

**Jonathan Schechter – “Corpus Callosum” Column  
Jackson Hole News&Guide – November 14, 2012**

Three events occurred last week which, in my fevered brain, have interesting connections:

1. The presidential election
2. The monthly release of local sales tax data
3. The Travel and Tourism Board’s vote to allocate \$150,000/year for three years to develop an annual October event.

In my next few columns, I’ll stitch these events together. Today I start with the sales tax data.

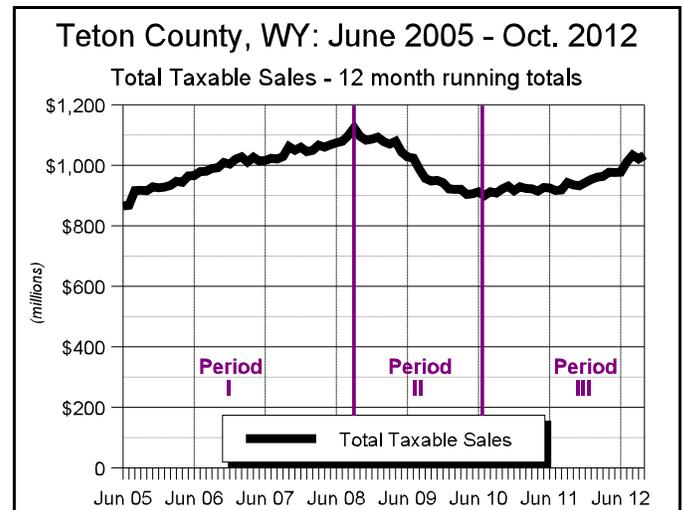
When looking at sales tax data, two things need to be kept in mind. First, due to reporting issues, any one month’s data can vary wildly. As a result, the best way to track the data is to look at a time series. My preference is 12 month running totals.

Second, in July 2004, the Wyoming Department of Revenue changed its industrial classification system. As a result, “apples-to-apples” 12 month running totals by industry are possible only back to June of 2005.

In the 12 months ending in June 2005, Teton County sold \$879 million in taxable goods. In the 12 months ending in October 2012, total sales were \$1.03 billion, 17 percent greater than in June 2005, and a compounded annual growth rate of 2.2 percent.

Sales may have grown over the last seven years, but that growth has been anything but linear. As Graph 1 illustrates, since June 2005, local taxable sales have gone through three periods: rapid growth; rapid collapse; and tepid recovery.

Table 1 gives the details. The quickie summary is that, in the 22 months between September 2008 and July 2010, local taxable sales fell nearly one percent per month, losing everything they’d gained during the previous 39 months. Since then, growth has sputtered along. The good news is that, as of July 2012, we went back above \$1 billion in annual sales, the first time we’ve crossed that threshold since July 2009. The not so good news is that our tepid recovery seems to have become even more tepid in the last few months, a troubling sign given that this period includes the heart of summer.



Graph 1

Graph 2 breaks down taxable sales data by industry. In that graph, two things jump out.

First, during Period I, local taxable sales growth was driven by lodging/restaurants and construction, and not by retail. As odd as it seems, local retail sales peaked in the summer of 2006, then went into a four year decline. Do the numbers, and while the rest of the taxable economy was growing 24 percent between 2006 and 2008, retail fell four percent. Over the last two years, though, retail has rebounded nicely, growing 20 percent and coming back to about where it was six years ago.

Period	Months	Growth		
		Total \$	Total %	Annual Rate
I	June 2005 - Sep. 2008	\$244,799,311	28%	7.9%
II	Sep. 2008 - July 2010	-\$224,450,235	-20%	-9.8%
III	July 2010 - Oct. 2012	\$132,185,208	15%	6.3%
Total	June 2005 - Oct. 2012	\$152,534,284	17%	2.2%

Second, recent gains in retail and lodging/restaurants have been enough to offset the woeful performance of our construction economy.

The real news coming out of last week's numbers, though, is captured in Graph 3. As of last month, Teton County's restaurant industry now generates more revenue than our lodging industry.

From June 2005 through June 2010, lodging in Teton County accounted for roughly 75 percent more revenue than did restaurants. Over the last two years, however, the dynamic has shifted. As a result, over the past 12 months, the local restaurant industry's sales totaled \$196.4 million, just a hair more than lodging's \$196.3 million.

Since peaking in September 2008, lodging revenues have dropped 26 percent, or 0.6 percent per month. In contrast, during that same period restaurant sales have grown 42 percent, a compounded monthly rate of 0.7 percent. Even more notable is that this massive contraction of lodging revenues has occurred despite Grand Teton National Park visitation being up five percent during that same period, and Jackson Hole Mountain Resort skier days having grown each of the last two seasons.

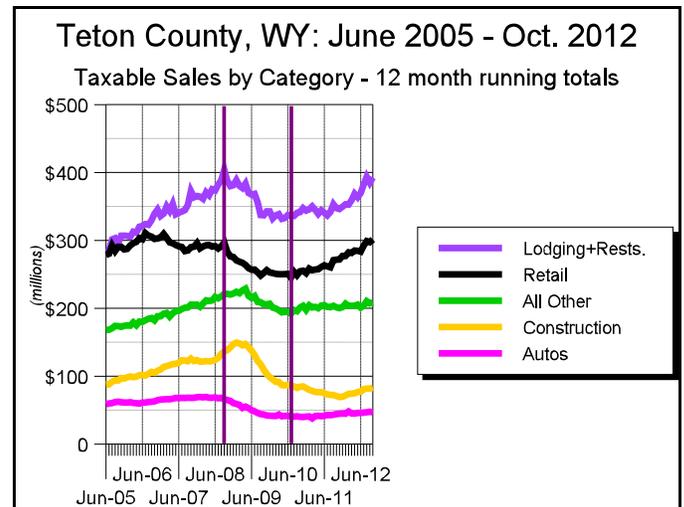
What's going on? Two dynamics suggest themselves.

One is that there are simply too many hotels, both locally and in other places which compete with us. Look again at the red line in Graph 3. Even after a strong summer, lodging revenues continue to decline, and today are back where they were in the summer of 2005. This suggests the local lodging industry still hasn't figured out the right combination of pricing and promotion to stanch the bleeding, much less start growing again.

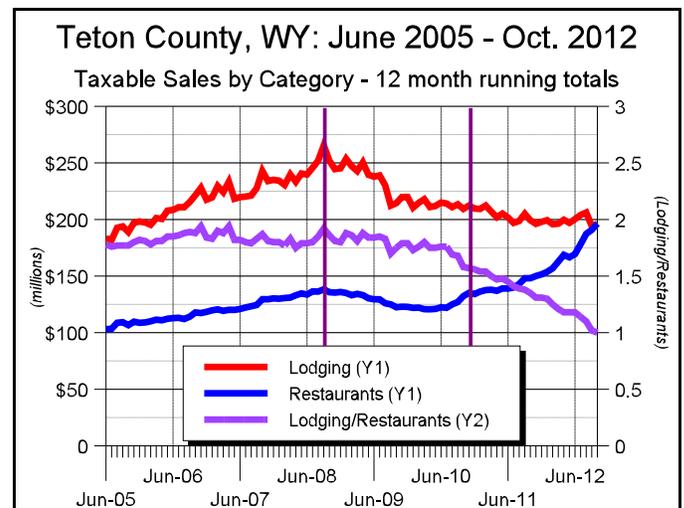
In such an environment, someone building a new hotel would need some very deep pockets and/or a high self-regard.

Second, whatever local restaurants are doing, they seem to be doing it very, very well. Some of this – perhaps a large measure – is due to a fundamental difference between hotels and restaurants: restaurants can rely on local patrons; hotels cannot. In particular, the rapid growth of restaurant revenues suggests that local restaurateurs have done a great job in identifying what locals want and providing it. The lodging industry doesn't have that same luxury.

One other thought. The lodging tax was first collected in April 2011. After an initial burst, lodging tax collections have flattened out at around \$4.4 million/year. Weirdly, according to the state's classification system, businesses classified under "lodging" account for only around 70 percent of lodging tax collections, while those listed as "restaurants" account for another 20 percent. Hence, if trends continue, we can anticipate seeing a slow rise in lodging tax collections, but nothing significant. As a further result, until the lodging industry figures out how to stop its slow decline, the success of our lodging tax-related promotions will depend



Graph 2



Graph 3

on spending what we have wisely, for we can't rely on growth.

One final note. A few days before last week's election, I shared some political thoughts with friends and family. Several people encouraged me to incorporate them in a column, but I don't have room to do so. Instead, I've posted the piece on line. Like all my columns, it can be downloaded for free at [charture.org/columns](http://charture.org/columns).