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*Neal Spelce*

# AUSTIN LETTER

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Dear Client:

**Parts of Texas' neighbor to the south, Mexico, have become incredibly violent. And the impact is being felt in the Austin area – not just along the border a few hundred miles away.**

Austin-based Stratfor, a company that specializes in global security and intelligence, says it is now common to see **military weaponry such as fragmentation grenades and assault rifles used almost daily in attacks in Mexico.**

As Stratfor puts it: **“Make no mistake, considering the military weapons used in Mexico and the number of deaths involved, *the country is in the middle of a war.*”** Mexico, the longtime vacation destination for thousands of Austinites and Texans for years, is in the throes of violence that erupts without warning.

While we don't have hard statistics, we do have some anecdotal evidence on how this violence is impacting the Austin area. For instance, we know of **one well-known, high-profile, wealthy Mexican family** that has recently purchased at least five luxury homes in Austin and **moved family members here to escape the rampant criminality.** Austin was chosen because the patriarch of the family has ties to UTAustin where he earned a degree.

Another example, admittedly anecdotal, is we've learned several other families from Mexico have **purchased large-acreage homes outside Austin and built walls around them,** much as they are forced to do in Mexico, because they live in fear of death or kidnappings.

Now, as Spring Break approaches for UTAustin and local school districts, many students and/or families may be planning a week-long break for March 15<sup>th</sup> through the 21<sup>st</sup>. **The most popular Spring Break destination in Texas is South Padre Island,** just minutes north of the border with Mexico. A Spring Breaker tradition for some is to drive SH48 from Port Isabel, along the Brownsville Ship Channel, to Matamoros Mexico, across from Brownsville. If you know anyone planning such an excursion, tell them “Don't. Do. It.” It's too dangerous.

And it's not just the guns and grenades used by criminal gangs that pose this threat. **Mexico has become the kidnapping capital of the world.** Kidnapping affects almost every corner of Mexico. More about this serious threat in the next item.

**Mexico has pretty much always been a rough and tumble place. But the escalation of criminality has reached such a level that travelers to Mexico are now targeted.**

A few weeks ago, 2/17/09, **just across the US border from McAllen in Reynosa**, Mexican authorities attempted to apprehend several armed men seen riding in a vehicle. The men fled to a nearby residence and **engaged the pursuing police with gunfire, hand grenades and rocket-propelled grenades (RPGs)**. Five drug cartel gunmen were killed and several other gunmen, cops, soldiers and civilians were wounded. This is a serious situation. It's a war zone.

But the Austin-based global security and intelligence company, Stratfor, says that of all these types of crimes, "the one that creates the **most widespread psychological and emotional damage is kidnapping**." And kidnapping in Mexico takes many forms, with many targets.

"At one end of the spectrum are the **high-end kidnapping gangs that abduct high-net-worth individuals** and demand ransoms in the millions of dollars," Stratfor reports. "At the other end of the spectrum are **gangs that roam the streets and randomly kidnap targets of opportunity**. These gangs are generally less professional than the high-end gangs. These groups hold the victim just long enough to **use the victim's ATM card** to drain his or her checking account, or to **receive a small ransom** of perhaps several hundred or a few thousand dollars from the family."

"This type of opportunistic kidnapping is often referred to as an 'express kidnapping.' Sometimes express kidnapping victims are **held in the trunk of a car for the duration of their ordeal, which can sometimes last for days** if the victim has a large amount in a checking account and a small daily ATM withdrawal limit," according to Stratfor.

"Other times, if an express kidnapping gang discovers it has grabbed a high-value target by accident, the gang will **hold the victim longer and demand a much higher ransom**," Stratfor noted. "Occasionally these express kidnapping groups will even 'sell' a high-value victim to a more professional kidnapping gang." Stratfor says there are also other forms of kidnapping taking place in Mexico – even involving cops and former cops.

**The outlook is not good.** "There is very little chance the Mexican government will be able to establish integrity in its law enforcement agencies, or bring law and order to large portions of the country any time soon," Stratfor reasons. "Official corruption and ineptitude are endemic in Mexico, which means that Mexican citizens and **visiting foreigners will have to face the threat of kidnapping for the foreseeable future**." Stratfor's conclusion: "We believe that for civilians and visiting foreigners, **the threat of kidnapping exceeds the threat of being hit by a stray bullet from a cartel firefight**." You are forewarned.

**While the City of Austin decided last month to turn down the opportunity to expand the availability of clean, relatively-inexpensive nuclear-power-generated electricity from its existing supplier, the City of San Antonio is moving full-speed-ahead with the same project.**

San Antonio just signed an engineering, procurement and construction agreement to add two advanced boiling-water reactors to the South Texas Project (STP) nuclear plant southwest of Houston, near Matagorda on the Gulf Coast, in which Austin owns a 16% interest.

A San Antonio official says this action increases the project's chances for federal loan guarantees and **enhances the project's ability to get an operating license.** It also, he says, significantly adds to the project's value.

**The plant currently consists of two reactors and furnishes Austin Energy with its *least expensive source of electricity.*** Now Austin has decided not to join STP as the nuclear power plant moves ahead with plans to double its output. **Yet, the Austin City Council voted 3/5/09 to spend \$250 million to build one of the world's largest solar plants, buying the panels from China.** The estimated cost per kilowatt hour is more than most other types of power.

**Austinites' electricity usage skyrockets during periods of hot, dry weather. As we have been reporting, Central Texas is in the worst of the four categories of drought. Now that temps are rising, what is the outlook?**

"My weather outlook for this spring is not very encouraging," says Lower Colorado River Authority meteorologist **Bob Rose.** "I expect drier than normal weather conditions this March and April." Then he offers a glimmer of hope saying he sees a "trend toward more frequent rains during May and June." But he tempers that by saying "Unfortunately, drought conditions look to grow worse before they get better."

The culprit: La Niña, which refers to the unusual cooling of waters in the tropical Pacific Ocean. **La Niña often brings drier than normal weather to Texas.** More frequent rain is triggered by another phenomenon in the same part of the world. It is called El Niño.

Okay, Bob, is La Niña likely to change to El Niño anytime soon? "While no one knows when the current drought will end, **it's interesting to note that some long-range forecast data indicates a trend toward El Niño later this year.**" If this occurs it could bring more frequent rain to Central Texas.

When the land is parched, lake levels drop, creeks dry up and plants dry out, generating even higher temps. So, Bob, what is your "hope" for those of us trapped in this *exceptional* drought? ("Exceptional" is the worst of the four categories of drought.) **"Here's hoping that the second half of 2009 will be wetter than the first half,"** said Rose. Here's hoping Bob is right.

**The population of the Austin area has almost doubled since 1990. It is right on pace to follow its historical pattern – doubling in population every 20 years or so.**

Strong population growth is a clear indicator that Austin continues to be one of the most desirable places in the nation. But then, you knew that. How desirable? Well, the metro area population is currently estimated at 1.65 million, an increase of nearly 95% since 1990. So, **how has this population expansion changed the demographics of the Austin area?**

First of all, it helps to know that – even though the Austin area has a relatively young population – the growth is not simply based on young families having babies. “Austin’s population expansion has come primarily from *migration* to the region – with **62% of population increases coming from domestic migration and 12% coming from international migration,**” reports Austin-based Angelou Economics. The remaining 26% of the increased population came from “natural increase.” Knowing this, then, what are the demographics after this growth?

As we have reported over the past few years, the minority population continues to grow faster than the non-Hispanic white population. “**People of Asian and Hispanic ethnicity are the fastest growing segments of Austin’s population,** with the Asian population growing by more than 50% and the Hispanic population growing by 38% since 2000,” reports Angelou Economics.

Angelou takes the Asian/Hispanic growth numbers and draws an interesting conclusion about Austin’s economic future. “**As these two groups have the highest entrepreneurial rates in the nation, their presence in the metropolitan area will undoubtedly enhance Austin’s innovative culture in the future.**” Adding to this notion, Angelou points out that Austin’s population is also **younger and better educated** than the US and state averages and these factors will also enhance future economic growth in the area.

**Dr. Louis Overholster** said it’s easy to recognize when age is taking its toll on his patients, because their joints are more accurate meteorologists than the national weather service!

Sincerely



Editor/Publisher