

ST. LOUIS POST-DISPATCH

Nicklaus: Amazon competition is 'all about brain cells'

David Nicklaus - David Nicklaus is a business columnist for the St. Louis Post-Dispatch
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Amazon employees tend to their dogs in a canine play area adjacent to the company's Seattle headquarters.

Give Gov. Eric Greitens credit for creativity, but a high-tech Hyperloop is unlikely to be the deciding factor in where Amazon puts its second headquarters.

Greitens emphasized the futuristic transportation system, which backers say could whisk travelers across the state in 25 minutes, in Missouri's pitch for Amazon to put its so-called HQ2 in St. Louis, Kansas City, or both.

The giant online company, though, wants to start building its new campus in 2019, and the tube-based Hyperloop technology is nowhere near shovel-ready. Besides, there's no guarantee that Missouri will win the worldwide competition — or come up with the money — to build an initial Hyperloop route.

Amazon, then, is likely to focus on here-and-now issues, like where it can find the workers it needs. "It's all about brain cells," says Greg LeRoy, executive director of subsidy-tracking group Good Jobs First.

St. Louis has several well-regarded universities, and that's a plus. We look less good on other human-capital indicators: Our population is aging and slow-growing; recent reports actually show the area workforce starting to shrink.

To some extent, workers will eagerly move to any region that lands HQ2. Amazon, though, seems to be looking for a city that is already a magnet for college-educated professionals.

John Boyd, head of the Boyd Co. site-location consulting firm in Princeton, N.J., has looked at many of the proposals submitted by cities and regions last week. He thinks a group of front-runners has emerged, including Atlanta, Boston, Chicago, Dallas, Newark, N.J., and the Washington, D.C., area.

Boyd puts St. Louis in a category of "interesting outliers," along with Austin, Texas, and several Florida cities. They meet enough criteria to be possibilities for an "out-of-the-box, unpredictable company," he says.

The St. Louis Economic Development Partnership kept most of its Amazon proposal secret, including the amount of subsidies it might offer, but Boyd likes the few details he has seen. He says the real estate, which includes downtown buildings and sites on the riverfront in both Missouri and Illinois, may appeal to a company that likes to collect as many friends in Congress as possible.

Boyd also likes St. Louis' pitch video, which features sportscaster Joe Buck and various businesspeople.

"This type of advocacy shows that there's support not just from a mayor and governor but from the private sector as well," he said. "This kind of thing does matter."

One thing's for sure: Winning will be expensive. Amazon has extracted more than \$1 billion in state and local tax breaks over the years for warehouses and other facilities, and the HQ2 price tag may be a multiple of that figure.

Among places that have disclosed their incentives, Newark is offering the fattest carrot: \$7 billion in state and local subsidies. St. Louis wouldn't have to offer that much, because the cost of doing business here is lower, but Boyd says Amazon still might expect something in the billions.

“Putting forth a credible package would show the company that St. Louis is willing to be a partner on this endeavor,” he said.

LeRoy, who’s not a fan of most corporate subsidies, suspects that this high-profile search is all about coaxing public officials to be more generous.

“Amazon is staging a public auction to gin up the pressure for tax incentives from every place on the planet,” he said.

That sounds about right. Unfortunately, when states and cities should be dialing back their use of subsidies, the HQ2 experience will probably convince them to be even more aggressive.