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Dear Client:

The world's most successful discount airline carries more Austin air travelers – by far – than any other airline, and it could be poised to greatly expand its service area.

Dallas-based Southwest Airlines has a good amount of cash on hand and has a strong balance sheet. Contrast this with the four troubled airlines we discussed 9/10/04 – Delta, US Airways, United and Northwest. US Airways is in bankruptcy for the 2nd time and verges on going belly-up, shutting down and liquidating its assets. The law of the airline jungle is unmistakable: when the weak falter, the strong pounce.

But a weakened Delta may offer Southwest its best opportunity. Delta, you'll recall, is cutting back drastically to shave costs. It has announced it is pulling its hub operations out of D/FW. But, you say, Southwest doesn't fly into D/FW. It dominates close-in, quick-in/quick-out Love Field, logging a 97% market share.

It was reported this week that **Southwest could soon drastically change its culture and set up shop at D/FW.** When Delta gives up its D/FW hub, it will probably keep only about four of its 19 larger gates. The rest are up for grabs. And the D/FW airport brass is wooing Southwest. **The discounter would not abandon Love Field.** It would add *additional* service at the world's #3 airport.

If Southwest starts flying in-and-out of D/FW, it would be huge in terms of impact on the Austin air traveler. Under current law, Southwest is limited on how far its planes can fly from Love Field. There would be no limit on the distance Southwest could fly from D/FW. Austin air travelers could have a whole range of long-distance options, at low prices, open up under this scenario.

The biggest problem facing Southwest at D/FW involves one of its biggest profit-making points: a fast on-the-ground turnaround. The sprawling D/FW is notorious for its lengthy taxi times. Another factor is Southwest would need to add more Boeing 737's to its fleet, though used aircraft are probably priced relatively low these days. D/FW is not the only option for the low-fare airline. Southwest could also expand its reach in the northeast, especially in Philadelphia, where faltering US Airways has an enormous presence and Southwest operates only four gates. You get the picture. Southwest is properly positioned to take advantage of weaknesses in the US marketplace. And this could benefit the Austin air traveler.

Airline activity is expanding at Austin-Bergstrom International Airport, as passenger traffic is increasing – both good signs. However, you won't get whiplash from the speed these changes are occurring.

Probably the most important economic development for Austin is that the airlines – during such a difficult time – are **showing confidence in the Austin market by expanding their service at ABIA**. For instance, this month American Airlines begins new, nonstop service to Raleigh-Durham twice daily. Next month, Frontier Airlines will provide Austin to Cancun nonstop service three days a week. Earlier this year, America West began a nonstop to Las Vegas, and United began new nonstops to Washington Dulles and San Francisco.

To put this in Wall Street economic terms, these are “leading indicators.” These flights are being added in anticipation of a continued up-tick in travel at ABIA. So far, passenger travel at ABIA this year has shown a steady increase. The latest numbers indicate that, **for the year through August, passenger activity is up 7.4%. Solid, but not spectacular** – especially since the numbers are still below the record years of 2000 and 2001 prior to 9/11.

By the way, if you're looking for a quick getaway, Frontier is offering special fares to celebrate its new service to Cancun. For travel from 11/7/04 (when service begins) through 1/13/05, **Frontier is offering a \$99 each way fare for off-peak travel**. Off-peak *to* Cancun from Austin is Monday through Wednesday and *from* Cancun to Austin Monday through Friday. The peak days special is \$125 each way. The special fares must be purchased by 11/22/04.

While we're on the subject of travel, what about the record price of oil? What are the signs we need to watch to determine when/if the price will once again head south of \$50 a barrel?

One little-discussed factor is something no one, no matter how politically powerful they may be, can do anything about. We're talking hurricanes. This has been one of the most active hurricane seasons in years as far as the Big Ones are concerned. As they head toward Florida, there is always the possibility **hurricanes will roar into the Gulf of Mexico and play havoc with the US offshore oil operations there**. The threat of more hurricanes in the Gulf of Mexico will keep oil markets on edge until the hurricane season officially ends 11/30/04.

Hurricanes are just part of The Perfect Storm of factors contributing to high oil prices. There are very low supplies, though the Saudis have promised to increase production. But there are also production concerns in such diverse areas as Nigeria, Iraq and Russia.

Even though hurricanes are unpredictable, they flare up during a finite season. So, some predict **prices will drop after the season ends 11/30/04** and offshore production returns to normal.

One of the most important factors when families move from one area to another, or a company makes a re-location decision, is the cost of housing. How does Austin compare?

Each year Coldwell Banker Residential compares home prices in cities around the US. The type home the real estate firm singled out for comparison was a **2,200 sq.ft. home with four bedrooms and 2½ baths. It included a family room and a two-car garage.** The home was located in the typical middle-management neighborhood in each city surveyed. The firm suggests this is the sort of home and neighborhood to which an average family would move upon getting a new job or transferring to the city.

So how did Austin stack up? **Austin is more affordable than the national average, among the priciest in Texas, but not even close in price when you look at California cities.** You probably could have guessed this. But it's interesting to see the spread. This middle management home averages \$354,372 in the US.

The home described above would cost about **\$202,628 in Austin**, according to the Coldwell Banker survey. We ranked 2nd in Texas to Dallas, where this same home was priced at \$236,313. Other Texas cities: San Antonio, \$205,125 ... Plano, \$182,900 ... El Paso, \$174,667 ... Houston, \$173,512 and Ft. Worth, \$148,500.

But, California? Well, it is something else. Look again at the home described above. Remember it's only 2,200 sq.ft., etc. With that perspective, **in La Jolla, California this home costs \$1,708,333 – the highest of all the cities surveyed.** In Beverly Hills, it goes for \$1,313,750 and Santa Barbara for \$1,230,000, while you can buy the same house in Palo Alto for \$1,212,000. Lest you think the West Coast has a stranglehold on outrageous home prices for a modest middle-class home, the price in Greenwich, Connecticut is \$1,192,500. Those who are trying to create jobs in Austin by recruiting companies to the area should take notes.

Speaking of generating jobs in Austin, what about the effort to raise \$11 million to accomplish the goal of creating 1,400 new businesses in the area?

Called Opportunity Austin, the five-year, five-county economic development strategy launched about a year ago is within reach of its goal. Greater Austin Chamber of Commerce officials last reported **more than 200 investors have committed \$10.7 million so far.**

“While that sum represents significantly more money than has ever been raised for economic development purposes, it is **not a sufficient amount** to reach our budget needs for total implementation of the plan,” said the effort's chair, **Gary Farmer.**

The GACofC is not waiting for the total to be committed. It is already spending money “to make Central Texas competitive in the business of economic development.”

They're at it again. Watch out. Just in the past week, three different e-mails have targeted Austin computers – seeking to steal your identity, and your money.

We first alerted you on 8/20/04 that some personalized e-mails, purporting to be from a bank, were showing up on Austin computers. **They appeared to protect you against fraudulent activity, but were actually frauds themselves.** Well, the activity is now escalating, using different bank names and one of them is illegally using the bank's logo to make the communication look more official. But the tip-off is they all use similar wording.

The thieves, purporting to be from Citibank, have now **stolen Citibank's service marks of "Citi" and "Citi with a red arc" design.** Their e-mail address also looks official – Citibank.com. (Citibank's real Web site is simply Citi.com). This week, three different e-mails were sent to Austin, hiding behind the Citi name.

Sadly, we were correct last August when we predicted "you can bet the good names of other banks will also be used." **Now, the same scam is using two other banking institutions' identity to steal the identity of Austinites.** One purports to be from Chase Merchant Services, the other from Sun Trust Bank.

The language, though, is eerily similar on most of them. They ask for you to "sign on immediately" to the hyperlink they provide "in order to safeguard your account" and "confirm your banking details." Then, there is a threat to the recipient: **"This process is mandatory, and if not completed within the nearest time your account may be subject to temporary suspension."**

Have you ever told someone to complete a task "within the nearest time?" Of course not. This is a phrase that would only surface if someone is trying to translate a foreign language into English – another tip-off that **this is a fraud.** If you have any questions about whether such an e-mail may be correct, contact your bank directly. Do *not* click on the hyperlink in the e-mail.

Dr. Louis Overholster says ballots should be in Braille – for voters who can't see the difference!

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