

COMMENTARY

Cabela's gets towns hook, line, sinker

By RICK CASEY Copyright 2008 Houston Chronicle

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One of the few balms available when you realize that you've been made into a sucker by a slick guy from out of state is to learn that he made some other rubes into even bigger suckers.

That's why I'm grateful to the legislatures of South Carolina and Ohio.

Texas officials, particularly in Fort Worth and the small Austin-area town of Buda, were suckered into tens of millions of dollars of tax breaks by Cabela's.

If you're a latte-sipping Obamacon who's never heard of Cabela's, it's what an Academy Sports & Outdoors store would look like if it had to compete on the Las Vegas Strip.

Targeting small towns

For years, Cabela's has been the poster child for that strain of American capitalism which disguises lobbying skills as entrepreneurial spirit.

With tax breaks as part of the business plan it presents to investors, the Nebraska-based company convinces politicians all over the country that it's more than just another store.

It's a cultural experience, a museum but more fun. By dang, it's Disney World if Walt Disney had been pondering Mother Nature rather than wishing upon a star.

It preys, by design, mainly upon small towns desperate for anything they can call job development. That made Buda, a town south of Austin, a target-rich environment that packaged incentives for Cabela's that could total \$61 million.

For a guaranteed 225 jobs, mostly of the low-paid stocker and checker variety.

What's Fort Worth's excuse?

But Fort Worth, you would think, would be able to size up the city slickers from Sidney, Neb.

Not so. Three years ago the city's officials agreed to more than \$42 million in tax breaks for Cabela's. The company's lobbyists had promised more than jobs.

It painted a fantasy that its fancy store would draw a nearby hotel and at least \$500 million in adjacent retail development.

According to an article in the Fort Worth Star-Telegram last December, "The hype even claimed that Cabela's would rival the Alamo as a tourist attraction."

But, the article reported, 2 1/2 years after opening, the store had not generated any of the promised adjacent developments.

What's more, its taxable sales were more than a third less than projected. And the company was refunding small amounts of the subsidies because it hadn't even met the requirement of generating a measly 60 full-time jobs.

This week's news is that the Buda store will also be refunding a pittance of its tax breaks for the third year in a row due to failing to produce the number of jobs it had guaranteed. The company's stock is hovering at \$13, less

than half what it was in 2004 when it was ginning up the hype that won it the tax breaks.

Buda officials say they're still glad Cabela's is there. And well they should be. It has produced a couple of hundred jobs for Buda, and as the Austin American-Statesman noted, it has about tripled the city's sales tax revenue since 2004. (The first four months in this year, however, are down nearly 9 percent from last year.)

But no serious economist would call that economic development. The reason?

Retail is an important part of the economic system, but it doesn't create wealth. It collects it, for a cut, from the consumer for the manufacturer.

If the fisherman doesn't buy a rod and reel at Cabela's, he'll buy it somewhere else. And even if Cabela's makes him want to fish, it just means he'll spend money on fishing equipment that he would otherwise have spent elsewhere.

So if Cabela's is wildly successful in Buda, it means some retail jobs in nearby towns and cities will disappear.

That's why the Legislature should outlaw tax breaks for retailers. They don't create jobs; they just play favorites.

Happily, the level of state stupidity toward Cabela's was low. Only \$400,000 in state funds from Gov. Rick Perry's Texas Enterprise Fund went to the company. Cabela's paid back \$70,384 in the first two years and will have to return more as soon as it gets around to filing a report that was due Jan. 31.

South Carolina understood economic reality. It had a policy of not subsidizing retail. But Cabela's lobbyists persuaded the state's legislature to override an angry veto by Gov. Mark Sanford to subsidize four stores as long as they include "an aquarium or natural history exhibit or museum."

Cabela's is proud of its dioramas with stuffed animals.

According to a publication called Multinational Monitor, Ohio has a law forbidding subsidies for retail. But on behalf of a Bass Pro store, the state legislature approved a generous sales tax rebate and a state department is providing \$1 million for an "outdoor education center" at the store.

Thank you, Ohio and South Carolina. I feel so much better.

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