

March 8, 2019

NYS Senator John Brooks

NYS Senator Jim Gaughran

NYS Senator Todd Kaminsky

NYS Senator Anna Kaplan

NYS Senator Monica Martinez

NYS Senator Kevin Thomas

Cc: Suffolk County Executive Steve Bellone
Nassau County Executive Laura Curran

Dear Senators Brooks, Gaughran, Kaminsky, Kaplan, Martinez, and Thomas;
and Executives Bellone and Curran:

We write to you in response to the statement issued late last week expressing support for reviving the proposed New York Amazon HQ2 proposal. We disagree forcefully with the perspective expressed in that statement. We ask that you review the clear evidence of Amazon's harmful business model, and stand with our communities in developing a better approach to economic development that will go beyond Amazon to empower Long Island's working families.

Amazon's business model is bad for Long Island and all of New York: it's built on avoiding taxes, using predatory practices to destroy smaller businesses, mistreating workers, and accumulating customer data that Amazon utilizes for its own competitive advantage and financial gain. And the model of incentivizing economic development through enormous subsidies to massive corporations - with little accountability - has failed New York time and time again, as evidenced by numerous examples like the Buffalo Billion catastrophe.

At a time of rising income and wealth inequality, Long Island needs and deserves a better model of economic development for the future. We urge you to support policies that will increase investment in good jobs on Long Island, robust local hiring programs, real affordable housing, and open new paths to the middle class for struggling Long Island residents and families.

Our organizations represent tens of thousands of New Yorkers – working families, immigrants, and people of color – who live throughout the state, including on Long Island and in Queens.

Below are some key data points about Amazon's business model that we urge you to consider:

1. **Amazon has relied on tax avoidance to grow, gaining an unfair competitive advantage over other corporations building a presence on Long Island and across New York.** Since 2000, Amazon has secured at least \$1.613 billion in subsidies from state, city, and county governments. In 2017 Amazon reported \$5.6 billion in U.S. profits, in the same year they

used tax credits and tax breaks to pay ZERO federal taxes.¹ In 2018 Amazon again paid ZERO dollars in federal taxes. This tax avoidance destroys jobs – good, public jobs that serve our communities – and undermines our schools, roads and infrastructure.

2. **The proposed HQ2 deal would have been a massive and almost unprecedented subsidies package, creating competitive disadvantage for other businesses and a looming crisis for the state’s economic development program:** Amazon would have received tax breaks of more than \$3 billion, including \$500 million of direct capital expenditures.² It dwarfed deals we have seen before in New York. One part of the proposed deal was the REAP or Relocation and Employment Assistance Program. In 2017, the program provided \$32 million to 205 different employers. But had the Amazon deal been fully phased in as planned, Amazon *alone* would have stood to receive \$75 million a year from the program.³ This model is not a sustainable standard to set.
3. **Amazon’s predatory treatment of sellers on its platform will block Long Island businesses’ ability to survive and thrive.** The company uses losses as a tactic for wresting market share from competitors that lack the financial backing to match Amazon’s below-cost selling. Amazon also incurs losses to fund Amazon Prime and other “hooks” that lock customers into Amazon, and sharply reduce the chances they’ll shop anywhere else.⁴ At least 54% of all online searches for products begin on Amazon, so companies increasingly MUST sell on Amazon. The even scarier truth is what Researchers at Harvard Business School found: when a company starts selling through Amazon, within a short time Amazon figures out what its most popular items are and begins selling those same items itself. Amazon is now manufacturing thousands of products, from batteries to blouses to milk, under its own brands, which get prioritized when a customer makes a search.⁵
4. **Trusting Amazon’s job promises has burned other states and localities across the country**⁶ When cities and states have attempted to collect hundreds of millions in unpaid sales taxes (Texas) or impose modest revenue-generating measures to ameliorate the homelessness crisis that Amazon had caused in the area (Seattle), Amazon has used bullying tactics to shut down those democratic efforts. The corporation repeatedly threatened to eliminate jobs previously promised to those geographies in order to bring elected officials into line. Wooing Amazon back to New York would only set us up to have job promises “held hostage” every time we ask the corporation to pay anything close to its fair share. Seattle Councilmember Teresa Mosqueda, when she visited New York to brief legislators at a briefing we helped anchor, shared her experience in Seattle. She worked

¹ Bad Deal, Bad Company, Bad Billionaire,

<https://populardemocracy.org/sites/default/files/Amazon%20HQ2%20Bad%20Deal%20Report%20FINAL%20December%202018.pdf>

² <https://cbcny.org/research/breaking-down-amazon-hq2-deal>

³ Zoe Rosenberg, “Amazon HQ2 tax breaks scrutinized by city comptroller,” *Curbed*, December 27, 2018, <https://ny.curbed.com/2018/12/27/18157567/amazon-hq2-tax-breaks-reap-icap-stringer>

⁴ Olivia LeVaecchia & Stacy Mitchell, ***Amazon’s Stranglehold: How the Company’s Tightening Grip Is Stifling Competition, Eroding Jobs, and Threatening Communities***. Institute for Local Self-Reliance.

⁵ “When Platforms Attack” *Harvard Business Review*, October, 2015. <https://hbr.org/2015/10/when-platforms-attack>

⁶ Karen Weise, Manny Fernandez and John Eligon, “Amazon’s Hard Bargain Extends Far Beyond New York,” *New York Times* March 3, 2019. <https://www.nytimes.com/2019/03/03/technology/amazon-new-york-politics-jobs.html>

directly with Amazon representatives to negotiate a deal with Seattle's city council to pass a common sense "head tax" designed to alleviate some of the corporation's harmful impact on the city. The very next day after reaching an agreement in principle, Amazon launched a massively funded campaign to block the "head tax."⁷ Even after defeating the "head tax" altogether, Amazon *still* carried out their threats to cancel planned job expansion in Seattle.

5. **Amazon actually eliminates more jobs than they create.** In 2016, The Institute for Local Self Reliance calculated that as of the end of 2015, Amazon's expansion had resulted in a net loss of about 149,000 American jobs, and that the pace of that job loss was accelerating. ILSR reports that increases in efficiency are NOT the reason for this dynamic, that Amazon is actually driving workers to an unsustainable pace, and subsidizing their distribution network with tax avoidance, to achieve a competitive advantage over retailers and other companies.⁸
6. **The HQ2 deal would not have created the jobs New Yorkers need:** Some analysts estimate that the deal would have paid Amazon an astounding *\$112,000 in tax breaks for every job it brought to the area.*⁹ Amazon would have received some subsidies even if they never created *any* jobs, or even if the jobs were poverty jobs. Amazon made no commitment to hire un- or under-employed New Yorkers for the promised jobs.¹⁰ And research shows that, on average, less than a quarter of jobs associated with these types of subsidy programs go to local residents who would otherwise be unemployed.¹¹ And there is little reason, based on Amazon's past practices, to expect that it would hire from Queens' diverse communities: according to Amazon's 2016 Equal Employment Opportunity Commission (EEOC) report, 93 percent of executive and senior officers are white.¹² Black and Hispanic/Latino workers combined only make up 7 percent of executives, managers, and professionals.¹³
7. **Amazon supply chain jobs pay poverty wages in grueling conditions.**¹⁴ Conditions for workers in their warehouses and delivery jobs are dehumanizing, and in some cases even deadly.¹⁵ Combined with Amazon's monopoly presence in the economy, the corporation is

⁷<https://www.theatlantic.com/technology/archive/2018/06/how-amazon-helped-kill-a-seattle-tax-on-business/562736/>

⁸ Olivia LeVaeccchia & Stacy Mitchell, *Id.*

⁹ Good Jobs First, "Taxpayer Costs"; Edwards, "Breaking Down"

¹⁰ The New York Times Editorial Board, "New York's Amazon Deal Is a Bad Bargain," New York Times, November 13, 2018, <https://www.nytimes.com/2018/11/14/opinion/new-yorks-amazon-deal.html>.

¹¹ Timothy J. Bartik, "Who Benefits From Economic Development Incentives? How Incentive Effects on Local Incomes and the Income Distribution Vary with Different Assumptions about Incentive Policy and the Local Economy," W.E. Upjohn Institute, 2018, Technical Report No. 18-034, https://research.upjohn.org/cgi/viewcontent.cgi?article=1037&context=up_technicalreports, 83-84.

¹² Amazon's 2016 Equal Employment Opportunity Employer Information Report, Accessed December 2, 2018, [https://images-na.ssl-images-amazon.com/images/G/01/DiversityCampaign2016_Q3/EEO-1_2016_consolidated_V525968886 .pdf](https://images-na.ssl-images-amazon.com/images/G/01/DiversityCampaign2016_Q3/EEO-1_2016_consolidated_V525968886.pdf)

¹³*Id.*

¹⁴ RWDSU, What's Wrong with Amazon, https://d3n8a8pro7vhmx.cloudfront.net/rwdsu/pages/480/attachments/original/1543959297/Whats_Wrong_With_Amazon_-_website.pdf?1543959297

¹⁵National Council for Occupational Safety and Health, The Dirty Dozen http://nationalcosh.org/sites/default/files/Dirty%20Dozen%202018%2C%2010_04-18%2BFINAL.pdf

driving down standards across many sectors. And for perspective, **Amazon CEO Jeff Bezos makes the average *annual* salary of one of his warehouse workers every 11.5 seconds.**¹⁶

8. **New York already has a vibrant and growing tech sector, due to educational institutions and the draw of New York's cultural and social environment.**¹⁷ Giving in to Amazon's self-serving demands and bullying approach would only undermine the currently-successful model of creating the right atmosphere for the growth of a broad range of companies in the sector.

We look forward to working with you to advance a better model of economic development for Long Island's communities.

Sincerely,

Deborah Axt, Co-Executive Director,
on behalf of the members of **Make the Road New York**

Jonathan Westin, Director,
on behalf of the members of **New York Communities for Change**

¹⁶ Simone Stolzoff, "Jeff Bezos will still make the annual salary of his lowest-paid employees every 11.5 seconds," Quartz, October 2, 2018, <https://qz.com/work/1410621/jeff-bezos-makes-more-than-his-least-amazon-paid-worker-in-11-5-seconds/>

¹⁷ Lohr, Steve. "It Started With a Jolt: How New York Became a Tech Town" The New York Times, Feb. 22, 2019