

THE

Neal Spelce

AUSTIN LETTER

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Dear Client:

The city where “Keep Austin Weird” bumper stickers abound is now sporting a new polar-opposite moniker — “Luxury Town, U.S.A.” — courtesy of one of the world’s most influential publications.

The debate over which designation is the most accurate is not the important aspect. It’s the fact that wealth in Austin has received front-page notoriety in the prestigious *Wall Street Journal*. And perception is oft times as significant as reality. Pointing out that high-end retail follows money, the *Journal* reports **“Austin typifies the newest preening of America.”**

“In 2005, **Austin edged out Dallas and Houston as the richest city in Texas**, with a median household income of more than \$50,000, well above the national median of \$46,000,” reported the *Journal*. (Be honest now, did you ever think of Austin, known widely for its tattoos and T-shirts, as the “richest city in Texas?”)

Retailers who peddle **\$10,000 Tiffany sunglasses, Versace purses for \$3,000, a Lela Rose \$1,900 short halter dress and \$935 Gucci diaper bags** took a look at the numbers and flocked to Austin to separate our citizens from a chunk of their disposable income. **This year, some 30 high-end retailers have opened boutiques in Austin** – many of them at the ritzy new \$250 million shopping and residential complex, The Domain.

Austin American-Statesman humor columnist **John Kelso** took a swipe at this development saying these stores can **“suck the life out of a credit card in a matter of seconds.”** He also predicted The Domain will be out of business in a few years because it is not air-conditioned and **“you know how rich girls hate to sweat.”** But his column, while funny, misses the economic significance.

There was a time in Austin’s not-too-distant past when women would get together to take shopping sprees to Dallas and Houston. Now, they just drive around Austin. “Neiman Marcus signed on as Domain’s anchor tenant in Austin after watching luxury sales take off in the area. The company had already seen **Austin’s Last Call become one of its top performers nationwide,**” according to *The Journal*. Austin is in the midst of a culture change.

Another driver of this change is the burgeoning increase in charity galas. See the next item.

Sales at Austin's new Neiman Marcus are ahead of projections. Tiffany says it is exceeding expectations. And the growth of Austin's society circuit is one of the key reasons.

You can spend big bucks in the fanciest restaurants in Austin, but you dress down – not “dress for dinner.” (Years ago, a restaurant opened in The Arboretum with a **dress code so strictly enforced it turned away two-time Academy Award winner Olivia de Havilland and her daughter** who was chicly attired in designer jeans and a blazer. The restaurant soon closed.)

Much of the spending on luxury goods in Austin is because “**the city's society scene has been supercharged,**” reports *The Wall Street Journal*. “Where there were a few black-tie events each year in the 1990s, now there are scores.” The president of Neiman Marcus Stores says “cities that come up on our radar have many black-tie events.” And Neiman's has discovered that “**Austinites were dependable consumers of cocktail dresses, gowns, fine jewelry, designer shoes and handbags.**”

To understand this recent phenomenon, look around and in your mailbox. There are two monthly society magazines, *Brilliant* and *Tribeza*, that document balls, fund-raisers and other society events with splashy color photos of the “beautiful people” (and what they're wearing). **Lance Morgan, who founded *Brilliant*, estimates Austin now has as many as 100 black-tie affairs between September and April,** sometimes with two on the same night. “That never used to happen,” he says.

Reports the *Journal*: “Neiman's says spending has been driven by Austin's busy social calendar. **Nancy Nichols,** vice president and general manager of the Neiman's at Domain, says **sales associates stay on top of parties in town to make sure their clients aren't wearing the same thing,** a concern once more associated with White House balls and Academy Awards parties.

“It's a different feeling from Dallas, Neiman's headquarters, where she worked for the company previously. ‘**The women in Dallas shop for sport,**’ says Ms. Nichols. ‘**The Austin women like to shop right before events**’. The retailer has also been surprised to see spending trickle down to younger buyers, including women at The University of Texas. ‘**Students are buying sophisticated cocktail dresses and gowns,**’ Ms. Nichols said.”

What are these high society events? Well, for instance, you can underwrite a Sunday *lunch* in October featuring actress **Mariel Hemingway** for \$10,000 or pay \$1,500 for a corporate table to benefit the New Milestones Foundation, with **Ray Benson** as Honorary Chair.

Move over Austin City Limits Music Fest and South By Southwest. Because of the front-page *Journal* article, **Austin is presenting an additional, and contrasting, face to the rest of the country.** And, in true Austin fashion, the two faces of Austin will probably co-exist quite well.

For years, San Antonio has cast covetous glances northward to the Colorado River that slices through downtown Austin and Central Texas. The Alamo City has no such water source for its residents and this has been a bone of contention.

Over many years, hackles have been raised when San Antonio trotted out various plans to tap into the water source governed by the Lower Colorado River Authority (LCRA). **There is no question San Antonio needs to do something about its long-term water supply.** But when it made noises about different ways to tap into the Colorado River, **folks in these parts bowed their backs – wanting to protect this precious resource.**

Finally, a plan emerged that would keep San Antonio from drawing down water upon which Austin and others rely, yet it would give The Alamo City a much-needed new source for water. **It's a plan that is simple in concept but complicated** and lengthy in its execution.

It revolves around the idea that a lot of excess water flows all the way down the Colorado River and empties into the Gulf of Mexico. While a certain amount of fresh water emptying into the bay is essential to certain forms of marine life, there is no question that **a lot of water is “wasted” when it pours into the Gulf.**

Witness this wet year, and all the flood waters that moved downstream. There was more than enough water for any number of users. So the plan is for **surplus water to be captured in a huge holding basin before it dumps into the Gulf.** It is similar to “new” or “found” water. San Antonio would be able to purchase this water, as would agricultural and other interests.

This is a massive project. **But within the past week or so, one big step was taken. The LCRA signed an option on 4,200 acres for the basin** on a ranch in Wharton County, between Wharton and El Campo. The price will be determined at the time the LCRA exercises its option. The land won't just be used as a big lake. An intake structure, pumps and pipelines to convert and convey water from the river to the holding basin will be needed. And, of course, plans need to be approved to pump the water on a contracted basis out of the basin.

The LCRA and the San Antonio water authority (SAWS) are in the fourth-year of an in-depth study of the project. **The study period should end no later than 2015**, at which time the parties will analyze the feasibility, cost, etc. to determine whether to proceed.

Austin, with foresight, has locked-up a long-term water supply with the LCRA. **This project would help protect water for Austin** as the basin is far enough down river that Austin will have drained all the water it needs under the contract before any water is put into the basin. If successful, the LCRA-SAWS Project could be a shining example of inter-basin cooperation to move water from “surplus” to “deficit” areas of the state.

So, what's Michael Dell up to these days, now that he has re-taken the CEO title at Dell Inc. following some pretty rocky months?

First of all, since assuming the CEO mantle at the end of January, he is proud that Dell's most recent quarterly profit numbers were more than Wall Street was anticipating. And he has overseen a major re-direction of his namesake company, even uttering what was once a heretical statement that the storied **"Dell model" of direct selling is not a religion.**

Gleaning through a number of news reports and public statements, it is easy to see that the young entrepreneur is re-making his company in a major way. **He hired a whole new management team and announced plans to cut about 8,000 workers** – roughly 10% of the worldwide workforce – to become more lean.

Even though he built his company into a worldwide leader through growth, not acquisitions, **Michael Dell is no longer averse to acquiring smaller companies to add expertise and technology.** In fact, he's made several deals in the last few months and more are reportedly on the way.

What may become the most visible of his changes is his **move away from solely relying on the direct selling model** toward working on a select basis with retailers to peddle his re-designed, flashier computer products. A retail agreement with Wal-Mart is among what is expected to be the first of many such relationships.

There will be fits and starts during this makeover project. But remember Dell Inc. is one humongous operation, tallying sales of about \$57 billion last year. So a blip here and there will not rock the boat. **The big impact is expected to come from these changes implemented in 2007.** Asked how long he will remain as CEO, the 42-year old Dell told *The New York Times*: "a long time," pointing out Sam Walton didn't become CEO at Wal-Mart until age 45.

Dr. Louis Overholster said he knows exactly what "multi-tasking" refers to in Washington. "It's taking credit for the work of two subordinates!"

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