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AUSTIN LETTER

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P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail News@AustinLetter.com

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Dear Client:

Rush hours are getting longer, the amount of time you spend behind the wheel is growing and the number of Austin area roadways infected with congestion continues to rise. And it could get worse before it gets better.

The trend lines are worsening dramatically. According to a report from the American Society of Civil Engineers, traffic on Texas highways increased by about one-third during the last decade of the 20th Century.

It is so bad in the Austin area that the Texas Public Policy Foundation has estimated **the Austin traffic situation in 2025 could be worse than current Los Angeles traffic**. Take a deep breath and let this sink in. Los Angeles has been the **country's most gridlocked metro** for many years. In less than 20 years, Austin could be just as bad as LA is right now, if this forecast holds true.

Not only have traffic problems expanded in recent years, they have also become **more volatile – situations vary almost daily on the same highway** due to the changing events or activities that influence vehicle flow.

The **unreliability of travel conditions** often causes you to leave early to avoid being late. Traffic congestion is frequently the reason for late deliveries, tardy or missed appointments and increased costs. **It's a congestion jungle out there.**

Most congestion is caused by bottlenecks where traffic stacks up due to inadequate lane capacity and limitations in access and egress procedures. You know the problem here – too few lanes for too many vehicles. More lanes have been added in the Austin area, but not at a pace that kept up with the vehicle growth.

Well, what about accidents? Don't they contribute to this congestion? **Only 25% of traffic congestion is caused by accidents or temporary incidents**, such as stalled vehicles, emergency situations, work zones, etc. The solution here is improvements in detection, response and removal of the problems. This requires a massive amount of cooperation among law enforcement, emergency personnel, communications, towing and recovery, and traffic information dissemination. But these can be improved to ease the congestion. The Perryman Group, Texas economists, looked at the economic impact of congestion. See the next item.

Traffic congestion is more than a mere inconvenience. Wasting time in traffic is *expensive*. It increases the cost of shipping products, which in turn impacts retail prices. And in one very high profile Austin area instance, congestion caused a large employer to locate a plant (and hundreds of jobs) elsewhere.

The Perryman Group economists are suggesting “it will prove more difficult for areas with significant highway gridlock to retain businesses in their city cores.” The Group cites as a prime example that home-grown Dell Inc. “considered increasing its operations in the Round Rock-North Austin area. However, **due to the traffic congestion in and around the Capital City, an out-of-state location was chosen for the expansion.**” And this was several years ago. The congestion has only worsened since that time.

Congestion also impacts the environment. For more than a half-century, it has been known that vehicle exhaust negatively impacts the air quality in urban areas. Since vehicles produce **greater levels of pollution at low speeds**, a concentration of emissions from exhausts has the potential to harm the environment and create a health problem for those living in or near congested sites.

There has been progress on the environmental front. Over the 25 year period following passage of the Clean Air Act in 1970, the number of vehicle miles increased some 140%, but the aggregate emission decreased about 31%.

Solutions to Central Texas congestion are not as simple as they may seem. Hey, all you have to do is add capacity to roadways, some argue loudly. The addition of lanes by itself, however, is not necessarily a fail-safe solution, The Perryman Group says. Braess’s Paradox is often cited as proof. Named for a German mathematician, the paradox proved that **increasing road capacity without implementation of another congestion solution can sometimes cause even more congestion.**

Other methods that could be implemented at the same time as increased roadway capacity include creation of High Occupancy Vehicle Lanes, improvement in **alternative fuels**, development of **better fuel-efficient vehicles** and improvement of **railroad lines** to move goods (and people) more quickly, while also developing crossings that would avoid the stopping of vehicles. And the greater use of **public transportation** is also cited.

As you look at solutions to the “congestion jungle,” the bottom line is the bottom line. Everything seems to have a price tag and in the case of new vehicle lanes and public transportation, you’re talking about a lot of money. **A majority of your elected officials seem to have no appetite for raising the gasoline tax** – at either the federal or local level – which currently provides road funds. The feds are not likely to provide additional infusions. A vocal minority opposes toll roads and public-private partnerships and the distances involved make other modes even more expensive. Tough decisions are ahead.

The mortgage credit crunch mess is spilling over into the sale of autos. Like home builders, car dealers and automakers have depended somewhat on easy financing to attract customers.

“Downright dismal” is the outlook that is being forecast for the car market by a seasoned observer. Manufacturers have helped out local Austin dealers in the past by **offering loans that make it “easier”** for a car buyer to drive a shiny new vehicle out of the lot.

You know, loans such those stretching out six or seven years – longer than most car buyers keep their vehicles — but the result is a lower monthly payment, sucking in the buyer. Or how about **low, or even zero, interest rates?** You’ve seen them advertised. Now auto companies are seeing their own financing costs skyrocket. So, the squeeze is on.

The reason this could be “dismal” is that buying a car – even though it is a big ticket item – usually does not take place out of desperation. Not many new car buyers wait until the old clunker just can’t roll another mile. No, it is usually a case of “want-itis” that draws the buyer into the showroom. But, history has proven that the **purchase of a new vehicle is one that is usually postponed when credit gets tight.** After all, (insert the reasonable and rational spouse’s name here) will argue, “Honey, we can wait until the new models come out.”

While on the topic of transportation, here are some interesting tidbits for travelers using Austin-Bergstrom International Airport (ABIA).

If you fly the “Nerd Bird” between Austin and San Jose, get ready for a **three-year disruption on the Silicon Valley end of the journey.** The San Jose City Council unanimously authorized Mineta San Jose International Airport to issue \$825 million in general airport revenue bonds to continue funding of the airport’s capital improvement program over the next three years.

The airport’s terminal improvement program will include parking and roadways and a consolidated rental car facility. These improvements are badly needed, but it will necessitate **planning for extra time to navigate construction for three years on that end.**

Speaking of California travel, **new nonstop service between Santa Ana (Orange County) and ABIA kicked off this week.** American Airlines will fly a 136-seat MD80 to John Wayne Airport at 7:50 am CT, and depart Santa Ana on a 148-seat Boeing 737-800 at 5:50 pm PT.

Finally, keep your eye on the Feds. They are hammering all the airlines with the threat they may up the compensation to **pay passengers around \$800 more than the \$400 they must now fork over when a passenger is bumped** and unable to get on another flight within two hours. And the rule could extend to the smaller regional jets as well. Stay tuned.

If you are planning to remodel your home, a new slate of regulations has gone into effect to make it tougher on those who offer remodeling services.

As of this week, companies that perform home interior remodeling jobs that cost more than \$10,000 must register their projects with the Texas Residential Construction Commission, **offer warranties on their work, and follow commission rules** in order to operate legally in Texas. Before this week, the cut-off dollar amount was \$20,000.

The Texas Residential Construction Commission was also given some new powers to enforce its regulations. For instance, the Commission now has the authority to **levy fines of up to \$10,000 a day** against unregistered builders and remodelers.

Also, the Commission has been granted the authority to pursue cease-and-desist orders. This means the Commission can get a **court ruling that compels unregistered builders and remodelers to stop working.**

“The Commission will **aggressively pursue unregistered builders and remodelers** and use all of the tools given to us by the legislature,” Executive Direction **Wayne Waddill** says.

The Texas Legislature established the Commission in 2003 as a way to register builders and remodelers and their project, as well as to provide an **inspection process to evaluate alleged home defects.** Earlier this year, the Legislature adopted these additional regulations and made them effective 9/1/07.

When **Dr. Louis Overholster** was asked to speak to a local corporate retreat, he asked “why me?” and was told the committee didn’t care about the topic of his remarks, they just wanted someone boring and uninspiring so the CEO’s remarks would stand out! Smiling, Overholster said “at least you’re being honest.” Then he asked how many employees would be attending the retreat and was told: “About 500 victims!” (This is what you call the reality of the corporate retreat.)

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