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AUSTIN LETTER

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Dear Client:

All systems are go for a major new construction project at Austin-Bergstrom International Airport (ABIA). And this is occurring as passenger traffic is still below the levels reached in 2007 and 2008. What's going on here?

The construction project will dramatically alter one of the major daily airport operations. And, the cost for this airport construction project could approach \$7 million – a good chunk of change. **So why spend this money during these uncertain economic times when fewer passengers are using the city-owned facility now than boarded flights three years ago?**

The project will totally change the airport rental car operation. A new structure will be built to consolidate the rental car counter operations as well as the storage and maintenance of the various rental fleets. The rental car counters that are now inside the Terminal will move to the new building and the rent cars will be picked up by travelers at the new facility – similar to the situation in many airports around the world.

The plan is for passengers to exit the terminal and haul their luggage to the new building where they will check in and get their rental car. No shuttle is being planned because the building will be within walking distance of the terminal.

Where is the money coming from to make this happen? From the rental car companies. They will design and build the facility and will ultimately be reimbursed for their investment by fees that are charged. When the new building is operational, the parking spaces currently used by rental car companies in the garage adjacent to the terminal will be converted for use by Austin travelers who drive to ABIA and pay to park.

The current plan calls for the design and planning of the rental car facility to be completed in 2011, with construction to take place throughout 2012 and occupancy occurring near the end of 2013 or early 2014.

For Austin travelers, a parking lot with 1,800 public spaces will be converted to build the facility. **So, during construction there will be fewer parking spaces for you if you drive to ABIA and park before boarding your flight.** What about the drop-off in ABIA air travelers in the last few years? We'll touch on this in the next item.

Several years ago, a plan was put forth to expand the terminal at Austin's airport. It was put on hold as passenger travel dropped off markedly. Is this changing?

It wasn't long ago that Austin-Bergstrom International Airport (ABIA) was flying high (so to speak!). **In 2008, a record number of passengers, more than 9 million, flew through ABIA.** Then the numbers started to taper off. Only 8.2 million passengers – the same as in 2006 – traversed the terminal in 2009.

The June 2010 passenger tally, while up 5% compared to June 2009, is still below the pace set in both 2007 and 2008. **The numbers are obviously improving, but they have a long way to go to get back to previous levels.**

However, the nine rental car companies operating in Austin are willing to front up-to-\$7 million dollars anticipating that, **within three to four years, their investment will start paying off with increased travelers coming to ABIA and renting cars.**

A couple of years ago, we reported **Austin airport officials were ready to roll out major expansion plans for the airport itself.** When passenger traffic reached record levels in 2008, it looked like the pace of growth would outstrip the airport's capacity in a few years. So plans were dusted off to expand the capacity of ABIA in anticipation of impressive growth.

Obviously the economy headed south. So the expansion plans were put on hold. And this is where the plan stands today – on hold. When the plan is revived in the future, it will probably look a lot like the one on hold.

Future expansion plans call for pushing the terminal to the east, adding gates as needed. This sort of expansion was envisioned when the original airport plans were drawn up, even before construction began on the present facility.

But the present facility is not yet stretched to capacity. **In fact, there are two boarding gate areas that are not leased by any airline – gates 1 and 25.** And another gate is under-utilized because it is being used by airlines that operate only seasonally, primarily to vacation destinations such as Mexico.

There is no officially-announced target date to begin plans for ABIA's expansion. Just as with a new 4-story rental car facility, it takes a few years lead time for the growth lines and the construction lines to intersect at just the right moment. And it may be some time before the passenger record is reached again.

A final note: when the rental car counters are moved from the terminal to the new facility, airport officials are talking about **using some of that space for new baggage carousels** – which will help immensely when ABIA is expanded in the future.

Speaking of transportation and construction, Austinites will have an opportunity to vote November 2nd on whether the City of Austin should borrow \$90 million to construct a variety of mobility projects.

After public input, and complaints from a number of quarters (one critic said the original proposal was more of a “parks” bond election than a transportation proposal), the Austin City Council has agreed to let **citizens vote in three months on the revised plan** that has ultimately garnered more widespread support.

Before looking at the smorgasbord of items that make up the bond proposal, you should know city officials stress that the spending of these dollars will not impact the tax structure of the city. And they also stress that, if approved by voters, **approximately 77% of the bond proposal could be “immediately” implemented and another 23% could be used for design and preliminary engineering for future construction.**

So, what are some of the projects that voters will be asked to approve? City Manager **Marc Ott** says the bond proposal “includes a variety of investments in **roads, sidewalks, bike paths, trails and transit infrastructure.**” Such as:

Interim improvements for the “Y” intersection at Oak Hill ... design for the re-location of utilities for Guadalupe and Lavaca streets ... reconstruction of 3rd Street, including the Lance Armstrong bikeway ... construction of a pedestrian boardwalk at Lady Bird Lake downtown ... sidewalk improvements on Burnet and Manchaca Roads and Brodie Lane ... extension of the Rundberg Lane roadway, Manor Road redesign and reconstruction, etc. You get the idea.

You should also know this is an up-or-down vote. Either accept, or reject, everything in the bond proposal. **You will not have the option to “cherry-pick” the items you like or dislike. Take it or leave it.** It’s a package.

Jumping to the state level, you know that the single largest source of revenue for the State of Texas is the sales tax. But do you know where the majority of all state expenditures go?

For the 2010 - 2011 biennium, **56.3% of all state revenue is generated by the sales tax.** It is by far the greatest single source of state income. The state does not lump the motor vehicle sales and rental taxes (that account for another 7.4%) into the sales tax category. The franchise tax, in 2nd place, contributes 11.2%.

Ironically, **56.3% (the same percentage as revenue) of state appropriations goes to agencies of education.** The 2nd largest recipient of state funds are agencies of Health and Human Services that pull down 22.8% of state funding, with Public Safety and Criminal Justice in 3rd place at 9.4%.

While we're on the topic of state government, the long-held belief about Texas having a "weak-governor" form of government could be changing.

The conventional wisdom has been that the **Lieutenant Governor is the most powerful position in state government**. The Lite Guv appoints all Senate Committees and therefore is in control of almost all legislation. Historically, powerful Lite Guvs **Bob Bullock, Ben Barnes and Ben Ramsey** are often cited as examples.

But, as **Dave McNeely** writes in the *Texas Tribune*, Governor **Rick Perry** may be turning that conventional wisdom around. McNeely says Perry is "**arguably the most powerful Texas governor ever, mostly as a result of his longevity.**"

Because Perry has served as governor longer than any person in state history, he "has not only **appointed every member of every state board and commission**, but also re-appointed many – as long as they stayed committed to his political future," wrote McNeely.

"He has stacked several agencies with former employees. He has appointed a considerable number of state judges to vacancies, including **two-thirds of the Texas Supreme Court**," he continued.

Additionally, McNeely said **Perry has used his power to "shrink the government**. Facing a \$10 billion budget *shortfall* in 2003, Perry announced he wanted the **budget balanced without new taxes**. With Republican majorities in the House and Senate for the first time in more than a century, few legislators wanted to vote for a tax hike they presumed would never become law."

As McNeely put it: "**There is no doubt Perry has left his mark on Texas politics.**"

Speaking of powerful political figures, **Dr. Louis Overholster** enjoyed what Theodore Roosevelt said about John Tyler: "He has been called a mediocre man, but this is unwarranted flattery!"

Sincerely



Editor/Publisher