

THE

*Real Spelce*

# AUSTIN LETTER

[www.AustinLetter.com](http://www.AustinLetter.com)

P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail [News@AustinLetter.com](mailto:News@AustinLetter.com)

Volume 28, Number 15

July 14, 2006

Dear Client:

**The economic benefits from Texas state parks far exceed the cost to operate them. So why does funding for the parks fall short of what is needed to make them even more productive to the economy?**

This is a question that will be addressed when the Texas State Parks Advisory Committee meets in Austin today. The Committee now has an exhaustive study in hand that outlines the economic value of 80 state parks across Texas (more than 11,700 park visitors were interviewed). “Our research proved state parks attract non-resident visitors to local areas,” said lead researcher **John Crompton**, a professor with TexasA&M’s Department of Recreation, Park and Tourism Sciences. “These visitors spend money locally, and **this new money from outside the region creates income and jobs for area residents.**”

The 80 state parks in the study generated an estimated \$793 million in sales, \$456 million impact on residents’ incomes and an estimated 11,928 jobs. Only expenditures from park visitors *outside* the host counties were measured.

For instance, out-of-county visitors to **Travis County’s McKinney Falls State Park** had a \$2,624,305 impact on sales and \$1,662,978 impact on personal income, as they also spent money for shopping, lodging, groceries, food & beverage, etc. while they were in the County.

To the west, out-of-county visitors to **Enchanted Rock State Park in Gillespie County** had a \$3,326,038 impact on sales and \$1,348,728 impact on personal income. To the east, out-of-county visitors to **Bastrop State Park in Bastrop County** had a \$2,553,321 impact on sales and \$1,100,956 impact on personal income in Bastrop County.

“State parks are analogous to retail stores,” said Crompton. “Economic success depends on what happens inside the facility. **Investments in park services and amenities thus mean more visitors and higher per capita expenditures**, which equals higher revenues to the state and more jobs and income for local residents.” The Texas Coalition for Conservation, headed by **George Bristol**, funded the \$100,000 study. It’ll be interesting to see if the Advisory Committee uses the results of this study to seek more funding from the Texas Legislature and/or seeks alternative sources of funding for state parks.

**Austin hotel operators have come through some difficult times, what with the 9/11/01 travel fallout and all, but now they are sitting on top of the Texas heap.**

Midway through the year – with a record summer convention schedule still ahead – **Austin leads the state in year-to-date hotel occupancy, at 71%**. In addition to this significant increase in overnight stays, local hotels are also charging higher average room rates per night.

The latest report from Smith Travel Research indicates a **positive turn-around for the city's hotel market**, particularly when compared to other major Texas cities. The year-to-date rate for San Antonio is less than Austin's at 69.7%. Houston and Fort Worth are both slightly more than 68%, and Dallas comes in just under 64%.

“While we're leading the state, our market still has not recovered to where it was in 2000 when we finished the year with 75% occupancy,” says **Bob Lander**, President/CEO of the Austin Convention and Visitor Bureau. **“But business looks good, particularly as we enter one of our busiest convention months of the year.”** Nearly 50,000 people are expected to attend conventions in July, which is traditionally a slow month for meetings in Austin.

**The latest compilation shows May 2006 reflected a 10.5% rise in hotel occupancy** – from 67.3% to 74.4% in 2006. Just as importantly, the **average room rate in May rose to \$95**, a 16.5% increase from the previous year.

This isn't all. The year-to-date numbers are also telling. Austin ended 2005 with an occupancy rate of 66%. As of May 2006, 71% of the city's rooms were filled – with 76% of the *downtown* hotel rooms occupied. Again room rates are going up along with the occupancy. Hotel rooms were priced at an average of \$82 in 2005, while this year, the average hotel room is selling at \$92. All this translates to a **6.4% increase in occupancy and a 12.2% increase in room rate**.

**One of the factors contributing to the hike in Austin hotel occupancies and room rate is more than our fair share of national publicity.**

For instance, *Elle* magazine in its July 2006 issue coos: “A cute city; cool and a bit alternative ... Austin is the state capital, the ‘live music capital’ of the US and a fun place to hang out ... we hit the music venues and ... had a perfect night out. We're the only tourists and **everyone is soooo friendly and polite, in that old-fashioned, sexy Southern way.**”

Another example: the *Dallas Morning News*, in its June 4 2006 edition, reported “Five years ago, Austin got something to brag about. The **Bob Bullock Texas State History Museum** opened its doors with Texas swagger ... Now the museum is celebrating its success. Since 2001 it has welcomed nearly 3 million guests and is now the **top paid attraction in Austin.**”

**Following-up on last week's analysis on the inevitability of privately-financed toll roads in your driving future, it should be noted we are not alone in this trend.**

And it's not just privately-financed, some of it is privately-financed by *foreign* companies. **The big toll road project that is slicing through Central Texas is funded by Spain's Cintra.** The specific entity is Cintra Zachry. Cintra is the money company. Zachry is one of this state's largest and oldest road-building companies.

Cintra also went into partnership with Australia's Macquarie to plunk down \$3.8 billion into **Indiana's toll road system** for a 75-year lease. Macquarie and Cintra have also leased the **Chicago Skyway**, and Macquarie is behind **California's new South Bay Expressway**. Why are they doing this? It's spelled R-O-I – Return on Investment. They expect a **12% to 14% return on each deal.**

Now some big US financial houses are also eyeballing this new trend. Banks like **Goldman Sachs**, which made \$9 million brokering the Skyway lease, and **J. P. Morgan** have created infrastructure units to put together deals, according to *FORTUNE* magazine.

These big financial companies didn't ride into town on a truckload of turnips. They know full well **states are looking for ways to finance** the humongous highway projects without raising taxes, and that the federal **Highway Trust Fund is projected to be \$2.3 billion in the hole** by the end of 2009. And it's not a new idea. Privately owned toll roads have been popular in Europe and Australia for years – so there is a track record and experience behind this movement. As a result, you can look for this trend to continue.

**While we're updating items from previous editions, we thought you'd be interested in what the darling of the discount airlines, JetBlue Airways, is saying about Southwest Airlines.**

When it was pointed out to **David Neeleman**, JetBlue's CEO, that for years JetBlue didn't hedge fuel costs as much as Southwest, he was asked what he's doing about that today.

“We have about 40% of our fuel hedged through the end of the year, but it is mainly catastrophic coverage,” he said. **“It's difficult when fuel is at an all-time high to say, ‘Okay, now we want to buy fuel for the future.’** It would have been ideal to hedge at \$40 a barrel.”

So why didn't he hedge earlier? “I think the frog got cooked one degree at a time. I had people saying, **‘There's no way it is going to go above \$50, so don't hedge here.’**” The run-up in fuel prices really hurt JetBlue because, unlike Southwest, it is primarily a long-haul airline (it flies from Austin to New York and Boston). Its fuel costs went from \$20 a person to \$70.

**Move over New Hampshire and Iowa. The early indicator states in the race for president could be about to change. And this might shake up the wide-open field of GOP candidates.**

Don't start putting your money down on potential presidential candidates just yet. **George W. Bush's** big money-raisers from Austin, Texas and around the nation – labeled Pioneers and Rangers – are already being hustled by supporters of the man labeled as the GOP front-runner, US Senator **John McCain**. (McCain has lined up Austinite **Mark McKinnon**, Bush's media man, for his team). But, the old way of handicapping the prospects may be about to change. And it could hit McCain the hardest in the run-up to the 2008 presidential race.

Oh sure, Iowa and New Hampshire are still fighting for attention as the first battleground states. But now there's talk about moving Michigan's presidential primary to occur between Iowa and New Hampshire. Why would that pose a problem for McCain? Four words: Massachusetts Governor **Mitt Romney**.

You see Romney is the son of revered former *Michigan* Governor **George Romney**. Anyone over forty in Michigan remembers his dad, the Romney name is on government buildings there, and some pundits think Romney could run better in Michigan than he would in Massachusetts. In fact, Romney's national campaign HQ is under construction right now in Michigan.

If Romney could pull an upset and take the Michigan GOP primary, along with a win in Massachusetts' next-door neighbor, New Hampshire, McCain might not be able to recover. There are a lot of other factors at play here (some have questioned Romney's religion; he's a Mormon), including a whole host of other GOP wannabes with more name ID like **Rudy Giuliani, Condoleezza Rice, Bill Frist**, etc., etc. But the maneuvering has already started.

With the debate over whether nicknames should be allowed on the Texas gubernatorial ballot, such as **Richard (Rick) Perry, Richard (Kinky) Friedman, Carole (Grandma) Strayhorn, Dr. Louis Overholster** thinks *he* might just win — if he filed for governor and got his name listed on the November ballot as Louis (**None Of The Above**) Overholster!

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., 4105 Bee Creek Road, Spicewood, TX 78669. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

Sincerely



Editor/Publisher