

Sunday, January 2, 2005

State, City Praise 2004 and Forecast Rising Business Fortunes in 2005

By Harry Moskos

From A to Z, it was a good year for New Mexico's businesses. The state's apple crop hit an upswing in 2004 after a two-year slump, and Albuquerque's Z-Coil Footwear took a springy jump with triple-digit growth. In between came a boost in the demand for New Mexico beef jerky and a growing international demand for copper that has brought new life to the Phelps Dodge Chino Mine near Silver City.

The economic forecast looks good for 2005.

"I saw two encouraging signs in 2004 that New Mexico's economy is moving forward, and our bold tax cuts are making the state more competitive," Gov. Bill Richardson told the Journal.

He made these two points:

- "New Mexicans are optimistic again. Aside from higher oil and (natural) gas revenue, New Mexico's retail sales are increasing, and personal income is growing statewide— trends that point to a stronger, more diverse economy. Unemployment has dropped from 6.8 percent (in January 2003) to 5.3 percent in November of 2004."
- "Two years of hard work (are) starting to pay off, which is evident from the flurry of job announcements we've made in recent weeks— from the aerospace-related manufacturing jobs in Albuquerque, Rio Rancho and the Navajo Nation to the major cabinet manufacturing plant that will break ground in Los Lunas."

Richardson envisions more success stories in 2005 "after we pass additional tax cuts and incentives" for rural jobs, high-tech startup companies, film-training programs and the aerospace industry. He also sees the creation of a New Mexico Space Commission as another economic boost.

Whirlwind ahead

Equally enthusiastic is Albuquerque Mayor Martin Chávez, who describes 2004 "as a whirlwind with an Albuquerque economy as strong as I have ever seen it." He said that with an unemployment rate below 5 percent in the city "we are clearly driving the state."

Among items the mayor predicts in 2005 that will continue to help the local economic picture is "a film industry that has blossomed, and the infrastructure for the airplane manufacturing that really has been enhanced— Eclipse will start to fly." (Eclipse conducted a test flight Friday.)

He also noted the 750,000-square-foot Tempur-Pedic Mattress factory that will be built off Paseo del Volcan and north of Interstate 40. He called it "the largest industrial construction project since Intel" in the metropolitan area.

Tech leads the way

And the high-tech companies are helping to lead the way.

New Mexico moved up to 14th place from 20th in this year's Miliken Institute report on technology business success.

Those high-tech companies included Qynergy Corp., which licenses its technology from Sandia National Laboratories and the University of New Mexico. It landed a \$3.1 million Air Force contract to build long-lasting power cells.

Among other tech successes was Advent Solar's \$8 million boost in venture capital. MCL Technologies Corp. received its first commercial customer—a \$500,000 contract with a West Coast company to provide sensors that detect the presence of chemical or biological agents in subways.

J. Leonard (Lenny) Martinez, Sandia Labs' vice president of manufacturing systems, science and technology, tells the Journal that he, too, thinks 2005 will be "a very exciting year."

"In March, Sandia will unveil its Procurement Forecasting System, a tool that will be of great interest to local suppliers," Martinez says. "As the year progresses, we are optimistic about the impact of the successful rollout of E-Mercado, giving all New Mexico small businesses the ability to transact electronically, not only in the state but nationally and internationally."

Los Alamos has a new associate director, Dave Beck, Martinez says, "and together, I believe we will see the Manufacturing Work Group and manufacturers in the state begin to make a favorable impact on New Mexico."

Los Alamos director Pete Nanos echoes that sentiment, noting, "We are strongly committed to improving our performance when it comes to small-business outreach."

And Jim Fallin, director of public affairs for Los Alamos, emphasizes the "strength of the partnership between Sandia and Los Alamos shows (that) our willingness to work together to assist high-tech businesses and small manufacturing across the state is something both institutions are focused on."

Michael DeWitte, Sandia's communications director, says the labs will continue their emphasis on urging improvement in K-12 education as well as the professional development of science teachers.

"We are very pleased with our partnerships with education, government, business and nonprofit organizations as we work together to ensure our children are getting a solid education," DeWitte says.

Programs include stipends and professional development programs for teachers in cooperative programs with the Albuquerque Public Schools and the University of New Mexico.

A senior economist from UNM's Bureau of Business and Economic Research sees a few prospects for the state's economy after President Bush's re-election.

"There's the homeland security part that's going to bring money to New Mexico, and it's probably going to continue," economist Larry Waldman said.

Waldman also said energy exploration could impact the economy, as well as the environment.

"If the president has his way, there would be more drilling in a lot of places that aren't drilled very much right now," Waldman added.

He said the governor has opposed some administration plans for more drilling.

Sun and wind

Solar energy also is playing a role in the state's business activity.

Phoenix-based Stirling Energy Systems would like to build a 12,000-dish solar farm in New Mexico that would generate enough electricity for 300,000 households.

It is estimated that about 25,000 homes in the Albuquerque metro area have some type of solar energy. But don't include Rio Rancho resident Glenn Olsen on that list. He was told by his homeowners' association that he had to remove a solar water heater from the roof of his house because it did not comply with guidelines for the subdivision.

Wind-produced electricity is also fanning out across the state. Public Service Company of New Mexico has signed up both commercial and residential customers for electricity it buys from FPL Energy's 136-tower wind ranch near Fort Sumner. And Cielo Wind Power of Austin, Texas, is developing an 80-megawatt Caprock Wind Ranch east of Tucumcari.

New Mexico is rated ninth in the nation for producing electricity from wind.

Encouraging growth

In other business activity, hotel occupancy rates were up in 2004 by 3.4 percent over 2003. And the number of hotel and motel rooms in the city increased year-over-year from 16,165 to 16,320.

A new 261-room Embassy Suites at Interstate 25 and Lomas is scheduled to open in April.

While some hotel operators are concerned about new competition eroding the market, the Albuquerque Convention and Visitors Bureau believes a new upscale Downtown hotel is needed to lure more conventions here.

There were more people at work, too.

At mid-year, UNM's Bureau of Business and Economic Research showed that the state's nonagriculture employment reached 791,000 jobs, up 2 percent from a year earlier. Albuquerque-area employment reached 366,500, an increase of 1.6 percent from 2003.

Despite the good news, the business community says more must be done to encourage economic growth in the state.

New Mexico remains on the lower rungs of the nation's economic ladder. The state is rated 46th both in the number of high school graduates and the number of college graduates with a bachelor's degree. The state Workforce Development Board noted New Mexico has more working poor, per capita, than any other state.

The Association of Commerce and Industry lobby group is urging the state Legislature to take a look at tax relief, tort reform and easing the regulation process as steps to make the state more attractive to research and development jobs.

And the governor is seeking tax credits in this year's legislative session as a means to encourage investors to keep New Mexico as their tax home, to encourage retirees to begin second careers in New Mexico, and to promote economic development in the state's rural areas.

An issue facing the city this year will be the new impact fees on residential building.

The fees, to be levied by Albuquerque on new development, will provide funds for streets, parks and other facilities. Developers are concerned that the fees would increase the cost of new homes on Albuquerque's West Side by more than \$10,000 per house.

"It will mean some movement of housing out of Albuquerque to Los Lunas and Rio Rancho, especially Rio Rancho," says Jim Folkman, executive vice president of the Home Builders Association of Central New Mexico.

Jim Palenick, Rio Rancho's city administrator, says Albuquerque's increase in impact fees is "very advantageous" for his city. Rio Rancho is expected to become the state's third largest— after Albuquerque and Las Cruces— within a year or two.

About 1,800 residential building permits, a record, were issued in Rio Rancho during 2004.

Mayor Chávez said he is "very concerned" about the impact fees, describing them as "imperfect as drafted" and "works in progress."

He echoes Folkman's concerns by noting that the fees could result in "pushing jobs outside the city."

But one thing 2004 did accomplish was silence a long-standing urban myth— the story that Microsoft moved from Albuquerque because the city didn't support the startup company.

Paul G. Allen, who founded Microsoft here 30 years ago with Bill Gates, explained at an October luncheon in Albuquerque that the two moved to Seattle in 1978 after finding it difficult to get new employees to move here— and also because both of them wanted to be closer to their families.

Harry Moskos can be reached at 823-3837 or hmoskos@abqjournal.com.