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Dear Client:

The next governor of Texas will be *ratified* in the General Election November 2006, but the winner will be *determined* a little more than a year from now. And the person considered one of the favorites today may have a rougher row to hoe than many believe.

For decades and decades, Texas was a one-party state. Democrats were the dominant party, holding every single statewide office. During the Democrats' dominance, the November General Elections were totally one-sided. **If you were a Democrat, you were elected.** As a result, the spring primaries were often bloody as Democrats picked their nominees.

The pendulum has now swung to the other side and Republicans hold all statewide offices. Consequently, the GOP primary next spring – especially in balloting for governor – could be unusually brutal. Right now, you have three of the strongest statewide officeholders making noises about wanting the top job. And US Senator **Kay Bailey Hutchison**, Governor **Rick Perry** and State Comptroller **Carole Keeton Strayhorn** all have multi-million dollar campaign war chests.

For more than a year now, we have pointed out Hutchison's strength. **She has consistently topped Texas political popularity polls** (85% recently) and has let it be known for years she would like to be governor of Texas. Most political observers say she would be a formidable foe. Having said that, you need to delve a little deeper into *where* the race will be run.

Her biggest problem is the race that counts will be run in the closed-door GOP primary. **The winner of the GOP primary will probably be the candidate who can best energize the hard-core Republicans** – the ones most likely to trek to the polls. Perry, whose popularity among Republicans is in the 70+% range, has been shoring up his GOP base for months now. And his track record, for the most part, is appealing to the more conservative Republicans.

Take just one example – abortion. Hutchison's position is more moderate and would appeal to a broader base in the General Election. How much it would appeal to the more conservative voters in the GOP primary is another question. Toss in the wild card, Strayhorn, who has carved out her own niche of GOP supporters, and you can see why, when you go beneath a surface analysis, **a GOP-only contest between Hutchison, Perry and Strayhorn is a tougher call.** If all three decide to run for governor, fasten your seat belts.

What about the liberal radio network started last year to compete with conservative commentators such as Rush Limbaugh and to, as some say, topple President George W. Bush? How's it doing?

After ten months of operation, the struggling experiment called **Air America** a) **burned through its initial \$20 million investment**; b) a few months ago raised another \$19 million; c) is conservatively projected to lose about \$7 million this year; d) is looking for its 3rd CEO; and e) the top rate for one ad on the fledgling network is \$400 compared to \$5,000 on Limbaugh.

But... it has signed up enough radio stations it could soon reach the “tipping point” of covering 74% of the US population, which should trigger more ad revenue. Air America recently **added Los Angeles and Washington DC to its network and now reaches 54% of the nation.**

However, the verdict is still out on the network that many say was formed as a political campaign strategy featuring liberal, anti-Bush commentators such as **Al Franken**. Critics suggested Air America would fold after the election when it would need to rely on ads for medical products, instead of campaign ads. However, **the network is anticipating more anti-Bush issue ads will soon be generated**, financed by groups such as AARP and AFL-CIO, providing a much needed revenue infusion. Stay tuned to this continuing radio drama.

What's this? Austin “messaging” in Round Rock's business. The times are a-changing.

A school bond election in the Round Rock Independent School District has generated some opposition. Normally those who are “for” and “against” school issues are those with children in the district, teachers, local property owners, etc. While this is true in the upcoming 3/5/05 election, the **Greater Austin Chamber of Commerce has joined with the Round Rock Chamber to support the passage of the propositions.**

The rationale? “The Greater Austin Chamber's Opportunity Austin initiative clearly identifies education and workforce development as being **fundamental to economic development in the Austin region**,” said GACofC Chair **Kirk Watson**. “We must educate our young people today in order to assure an educated workforce tomorrow.”

The key words in Watson's statement are “Austin *region*.” Some time ago, the GACofC changed its name and focus from “Austin” to “Greater Austin.” Initially this simply meant if a company couldn't find a space to locate in Austin, the GACofC would help find something *close* to the city limits. The 5-year “Opportunity Austin” fund-raising effort **encompassed five counties** and now the Austin Chamber is lending its weight behind issues in other cities and counties, if it feels the issues impact economic development. The results will be interesting.

The muscle-bound Ford F-series and Chevy Silverado trucks that dominate the roads you drive will soon be in a head-on sales collision with a formidable made-in-Texas competitor.

No matter what they say, Ford and Chevy have got to be worried about losing some highly-profitable business in an area where all they previously worried about was each other – and there was plenty of business to go around. Now, Toyota Motor Company is going to use its still-under-construction plant in San Antonio to **engage the long-dominant US truck-makers in a gloves-off sales battle**. And if you're in the market for a truck, you will be the beneficiary.

How serious is Toyota's attack on the truck market? "We are on a serious mission to build big-truck market share that will match our strong car performance," **Jim Press**, Toyota's top exec for US sales was quoted as saying at the 2004 North American International Auto Show, held in the lion's den of Detroit. One auto industry consultant, California's **George Peterson**, said this statement was "**the most overt challenge Toyota has ever made** to its competitors in the North American automotive market."

"Toyota is an engineering company capable of producing products with outstanding quality and longevity, if not inspiring style," Peterson observed. "More important, **Toyota is a financial powerhouse with fiscal resources so deep it could purchase outright several of its largest competitors — out of the petty cash drawer**. Toyota's deep pockets allow it to try things other less flush car companies cannot." Strong words about a strong company.

"Trucks have contributed mightily to Toyota's success in North America," said Peterson. "The Tacoma, now more a midsize pickup than a compact, has been a steady success. The current Tundra may be a 98% full-size pickup, but **the products being developed in Toyota's new Texas truck plant promise to be in the 105% range**." Fair warning to Ford and Chevy.

This means two things to you. As mentioned above, if you're in the market for a truck in the future, you will benefit from more competition – **better products, better pricing** from Ford, Chevy and Toyota. If you could care less about getting behind the wheel of these powerhouses, you will still be impacted by Toyota's commitment to make its San Antonio plant, just down the road on IH35, the centerpiece in this battle of the behemoths, an economic development coup.

Also Austin area business and civic leaders continue to **court companies supplying Toyota** to locate in the Central Texas area, thereby creating jobs here.

Saying Toyota's "cash, engineering capital, manufacturing expertise and well-developed marketing savvy" fills its competitors "with icy cold fear," Peterson also notes "the fear may come from **Toyota being the wealthiest and arguably the most powerful automobile company on earth**."

Austin area golf courses, once among the crown jewels of the state, are slipping in their prominence as others around the state are gaining more accolades.

For the past 17 years, *The Dallas Morning News* has assembled a panel of pros, amateurs and others in the industry to rank the Fifty Best Courses in the state. This year, there were 92 panelists. **In years past, Austin area golf courses have ranked #1, #2, #3, #4, #5 etc.** This year *only two* Central Texas courses cracked the Top Twenty, at #12 and #20.

In the 2005 rankings, **Barton Creek/Fazio Foothills** claimed the #12 spot (in previous years it was a fixture in the Top Five, ranking #1 in 2000) and **Barton Creek/Canyons Course** held down the #20 spot. Three others were in the “Third Ten”, ranked alphabetically – **Austin Country Club, Horseshoe Bay/Ram Rock** and **Spanish Oaks**. The top-ranked course was the Dallas area’s Vaquero.

The “Fourth Ten”, listed alphabetically, included the **Austin Golf Club, The Hills Country Club** and **The University of Texas Golf Club**. Rounding out the alphabetical listing in the “Fifth Ten” were **Barton Creek/Lakeside** and **Horseshoe Bay/Applerock**.

Other area golf courses that once were among the elite, but are **no longer listed in the Fifty Best**: Cimarron Hills, Georgetown ... Horseshoe Bay/Slick Rock ... ColoVista, Bastrop ... Barton Creek/Crenshaw-Cliffside and Onion Creek.

But the beauty and challenges of the Hill Country still command the respect of the state’s golfers. **Four of the best 18 golf holes are in our area**: Barton Creek/Fazio Foothills claims two (#9 and #18), and #11 at the Austin Country Club and #7 at The Hills are the other two. As for *beauty*, Austin wins hands down. **Half of the 18 most picturesque holes in Texas are in the Austin area**. Austin golfers still have bragging rights with a wide variety of good courses.

Dr. Louis Overholster points out some parents of the babies he delivers have a difficult time naming their child – but others have rich relatives!

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