

The Elephant in the Room

Date: Tuesday, January 23, 2018

From: Gilbert, Dan

To: Amazon HQ2 Detroit Bid Committee

Good Evening,

As you know, Amazon did not name Detroit as one of the 20 cities they will be further evaluating for their new "HQ2". We are all disappointed by this news.

The accepted 'conventional belief' is that Detroit did not make Amazon's next round because of:

1. Talent
2. Transportation

The headlines in the local papers seem to perpetuate this conclusory narrative:

"Detroit's education wasn't good enough for Amazon"

"Amazon to Detroit: You didn't have enough talent to get HQ2"

"Detroit misses cut for Amazon HQ2 over talent, mass transit"

The fact is, nobody outside of Amazon knows exactly all of the factors that went into this complicated decision. It is wise to take a deeper dive into the elements involved before jumping to quick conclusions determining why an international company chooses to go in one direction or the other related to a large decision affecting their future.

Let's address both talent and transportation, individually:

Talent

Clearly, the region would benefit by addressing and improving the K-12 challenges that exist in many of our schools.

But let's not get caught up in the snapshot of any company needing XX amount of talented workers and how many qualified candidates exist this moment for those exact jobs.

What percent of the full-time technology 'talent' at Amazon's headquarters in Seattle, or Google in Mountain View, or Facebook in Menlo Park, or Apple in Cupertino, hail from the metropolitan region of each of these fine west coast cities?

What drives migration and retention of talent in a major city?

Is it talent before businesses? City before talent? City before businesses? Talent before city?

I cannot give you exact figures because they are not readily made available, but I can assure you that $\frac{3}{4}$ or more of technology talent (or other highly skilled workers) are not folks who grew up in those attractive west coast communities where they work. We are in a different world today than we were 50 years ago, 25 years ago, and even 10 years ago. The global economy allows the luxury for talented people to move to where the opportunities flourish.

Those of us who run sizable tech-based organizations (and aren't nearly all companies tech-based these days?) nearly unanimously believe that Detroit/Southeast Michigan currently has an ample and rapidly growing talent pool.

In other words, it's simply untrue that there is a *talent crisis* or *shortage of talent* in our region.

Not because all of the talent is sitting around in coffee shops or on the bike trails anxiously waiting for us to open up shop or expand. Not because we have the exact amount of job openings as there are graduates from Michigan State, Wayne State or University of Michigan engineering or computer science programs each spring. Not because we are attracting out-of-state and even international talent.

There are several reasons why we do have an ample and rapidly-growing talent pool in Southeast Michigan: Like any other city that has attractive companies, the companies themselves become a magnet for talent that resides everywhere. Many millennials and others are attracted to an urban lifestyle within a vibrant downtown core, as well as the opportunity to positively impact the city itself. Others with families are attracted to the high quality of life – low cost of living, recreational opportunities and thriving communities – in Southeast Michigan.

In addition, there are approximately 52 million people and numerous outstanding educational institutions within a 5-hour drive of downtown Detroit. This has served as a huge reservoir of people and talent, almost as big as the Great Lakes. As a relative comparison, Seattle (clearly a great city) has 12 million people and fewer universities and colleges within the same 5-hour drive. In fact, as you might have read in our bid proposal, we have the "largest and fastest growing population of engineers of any American metropolitan area."

The talent we need is here, close by, across the state, across the country, and across the world. It's because of this very reason that the talent in Southeast Michigan is a strength, and getting stronger. No different than Menlo Park, Cupertino, Mountain View, or Seattle.

Again, I do want to stress that we still have much work to do to improve our education and workforce development so that everyone in our region will acquire the skills necessary to access these opportunities.

Transportation

On the other hand, there is very little doubt that for us to compete with world-class cities to recruit the likes of Amazon and others, as well as retain our native growing businesses, we need to address the mass transportation question once and for all. What became crystal clear to us from countless surveys, discussions, observations, studies, and even Amazon itself, is that having a strong mass transit solution is the ante to play for a millennial workforce, as well as for the most successful and dynamic companies in the world.

Amazon conducted an internal survey of their employees, and the results showed that the ability to live and move seamlessly around a city with strong mass transportation was a critical priority. The region's lack of effective, comprehensive transit infrastructure was a gating-issue in Amazon's decision-making process.

We need to take investment in transit infrastructure very seriously. Companies like Amazon and their employee base require dynamic and reliable transit. If we are determined to attract exciting opportunities to metropolitan Detroit, then it's time to get in a room and figure it out.

Now.

The Elephant in the Room

You may be asking yourself: "If Detroit scored well on most other criteria, then why would the lack of mass transportation alone eliminate us from making the top 20?"

After all, there are cities that made the list that are also missing adequate mass transit or other significant pieces of Amazon's required criteria such as a major airport.

So, what is the elephant in the room?

We are still dealing with the unique radioactive-like reputational fallout of 50-60 years of economic decline, disinvestment, municipal bankruptcy, and all of the other associated negative consequences of that extraordinarily long period of time.

This lingering, negative perception has unfortunately survived our impressive progress over the last several years. It is clear that we don't do ourselves any favors by feeding the pessimistic narrative about Detroit and our region, when this view is not anywhere near the balanced, full story. I believe this is the single largest obstacle that we face.

Outstanding state-of-the-art videos, well-packaged and eye-catching proposals, complex and generous tax incentives and highly compelling and improving metrics cannot nor will not overcome the strong negative connotations that the Detroit brand still needs to conquer.

Old, negative reputations do not die easily.

What is the solution to finally overcome the chasm between Detroit's reputation and reality?

It will take many strategies and tactics to overcome this fundamental challenge.

One highly-effective remedy to the fallout of a half century or more of reputational damage is to bring people physically HERE to see, touch and feel the excitement, opportunity, growth and reality that is the Detroit of 2018 and beyond.

We have witnessed for ourselves, time after time, those who have recently visited the Motor City leave with a completely turned around, positive impression of our city. An impression that is light-years closer to reality than the old narrative.

There are many innovative people already in this region who are capable of developing creative strategies and tactics required to attract people to Detroit and the area.

Once we get them here, we've got them.

The good news is, all of the blood, sweat, and tears that went into this monumental effort will not go to waste. This process has allowed us to curate and package our region in a way that has never been done before.

Undoubtedly, this will be extraordinarily valuable to the many opportunities that are coming our way on an almost daily basis.

Much appreciation and gratitude for the time and talent that you contributed to this valiant effort. I am not sure there has been such a collaborative, purposeful and unified initiative in this region, in all of our lifetimes.

Let this mark the beginning of a new era of how Detroit does business...

Move Here. Move the World.

Dan Gilbert