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## **Testimony before House Ways & Means Committee Regarding HB525**

**Submitted by International Brotherhood of Teamsters, Joint Council 62, February 11, 2020**

Teamsters Joint Council 62, representing Teamsters in Maryland, submits this testimony for informational purposes. We are neither for nor against HB525.

We favor the concept contained in HB525 that prohibits the use of business subsidies for company relocations.

We favor the idea of states working together in a Compact to set new standards.

We offer suggestions for the Committee's consideration. Our suggestions are based on two examples of company relocations involving state business incentive expenditures: 1) the January 2020 announcement of the closing of a Safeway warehouse in Upper Marlboro; and 2) the March 2019 closing by XPO Logistics and Amazon in Aberdeen.

Warehouses, distribution centers, and fulfillment centers are particularly footloose and offer a set of worst-case scenarios that can and should inform new policies. We are acutely aware of the pain and suffering caused by closings for warehouse and transportation employees, over 14,000 of whom are Teamsters members in the state of Maryland. These closings can be the worst days of their lives, wreaking havoc on their families and communities. That the state is financing these companies is a taint that does not wash off.

Safeway announced in January 2020 that it will close a distribution center in Upper Marlboro in May 2020 and shift the work to a distribution center in Denver, PA. In 2016 Safeway received an \$850,000 loan from the state and a \$500,000 grant from the county. At the time it promised to remain at Upper Marlboro at least until 2022. With Safeway breaking its promise to stay in Upper Marlboro, it cost our community over 500 good jobs.

XPO Logistics and Amazon closed a warehouse in Aberdeen in March 2019. The warehouse was built by USAA Real Estate Co. and the site was designated as eligible for designation an Enterprise Zone by the state and the county declared it as an Enterprise Zone in 2016. The designation enabled the site to receive reduced property taxes for ten (10) years. The abatement is front-loaded, so 80% is received in the first five (5) years. The site was leased to XPO Logistics, one of the ten largest logistics providers of warehousing and transportation services in the world. XPO also received approval to claim state Job Creation Tax Credits, although it never claimed them. XPO closed the facility in March 2019 and 167 people lost their jobs. It was reported that XPO closed the facility after internally deciding that the site was solely dedicated to a contract with Amazon and the contract had been lost.

Based on these closings, we offer suggestions that we believe will improve HB525.

- We suggest including local incentives in the Compact. State and local incentives are used interchangeably as required to attract the commitment of the other.
- In the case of Safeway, it received incentives and then, after a short period of time, has announced plans to leave. We suggest that the Compact include an agreement that when an incentivized company leaves one state, it is ineligible to receive future incentives in the other states in the Compact.
- It is unclear whether the Compact applies to incentives that are designated by the state and then locally authorized, such as Enterprise Zone designation. We suggest that these be included in the Compact.
- We suggest that workforce development funds be included in the Compact. We believe the obligation of these incentives extend beyond the year of performance and clawbacks need to be included in the Compact.
- We suggest that intrastate company relocations be included in the Compact. The Compact is about setting new standards and company decisions internal to a state are just as important as interstate decisions.
- We suggest that state and local financing of infrastructural improvements to aid a company also be included in the Compact. In the case of warehouses, there is often “greenfield development” of sites in which the building or improvements of streets and sewers to the new site are the government’s part of a deal with a company. Although these remain in the case in which a company relocates, the improvements come at a high price to government and should result in the same declared ineligibility of the company in Compact states described above.
- The example of the XPO warehouse closing in Aberdeen shows the connections of a real estate developer, logistics contractor, and customer. We suggest that the Compact be designed so that all these actors are subject to the Compact.
- Not surprisingly, there is a high correlation between companies that abuse business subsidies and labor law violators. We suggest that the Compact track labor law violators as a tool to identifying subsidy abuse.

- We suggest that the state continue to include, or if it currently does not, to include, federal solutions to corporate giveaways among its legislative priorities to the federal government.

In conclusion, we see great promise in HB525 and offer these suggestions in the spirit of improving it.

A handwritten signature in cursive script, appearing to read "Lawrence Wolfe Jr.", written in black ink.

Lawrence Wolfe Jr.

Secretary Treasurer and Legislative Representative

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