

THE

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AUSTIN LETTER

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Dear Client:

The Texas Legislature begins its biennial session in Austin in two months to work with an estimated \$10 billion *surplus*, the California legislature is in special session right now scrambling to cover a projected \$11 billion *deficit*, and the governor of New York, facing a \$47 billion *deficit*, is appealing for a federal bailout. Does this tell you something?

There is no question fast-growing Texas will face unusual financial demands when legislators convene in Austin 1/13/09, even though there will be surplus funds in the state's budget. The damage resulting from Hurricane Ike is just one example of an unanticipated need. **But thank your lucky financial stars you do not live or work in California or New York** where "crisis" is spelled with a capital C.

Consider this: **California's governor Arnold Schwarzenegger is proposing \$4.7 billion in new taxes and \$4.3 billion in new cuts.** He also unveiled a foreclosure relief plan to help Californians stay in their homes, a stimulus plan to boost his state's economy and a rescue plan for the insolvent unemployment insurance fund. As the governor told the media: **"We have drastic problems that require drastic and immediate action – we must stop the bleeding right now."**

Or take New York. Governor **David Patterson** will convene a special session of the NY Legislature 11/18/08 to tackle what he estimates will be a **budget deficit of a whopping \$47 billion over the next 3½ years.** And Patterson is not waiting for his legislature to act. He went to Washington DC to ask for a bailout package similar to the one approved by the banking industry. He says the threat to NY's economy is in many ways far more severe now than the economic damage NY suffered following the 9/11 terrorist attacks on the World Trade Center.

This is not to denigrate the problems facing these two states that had previously been models for the nation's economy. They will recover over time, albeit with some pain for its residents and its leaders. **But, because they compete directly with Texas in the quest for jobs and in other ways, it is instructive to note what has happened to them.**

Texas has been smart in many ways (low taxes, tight budgets, etc) to avoid the same fate. **The state has also been lucky** (can you spell o-i-l-a-n-d-g-a-s?). But, Texas and Austin should not be reluctant to stress these differences between states while courting job-creating industries.

In economic development competition with other states, their economic *weaknesses* are further compounded when going up against the *strength* of Austin and Texas economies.

Those who deal in a competitive world know there are two sides of the competition coin. It's one thing to pit two strong competitors or two weak competitors, but when it comes down to a strong competitor versus a weaker foe, the **balance of power shifts dramatically**. And in the head-to-head quest for new businesses, or to expand existing businesses to create jobs which further bolster local economies, **Austin and Texas now have a decided advantage**.

When bad economic news is bandied about daily, it's sometimes difficult to focus on the positive. But this is precisely what is needed right now. Let's toss out a hypothetical.

It may be awfully hard to get the attention of the CEO at a manufacturing or high tech company in California or New York now. (As the old saying goes, it's hard to remember your goal is to drain the swamp when you are up to your butt in alligators!) So, even though a decision to re-locate may be way down the CEO's *current* priority list, **now is the time to gently remind the decision-makers of an Austin and/or Texas option**.

And, it's not just the CEOs. There are a number of businesses that make a good living **advising and assisting companies with their site location decisions**. These companies are most likely the best to receive these sorts of messages as they are not facing the pressures felt by the CEOs. And knowledge of the best sites is their sole reason for existence.

Obviously, these sorts of decisions are not made spur-of-the-moment, so **follow-up and persistence is the name of the game**.

This isn't to say that all is rosy in Texas, far from it. But it does point out that **while the state and local economy may be slowing, the competitor states are screeching and careening in a downward spiral**.

Speaking of economic development, our neighbor just down the road, San Antonio, is moving briskly to raise \$50 million to revamp a neglected northern part of the San Antonio River into a landscaped display of public art.

So far, \$17 million has been raised. The San Antonio River Foundation will spend this money on landscaping, environmental improvements, educational programs and buying art for public display. It estimates the completed park will **add \$12.5 million annually to the area's tax base, increase property values along the river and create nearly 10,000 permanent jobs**.

If you've noticed your copy of the *Austin American-Statesman* is not as hefty as it has been in recent years, it is a reflection of what is happening to newspapers nationwide.

A number of factors are at work here and they reflect the changing habits all around the country. The number of readers of newspapers has been going down for some time. Newspapers call it their "circulation." For the six months ending 9/30/08, circulation figures continued their sharp decline. **Nationwide, the dip was 4.6% from the previous year. The year before, the drop was 2.6%.** The circulation of the nation's biggest newspapers dropped – except for *The Wall Street Journal* and *USA Today*. They remained flat.

Locally, the *Statesman*'s circulation dropped 6.6% on weekdays and 8.3% Sundays. This was better than other big state metro newspapers. The *Dallas News* recorded a drop of 9.3% weekdays and 7.3% Sundays. The *Houston Chronicle* dipped 11.7% weekdays and 15.7% Sundays. And the *San Antonio Express* notched a 7.7% weekday drop, with a Sunday decline of 6.2%.

The circulation drop is going hand-in-glove with declining ad revenue. This is why the number of newspaper pages has been reduced and your copy of the paper is smaller. Remember the Sunday "Show World" section was dropped several months ago. And occasionally, the Business Section will be lumped into the same section with Sports or Metro/State. This means there were not enough ads to support a separate section.

But out of this economic turmoil, a new – and certainly more timely – way of getting local news to you is emerging. Back in the heyday of print journalism, before the growth of TV, newspapers put out "Extra" editions to report breaking news. The *American-Statesman* carrier named Gordon walked up and down Congress Avenue shouting, "Extra, Extra read all about it" as he hawked the special edition of the newspaper. Now you can get "Extras" on the web.

Check out www.Statesman.com. The newspaper is pouring a lot of its resources into putting news stories online, almost as they occur. Not only is the "paper edition" of the *Statesman* on line, **stories are updated and new stories are added throughout the day – in all sections of the paper.** The editors even identify the time of day the story is posted and they're using video, like TV stations.

The *Statesman* has by far the largest staff of any news organization covering Central Texas. **They post stories online, blog online about news developments, carry even more pictures and give great detail you can't get anywhere else.** And, of course, you can check the website anytime, all the time, day or night.

A key question is whether declining revenue will be enough to carry this effort while readers transition in larger numbers to the web where additional ad revenue is generated. This is occurring while the *Statesman* is shopping for buyers of the newspaper. It's an interesting time.

Election Polling Post Mortem: if you were confused by results of the record number of polls during the election just concluded, you have a lot of company.

The problem is very few folks other than the pollsters, and those who pay for the polls, have **access to the all-important info relating to the methodology of each poll.** If you don't know the methodology, it is next to impossible to assess the accuracy of the polling information.

Case in point: you may remember a poll released near the end of October. When *Austin American-Statesman* reporter **Jason Embry** asked a different pollster to analyze the data, he found one-third of the respondents were in the 18-34 age bracket, a higher percentage than the 18-34's that make up the electorate. So it gave **greater weight to this age groups' opinions.** A problem? Yes.

Until the media presents such info every time a poll is released, you will be hard-pressed to **assess the credibility** of such a poll. You can only hope this will be the case in the future.

Speaking of elections, what about a contest between a gadfly and a grandma for Austin Mayor? Even with election fatigue running rampant, this could be worth the price of admission.

Now that former mayor **Carole Keeton Strayhorn** is seriously pursuing the possibility of taking her "One Tough Grandma" campaign to the mayor's race, it could get interesting if one of Austin's most notorious gadflies, *Texas Monthly* founder and former publisher **Mike Levy** also decides to run. Those two, going toe-to-toe, along with others, could make the contest quite lively.

Dr. Louis Overholster observes that Thanksgiving is the traditional holiday when we bow our heads, clasp our hands and give thanks for family, friends, health – and having pulled out of the stock market in 2007!

Sincerely



Editor/Publisher