

Volume 26, Number 20

August 13, 2004

Dear Client:

When we reported last week that Austin was near the top of potential al Qaeda US terrorist targets, little did we realize details of potential activity would emerge so quickly.

Just four days after our 8/6/04 edition warning Austin is a “symbolic target” – ranking #4 behind New York City, Washington, DC and Houston — the front page headline in the *Austin American-Statesman* proclaimed “**Seized Videotape Of Austin Raises Terrorism Concern.**” Prior to this time, Austin was seldom, if ever, mentioned in the same breath with al Qaeda.

What triggered our “heads up” to you last week was a little-noticed summary from an Austin-based, yet globally-respected, company specializing in “predictive, insightful, global intelligence.” Unlike news organizations that offer only reactive information, Stratfor Forecasting “**delivers actionable intelligence on geopolitical, economic and security affairs.**” It says it “provides in-depth analysis of what is happening in the world today and forecasts the results of tomorrow’s events.” Its Web site is www.Stratfor.com, for further info.

Stratfor didn’t claim to have specific knowledge of a Pakistani man who had recently been in Austin (as well as Dallas, Houston, New Orleans, Atlanta and Charlotte) videotaping landmarks, public buildings, banks, infrastructures such as dams, mass transit systems, etc. The tapes have been seized and the man is being held without bond in Charlotte.

But Stratfor, in piecing together the puzzle on the possible next attack in the US by al Qaeda, came to a conclusion in a 7/23/04 report that Austin, Dallas and Houston (which we now know had been videotaped by the Pakistani man just weeks before) were **potential targets – possibly in a simultaneous strike.**

Stratfor points out “al Qaeda is patient. Major attacks plots typically move in two-to-three year cycles, allowing for **extremely methodical preparations.** Important missions are not carried out by new recruits; the success rate for major operations shows professionalism, experience and commitment on the part of the operatives chosen. Prior to the September 11th attacks, a discussion of such scenarios probably would have been viewed as grandiose and delusional. Not anymore. **In essence, Americans will not know what is next until it actually has occurred – a sobering thought.**”

The Austin area will gain more population than the San Antonio metro over the next 28 years, but the Alamo City area will remain a smidgen larger.

Texas economist **Ray Perryman** keeps updating his long-term outlook for the US, Texas and the state's metro areas. His horizon now is the year 2030. Between 2003 and 2030, Perryman predicts the Austin 5-county metro area will gain 1,117,900 people. This is on top of the 2003 population of 1,356,600. **His projected total in 2030 for our Central Texas metro is a population of almost two-and-a-half million – 2,474,500, to be exact.**

The San Antonio metro, on the other hand, is predicted to grow by only 989,300 from 2003 to 2030. Add this total to its current tally of 1,688,800 and you get a population of 2,678,100 in 2030. **If his projections hold true, the Austin area population will be only 203,600 less than the San Antonio metro area.** Put it another way, the San Antonio area will make up 7.78% of the state's population, while the Austin area will account for 7.19% of Texas' total.

Perryman expects Texas' Big Six major metro areas to account for about 71.92% of the state's increase in population. But if his numbers hold, you can **look for him to revise his groupings.** Why do we say this? The El Paso area is the smallest of the Big Six metros (Austin long ago passed El Paso in population). El Paso is predicted to move from 712,250 population in 2003 to 1,024,300 in 2030.

But check out another border region. The **McAllen-Edinburg-Mission** metro area had a population of 615,650 in 2003. Perryman projects it will gain an impressive 505,275 people, growing to **1,120,925** by 2030 – vaulting it past the El Paso area in population. Perryman may have to drop El Paso from the Big Six, or call his new grouping the Big Seven.

Sometime during the 28-year horizon, Texas will jump from five metro areas with a population of more than a million (Dallas, Ft. Worth, Houston, San Antonio and Austin) to **seven metro areas – each with a population of more than a million** (adding El Paso and McAllen-Edinburg-Mission to the mix).

Sidebar: once upon a time in the not-too-distant past, the **Waco metro area had roughly the same population as the Austin area.** But now, in 2003, the Austin area's population is *one-million-plus* more than Waco's (1,356,600 to 222,000), and in 2030 the Austin area's population is expected to be *two-million-plus* more than slow-growing Waco's (2,474,500 compared to 299,450).

Waco is the aberration. The state as a whole is doing so well **Texas' economy is expected to "outpace the growth percentage of the US economy,"** according to Perryman, due to a favorable mix of emerging industries and fruitful efforts to attract quality corporate locations. He also cites population increases, expanded education opportunities and skilled worker training, along with relatively low business and housing costs.

The Texas economy has dramatically improved and is expected to accelerate in the coming months. “Our state’s economy has finally rebounded after the sharp decline in the third quarter 2001,” said State Comptroller **Carole Keeton Strayhorn**. The Comptroller’s Texas Index of Leading Economic Indicators shot up 5.3% in March – the highest in nearly ten years – and has continued to show growth since.

A way to help with the Austin area’s anticipated growth is one of the arguments used by rail transportation backers. But what happens to the economy when/if rail arrives?

If you look at one Dallas suburb, you can see some interesting changes as rail develops and expands there. To speed suburbanites into downtown Dallas, the Dallas Area Rapid Transit (DART) began servicing Plano. To be charitable, you can say parts of downtown Plano, near the DART station, were in need of rejuvenation. Well, according to a lengthy report in the 8/10/04 issue of *The Dallas Morning News*, things are **poppin’ in Plano**.

“Since DART began its light rail service 20 months ago in Plano, commercial residential and retail development is moving faster than city, business and DART leaders projected. **So far, downtown Plano has attracted about \$70 million worth of public and private investment** for current and completed transit-oriented projects, said **Frank Turner**, Plano’s exec director for business development.”

For instance, the concrete foundation to a group of townhouses in downtown Plano has been dry barely a week, yet developer **Richard Howe** has already sold five units, reports the *News*. What’s driving the early interest in these homes built in the city’s oldest neighborhoods? Foot access to DART’s light rail service, he said.

“I know if DART weren’t here, I couldn’t even get financing for the condos,” Howe is quoted as saying. “You still have to have other elements – culture, restaurants and shops – but DART’s made the difference.” More and more, people are making a **decision based on access to mass transit**. “What I tell people is they are really just a few blocks away from Mockingbird Station or West End or the American Airlines Center (in downtown Dallas),” said Howe.

To be sure, there is more going on in downtown Plano than a rail station. “A park with pathways and a pond, the Interurban Railway Museum and 19th century buildings do their part as well,” notes the *News*. But prior to the introduction of the DART station and its **no-auto-hassle quick trip to and from Dallas**, downtown Plano was pretty much dying on the vine. Whether this experience is a **model for the Austin area and its suburban communities is still an open question**. But other Dallas area suburbs such as Irving, Farmers Branch and Carrollton, where DART lines are planned in the next five or six years, are “taking meticulous notes,” notes the *News*. Look for this model to be a topic in the soon-to-be-set Austin election.

President George W. Bush is not spending the month of August at his Central Texas ranch near Crawford, as he has done throughout his presidency. Instead, he is out campaigning vigorously because John Kerry leads in the polls in 13 of 16 battleground states.

As we've told you throughout this campaign, don't pay attention to nationwide presidential polls that include states like Texas (which will go overwhelmingly for Bush) or Massachusetts (which will go by a large margin for Kerry). **It's the states that theoretically can go either way that are the most important.** And right now, Kerry backers are heartened by what they see in current (8/2/04) Zogby/Wall Street Journal state polls.

However, the Kerry camp shouldn't be too gleeful. **The leads in 11 of the 16 states are within the margin of error.** In other words, due to the small sample size, the results could actually flip in a different direction. Either way you spin it, though, **the contests in the states that count are still squeakers.** This is why Bush is not clearing cedar on his ranch this month.

If you're keeping score, **270 electoral votes are needed to win.** As we mentioned a few weeks ago, Bush can probably count about 217 votes as safe and Kerry is counting 193 in his column. The rest are up for grabs.

For what it's worth, TV nets ABC, CBS and NBC experienced lower ratings for the 2004 National Democratic Convention than they enjoyed in 2000 – when they also steered away from gavel-to-gavel coverage. But the 24/7 cable news operations of **CNN, Fox News and MSNBC experienced significantly higher ratings** for the convention this year than four years ago.

And if the Republicans and Democrats have been trying to **define the differences between their two parties**, they have achieved this goal beyond their wildest dreams. Back in 1980, only 43% said they saw important differences between the parties; today the number is 70%.

Dr. Louis Overholster is fond of saying computers can be frustrating, inexplicable, expensive and hard to program. Then he adds: "Having teenagers prepares you for computers!"

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 1407 Wild Cat Hollow, Austin, TX 78746. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

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