

THE

*Real Spelce*

# AUSTIN LETTER

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Dear Client:

**If Texas were an independent republic (as it was up to the middle 1800s), we would have the *eighth* largest economy in the world – twice the size of the Russian economy and outpacing countries like Canada and Brazil.**

The US has the world's largest Gross National Product (GNP), followed by Japan, Germany, the United Kingdom, France, Italy, China and (if we were a nation) Texas. This is based on the most recent stats from the World Bank (for 2000) that moved us up a notch from 9<sup>th</sup> to 8<sup>th</sup>. Texas Comptroller **Carole Keeton Strayhorn** tweaked the numbers a bit more and discovered Texas "is the *second* largest economy when you look at it on a per capita basis."

"We are blessed with abundant natural resources and energy supplies," said Strayhorn. "We have a **large, educated work force** and state leaders who are committed to improving our public and higher education systems. But most importantly, it's **hard working Texas families** that have built this state into the eighth largest economy in the world."

Strayhorn concluded: "Though Texas is currently experiencing an economic downturn, we have **long-term economic strengths** most countries wish for."

**If you want to be a substantial long-term economic player in the Central Texas area, you may want to set aside 5/2/03 to head to San Marcos for a power-packed regional conference for the Austin-San Antonio corridor. It brings together all the pieces for the region.**

It's called "Regional Issues—Local Solutions II, Opportunities Without Borders" and will be held in Strahan Coliseum in San Marcos. Movers and shakers from San Antonio and Austin will discuss, with experts, such topics as transportation and education. But more than that, there will be a **massive amount of information** on the changing demographics of the region, environmental considerations and regional strategies as practiced around the country.

To get a look at speakers/participants already announced (with more still to be added), and for registration information, just go to <http://www.thecorridor.org>, the Web site for the Austin-San Antonio Corridor Council. Or call 512-245-2535.

**You may have noticed the USHouse overwhelmingly passed the latest version of the Bankruptcy Reform Act late last week. But the news stories failed to tell you Texas' very favorable homestead exemption will disappear if the bill becomes law.**

The Texas Constitution contains a provision that prevents creditors from seizing your homestead in bankruptcy proceedings, no matter how valuable the home. For instance, **if you owned a \$5,000,000 home outright, but went belly-up in your financial affairs, you could claim bankruptcy and still keep your fancy digs.** Only four other states have a law that tracks the Texas provision – Florida, Iowa, Kansas and South Dakota.

If the USSenate passes the bill that passed the USHouse by a huge 315-113 margin, and the president signs it, the homestead exemption provision of the Texas Constitution would be overridden. The new law would let a person filing for bankruptcy **keep a homestead valued up to only \$125,000, if purchased within 40 months of filing,** barring any evidence of fraud. This provision gained a lot of support after the excesses of Houston-based Enron's execs came under fire.

Previous efforts to pass a Bankruptcy Reform Act have failed. After President Clinton pocket vetoed one version, financial institutions, with Republican support, made another run at it last year. Some GOPers dropped their support because Democrats attached a provision that would bar anti-abortion protestors from using bankruptcy laws to avoid fines and civil judgments.

But, the controversial abortion provision is no longer a part of the Act, so **the odds are this version has a good chance to become law.** We'll keep an eye on it for you.

**Okay, if the local Miller and Coors beer distributors in Houston, Dallas, San Antonio and Corpus Christi have merged, is this likely to happen in Austin?**

Anheuser-Busch is the 1,000 pound gorilla nationwide when it comes to beer sales. It makes economic sense that other top brands that lag behind Anheuser-Busch would combine their operations to better compete against the market leader. There are obvious efficiencies of back-office operations, distribution, etc. that can help the profit picture of a combined operation.

In Dallas, the Miller distributor bought out the Coors operator in just the last couple of weeks. A beer industry expert estimated the Coors operation could have been worth somewhere from \$40 million to \$60 million. In Austin, the two distributors are very high profile civic leaders – **Lowell Lebermann** is the Miller distributor and **Roy Butler** is the Coors distributor.

There's no deal in the works in Austin, however. Lebermann tells us the two friends are *not* following the national/Texas trend by talking merger/buyout.

**Speaking of mergers and buyouts, do you realize the extent of inroads made into Austin and Texas as a whole by Alabama banks? It's impressive. And one Alabama banking operation has said Austin is its #1 target for expansion.**

These guys, especially bank holding companies based in Birmingham, have been very active. One news report pointed out that **all five of the major out-of-state bank acquisitions in Texas in 2002 were by Alabama banks.** And Austin is in the crosshairs for future expansion.

To give you an idea of the extent of this effort, consider that **Compass Bancshares** (Birmingham) has more than 40% of its deposits in Texas, compared to 33% in Alabama. **Regions Financial Corp** (Birmingham) lists Austin as its #1 target in Texas for expansion, with Dallas #2.

**Colonial Bank** (Montgomery) has acquired three banks in Austin and Dallas. The fourth Alabama financial institution in Texas is **SouthTrust Bank** (Birmingham). Interestingly, all three of the Birmingham bank holding companies are located on the same street downtown.

The 'Bama banks are nowhere nearly as large as the other major out-of-state bank players, but they rank #4. **The state soaking up most of the deposits in Texas is New York,** as represented by **Chase** and **Bancorp South.** It's closely followed by **North Carolina,** where **Bank of America** is headquartered. In third place is **Illinois,** with **Bank One** being that state's big financial institution. If you see the sign of a familiar local bank coming down in the near future, it's likely to be replaced by an Alabama bank holding company.

**There's a bill making its way through the Texas Legislature that will set more stringent standards for homebuilding in Texas – and it will give homeowners a faster, less expensive forum for dispute resolution.**

The measure will create a Texas Residential Construction Commission. The 9-member statewide group will create **specific residential construction and warranty standards** for builders to follow. The standards will **regulate how homes are built and how they should perform.** Additionally, the Commission will have the power to force the homebuilder to stand behind what is built. The backers of the bill hope these standards will keep potential problems – such as mold – from developing.

The Commission will include **both industry and public members** and will be charged with settling any disputes that may arise between homebuilders and homebuyers. The Texas Association of Builders' Building Standards Task Force backs this effort. **Ray Tonjes,** of Austin's Ray Tonjes Builder, Inc., is co-chair of the TAB's Task Force. The bill is co-sponsored by Democrats and Republicans in both the Texas House and Senate.

**Add this to your list of things to worry about. With the strong anti-American feelings in France, Austinite Lance Armstrong is going to be barreling along more than 2,000 miles of French roads on his bicycle for three weeks in the *Tour de France* — with minimal security, where anyone can just reach out and touch him.**

Armstrong is not all that popular in France anyway — because the American has dominated this elite French sporting event as no Frenchman has ever done. And this is the 100<sup>th</sup> running of what may be the world's most grueling sporting event. If Armstrong wins, he would become **only the second person in a century to win five back-to-back Tours. No one has won six, back-to-back, or overall.** This could be a very tense situation. And Armstrong knows it.

Armstrong has said in the past **“The *Tour* has no true security.”** Think about this. The Super Bowl, the Olympics, and other world sporting events, have put unbelievable security precautions in place. Not the *Tour de France*. **There literally are no barriers between the athletes and fans.**

“In recent years, **some of the spectators have become quite hostile,**” Armstrong e-mailed *Sports Illustrated* from his base in Spain. “I try to keep my eyes a *little* on the road and a *lot* on them.” This was before the hostile antagonism against the US that is now being exhibited in France as a result of the attack on Iraq.

Will Armstrong pull out? “I seriously doubt it,” he told *SI*. **“It would take a lot for me not to race.** I’m not sure what that is, but it would have to be a lot.” As Armstrong puts it, this is his job: “The *Tour* is an open road. Has been for a hundred years and always will be.”

Lance Armstrong has been **recognized for his courage worldwide in overcoming testicular cancer that metastasized in his brain,** to win – time and time again — one of the toughest sporting challenges known to man. We wish him Godspeed in the *Tour* that begins 7/5/03.

When spring officially arrived this week, **Dr. Louis Overholster** noted it was time for spring cleaning, “or as it’s sometimes called – ‘taking down the Christmas lights’!”

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