

THE

Neal Spelce

# AUSTIN LETTER

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Dear Client:

**No matter how you feel about toll roads in Texas, you need to accept they will be a fact of your future traveling life – especially when you consider the economics.**

Let's paint a picture for you that differs only somewhat from reality. Let's say you are one of many state officials charged with trying to come up with money to **build highways in a huge state that is growing like wildfire**. Revenue sources, you feel, are pretty much tapped-out, unless you want to face the political wrath that comes with raising taxes.

Then one day, these guys walk into your office and say "Have we got a deal for you! **How would you like for us to put up several billion dollars of our own money to pay for everything to build this 90-mile roadway** from IH35 north of Georgetown, down past Austin, to IH10 in Seguin? It'll reduce congestion on IH35, enhance safety, expand economic opportunity throughout the area, improve air quality and, oh yeah, it'll increase the value of transportation assets because even though we'll take the risk, **the state will still own the roadway.**"

**Well, what about buying all the land needed for the right of way?** "We'll do that, too," they tell you. "This will really help the counties involved such as Travis, Hays, Williamson and Caldwell. And, I tell you what, we'll even give you an **up-front concession payment of tens of millions of dollars** you can use for other projects in the Austin-San Antonio area."

Sounds pretty good. But is this all you deep-pockets guys can do? "Well, okay, since we're going to get a great return on our investment by charging a toll only to those who use the roadway, **we'll give the state some of the toll money too** – and we'll start by sharing the first dollar collected. In fact, if our projections are on target, the state could get about **\$1.6 billion over the next 50 years in toll revenue**. And, of course during those 50 years you won't have to do a thing, because in addition to the financing, we'll **handle all the design, construction, operation and maintenance**. Just sign right here and we'll get started."

Such a deal. The private company, Cintra Zachry, says SH130 will be **open to traffic in 2012**. If this project is as successful as state officials believe it will be, **public-private partnerships** should become the **wave of the future** for major highway projects in Texas. You can see why.

## **Speaking of travel construction, here's what is happening at Austin-Bergstrom International Airport (ABIA) on all the construction underway inside the terminal.**

Three major improvement projects are underway at the same time – and all three involve some aspect of your air travel experience. The **checked-bag screening** is moving, new **escalators and elevators** are being installed and old ones upgraded and easier-to-read **flight information monitors** are being put into place.

The checked-bag screening process should be moved out of the terminal ticketing area by the end of the summer. A new luggage conveyor system has been under construction (mostly out of your sight) for the past year. What will the new system be like? Just like the good ole days – **leave your checked luggage with the ticket agents as you did prior to 9/11/01.**

JetBlue Airways, United Airlines and USAirways/America West have already converted to the new system. The others should follow in the next few weeks. What will happen to the current ticketing area screening machines when the new automated screening process takes over? The Transportation Security Administration will ship them to other airports.

**A recently-installed escalator is visible in baggage claim** and, when it is certified, it should be open sometime this summer. At that time, the west escalator will be closed for upgrade to “industrial grade.” **Four new elevators will be installed** and existing elevators upgraded to zip you up and down faster. This project will probably continue until March 2007.

**New, larger, easier-to-read flat panel monitors are being installed throughout ABIA.** The new monitors are replacing older, smaller models located at areas such as baggage claim and the flight information display banks located near Gates 9 and 13. Viewing flight information should be much easier – and quicker – as you run to your gate.

Speaking of dashing through the airport, there is a new grab-it-and-go food and beverage service that has just opened at ABIA. And, instead of being lumped-in with all the other food/beverage service establishments *across* from various gates, the **Mangia Pizza airport restaurant has opened between Gates 12 and 13.**

Whole pies and slices are offered for eating in the airport or are packaged “to go.” The stuffed pizza slices for “to go” consumption come in pie-shaped boxes. **Beer, wine and soft drinks** are also offered by Austin-based Mangia pizza.

Pizza's not just for lunch or dinner anymore. The home-grown pizza operation is also offering **breakfast pizza, such as bacon and egg or apple/cinnamon**, for those rushing to catch an early-morning flight. (Now you don't have to grab cold, leftover pizza out of the fridge!)

**As you know, Texas touts its advantages over other states when luring job-creating companies to the Lone Star State. But what is little known is the extent of the advantages some of the new companies enjoy over businesses already located in Texas.**

Take Toyota and General Motors. GM has been building cars and trucks in Arlington for a half century. Toyota plans to roll its first new 2007 Tundra pickup truck off its San Antonio assembly line later this year. **And, my-oh-my, does Toyota have the advantage in Texas!** Of course, it's almost axiomatic that a new plant starting with a blank sheet should have efficiency advantages over a 50-year facility that has been modified time and time again. But there is more to the Toyota advantage than this. Consider:

GM is operating under a national labor union agreement with the United Auto Workers and, as a result, its **hourly labor cost for 2,800 UAW workers**, including benefits as well as pension and retiree medical costs, is **\$81.18**. Toyota, on the other hand, is using non-union labor and won't have any direct retiree costs for many years. Its average **hourly wage cost for 1,600 non-union workers is less than half that of GM — \$35**.

With each plant producing about 200,000 vehicles a year, **GM's labor cost per vehicle is \$1,800, while Toyota's labor cost per vehicle is only \$800**, according to *The Wall Street Journal*. So, if the San Antonio factory does no better than match the Arlington plant in productivity, it could still enjoy a labor cost advantage of about \$1,000 per vehicle.

We mentioned a newer plant can offer more efficiency than an older facility. Toyota's modernized and highly-automated manufacturing plant in San Antonio plans to turn out as many vehicles per year as GM, but in only **2.2 million sq.ft. of work space, compared to GM's 3.75 million sq.ft.** Arlington is doing a great job for GM – it is the country's most efficient large SUV plant. But a new plant normally trumps an older plant. Advantage Toyota.

The incentives given to Toyota to locate down IH35 from here are another benefit for Toyota. "The state gave a total of \$133.25 million in direct incentives, including a reprieve from utility bills and a discount on property taxes, along with road improvements worth \$57 million. The city, along with other agencies, spent \$18 million screening 100,000 job applicants for the plant," reported the *WSJ*. **"The direct incentives alone, averaged over roughly one year's production, amount to more than \$600 per vehicle in savings for Toyota."**

**How does GM feel about those incentives?** The manager of the GM plant in Arlington is quoted as saying **"The appropriate word for how I feel is 'disappointed.'"** He also pointed out GM spends \$280 million a year in payroll and \$1.6 billion a year to suppliers in Texas. The euphoria generated by Toyota's economic impact in Texas is tempered somewhat by its impact on a similar facility that has been in Texas for fifty years.

**Can current UT Austin students ever realize how unbelievably spoiled they are? A comparison to Shangri-La may not be too far-fetched when you look at some recent campus changes.**

Think back to your college days. In the midst of your campus, were there three outdoor swimming pools – **a 12-lane lap pool, a sports pool with volleyball net and basketball goal, and a leisure pool?**” Avrel Seale, editor of the UT Austin alumni magazine, *The Alcalde*, continues: “Moore-Hill, formerly the dog of UT dormitories which didn’t even get AC until the 1990s, is now probably the hottest ticket in campus housing, as its west-side rooms directly **overlook the ‘Spring Break in Cancun’-like scenery.**”

“In the shady Poolside Café, a student plugs his laptop into the Internet jack on the plaster column next to his table. It’s a cloudless Austin day, and ripped dudes and lithe coeds brown themselves and pretend not to stare at each other from behind their sunglasses while **water spills out of the stone wall into the pool** and Top 40 hits are piped out softly over the water,” Seale writes in the July/August issue.

The new swim area isn’t all that’s changed. Recall registration? “Now, practically everything a student needs to do can be done on the Web,” notes Seale. “**There’s hardly any reason for a student to stand in line anymore, unless, of course, the sushi bar is especially busy.**”

“Yes, I said sushi. Even the Jester Cafeteria – once the very essence of mass-produced institutional chow – was several years ago transformed into a sort of food court with stained concrete floor, brushed steel fixtures, and hip meal choices. Across the hallway? **A full-fledged sushi bar! I kid you not!**” he exclaims.

No wonder most students take more than four years to graduate. “**What, pray tell, is their motivation for graduating** and leaving all this,” asks Seale, only a bit tongue-in-cheek. “Most of them are in for a rude awakening, moving from this scene to ratty one-bedroom apartments.”

**Dr. Louis Overholster** says there are three ways to look good at a swimming resort: lose weight, work out — or carry a beach towel the size of Padre Island!

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