

Volume 26, Number 50

March 25, 2005

Dear Client:

For several decades, civic battles over the protection of Barton Springs and the Edwards Aquifer have waged throughout the Austin area. The fight continues, but with a different intensity and tone.

In years past, the shouts at the protest rallies at times seemed to drown out logic and reason. **Acrimony was the order of the day. Polarization was the result.** One side was accused of wanting to pave over the springs and the aquifer, the other was labeled as willing to do anything to stop the natural growth of Austin. Some of those involved back then are still active, but, oh what a difference decades make.

Take **Daryl Slusher** as an example. Early on, he was out-front on the side of the environmentalists, writing scathing, anti-developer/growth articles in his own newsletter (*The Daryl Herald*) and the alternative weekly, the *Austin Chronicle*. In recent years, he's wearing a suit as he wraps up several terms on the Austin City Council. But he's still active in the city's seemingly endless environmental battles.

As an example, in the final few months of his service on the Council, he is proposing three modifications to the region's transportation plan. He wants **improved water quality controls** during and after highway construction. He is suggesting **more land be purchased** over the Barton Springs zone for environmental protection. And he is suggesting **scaling back the proposed expansion of Loop360 from eight lanes** to keep it at four lanes.

These are the same sorts of issues that have been on the table for decades. As Slusher says: "For some 30 years a struggle has been fought out in the Austin region over the direction of growth." And he notes that "as this region faces another doubling in population it is more critical than ever that further steps be taken to protect these precious resources."

Yet Slusher's proposals are not the subject of fist-waving rallies. In fact, they are marked by a reasoned tone, as he notes the inevitability of growth. For instance, when he recommends downsizing the Loop360 expansion, he suggests a study to eliminate many stoplights on the throughway, to handle increased traffic.

It remains to be seen whether any of his proposals are accepted. But it is interesting to note the change in tone in environmental battles that, in the past, almost rent asunder our community.

When we told you 3/4/05 the GOP primary campaign for Texas governor next spring “could be unusually brutal,” we should have added “so will the run-up to the campaign.” Hang on!

One of the oldest political strategies in the business is to **do all you can to force a potential opponent out of the race** before they actually go past the point of no return and formally file for the post. Many consultants will argue this is the **wisest money you can spend**, because even if your efforts fall short and you end up in a contested campaign, your opponent will have been battered so much the ultimate race will be easier. Governor **Rick Perry** is taking pages out of that playbook as he seeks re-election.

According to news reports this week, Perry’s campaign hired a crew to shoot some video of his potential opponent USSenator **Kay Bailey Hutchison** when she appeared at a public event with that anathema of conservative GOP-ers, USSenator **Hillary Rodham Clinton**. The brief video (wherein Clinton said something nice about Hutchison) was then sent via the Internet to hard-core Texas Republicans.

Perry campaign director **Luis Saenz** at first denied having anything to do with the video, but then later admitted it, with this verbal shot across Hutchison’s bow: “News flash! Potential opponents trashing my governor are not going to get a free ride.” As if this wasn’t enough of a warning, Saenz also said “**We’re being very aggressive in everything we do and you ain’t seen nothing yet.**”

Unless you happen to be a deep pockets Republican with solid right-wing credentials, you probably won’t see all that is going on to try to force Hutchison out of the race for governor. If you are, you will be getting a lot more messages – such as the Clinton video – the general public will never see in this political behind-the-scenes slugfest. Additionally, some GOP heavyweights who have supported both Perry and Hutchison in the past are **lobbying Hutchison to stay out of the race**. There is more to come because, as Saenz says, we “ain’t seen nothing yet.” What we *will* see is whether this old political ploy works this time around.

The price of gasoline isn’t the only item going up. Get ready for a round of postage hikes.

And it won’t be just one increase with a long time before the next one goes into effect. The US Postal Service is easing into a big hike. Beginning next year, the price of a **first class stamp goes up from 37 cents to 39 cents**. And coming soon thereafter – the next year, 2007 – the price of first-class postage takes an even bigger jump, **all the way up to 42 cents**.

Over the span of two years, your first class postage will have increased by a nickel. **Other mail, by the way, is in for a bigger increase**. We’re talking about such items as overnight mail, magazines and catalogs, etc. The costs for these items will all increase at a percentage greater than normal first-class postage, varying by category.

Dallas-based Southwest, the airline that carries (by far) more Austin travelers than any other carrier, chomped off a big competitive bite when it started serving Philadelphia last year. So, how has it digested this new market?

Last year (3/19/04), we gave you a heads-up on Southwest Airlines' plans to start serving the first city dominated by another airline since it started serving Baltimore more than a decade ago. **We told you at that time "the competition won't be pretty."** The no-frills, low-cost carrier then started service in Philadelphia 5/9/04.

So, after ten months of bringing Philadelphia the same service Austin air travelers have almost taken for granted, **how has Southwest stacked up?** Is it performing as it does in other cities? **What has happened to air travel in Philly?** Is overall passenger traffic up or down, during this extremely difficult period for airlines? The answers are impressive.

"Airlines have been dropping faster in Philadelphia than in any other big city, fueling a boom in traffic at the congested airport there," reported *The New York Times*. Following Southwest's first flight to Philly, "after holding steady for six years, the number of travelers passing through the airport rose more than 15% last year to 28.5 million," *The Times* continued.

"Before Southwest came along, Philadelphia was an expensive airport, with fares about 20% higher than the national average," according to the *NYTimes*. **"But fares have fallen to slightly less than the national average,** as measured in dollars per mile."

"The latest survey by the Bureau of Transportation Statistics found **airfares in Philadelphia dropped more than 15%** from the 3rd quarter of 2003 to the 3rd quarter 2004. In the New York-Newark market, fares fell less than 3% during that period," *The Times* reported.

In fact, **Philadelphia International is now attracting more passengers for domestic flights than any of New York's three major airports** – LaGuardia, Kennedy International or Newark Liberty International. To give you an idea of how travelers are changing their habits, the *NYTimes* told about one resident of Manhattan who was making a two-hour round-trip to Philly, via bus, to fly to Arizona and still saving \$100 on the total cost of his trip.

The travel industry has a term for all this – **"the Southwest effect."** When Southwest Airlines (many call it "the king of the low-fare carriers") arrives in a new city, it **drives down airfares and adds traffic** to the market.

It will be interesting to see what happens now to Philadelphia's dominant air carrier, the troubled USAirways. It was **forced to match Southwest's low fares and suffered a service meltdown** last Christmas that left almost 50,000 passengers stranded. As we said a year ago, "the competition won't be pretty." And it's a lot uglier for USAirways than it is for Southwest.

You may not be aware, but Austin will soon be book-ended by two first-class luxury hotel resort complexes. One has just opened; the other is about a year away.

The resort to the *west* opened just a few months ago. It is Marriott's first and only resort in Texas and is called the **Horseshoe Bay Resort Marriott**. The 349-room hotel and conference center overlooks picturesque Lake LBJ and boasts 22,000 sq.ft. of unique indoor and outdoor spaces. In addition to four resort pools, 2 pool bars, a marina, and a full-service spa and fitness facility, guests at the resort have **access to three highly-regarded Robert Trent Jones Sr. golf courses** adjacent to the 32-acre complex.

The newest resort is under construction to the *east* of Austin. The **Hyatt Regency Lost Pines Resort & Spa** is nestled alongside the Colorado River and McKinney Roughs Nature Park near Bastrop, 13 miles from Austin-Bergstrom International Airport. The resort will feature a 30,000 sq.ft. spa, eight restaurants, live music lounges and an outdoor amphitheater.

Hyatt is building its own 18-hole golf course and a **private water park for kids and teens** featuring a lazy river, three pools, waterslides and ice cream parlor. For conventions, the hotel will offer 65,000 sq.ft. of indoor meeting space, complete with a 16,000 sq.ft. ballroom. It is scheduled to open Spring 2006.

Elsewhere in the area, on a lesser scale of luxury, but still catering to meetings, an **11-story, 250-room Embassy Suites hotel and conference center** is going to be built on 203-acres to the *south* of Austin at IH35 and McCarty Lane. It will be a joint project of the city of San Marcos (investing \$15 million in a city conference center) and the hotel (\$40-\$50 million investment by John Q. Hammons Hotels). Ground-breaking is set for year-end 2005.

After looking at many of those who came to Austin for the South by Southwest music festival last week, **Dr. Louis Overholster** pointed out a new study found tongue piercings and lip rings can seriously increase your risk of infections and tooth loss – “but not as much as *dating* someone with tongue piercings and lip rings,” he added.

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