

THE

Real Spelce

AUSTIN LETTER

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Dear Client:

The way it's shaping up now, 2002 could be the year the dominant, fast-growing Hispanic minority in Texas finally flexes its potentially-powerful political muscles, and if it happens, the face of statewide Texas politics could be forever changed. Texas Democrats are banking on it, but Texas Republicans are gearing-up to one-up the Dems in the quest for Hispanic loyalties.

For decades, demographers have been pointing out Texas will soon become a minority majority state, with **Hispanics leading the way as the largest minority segment by far.** The Hispanic political tide started visibly rising this week when Laredo businessman-banker **Tony Sanchez, Jr.** kicked off his campaign for the Democratic nomination for Governor of Texas.

It's not the first time a Hispanic has run for governor. Years ago, San Antonio State Senator **Henry B. Gonzalez** ran a credible enough race for governor that he was elected and re-elected to the Congress. And, Hispanics have been elected to statewide posts in the past – former Attorney General **Dan Morales** is an example.

But, the Sanchez effort is the first time a well-financed Hispanic effort at the top of the ticket is specifically designed to **mobilize the Hispanic voting bloc to turn out in huge numbers.** Such a turn out could help other Dem candidates in a state that elected a Republican to every statewide office the last election cycle.

But, don't count out the Republicans. The GOP recognizes the potential of the Hispanic voter. Remember, **George W. Bush**, speaking Spanish along the campaign trail, openly courted the Hispanic vote during his two successful Texas gubernatorial runs. Other examples: **Tony Garza** is a Texas Railroad Commissioner and **Xavier Rodriguez**, an appointee of GOP Gov. **Rick Perry**, will be on the ballot in 2002 as a GOP candidate for the Texas Supreme Court.

There are other Republican examples. But, consider this if you wonder whether the Republicans recognize the importance of the Hispanic vote: Now that Republican US Senator **Phil Gramm** has decided not to seek re-election, GOP insiders are talking about rallying behind Republican Congressman **Henry Bonilla** from San Antonio or **Garza** as the GOP nominee for Gramm's seat.

The primary battleground will be along the border – from El Paso to Brownsville – and across South Texas, from San Antonio to Corpus Christi, where Hispanics are already the majority.

Now that UTAustin students have returned, the summer parking and traffic problems are being exacerbated by the sudden rush of additional vehicles clogging roadways. Obviously, it's more apparent around campus and near the apartment villages where UTAustin students live (and 6th Street and the lakes, where they play!).

But this year for the first time, many students who have had the luxury of parking on the campus in the past have had their **parking spaces pre-empted** and they will now scramble for parking off-campus in garages or lots.

Why is that? Faculty and staff have been given some of the student spaces. As new buildings are built, the university — rather than expanding into adjacent communities — tries to maintain its “good neighbor” status by **building on existing campus parking lots**. And, even though new parking garages are being built, parking is at a premium.

Also, to make the campus more pedestrian friendly, Speedway Street was closed on campus resulting in a loss of more than 100 parking spaces. All of this has created a domino effect, with the students the last domino to be pushed over. Many of the campus student residence hall lots have been turned over to surface parking for faculty and staff.

“The majority of resident student vehicles stay parked until the weekend, whereas **university faculty and staff come and go every day of the week,**” said **Bob Harkins**, director of UTAustin’s Parking and Transportation Services. “I explained that if our goal is to be as fair about the use of surface lots as possible, the space is better utilized by faculty and staff.”

Speaking of parking, there are now 589 more parking spaces in the long-term lots at Austin-Bergstrom International Airport. The new parking spaces are the result of the completed expansion of Lot F. Lot F was closed for several months to add the new spaces. With the expansion, the airport now has 11,366 public parking spaces.

The City has also responded to concerns about traffic movement, and shuttle service from the lots to the terminal, by opening a **24-hour-a-day ground transportation management center**. The objective: to coordinate all the ground transportation services at the airport. The center monitors the availability of parking spaces, taxicabs and other services. It also answers questions regarding flight status, lost and found and parking rate information.

The airport uses a satellite-based Global Positioning System to track and monitor shuttle bus movement and it gets real-time video of parking areas. Hopefully, this will **facilitate connecting shuttles with waiting passengers**. If you want to call ahead to determine the parking situation prior to your flight, the 24-hour number is 512-530-ABIA (2242).

Even though we're living in a high tech world, the highly competitive field of Personal Computers — on its 20th anniversary — is resembling a low tech business upheaval we witnessed 30 years ago. Think about it. Doesn't the PC battle look like the TV set battle in the 1970s? There was cutthroat competition then, big names suffered big losses until weaker players quit the game or sold their brands to the strong. And, today, the Austin area's largest private employer, Dell Computer Corp, is right in the thick of a similar fight – taking it to the competition.

In order to assess how well Dell is doing at this juncture you need to realize that household PC penetration in North America has stalled between 55% and 65%. Most of the people who want PCs have PCs. And while world markets are still viable, this means **North America is largely a replacement market.** This makes it a tough sell for Dell and Dell's competitors. Also, the economy is in the doldrums and consumers, as well as businesses, are cautious about spending.

Because Dell's stock is widely held in Austin, let's analyze Dell's strategy. When times get tough, companies generally follow two marketing strategies. They either **pull back on the marketing effort** – slashing ad expenditures – to wait out the storm. **Or, they maintain — or even step up** — the marketing push to try to increase market share and punish the competition. Companies that pursue the latter strategy are generally in a good cash position to begin with.

Dell is definitely in the latter category. And, believe me, **Dell is punishing its competitors, giving no quarter and taking no prisoners.** You've seen Dell's national TV spots, featuring a precocious, geeky teenager advising parents on what to buy. Dell's consumer PC shipments have skyrocketed 39% as a result of this aggressive marketing push.

Dell has also cut prices on its PC's. Because of its low-cost model of manufacturing, **Dell can slash prices with less bleeding than its competitors.** As a result, Dell is making less money, but that's where the cash-rich company has another competitive advantage during tough times.

It's really getting ugly. The competition is reeling. Dell, #1 in PC sales, has long had a very public battle with Houston-based Compaq for supremacy in the PC world. And, just this week, **Hewlett-Packard announced a merger with Compaq. Bingo! The first domino has fallen.** HP had earlier warned consumer product sales would decline 24% in the 3rd quarter, with revenue falling 14% to 16% year over year. Analysts were even suggesting HP pull out of the PC business. Now, the two companies hope the combined operations will better compete with Dell. But, combining two struggling companies don't necessarily make a stronger company.

And pity poor Gateway. It has pulled back on its ads, it has taken the advertising creative work in-house to save some bucks, closed retail stores and is undergoing a major restructuring. **Gateway saw a 36% decline in consumer PC unit sales year over year.** It's stock hit a five-year low after Standard & Poor's lowered its debt rating to "junk" status. Turn your head if the sight of blood bothers you. Dell's strategy is working; its competitors are staggering.

When the market slows, good sales people get creative. For the past couple of years, homebuilders and Realtors have almost been order-takers (although they won't go quite that far in admitting how easy it was to sell a house). Now it's tougher to sell homes, especially those in the upper price range. So we're seeing some creative approaches.

Take Vista Pointe for example. The upscale subdivision on Lake Austin (go out Bee Caves Road about seven miles past Loop360 to Resaca Blvd and drive through Lake Pointe to get to Vista Pointe) touts itself as **"a neighborhood of exclusive luxury homes custom built by Clark Wilson and John-William Interiors."**

The development currently features twelve new luxury homes, beginning at \$800,000 and are *available fully furnished* by John-William Interiors. **So, what are they doing to move these high-dollar houses?** They've created what they've called Vista Pointe Concierge Service. That's a fancy name for what car dealers have done forever – take a trade-in.

Their pitch: "Simply choose one of our 12 finished homes at Vista Pointe. We'll have an objective appraisal made of your existing home and **pay you full value. Think of it. No commissions. No haggling with buyers. No waiting and wondering.** Just make your choice and make your move."

The fine print: *The value of your trade-in may not exceed 60% of the value of your new Vista Point home.* Other developers are offering different deals in this changing marketplace.

Whatever happened to Joe, Jim and Bill? Or Mary, Jane and Betty? You won't find them in the maternity wards of Texas hospitals. The most popular boys' and girls' baby names in Texas: Jose, Jacob, Michael, Christopher and Joshua – and Emily, Alexis, Samantha, Ashley and Hannah.

Dr. Louis Overholster complains that today's public address system is anyone using a cell phone.

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Sincerely



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