

Volume 26, Number 24

September 10, 2004

Dear Client:

The trees, hills and water that are so much a part of the Capitol City's character cause many to declare Austin an attractive city. But what about all those unsightly power lines and poles? Can't we just put the lines underground?

Well, yes – if you want to pay for it. Austin Energy, the city-operated utility company, estimates the **cost to relocate all power lines in Austin underground to be in excess of \$4 billion**. This big number is more than the value of all Austin Energy assets. So, while such a move might be widely applauded, the cost appears to be prohibitive.

The problem of unsightly power poles, though, just keeps getting bigger as the Austin area grows and demand for utilities increases. In other words, **if you view these poles and lines as a visual blight, you ain't seen nothing yet**. It's going to get worse. Austin Energy is erecting even larger and taller power poles in certain neighborhoods around the city.

For the most recent example, take a drive along one of Central Austin's historic streets, **Guadalupe, between 38th and 51st**. You'll see humongous poles towering over the area where most of the tallest buildings and trees are in the two-story range. What's happening here? Well, the growing area is **requiring more power than current transmission lines and substations can deliver**. So, Austin Energy says lines and equipment with more capacity must be installed.

Yeah, but, why erect these monster poles? "Because *transmission* lines transport higher voltage power, they become warmer and sag when fully loaded. Therefore, their poles must be **tall enough to provide adequate distance** from *distribution* lines that deliver power directly to homes and businesses," explains Austin Energy. There's no room for guy lines that will support smaller-diameter-and-shorter poles.

Developers building **newer subdivisions all around the area know the intrinsic value (and increased dollar value) of putting utility lines underground**. But the older areas of the city, the areas with the character that distinguishes Austin, were developed at a time when tall, creosote-covered pine poles were the only way utilities were delivered. **Now, their maturity is working against them**, because it's too costly to relocate the lines underground. As a result, much of their beauty and character is being eroded by taller and heavier monster power poles.

Not since Eastern Airlines and Pan Am World Airways failed more than a decade ago have so many airlines been in peril at the same time. What about the three of this nation's top carriers headquartered in Texas? Where do they fit in this troubling mix?

Now that Labor Day has passed, air traffic traditionally drops dramatically. The anticipated drop in revenue comes at a time when jet fuel costs are so high the Air Transport Association is predicting the **largest carriers will spend \$6 billion more for fuel this year than in 2003**. And discount airlines are stealing customers right and left from the big carriers. This is not good news for the bigs in the troubled airline industry.

If it offers any comfort, Ft. Worth-based American Airlines, Dallas-based American Airlines and Houston-based Continental – **the airlines that carry the majority of Austin air travelers – are not at the top of the list of troubled carriers**. There are four other airlines that have a more serious case of air sickness than the Texas trio.

US AIRWAYS. This airline may be in the most precarious position. Airline experts are predicting US Airways will seek Chapter 11 bankruptcy protection soon. If so, this will mark the **2nd time in a little more than two years the airline has declared bankruptcy**, and this time it could lead to the airline's liquidation.

UNITED AIRLINES. United is having a **hard time finding funds to allow it to reorganize and come out of Chapter 11 bankruptcy**, where it has been operating for almost two years now.

DELTA AIR LINES. Not long ago, Delta told investors it burned through \$700 million in cash in the first six months this year and expected to lose cash at the same rate for the second half. The airline also indicated it would file for **bankruptcy if it doesn't get major concessions from the pilot's union**.

NORTHWEST AIRLINES. While doing better than US Airways, United and Delta, and carrying a reasonably high cash balance, **Northwest is still flirting with bankruptcy protection**. Its biggest problem seems to be competition on much of its domestic routes with discount airlines.

As for the Texas airlines you probably fly the most, **Southwest is in the best financial shape**. The original discounter continues to make a profit month after month, though it is being buffeted by other factors also impacting the industry. **American has the largest unrestricted cash balance** of all the airlines and **Continental also has a substantial cash hoard**. The three Texas airlines are vital to the Texas economy as well as being the carriers most Austinites rely upon. So keep your fingers crossed for these guys.

As for the others, a word to the wise – **check your frequent flier accounts**. You may consider using those accrued miles, either in travel or other premiums in case the carrier goes belly-up.

Three states that normally lead the nation in just about every category are zero-zip-nada when it comes to voting for the next president. But the states will have an impact in other powerful political ways — especially Texas.

Seldom will Texas, New York and California be counted out of anything. These highly populous, powerful, influential states are in the mix of just about every major national movement or issue — but not this time around, when the votes are counted for the US president.

The votes in these three states won't amount to a hill of beans. This is because they are already overwhelmingly in one camp or the other. Look how lopsided it is. According to the latest state polls, California will go 51% to 42% for Senator **John Kerry** and Kerry leads in New York by 56% to 37%. President **George W. Bush** nails down his home state by a 57% to 33%. These are landslide numbers. Texas, New York and California are all but written out of the presidential voting equation.

But Texas is a key focal point when it comes to races for USHouse. You can bet the ranch the **USHouse will stay in Republican control**, no matter who is elected president. The GOP has an insurmountable margin already – 229-206. More than 90% of the incumbents are sure to be re-elected, as usual.

And Congressional races in Texas could make this GOP margin over the Dems even greater. Most national analysts say the most vulnerable incumbent Congressional Democrats are all in Texas – **Charlie Stenholm, Max Sandlin, Martin Frost, Nick Lampson and Chet Edwards.**

This is where you see the bottom line impact of the nasty battle over redistricting fought earlier in the Texas Legislature. **These five Democratic incumbents were all moved into districts where voters in the past have shown a strong Republican voting tendency.** However, hedge your bets on Stenholm and Frost. Even though both are running against incumbent Republicans in the newly-drawn districts, these veteran Dems have strong bases and well-financed campaigns.

The other area where all three states will ultimately manifest their power and influence over the presidency is money, the mother's milk of politics. When it comes to funneling massive amounts of *money* to the candidates, **Texas, California and New York will easily contribute more bucks to both presidential candidates than any other states.** Their influence and power will still be present during the election — and long thereafter.

By the way, you may have noticed **Ralph Nader** is nowhere near the factor in this presidential contest he was four years ago. He made a strategic decision not to run on the Green Party ticket this time and this has **cost him the opportunity to even be on the ballot in many states.** Now he has to collect signatures to be listed on many state's ballots and he's falling woefully short in state after state (such as Texas) as their deadlines come and go.

Finally, some national attention has been focused on a “David” Austin business, instead of a “Goliath,” like Dell. The analogy fits because the company is profiled in an article “How Small Businesses Are Competing Against The Big Chains – By Using Their Wits As Their Slingshots.”

Small retailers “successfully battling a beast, be it Starbucks or Home Depot or Wal-Mart” gained national notoriety in the September 2004 edition of *FSB* magazine. Austin’s **Waterloo Records and Video** was one of only five companies spotlighted. The article points to owner **John Kunz**’ successful fight, **joining with other business groups under the “Keep Austin Weird” umbrella**, to keep the City of Austin from paying \$2.1 million to help build a competing Borders chain store (with a huge records/video department) right across the street.

“Once the giant became a threat, Kunz’s was the second company to join the city’s oldest and most eclectic stores in forming the 150-store Austin Independent Business Alliance,” noted the national mag. “The idea was to promote one another’s stores, buy supplies from one another, and launch a **bumper sticker marketing campaign illustrating the benefits of buying locally.**”

And, through it all, Waterloo has done quite well. According to the article: “In a hypercompetitive market where some big music retail chains have gone bankrupt – Austin’s Tower Records outlet closed in mid-June – Waterloo has been **growing revenues at an average of 8.5% a year**, to more than \$6 million in 2003.”

The article also lists some qualities all the profiled companies have in common, including: focusing on a **niche in which they can excel**, making themselves distinctive in fact and in image to **appeal to customers who see themselves as independent thinkers** and yearn to shop outside the big box, and providing convenience and **friendly, well-informed service** often along with an element of theater.

Speaking of success, Dr. Louis Overholster likes to say that “If at first you don’t succeed – you are running about average!

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.

Sincerely



Editor/Publisher