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Dear Client:

The bit of a breather you've had from politics is coming to an end. The party primaries held this week, lackluster though they were, are just a political tune-up for what's coming up.

The just concluded primaries were boring, dull and utterly lacking in passion. The only real contest on the ballot was on the Democratic side of the ledger. But none of the Dem candidates for governor spent enough money to stir up the electorate. Oh sure, you've seen some sniping and posturing here and there. The governor's race, with independent wannabes **Carole Keeton Strayhorn** and **Kinky Friedman** scrambling for a little limelight, has kept the primary season a little lively. But you ain't seen nothin' yet.

In fact, the next couple of months will assault your senses just enough to get you ready for the fall political rampage. **It's going to seem like you're being hit with political wave after wave washing over you.** Consider.

Candidates who want to serve on **your City Council or your School Board** are going to be asking for your money and spending your money to tell you why the earth will stop turning on its axis if they are not elected. **Election Day is May 13th** (no, it's not *Friday the 13th*; Election Day falls on a *Saturday*).

This is not all that will be on the 5/13/06 ballot and, therefore, competing for your attention. The Save Our Springs alliance has been scraping up signatures to seek **limits on development in the Barton Springs watershed** and to force the city to put everything – I mean, everything – it does on the Internet at a humongous cost to taxpayers. Those emotional issues will compete for your attention.

And, all the while this is going on, your governor will call a special session of the legislature to, one more time (how many times is this?), try to solve the school finance issue. **Translation: get ready for major changes in the way, and how much, you are taxed.** The Texas Supreme Court has given the legislature until June to solve this problem. Talk about a political sticky wicket. Every Texas House member's seat and half of the Texas Senate seats will be on the fall ballot. Talk about the chance for red-hot rhetoric and even a little bit of demagoguery!

In a recent national magazine ad, Toyota (the auto manufacturer getting ready to dump massive numbers of Toyota Tundra pick-up trucks on Texas from its new San Antonio plant) bragged about how much its US plants have been expanding beyond their initial size and employee base.

When Toyota selected San Antonio as the site for one of its US manufacturing facilities, it was trumpeted everywhere (including this publication) as a **major economic development coup that would create a large number of jobs at its plant** and would attract suppliers who, in turn, would create more jobs for Texans. So far, this has been the case.

Now comes another interesting insight into Toyota's business philosophy. Toyota, soon to surpass Ford in size, touts the fact it has **invested \$13 billion to build 10 plants in the US** (San Antonio being one of them) and this has created approximately 386,000 new jobs (this includes direct, dealer and supplier employees).

A full-page, full-color ad running in select national US business magazines, highlighted its plant in tiny Buffalo, West Virginia, that has **expanded five times in the past nine years**. The headline on the ad was "The Story of the Plant That Never Stopped Growing."

While no mention was made of San Antonio or any of its other plants in the US, the Toyota ad commented "**quite a few of Toyota's plants are growing**" and concluded it is "**a story with no end in sight**." Hmmmm. Toyota seems to be signaling, without a commitment, that it is always open to expansion consideration – which would help the Central/South Texas economy if such an event took place in San Antonio. (Here we are talking about expansion and the Alamo City plant hasn't even opened yet. But that's what we are here for: to try to anticipate what may happen to keep you ahead of the curve.)

Austin's national reputation as a moviemaker's paradise continues.

For some time now, more bucks have been spent in Austin than any other Texas city on film productions. Austin's reputation as the "Third Coast" for filmmaking gives us a look at many projects. And Austin has snagged quite a few of those where it had a shot. **The city's national reputation as a film making center is the key.**

In the winter issue of *Moviemaker* magazine, Austin, once again ranks near the nation's top spots for movie making. "**In the six years we've been ranking the best places to be an indie moviemaker, the city has cracked the top five every year without breaking a sweat**. But, unlike what you may hear about those laid back Texans, popularity has not bred complacency with these folks. Each year, the Austin Film Commission manages to outdo itself in bringing exciting new programs and initiatives to the city, from the smallest to the biggest."

In 2005, home-grown Dell Inc. was ranked as this nation's "Most Admired" company. This year, it fell to #8. What happened and what is Dell doing about it?

The "most admired" list compiled by *FORTUNE* magazine is the **definitive report card on corporate reputations**. The list starts with the companies ranked on the *FORTUNE* 1000 and the top foreign companies operating in the US. Then, 10,000 executives, directors and securities analysts are asked to select the ten companies they admire most. Dell popped to the top as the #1 company in 2005; Wal-Mart was #1 in 2004 and 2003. **This year, General Electric emerged as the Most Admired Company**. Wal-Mart dropped to #12. Joining #8 Dell in this year's Top Ten was **Dallas-based Southwest Airlines at #3**.

So what happened to Dell's reputation this year in the minds of the business leaders and analysts who were surveyed. *FORTUNE* blames it on "**slowing growth, missed earnings targets, and a half-billion-dollar write-off for a botched batch of products.**" In fact, Dell this year did not make the top half among companies in the computer industry.

On the other hand, **GE became the most admired company in America for the 6th time in the past decade**. Yet, GE is not the biggest or most profitable. It's not the fastest-growing or most valuable. Its stock has been practically inert for years. In fact, allegations of managed quarterly earnings keep showing up in the press. What's to admire? The answer lies in the fact the poll does not survey consumers, but *business people working in the same hard world as GE*. As *FORTUNE* put it, "They admire GE the way golf pros voted Tiger Woods Player of the Year in 2003 when he didn't win a major championship or top the money list: **Through good years and bad, GE consistently does things the rest only wish they could.**"

So, the execs at Dell – never to be confused with dummies – are taking notes on GE's operations. Dell revolutionized the manufacturing industry with its "build-it-when-it's-ordered-and-deal-directly-with-the-consumer" business model. But it is also **looking at GE's leadership and management model** – and learning from it.

"About three years ago, **Michael Dell** and I met with GE management and discussed their leadership development programs," said **Kevin Rollins**, CEO of Dell. "We knew that at Dell we were not growing our own leaders fast enough. We were having to hire from outside – and that demoralized our internal folks."

"**What makes GE the gold standard is the consistency of performance over a very prolonged period. We wanted to study GE's model.** So we sent an executive to go through the GE training program, then created a course tailored for our people. It has worked amazingly well," Rollins noted. "We have maybe 15 or 20 people in each course, once a year. They're taken offsite for two weeks and are immersed; it's all executive-taught. They come away with renewed energy to be a great leader but also renewed appreciation for the fact that Dell wants them to do well." Incidentally, GE is a major customer of Dell.

It's a good thing most of us are not trying to get into UTAustin these days. Students are getting smarter and their national test scores show they are among the nation's elite.

One of the yardsticks used to measure an institution of higher education is the quality and brilliance of its students. And one way institutions gauge the intelligence of the students is through the high school records of entering freshmen.

The crème de la crème of high school graduates are named National Merit Scholars. National Merit Scholarships are awarded to US high school students based on their applications and standardized test scores. There are about 50,000 applications for the scholarships each year and only about 8,000 are selected to receive the awards.

So, where does UTAustin rank using this measure? **UTAustin enrolled the second highest number of freshman National Merit Scholars in the nation** for the 2004-2005 academic year, according to the National Merit Scholarship Corporation's annual report.

UTAustin enrolled 262 freshman National Merit Scholars, trailing only **Harvard University, which had 287. Yale University, with 232,** ranked third. How did UTAustin's 262 compare with the previous year? In 2003-2004, UTAustin enrolled 242 freshman Merit Scholars.

Speaking of university rankings, the *Kiplinger* personal finance magazine each year lists the nation's "100 best values in public colleges." **UTAustin ranked #27 among public colleges nationwide.** *Kiplinger* measures a range of factors, including academic quality, affordability, SAT/ACT scores, student/faculty ratios and graduation rates.

Dr. Louis Overholster (whose college career included the credo, "the sooner you fall behind, the more time you'll have to catch up") points out everyone has a photographic memory but some just don't have any film!

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