

THE

Real Spelce

AUSTIN LETTER

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Dear Client:

With Toyota building a major manufacturing facility an hour-or-so drive down IH35, and Austin area economic development efforts aggressively courting automotive related businesses, we now need to be concerned with the health of the auto industry.

Autos and related industries make up about 5% of the nation's business. The Austin area is a long way from that as we are just now dipping our feet into the automaking pond. But this **industry segment will begin to have more of an impact as Toyota ramps up** and its suppliers start locating throughout our area. TASUS Corporation, a plastic injection molding operation, has already announced it will locate its 2nd US manufacturing facility in Central Texas.

Overall, the outlook is good for the US auto industry. When we say "US auto industry," in addition to the Big Three, we're including Toyota, Honda, BMW, Nissan, etc. — foreign manufacturers with plants in the US. Most cars *made* in the US are *sold* here, so all car makers located here contribute to our economy, by paying taxes, providing jobs and attracting suppliers of seats, air bags, parts, etc.

US auto manufacturing is a growing industry. Our friends, The Kiplinger Washington Editors, point out that since **global shipping costs are rising**, it is less profitable for foreign manufacturers to export cars to the US (except for high-end models). Carmakers are also **disenchanted with Mexico**, so instead of locating a plant in Mexico, Toyota for example, will build in San Antonio, sell directly to Texans and ship to nearby Mexico.

The world's richest market for autos is the US – and US consumer demand for autos is rising, with sales predicted to hit 20 million in 2010, compared to 16 million this year. Overseas brands want to be a part of that. There's also an increase in buyers' wanting to special order a vehicle and that desire can be satisfied faster if the plants are not far away. All of this means **a smaller slice of a bigger pie for America's Big Three**. As recently as the 1980s, the Big Three had 80% of the market. It's now 60% and is predicted to drop to 55% by 2010.

Ford, GM and DaimlerChrysler are not *sitting* back, they're *fighting* back. And this competition is what will fuel more and more sales. Now that Japan's Toyota is in our midst, the Austin area economy – and especially San Antonio — will slowly come to be more reliant on the health of an industry segment that, for most of its history, was concentrated in the Upper Midwest. This is one more step to **diversify our economic base – and that adds to our economic stability**.

Speaking of economic stability, don't let the "half-empty-glass guys" color your thinking on the positive jobless situation in the Austin area. The trend is moving in the right direction – strongly.

When the latest unemployment numbers were released, one local economist was quoted as saying "nothing substantial happened in October." Nothing substantial? Come on!

Our five-county metro area's October **unemployment dropped to 5% from 5.4%** in October a year ago. This is a significant drop and it continues a **trend of dropping each month** since we recorded 6.3% unemployment in June. After a couple of years of downturn, this is continuing good economic news.

There's more to indicate what is happening is certainly "substantial." When the Austin metro hit 6.3% unemployment in June, the state's average was 6.8%. The state has dropped only to 6.5% in October, while Austin's unemployment is now 5%. Austin dropped 1.3 points and Texas dropped only .3 points during the same timeframe.

Other major metros? **Austin has the lowest unemployment percentage of any of the major metros in Texas** – some by a long shot. El Paso's October unemployment was 8.9%, while Dallas's was 6.4%. Houston tallied 6.3%. Fort Worth-Arlington at 5.7% and San Antonio at 5.1% are also lagging Austin.

Yes, 5% unemployment is still too high, but the trend is in the right direction. One reason the unemployment is dropping slowly is that **businesses are operating "leaner and meaner"** than before. One stat we saw recently says, because of productivity growth, it now takes just 90 workers to produce what 100 workers produced at the start of the downturn in March 2001.

We poked a little fun a few months ago when Delta created a low fare airline and named it "Song." If you thought that was quirky, guess what United is naming its new low-cost carrier?

United plans to officially start its new low fare airline in February. The name is – hang on – Ted. That's right. **An airline named Ted.** Period. How in the world did United pick the name, "Ted?" It's the last three letters of UniTED. (I guess that's as good a reason as any. But if this catches on, will Continental Airlines new low-cost carrier be named AI?)

Apparently this is a serious move. If you were anywhere near Denver's airport in the last few weeks, or watched any of the media in Denver, you saw the teaser campaign for Ted. Teaser print ads and billboards read "**Knock knock. Who's There? Ted.**" Flowers are being sent to Denver hospital patients, signed Ted. Dessert is being bought for all patrons in select Denver restaurants, courtesy of Ted. The *formal* marketing/ad campaign begins in February when Ted starts flying. Keep your eyes open for Ted at Austin's airport next year. Can AI be far behind!

“Now is a critical time for everyone who cares about The University of Texas!” This doesn’t refer to the skirmish over tuition increases, but to long-term financial interests of UTAustin.

The headline-grabbing tuition increase proposal came after the Texas Legislature authorized schools to set their own tuition – a legislative victory for UTAustin. But as the tuition hike took center stage over the last few weeks, former UTAustin President and UTSysstem Chancellor **Bill Cunningham** was contacting key UTSysstem financial supporters looking for more legislative victories two years from now, uttering the quote at the start of this story.

“We are entering a new two-year political cycle, beginning with the 2004 primary elections already underway, and ending with the 2005 session of the Texas House and Senate,” noted Cunningham. “Every step in the two-year process is critical, but the **most important phase for UT supporters begins now.**”

Cunningham, who chairs the University of Texas Political Action Committee (UT-PAC), is talking about the money needed to support candidates for the Texas Legislature. “The UT-PAC is the only organization designed to promote **friendships with Texas House and Senate leaders** through active support of their political campaigns and officeholder activities,” Cunningham said.

“We are a primary part of the team of UT advocates. If you want to make sure that your UT support dollar make a measurable difference, then continuing support of UT-PAC is the way to go,” he pitches. And he speaks from some success, pointing out that during the last election cycle, “the UT-PAC made decisions regarding campaign contributions in nearly every one of the 150 House districts and 31 Senate districts.” The bottom line: **“In all but three races, UT-PAC supported candidates won and are now serving.”**

Cunningham said that during the last legislative session, “we were able to avoid draconian budget cuts that would have strapped the UTSysstem with a \$250-million-a-year shortfall.” Additionally, Chancellor **Mark Yudof** praised the legislature’s decisions “to end the state tax on research, revise financial aid programs, free campuses from burdensome regulations, approval of new tuition bonds, revise research development appropriations and grant governing boards the authority to set tuition and fees.”

The current UT-PAC campaign is seeking donations of \$250, \$500 or \$1,000 and up. Those who have pledged their support so far include notables such as Coach **Darrell K Royal, Major Applewhite** and USSenator **Kay Bailey Hutchison**.

Cunningham tossed kudos to Chairman of the Board of Regents **Charles Miller** and **Yudof**. “We also need to publicly acknowledge Governor **Rick Perry**, Lt. Gov. **David Dewhurst** and Speaker **Tom Craddick** for their unwavering commitment to higher education,” Cunningham added as he pointed to recent legislative successes.

Those who drive US183 have another reason to give thanks this Thanksgiving. The final paving of the 3-miles between Hunters Chase and RM620 is to be completed by the holiday.

The concrete pour is scheduled to be completed after our deadline, so we didn't get a chance to confirm its completion. But it has been quite a project. Eleven inches of concrete was spread and smoothed over steel rebar. It took so much concrete that the construction company **moved a concrete plant into the heart of the project** to provide the material for the paving.

The completion of the paving doesn't mean the end of that portion of the work. Barrier walls must still be built, lanes striped, signage and lighting added and tested, as well as many other items. In other words, this is the completion of an important *phase* – but not the conclusion.

So, when will the main lanes be ready for traffic? **Mike Miller**, the Texas Department of Transportation (TxDOT) project manager is estimating it could be **January, weather permitting**, before you can go zipping down this three-mile stretch of US183.

But there will still be a lot more work in the area. Don't forget storm drainage. Crews are finishing one of the **storm water drainage and retention ponds** under the north end of the RM620 overpass. And, when completed, a **south-to-north turnaround** will be built over the top. So, when the main lanes are opened, the project itself will not yet be completed.

Frontage roads will need a final layer of asphalt when the weather warms up and the electronic Traffic Management System will need testing and tweaking. How can you tell when the end is near? **When you see workers laying in landscaping, you can then say a final prayer of thanksgiving** (remember the old bumper sticker: "Pray For Me. I Drive 183!").

Dr. Louis Overholster recently changed his staff meetings from Monday to 4:30 pm on Fridays. Why? "That's the only time when none of the staff seems to want to spend time arguing with me!"

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