

Brush with bankruptcy tops Texas business news

BY DAVID KOENIG
AP Business Writer

FORT WORTH, Texas — Lawyers were poised to file bankruptcy papers in New York while the new chief executive bargained into the night with union leaders on a plan to head off the collapse of the world's largest airline carrier.

American Airlines' brush with bankruptcy — a saga that included elements of sacrifice, betrayal and renewal at the Fort Worth-based airline — was among the top business stories in Texas during 2003. Other highlights include Toyota's selection of San Antonio as the site of its new \$800 million truck plant and the ongoing legal fallout from the Enron collapse.

The Toyota plant is expected to employ up to 2,000 people and attract suppliers when it opens in 2006.

"Our economy will never be the same," San Antonio Mayor Ed Garza said. "We're talking about manufacturing becoming one of our largest industries overnight."

Fallout from the failure of Enron Corp., symbolized by the auctioning of its 50-story headquarters building in downtown Houston, also grabbed headlines throughout the year.

Former chief financial officer, Andrew Fastow, faced new fraud charges in connections with transactions designed to enrich insiders while hiding Enron's debt and inflating its profits. Former treasurer Ben Glisan Jr. pleaded guilty to conspiracy and got a five-year sentence — the first Enron insider to go to prison.

In the first Enron shareholders' lawsuit to be settled, the former parent of Enron accountants Arthur Andersen LLP agreed to pay \$40 million to settle allegations that it aided in the company's 2001

collapse.

The Enron collapse helped spawn investigations into phony energy trades that were used to manipulate prices and inflate companies' revenue.

An executive at Houston-based Dynegy Inc. was convicted in one case, and former traders for Dynegy and El Paso Corp. face trials next year in Houston. Six companies, including El Paso and Reliant Resources Inc., settled charges that they tried to manipulate natural gas prices by paying \$112 million.

The economy — especially the continuing weak job market — attracted attention all year. Texas unemployment hovered above 6 percent most of the year, and tech companies continued to lay off thousands of workers.

San Antonio-based SBC Communications Inc., the No. 2 U.S. phone company, said it would cut 3,000 to 4,000 jobs in the last three months of 2004. Electronic Data Systems Corp. announced in October it would lay off 5,200 workers by the end of next year — nearly double its previous estimate.

Last month's government report indicating that the U.S. economy grew 8.2 percent in the third quarter raises hopes that the hiring slump in Texas will end in 2004.

"With the economy doing so well, it's hard to imagine that we won't see a pickup in job creation," said Michael Davis of Southern Methodist University's business school. He cautioned, however, that some tech-manufacturing jobs have been exported and won't return.

Ray Perryman, an economist based in Waco, predicted the state will add 180,000 jobs next year after a flat job market this year.

"It's not what I'd call a banner year — not compared to job gains in the late '90s — but it's not bad after

two or three years" of slow hiring, Perryman said.

Thomas K. Kim, an economics professor at Hardin-Simmons University in Abilene, said, however, that low labor costs in other countries will slow the recovery in tech and other jobs. He said it would take several years for the tech sector to rebuild after the dot-com bust of 2000-01.

Thousands of airline workers in Texas have lost their jobs since 2001 and only a few have been recalled — 390 furloughed American Airlines flight attendants went back to work in December. The Fort Worth-based airlines also underwent changes at the top during a tumultuous year.

By spring, parent AMR Corp. had lost more than \$6 billion in about two years, the company was running low on cash, and chief executive Donald Carty said he needed \$1.8 billion in annual concessions from employees or the carrier would file for bankruptcy protection.

Workers grudgingly went along — at least until they found out that the company had secretly approved bonuses and pension perks for Carty and other senior executives. The resulting firestorm cost Carty his job.

In April, Carty was replaced by a company financial wizard, Gerard Arpey, whose first act was a late-night meeting with union leaders to salvage the labor concessions and keep American out of bankruptcy.

American and other carriers were boosted by a better-than-expected summer vacation season. AMR posted a razor-thin profit — less than \$1 million — in the third quarter, its first gain since late 2000.

Analysts cautioned, however, that the airline would probably lose money during the slower fall and winter months.

Private land trusts put a dent on urban sprawl

BY LYNN BREZOSKY
Associated Press Writer

HARLINGEN, Texas — Texas conservationists continued acquiring land at a fast clip in 2003, bringing the amount of protected space to more than 1.3 million acres, larger than the entire Texas parks system, state wildlife officials said.

State records show some 312,000 acres were acquired in 2003, a record for Texas.

State wildlife officials say the proliferation of private land trusts is a welcome trend for Texas, which they say leads the nation in loss of open space with about 283 square miles of rural land being developed each year.

"What's happening is the loss of habitat. Urban sprawl is eating up the landscape,"

Texas Parks and Wildlife spokesman Tom Harvey said. "We WERE the land of wide open spaces."

As taxes soar, land values rise and heirs parcel ranches into smaller "ranchettes," land owners find less and less reason to hold onto their land.

While the trusts sometime buy land outright for nature preserves, they increasingly buy development rights, or conservation easements, which give the property owner a check and significant tax advantages in return for a guarantee that the land will never be developed.

"The important message to landowners in Texas is they have choices," said Carolyn Vogel, coordinator of the Texas Land Trust Council. "I think sometimes landowners feel

that their only resource is to sell out to asphalt."

Land trusts have been around nationally in some form since the 1890s, but not until a decade ago did citizens see reason to form them in Texas.

There are now about 30 of them, ranging from the Rio Grande Valley's eight-county Valley Land Fund to the Connemara Conservancy, which covers about 30 counties in the Dallas-Fort Worth area.

The Valley Land Fund started in 1987 and has since acquired 5,000 acres with fund-raisers including its annual pay-to-enter wildlife photography contest. Many of the acquisitions are easements, but tracts also have been bought and donated to local governments for nature preserves.

Such as the block of 10 tracts on South Padre Island, seen as a disappearing rest stop for migratory birds.

"It's just important that certain places be left undeveloped," said Merritt Hunke, programs director for the Fund. "I think people in the Valley are starting to realize the importance of our habitat and the beautiful creatures that live in it. If we don't save it, we won't see those bobcats; we won't see painted buntings."

Houston's Legacy Land Trust matches corporate developers with mitigation projects that can make a difference, executive director Jennifer Lorenz said. The trust now has 2,000 acres around Houston permanently off-limit to development, and eight projects are in the works.

When new buildings take land from a wetland or other protected area, the developer is required to "mitigate" with a conservation project. Better to compensate a private landowner who can oversee the land, Lorenz said, than waste the land credits on scattered islands of green.

"You get these tiny little pockets of habitat. They're insignificant," she said. "We get a landowner that has really good high-quality wetlands with good wood diversity."

Target Corp. made up for wetlands destruction by buying off the development rights to what is now Curry Lake preserve. The trust next steered Williams Brothers Construction Co. to adjacent land — for what is now Curry Lake II.

PUCT: Texas utilities can lower rates

BY CLAUDIA PEREZ RIVAS
LMTBusiness writer

Small business customers in Laredo may be getting a break on their electricity bill soon.

The Public Utility Commission of Texas announced Tuesday that CPL Retail Energy, along with providers TXU and WTU Retail Energy, can lower their rates for small business customers in their respective service areas.

The PUCT's decision Tuesday means that CPL Retail Energy may reduce its rates for its South Texas small business customers, Dallas-based TXU may cut its rates for small business customers in North Texas and WTU Retail Energy may lower its rates for its West Texas small business customers.

"The PUCT's decision marks a major milestone in the success of competition in Texas," said Jenna Wright, media relations manager for CPL Retail Energy. "Meeting the 40 percent threshold target indicates that the price-to-beat has worked as it was designed — to encourage competition in the market by offering consumers a choice of providers and lower rates."

Under electric deregulation, longtime utilities were required to cut their rates for residential and small business customers in their service areas and lock in those rates for three years or until 40 percent of the electric power consumed by their customers was committed to being provided by another

company.

"We are very excited about receiving permission from the PUCT to offer more competitive pricing that enables us to deliver better value for our small commercial customers," Wright said.

The ruling does not, however, affect the residential segment at this time, Wright said.

The goal of CPL Retail Energy is to retain its existing small commercial customers and to win back customers who switched providers by offering them competitive pricing and outstanding customer service.

"We are currently developing new offers for our commercial customer base, but we are not disclosing details at this time," Wright said.

Currently, CPL Retail Energy is not planning to offer a single alternative rate to all their small commercial customers. It is, however, standard practice in the industry for commercial customers to receive customized bids tailored to their consumption patterns, number of locations and other variables or needs specific to their business, Wright commented.

The ruling will come into effect within the next two months. There is a 30-day period in which parties can file motions for a re-hearing, Wright said.

(LMTBusiness writer Claudia Perez Rivas may be reached at 728-2547 or by e-mail at crivas@lmtonline.com)