

THE

*Real Spelce*

# AUSTIN LETTER

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Dear Client:

**With the special election for the Mayor of Austin less than two weeks away, former Mayor Pro Tem and former School Board President Gus Garcia – with high name ID and an adequate campaign war chest – appears impossible to beat. But, there’s a stealth candidate sweeping in under the radar who might give Garcia a run for the money.**

We’re *not* talking about **Eric Mitchell**, the only other person on the list of eight official candidates to be elected to public office (more about Mitchell in just a minute). We’re talking about **Greg Gordon**. Who? Greg Gordon, a small businessman who has lived in Austin more than ten years and hasn’t been elected to any previous city office. **How can an unknown possibly hope to be elected mayor in such a short time?** Admittedly the odds are really long, but he may have a better chance than Mitchell at upsetting Garcia.

Here’s why. Start with what we told you 10/12/01: “it’s entirely likely the voter turnout will be small – once again.” In a low voter turnout contest, **the candidate who has the best organization and a motivated group of followers can have an impact way out of proportion** to what money and name ID normally deliver.

Gordon’s organization and motivated group of followers? The Republican Party. **Alan Sager**, the local GOP chair, says “Watch Greg Gordon. He is the only real conservative who represents the taxpayers in the race. He is also a Republican. **He is going to get a lot more votes than anyone imagines at this point.**”

City elections are non-partisan. No one is listed on the ballot by party affiliation. But, if Gordon can quietly generate a strong Republican turnout, **it could make a difference** in city voting patterns (normally liberal) – in a low voter turnout.

Gordon says “as Mayor, I have three key initiatives that I will fight for: **safety for the community, economic diversity and prudent transportation solutions.**” Mitchell says the same sorts of things, but Mitchell is not accepting campaign contributions and is making a minimal effort to campaign for the job. Gordon is campaigning hard – raising money, getting the word out strategically to Republicans and slapping his signs up alongside Garcia’s.

Garcia is still a prohibitive favorite to fill out **Kirk Watson’s** bob-tailed term. And, the CPA is campaigning vigorously. But, keep an eye on Gordon to see if he makes a last-minute surge.

**Don't sit back and think the 11/6/01 election is it for a while. Ninety days later you're going to be asked to go to the polls to vote on school bonds. Then the elections start coming one right after the other throughout 2002.** So, if you're one of those who gets tapped all the time for contributions, better double or triple your budget for next year. It's going to be that kind of year.

But, let's take first things first. The Austin Independent School District, within the next few weeks, will set an election for what it calls a "\$48 million Health and Safety Bond Initiative." The district wants to finance these projects through **bond debt**. What projects? Roof replacements and repairs. Remediation of interior spaces affected by moisture and mold growth. Exterior building improvements for weather-tightness. Site drainage improvements. Heating, A/C and ventilation improvements. There are other items, but you get the picture.

**AISD will hold the election 2/2/02.** We'll talk about other 2002 elections in later issues.

**The Austin area is tiptoeing through the national economic slowdown, with some sectors up and others down a bit. Let's break it down by what's happening *within* our metro area, and also take a look at how the Silicon Hills compares to other metro areas around the nation.**

First of all, when you look at **job growth** all across the board in the Austin metro area, you see that only one area is down from August last year to August this year. **It's manufacturing.** This comes as no surprise considering **this sector is where a huge chunk of layoffs have occurred.** And, portions of the high tech sector have been slow to rebound.

But, when you look at **all the other sectors** during that same time period, there are **more people working in each of them than were working the year before.** That includes construction, even though there has been a slowdown from the frantic pace. All other sectors of the Austin area economy, especially government and services, created jobs at a very healthy pace from August to August.

What about other communities? How are we doing compared to our "competitor cities?" Well, Denver and Raleigh-Durham are doing better than the Austin area when it comes to unemployment. **But, the Silicon Hills is doing better than Portland, San Jose, Dallas and Seattle.** And we're doing about the same as Salt Lake City and Phoenix. Not bad.

The cost of living is also very important. Folks here complain about the high cost of housing. There's no question it's shot up dramatically over the past few years. But, housing is only one component, albeit very important, of what it costs to live in an area. First of all, when you look at the second quarter 2001, the **Austin area's overall cost of living is close to the US Average.** We're about the same as Denver, Dallas, Seattle, Chicago and Raleigh. And we're much better than Manhattan, San Francisco and Boston. No surprise there. Those big metro areas have always been among the costliest places in the nation to live.

**You knew the September numbers were going to be bad, but the reduction in air travel at Austin-Bergstrom International Airport was so dramatic it kicked the entire year-to-date totals below last year.** Passenger traffic in September, after air travel stopped suddenly 9/11/01, dipped 34% compared to September 2000. That dropped it 2% for the year, compared to 2000.

What about the individual airlines in September? Market leader Southwest was down 31%, #2 American down 38%, Delta down 32%, Continental down 36%, and United was down 34%. Of the major carriers serving Austin, **only Southwest Airlines is up for the year in passenger traffic and only by a meager 1%**. We'll let you know how much it creeps back up in October.

**Thanks to a Texas high tech company and a Texas-based monster energy company, you can now just wave your hand at certain gasoline pumps, fill up, and be on your way.** No more jerking your credit card out of your wallet, sticking the card in the pump, waiting for authorization and then, finally, start pumping gas.

If you thought paying at the pump with a credit card was the pinnacle of convenience, now buying gasoline is as easy as waving your hand. A new technology called **Radio Frequency Identification (RFID), developed by Texas Instruments (TI)**, allows you to wave a tiny wand at the pump, gas up, and be on your way.

The wand, small enough to fit on your car key ring, delivers credit card information to a reader on the gas pump. The RFID wand is a **small radio transponder about an inch long** that automatically activates the pump. The reader picks up the signal and automatically debits your credit card.

The first gasoline company to offer RFID is Texas-based **ExxonMobil**. American Express is mailing its customers a promotional flyer this week telling you how to **sign up for the free wand it calls the "Speedpass," which is accepted at participating Mobil and Exxon stations**. AmEx is giving its customers a special toll-free line to call to order the Speedpass. (Obviously, the credit card company wants you to link Speedpass to its card.) Then, it will mail you the free wand to attach to your car key ring.

Your gas charges will automatically appear on your next credit card statement. You can also use your **Speedpass for purchases made inside the convenience stores** that are a part of the participating Exxon and Mobil stations. Other service stations will probably not be far behind. For example, **Shell** offers RFID in Canada, Indianapolis and Cincinnati, and **Phillips 66** began piloting its version of the RFID in the Kansas City area. All are using TI's technology.

What's down the line with this new technology? Well, get ready. **You soon may be able to purchase fast food with a wave.** McDonald's, Kentucky Fried Chicken (KFC) and Taco Bell are testing RFID systems.

**What about the high profile tech stocks – Dell, Nortel, H-P, Sun, Lucent, Oracle, Cisco and the others? Does the potential growth in share price overcome the undeniable danger of keeping your money there?** The 10/29/01 issue of *Fortune* magazine attempted to answer that question for 12 companies. The aim was to come up with a simple recommendation – buy, sell or hold.

In a word, here's how the well-respected magazine ranked the heavyweights. **Dell**, hold ... **IBM**, hold ... **HP, Compaq**, sell ... **Sun**, sell ... **Intel**, hold ... **Cisco**, sell ... **Nortel**, sell ... **Lucent**, buy ... **EMC**, sell ... **Oracle**, hold ... **Microsoft**, buy.

Some comments on the two "buy" recommendations: **"If there's one stock to buy in this group, it's Microsoft** – the only company to benefit financially from the messy PC price war, given that it gets paid for Windows whether a PC sells for \$2,000 or \$500. But the primary reason to buy is Microsoft's strong product cycle." "Clearly Lucent has been beaten up. Its stock is down nearly 90% from its late-1999 high, and it's trading at less than one times its sales. **It's so cheap** that even **Steve Levy**, Lehman Brothers telecom-equipment analyst who turned bearish on Lucent in early 1999, has changed his mind."

*Fortune* had this to say about hometown favorite Dell: "Think of Dell as the stock market equivalent of a Bond girl: **efficient, dangerous and relentlessly alluring**. While the stock has bled shareholders severely of late – dropping more than 50% from its 2000 high – **investors always seem eager to embrace it anew.**"

"Although **Dell is, notably, the one company that's figured out how to play this game profitably**, it's price/earnings multiple leaves little room for error. Investors should keep an eye on the stock for any big retreat. If it returns to its high-teen lows, our advice is to bite. As **Bill Keithler**, manager of the Invesco Technology fund puts it, **'They'll be the last guys standing'**," notes *Fortune*. The pub concludes: "no matter which companies you think will triumph in this brutal Battle of the Boxmakers, **this is not the time to be overweight in tech.**"

**Dr. Louis Overholster** says he never could understand why kids dressed up to scare people on Halloween – just being kids is enough!

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