Triangle, Atlanta, or N.Y.? Consultant weighs in on GE's HQ relocation

Oct 16, 2015, 2:38pm EDT Updated: Oct 16, 2015, 3:16pm EDT

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Win or lose, the fact that the Raleigh-Durham area is under serious consideration for a General Electric (NYSE: GE) headquarters sends a message, says John Boyd, principal at New Jersey-based The Boyd Company, which provides independent corporate selection consultation services.

“Even if Raleigh finishes second in this project, it will give the state enhanced credibility,” he says. “It signifies Raleigh’s chance as a true competitor in the international high-tech industry.”

His 40-year-old firm counts among its customers GE competitor United Technology, as well as JP Morgan and Hewlett-Packard. And its past site selections have included Stiefel's (now owned by GlaxoSmithKline) Research Triangle Park location.

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In General Electric’s case, the clear leading contender is still Atlanta, he says.

“However, I think a diligent, smart, comprehensive site selection program will include Raleigh,” he says. “I think Raleigh is an interesting, under-the-radar screen option – a strong option.”

In his opinion, GE (and companies like it) boil their site selection decisions down to three things: the industry presence, the airport and the politics.

The industry presence

Triangle tech talent could be its strongest argument to GE, he says.

“GE is repositioning themselves away from financial services and they’re really focusing on their core software business,” Boyd says. “And Raleigh is one of the fastest-growing software markets in North America.”

A strong industry means a strong tech talent pool, he says, pointing to the universities as well as industry giants such as Cary-based SAS, Raleigh-based Red Hat, and Cisco and IBM, both of which have large presences in Research Triangle Park.

But Atlanta, too, has a strong industry presence – particularly when it comes to GE’s traditional sweet spot: Manufacturing. Among its titans are Mercedes-Benz, the car manufacturer that recently chose Atlanta over RTP for its new headquarters.
**The airport**

Atlanta's Hartsfield-Jackson Atlanta International Airport could be its biggest asset when attracting Fortune 500 companies, he says. The airport offers nonstop service to more than 60 international destinations, filling what he refers to as a “core need” for a multinational company. He credits airports as fueling success of other economic hubs, too, such as Houston and Dallas.

“However, Raleigh is growing,” he says, pointing to the recent announcement that, in addition to the London flight already flying out of Raleigh-Durham International Airport, a Paris flight is coming in 2016. “Once you end up in London or Paris, you can end up anywhere. It's a real game-changer.”

**The politics**

Tax policy is crucial he says, pointing to criticism of Connecticut's tax system that is prompting discussions of the headquarters move in the first place. And incentives, too, come into play. But he says they play “less of a role than the average person thinks.”

Something he sees as prohibitive in these types of closed-door location discussions is social policy.

“You don’t want your state to be a headline,” he says, pointing to Angie's List's decision not to pursue a $40 million expansion in Indianapolis over controversial legislation.

GE, in particular, is very interested in legislative action that would renew funding for the Export-Import Bank. The goal would be to create funds to help overseas companies finance deals to buy American-made projects. Based on their senators’ lack of support for that renewal, Ohio and Texas are likely off GE's HQ radar, he says. North Carolina, like Georgia, appears to be a political fit.

“Politics do matter,” he says.

**Other factors**

North Carolina and Georgia aren't the only contenders. A fiscally smart option is about an hour from GE's current headquarters, just across the border in New York. There, it could get 10 years of tax breaks on top of avoiding the expense of having to relocate key executives.

“GE will have to consider regional alternatives,” he says. “That type of regional, close-end move could potentially save GE hundreds of millions of dollars in severance pay.”

In addition to Raleigh and Atlanta, he sees Charlotte and Jacksonville as options likely still being considered. And he says GE has visited Rhode Island, though he does not believe it's a serious contender.

A decision is expected by early January.

General Electric posted its earnings Friday, reporting $31.68 billion in third quarter revenue. Revenue in its aviation segment, which already includes an engine manufacturing facility in Durham, increased 5 percent. GE stock was trading for $28.82 by early afternoon, up nearly 3 percent.

Lauren Ohnesorge covers information technology and entrepreneurship.