

**The Economic Linkages Between
The Lubbock-Amarillo, Midland-Odessa,
And San Angelo Areas**

Analysis Prepared for

MOTRAN

by

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Introduction

This brief report illustrates the potential economic impact of trade activity along the West Texas corridors connecting Lubbock-Amarillo, Midland-Odessa, and San Angelo. This maximum level of exchange between any two of these areas may be determined by comparing the net import needs of each area with the net export capacity of the other on a detailed industrial basis. Once the level and composition of potential trade volume is quantified, the overall direct, indirect, and induced effects on business activity may be estimated via input-output analysis. For present purposes, this evaluation is conducted using the appropriate sub-models of the Texas Multi-Regional Impact Assessment System.

In a prior study of various proposed freeway routes, The Perryman Group examined the corridors linking Lubbock-Amarillo with San Angelo and Midland-Odessa. The present analysis supplements the earlier work with a comparable evaluation of the capacity along the route between Midland and San Angelo. Results are given for a 1995 base year as well as projections for 2020, a point at which enhanced infrastructure could reasonably be expected to be in place with mature and stabilized trade relationships.

It should be noted that not all potential activity between two areas is ultimately achieved, as relative costs and other factors lead to a complex set of interactions across the globe. Nonetheless, by providing for reduced transportation outlays, lessening time requirements, and improving accessibility, improved highway corridors substantially enhance the "value capture" of activity between destinations.

The Lubbock-Amarillo To San Angelo Corridor

The maximum trade potential between the Lubbock-Amarillo area and San Angelo would, based on 1995 volumes, yield potential gains in the relevant region of

- ✓ \$13.105 billion in annual Total Expenditures;
- ✓ \$ 5.498 billion in annual Gross Area Product;
- ✓ \$ 3.069 billion in annual Personal Income;
- ✓ \$ 2.310 billion in annual Wages and Salaries;

- ✓ \$ 1.177 billion in annual Retail Sales; and
- ✓ 108,799 Permanent Jobs.

Using forecasts from the relevant sub-models of the Texas Econometric Model, it is determined that, by 2020, the aggregate possible benefits rise to

- ✓ \$27.976 billion in annual Total Expenditures;
- ✓ \$11.713 billion in annual Gross Area Product;
- ✓ \$ 6.575 billion in annual Personal Income;
- ✓ \$ 4.976 billion in annual Wages and Salaries;
- ✓ \$ 2.524 billion in annual Retail Sales; and
- ✓ 231,976 Permanent Jobs.

Note that all monetary values are expressed in constant (1995) dollars to eliminate the effects of inflation.

The Lubbock-Amarillo To Midland-Odessa Corridor

Based on 1995 levels of overall economic activity, export capacity, and import needs, the corridor between the Lubbock-Amarillo and Midland-Odessa areas could potentially experience trade at a level sufficient to support

- ✓ \$15.659 billion in annual Total Expenditures;
- ✓ \$ 6.812 billion in annual Gross Area Product;
- ✓ \$ 3.768 billion in annual Personal Income;
- ✓ \$ 2.835 billion in annual Wages and Salaries;
- ✓ \$ 1.444 billion in annual Retail Sales; and
- ✓ 131,993 Permanent Jobs.

Projecting forward to 2020, the corresponding prospects for this linkage increase to

- ✓ \$33.467 billion in annual Total Expenditures;
- ✓ \$14.546 billion in annual Gross Area Product;
- ✓ \$ 8.099 billion in annual Personal Income;
- ✓ \$ 6.130 billion in annual Wages and Salaries;
- ✓ \$ 3.105 billion in annual Retail Sales; and
- ✓ 283,009 Permanent Jobs.

Thus, even modest enhancements in infrastructure that yielded fractional additions to value capture could be extremely important to local economies.

The Midland-Odessa To San Angelo Corridor

In the 1995 base year, the potential for viable exchange between Midland-Odessa and San Angelo is sufficient to generate economic impacts of

- ✓ \$ 9.964 billion in annual Total Expenditures;
- ✓ \$ 4.199 billion in annual Gross Area Product;
- ✓ \$ 2.322 billion in annual Personal Income;
- ✓ \$ 1.745 billion in annual Wages and Salaries;
- ✓ \$ 0.892 billion in annual Retail Sales; and
- ✓ 80,829 Permanent Jobs.

When the analysis is extended to 2020, the possible contribution of trade to the economies in this region extends to

- ✓ \$21.863 billion in annual Total Expenditures;
- ✓ \$ 9.106 billion in annual Gross Area Product;
- ✓ \$ 5.062 billion in annual Personal Income;
- ✓ \$ 3.825 billion in annual Wages and Salaries;
- ✓ \$ 1.947 billion in annual Retail Sales; and
- ✓ 175,505 Permanent Jobs.

Because of the relative proximity of these areas, they could well achieve substantial value capture and resulting economic expansion from an enhanced highway corridor.

Synopsis

The results from this analysis clearly reveal that there is enormous potential to be realized from enhanced trade among the major communities in West Texas. Expanded interaction could be greatly facilitated through

improvements in the transportation corridors linking the various areas. Thus, it is of critical importance for these areas to work cooperatively in seeking funding priority for road improvements in the region.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Ray Perryman", written over a horizontal line.

The Perryman Group
M. Ray Perryman, Ph.D., President