience in around 200 countries, that is how many people are expected to tune in to see this affluent and expanding southern city.



TOLLET

'You don't have to leave downtown unless you choose to play golf'

In recent years, the oil industry has been joined by information technology, biotechnology, space science and others, as the city has embarked on a broad modernisation and diversification drive.

"Houston keeps expanding," says Mr Tollet. "It keeps investing in itself. This year we have had almost \$2.5 billion worth of construction going on."

Developments include more than \$100 million in improvements to the city's environment, a new centre for the performing arts, a new stadium, new exhibition centres, and new hotels.



Great location: 18 Fortune 500 companies have made their headquarters in Houston

Economic growth is seven times higher than that of the US

latest firms to shift nearly 1,000 jobs to the city is aerospace giant Boeing.

Currently, a major issue for the city authorities and its pioneering mayor is the need to plan ahead for future growth. Houston expects its population to expand by a further 1.6 million within the next two decades and, while it already boasts one of the best infrastructures in the country, it is looking to upgrade accordingly.

This will include a light railway system through the main street going downtown to the Astrodome sports stadium, a commuter rail service, and the expansion of the area's freeways. The city has drawn up its own capital improvements plan worth \$4.3 billion between 2002-2004. It will also mean major investments in the city's airports and ports.

According to Mr Brown, Houston is alive with opportunities for business and is open to foreign visitors. For British tourists, the city offers pretty much everything – restaurants, shops, sidewalk cafes – with the notable exception of bad weather. “Whatever you want Houston has it, except snow or cold weather,” the mayor adds. ■

is a cosmopolitan centre where one in three jobs is linked to international trade, and it now ranks as America's fourth largest metropolitan area

centre here, where all the research takes place for example, but our research usually ends up being converted to commercial products in another state,” he points out.

“Now we are building our own biotechnology centre and the research will be converted to commercial prod-

ucts right here in Houston. It's very logical. We have the research, the venture capital and everything it takes. All we are lacking are the buildings, but we are building the facilities right now.”

This ‘can do’ mentality is typical of the Houston commercial culture, according to Mr Brown, and explains the

city's great success in building successful businesses that span the globe.

Houston's economic growth rate is now more than seven times that of the US, according to the business group Greater Houston Partnership, adding almost a quarter of a million jobs to the city in the past four years. One of the

to conventions

“Houston has always had a ‘back-to-business’ community,” says Mr Tollet. “We are going to have virtually brand new facilities.” Add to these the city's 6,000 restaurants and the 60 new clubs which have opened in recent years and Mr Tollet's claim that “you don't have to leave downtown unless you choose to play golf” sounds perfectly reasonable.

This is reflected in Houston's commitment to expand its already impressive convention facilities. Space at the George R Brown Convention Center is to be doubled to a million sq ft, while the exposition facility at the Astrodome complex is to be overhauled and will eventually extend to 700,000 sq ft. Other exhibition facilities around the city are also being improved.

This growth is being plotted alongside a series of other important developments including new hotel accommodation. Houston already boasts 350 major hotels and motels offering around 50,000 rooms. There is also extensive work going into the renovation of streets and the general appearance of the city.

Houston's downtown area is experiencing a renaissance after years of development work, and now includes the Bayou Place entertainment complex – a multi-million dollar renovation of a former convention centre – which offers



Photo: www.hchsa.org

Prestige project: due to finish in 2002 the Reliant Stadium will host the 2004 Super Bowl

a variety of great restaurants, shops and other live attractions.

Houston Astros baseball club is also enjoying its new home, the Ballpark at Union Station, which features spectacular skyline views and a retractable roof.

Massive investment is earmarked to improve transport and communications around the city, including the laying of new fibre-optic cables underground to prepare for the demands of the future.

There are plans to link the two giant convention centres – George R Brown and the Astrodome – with a new light railway system, which will make life easier for travelling executives.

“Basically, we'll connect those two venues, so now you are really talking about nearly two million sq ft of exposition space connected by a short five-minute ride, enough time to have a coffee and take a break,” says Mr Tollet.

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Gateways for future investment

Billions of dollars are being pumped into the city's port and airports to prepare for the success that lies ahead

As the second-biggest state in the US, covering an area of more than 260,000 sq miles, Texas needs to be well connected. Fortunately, its network of roads, railways, ports and airports is perhaps among the finest in the world.

Business leaders are confident that now is the time to invest large sums of money in the state's transport network. Their optimism towards a robust economic future for Texas points towards huge potential increases in traffic, both on a business and a leisure basis.

The Port of Houston, which has been instrumental in the city's development as a centre of international trade, is looking to significantly enhance its facilities in order to continue to serve the local business community.

The port is a 25-mile complex of diversified private and public facilities located just a few hours sailing time from the Gulf of Mexico. One of the world's top 10 business ports, it leads the nation in foreign maritime trade and is second in total tonnage. More than 7,000 vessels call at the port every year.

The port authorities are looking to develop the massive Bayport Terminal project, in south-east Harris County some 30 miles from downtown Houston, which will bolster the facility's container handling capacity.

H Thomas Kornegay, executive director of the Port of Houston Authority, believes the project is vital for the success of the port, a major employer in the area, providing nearly 205,000 jobs and generating some \$7.7 billion for the economy.

Funding for the early phases of the Bayport project, using bond proceeds and cash earnings, will provide a further 28,580 jobs, plus road improvements and environmental benefits. Crucially, it will ensure Houston's position as a major maritime gateway for years to come, he says.

Mr Kornegay believes the port offers a number of competitive advantages for shipping firms, including reasonable tariff rates and high productivity. It is also willing to help out its customers during troublesome times.

The Port of Houston this year froze tariffs charged on cargo shipments for the first time in two decades in response to the September 11 attacks and their effect on commerce. Fees are usually increased by two or three per cent annually.

"Recognising that we must all play a role in helping to stabilise this current



Photos: Port Authority of Houston



Photo: Greater Houston Convention & Visitors Bureau

New facilities: Houston's attraction to companies as a headquarters location rests on its highly-developed international infrastructure links

situation, the Port of Houston is holding its published tariffs at current levels," says Mr Kornegay.

As a result, these external factors are not expected to halt the progress of large-scale improvements in the ports sector nor elsewhere in the transport system.

A commitment to invest billions of dollars in the airports is testament to the



KORNEGAY

'We must all play a role in helping to stabilise this current situation'



VACAR

'We are underdeveloped, but we have the ability to go to eight runways here'

above-average growth that Texas has witnessed in recent years and expects to see in the future.

The Houston Airport System (HAS) – which controls the three main airports around the Houston area and served more than 44 million passengers in 2000 – is a prime example.

The airport system includes three distinct facilities: William P Hobby Airport (Hobby) and George Bush Intercontinental Airport (Intercontinental), which both provide commercial passenger services, plus Ellington Field, which is used for general aviation, military and

cargo flights. Ellington Field hosted Russian president Vladimir Putin when he made his high profile visit to Texas in November.

Investments in Intercontinental alone – to upgrade and extend runways, terminals and other facilities – are in excess of \$3 billion for the next four years, making it one of the largest programmes over that period in the US.

HAS director Richard Vacar believes this illustrates the enormous growth expected in air traffic in the coming years. "There are a lot of big programmes out there in the US, but not many happening that fast," he says.

Intercontinental – already one of the country's busiest airports – provides both international and domestic services. Its dominant carrier, Continental Airlines, utilises the airport as a major connection hub in its system.

Mr Vacar says Intercontinental alone has the potential to carry out well over one million flights a year. He believes the airports of Houston – led by Intercontinental – will play a vital role in the future of national US air travel.

"We are in a very good competitive position. We are an underdeveloped hub compared with a lot of the other hubs around the US, but we have the ability to go to eight runways here."

He believes Hobby – currently undergoing a separate \$500 million expansion – will be ready to handle the extra growth in traffic. It primarily serves the local population, with Southwest Airlines as its dominant carrier.

HAS's strong financial performance in recent years, and its solid operations

since September 11, have encouraged industry watchers, with flights operating close to full capacity.

Mr Vacar believes the demand for interior airports, such as those in Houston, are going to prove even more popular in the coming years.

"Interior hubs are going to grow faster, in terms of market share, than the coastal hubs whose capacity is constrained. In the old days you needed to go there

The city will secure its position as a maritime hub

because aircraft range was really limited. This is not a problem anymore. We're not capacity constrained and we've got aircraft that can get there."

Mr Vacar also says he wants to alter the image of the city's main airports, away from the oil-town look to something more modern and universally appealing. He says the set of projects under way will achieve this within the next couple of years.

"One of the criticisms of Houston has been that the drive into town is not all that attractive," admits Mr Vacar. "Well, at least at the airport it's going to be pretty good, and there is an effort with the Greater Houston Partnership to improve the aesthetics of all the roadways into the city and the roadways in and out of Hobby. That will happen over the next 10 years, but the airports will be at the leading edge." ■