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Dear Client:

This story has nothing to do with political campaigning. (You're being bombarded with enough of those stories prior to next week's important election.) Let's focus instead on some developments that will have significant economic benefits for the Austin area, in fact for the entire state of Texas. The benefits are long range, but will take a long time to implement.

Business leaders and economists alike breathed a sigh of relief when the new three-nation trade deal was announced. **The US-Mexico-Canada Agreement (USMCA) replaces the North American Free Trade Agreement (NAFTA).** Get used to the new initials, because the agreement, once implemented, will be very important for the Austin, and Texas, economy.

The key words in the previous sentence were "once implemented," because the process is long and arduous. **It's been a long time coming and will be a long time before it might go into effect.** And the implementation process could hit a few political stumbling blocks. **The agreement is still not officially signed. The agreement will be signed November 30th, Mexican President Enrique Pena Nieto's last day in office.**

"Now comes the hard part," observes Austinite Jack Martin who is the global Chair/CEO of Hill+Knowlton Strategies. Martin points out USMCA will not go into effect until it gets legislative approval in all three countries. "No one expects this to be much of a problem in Canada or Mexico. **But early next year, USMCA will arrive before the US Congress, which is when the task at hand moves from private negotiations to public salesmanship.**"

"Winning over America will be the hard part," Martin predicted, "as it was in passing NAFTA in the '90s. It was, safe to say, an uphill fight. **Back then, the key to passing NAFTA was getting enough support from Democrats.** The core of opposition was led by labor unions."

Now, what? **"There could be a devil hiding in USMCA's details that we don't know about yet,"** Martin noted. And the process itself is complicated. Both the US House and US Senate must ratify the Agreement and they can **only vote up or down. No amendments are allowed.** Also Congress can only start consideration when the administration decides to send it to Congress. And, Martin says **"what is likely to happen is that the administration will submit the legislation when it has the votes to pass it."** Take a deep breath and be patient.

So what's the big deal about USMCA, as far as Austin and the state of Texas are concerned? Mexico and Canada are crucial trading partners for the United States, accounting for 34% of exports and more than 26% of imports. The Austin and Texas numbers bear this out.

For Texas, nearly 37% of exports go to Mexico, with almost 9% to Canada. Canada is the state's second-largest export market. On the import side, 34% of Texas imports are from Mexico and almost 7% from Canada, the third largest. (By the way, the state's second largest source of imports is China with more than 16%.) These numbers are courtesy of The Perryman Group, longtime Texas economists.

As we reported in our August 17, 2018 edition, trade with these countries is a big deal especially for Austin. Even before the area's recent new business announcements, **more than 2,000 businesses in the Austin metro exported \$540 million worth of merchandise to Mexico in 2016.** Do the math. The figures keep growing along with Austin's economy.

Heads up! This is about the time you will start feeling the gastrointestinal effects if you came into contact with contaminated water during the Austin area's recent unprecedented, extended flooding/boil water event. While some may have already experienced symptoms, public health officials also said it could be anywhere from 7-to-10 days before it hits.

Some of the illnesses could be serious. Some could simply cause discomfort. But all the **illnesses attack the stomach or intestines. You know what that means.** So be alert and seek treatment if you suffer the symptoms – to determine the severity of the illness.

The Lower Colorado River Authority (LCRA) continues to issue updates on the floodgate situation every day or two on its website, www.LCRA.org, that coincide with its planned closing of the floodgates. **As of our deadline Thursday night, LCRA has only three floodgates open (down from four) releasing water downstream from Lake Travis through Lake Austin into Lady Bird Lake.** A more recent update could be issued as early as Friday (11.2.18) morning. Until all floodgates are closed, the flowing water is stirring up contaminants. If Mother Nature cooperates, LCRA hopes to have all gates closed around Wednesday, 11.7.18.

A unique observation that has implications for Austin: Current policies created to help today's green tech, threaten to slow down the next generation of clean energy technology, Christopher Koopman and Brian Isom write in *The Hill*. Because of subsidies for wind and solar, other technologies such as modularized nuclear reactors, to renewable natural gas systems, to facilities that convert energy from ocean waves into electricity, are struggling for a foothold in the market, they report. It's killing innovation in other technologies, they argue.

One example of how the surge toward wind/solar power to provide electricity is so important to Austin: in recent weeks, the Austin City Council approved a deal to create a 144-megawatt, utility scale solar generation facility in Travis County. The cost: \$165 million, paid at \$11 million per year over 15 years.

Another indication of the emphasis on solar and wind (to the detriment of other sources as mentioned in the previous items) is this tidbit: Austin Energy requested proposals May 4th and got more than 430 proposals. **The facility is planned to start feeding solar power into Austin Energy's plants to generate electricity to its customers upon completion in 2020.**

Right now, Austin Energy currently generates 30% of its energy from renewables. It was 20% in 2015. The City of Austin's goal is to reach about 65% of its electricity generation from renewables by 2027. Austin Energy says it is on track to meet this goal.

What about Austin hotels? How are they doing? It seems every time you turn around another new hotel is being announced. The Austin area's population is growing exponentially, but the new residents are not necessarily checking into hotels. So, are all these new hotel rooms – many of them quite pricey – going to go wanting? Nope. Not a chance.

Face it. Austin is a very popular city. **“Whaddaya wanna do this weekend? I dunno. Why don't we go to Austin -- they always have something going on and their bars and restaurants are among the best around. Let's see if we can get a hotel room.”** Check out the downtown over a weekend. But be careful. **Visitors treat scooters as amusement park rides.** And many of the scooter riders seem to stick together, creating even more problems for driver and pedestrians.

But these visitors are not the prime prospects for the hotels. **Conventions, meetings and major events (SXSW, Longhorn sports, etc.) are the occupancy drivers for the majority of Austin area hotel rooms.** They book rooms years in advance and hotels have sales teams peddling meetings nationwide.

Another hotel revenue generator: **the Texas Legislature that convenes for its every-two-year meeting in Austin in January.** And it's not just the hotel room occupancy helping the hoteliers. Most every single day of the 140-day session, **lobbyists with fat – very fat – expense accounts wine and dine legislators.**
(Are you aware of the huge markup on hotel mixed drinks? It's almost obscene.)

CBRE regularly tracks and projects hotel revenue. Its current report is *September 2018 Hotel Horizons Report*. The standard industry measurement is Revenue Per Available Room (RevPAR). **The report, even with new hotels coming on line in Austin at a projected rate of 5.3% in 2019, projects Austin's RevPar will increase 1.2%. Solid.**

You should get a reprieve from political messages next week – except for the hand-wringing, chest-thumping, what-went-right, what-went-wrong discussions about the mid-term election Tuesday, November 6th. A pleasant way to slowly de-tox from the political overload is to read one of the greatest political novels of all time – set in Texas and written by Austinite Billy Lee Brammer, *The Gay Place*.

It's an oldie-but-goodie, written in 1961. Don't let that deter you, because this masterpiece of story-telling has withstood the test of time. We were reminded of *The Gay Place* this week by political pro **Mark McKinnon**'s review of a new **Tracy Daugherty** biography of Brammer. McKinnon is a veteran of presidential campaigns, and exec producer/creator/co-host of the successful Showtime reality TV series, *The Circus: Inside the Wildest Political Show on Earth*.

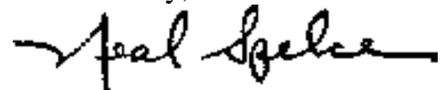
McKinnon said *The Gay Place* “portrayed politicians as I suspected they really were: flawed human beings possessed of intentions both good and ill and many stations in between.” The central figure in the book is Texas Governor **Arthur Fenstermaker** who, if you closed your eyes, was a dead ringer for Central Texan President **Lyndon Johnson**.

McKinnon said Brammer's portrait of Fenstermaker “**was rude, crude, mean and brilliant, a far more interesting and complicated character than the popular view of Johnson as a warmongering bumpkin that was prevalent then.**” Brammer was a writer on LBJ's Senate staff in Washington, working up-close-and-personal with LBJ.

“**It's not just a Great Texas Novel but a Great American Novel**, as worthy of a place in the literary firmament as such contemporaries as *To Kill a Mockingbird*, *Catch-22* and *One Flew Over the Cuckoo's Nest*,” argues McKinnon. He went on to say *The Gay Place* is the **Great American Political Novel**. It's worth a read, or a re-read.

Dr. Louis Overholster was driving behind a beat-up cattle-hauling trailer when he noticed this message plastered on the back: “Caution: Floor Covered with Political Promises!”

Sincerely,



Editor/Publisher