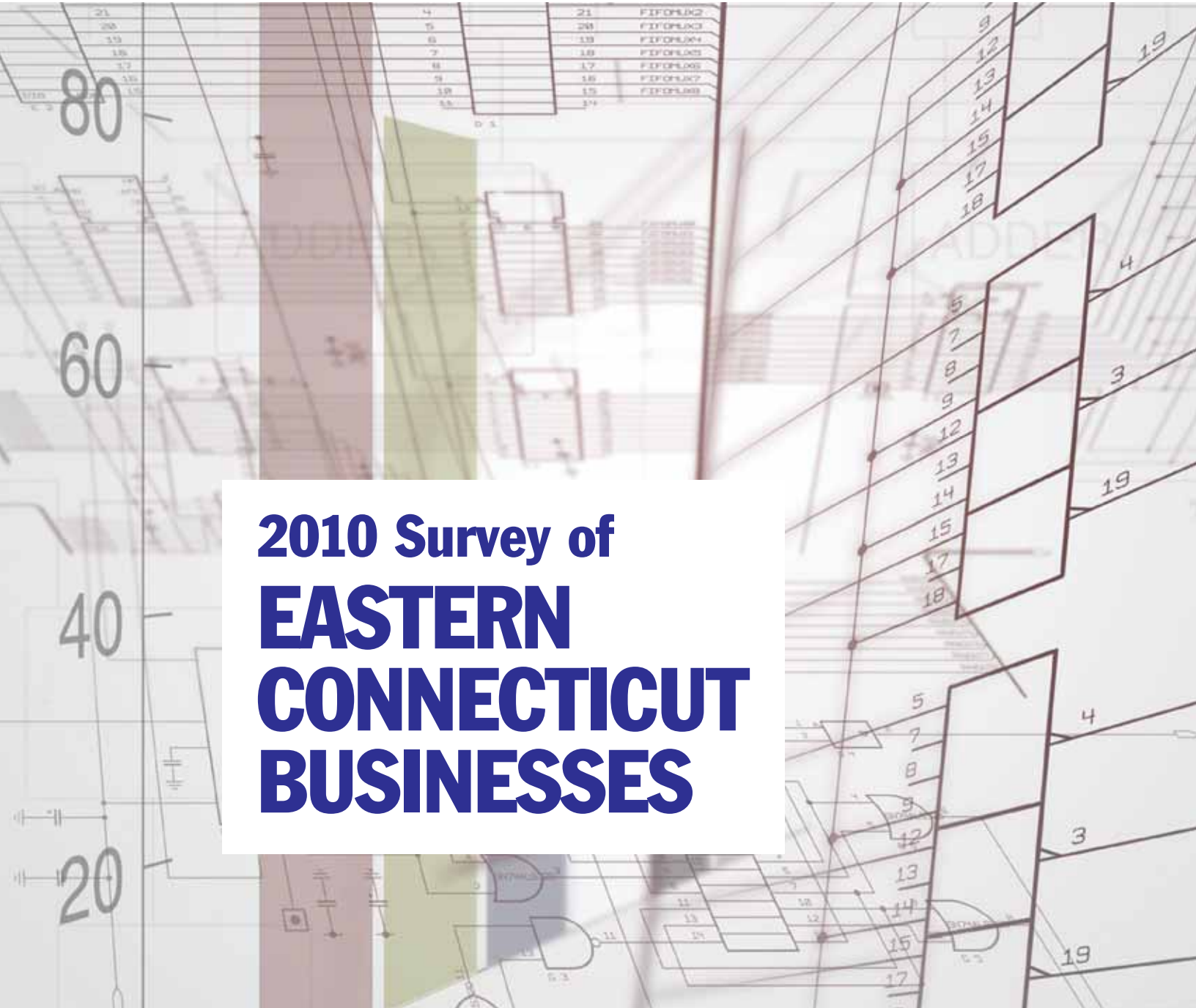


SURVEY SPONSOR



**2010 Survey of
EASTERN
CONNECTICUT
BUSINESSES**

SURVEY PARTNERS



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EXECUTIVE SUMMARY

Introduction

Eastern Connecticut—a tapestry of midsize cities, rural areas, and coastal communities—is home to an expansive military complex, a vibrant seaport and maritime museum, world-class casinos, a leading pharmaceutical research and development facility, and thousands of diverse businesses connected by the most versatile transportation system in the state.

CBIA's biennial Survey of Eastern Connecticut Businesses, conducted in partnership with the Chamber of Commerce of Eastern Connecticut and the Greater Mystic Chamber of Commerce, details the competitive advantages and challenges to doing business in this region.

The current survey was conducted during one of the most volatile economic periods in recent history for Connecticut's residents and businesses. Questionnaires were distributed in October 2009, prior to the release of state labor statistics that triggered extended unemployment benefits and before the announcement of a corporate relocation with

major implications, both positive and negative, for key areas in the region.

This year's key findings:

- Nearly half of eastern Connecticut businesses have downsized in response to the recession. Almost as many have reduced employee compensation and benefits.
- As elsewhere, the cost of doing business tops the list of challenges in this part of the state. Whereas 59% of eastern Connecticut companies identified business costs as their greatest concern in 2008 (up from only 26% in 2006), nearly three-quarters—72%—named business costs as their greatest challenge in 2009.
- Health care is the most onerous business cost, with 68% of businesses describing it as a “significant burden” and 20% as a “slight or moderate burden.” (Most of the remaining businesses identified the cost of health care premiums as not applicable to them.)
- Though they are somewhat optimistic about the

region's economy over the next year, most eastern Connecticut businesses are not expecting drastic changes: 38% anticipate moderate improvement, and 30% expect conditions to remain the same.

- Tourism and defense are seen as vital to eastern Connecticut's economy; however, technology is now considered the most important sector in driving the region's future economic success.
- Approximately half of the businesses surveyed (49%) believe social networking technologies such as Facebook, LinkedIn, and Twitter have potential benefits for their firms; roughly one-third (36%) are skeptical about the business benefits, and 15% are unsure.
- Nearly two-thirds of eastern Connecticut businesses claim the state legislature has had a negative impact on their ability to operate a successful business, and about a third report that state legislators have had no impact.

Business Climate and Economic Outlook

While the economy in some areas has begun to show nascent signs of recovery, businesses in eastern Connecticut are not anticipating dramatic changes over the next 12 months. Only 5% expect conditions to improve considerably, while 5% expect significant deterioration. Most believe that local conditions will improve somewhat (38%) or stay the same (30%) in the next year. Twenty-two percent expect some further decline.

Most businesses surveyed believe their region's recovery will lag the state's, anticipating that eastern Connecticut's economy will not recover lost jobs, housing prices, and consumer confidence until 2011 (35%) or later (23% in 2012; 17% in 2013). One in four businesses believe employment, housing prices, and consumer confidence will rebound earlier (18% in 2010; 7% in 2009).

"We are fortunate to be part of an economic region diversified by industry, tourism, recreation, and the military. Because of our economic diversity and despite the economic challenges still facing us, we have the potential to make a swift and complete recovery, largely due to the strength of our business community, the dedication of our leaders, and the quality of life this region can be justly proud of. We should focus our attention on relieving the business community of some of the burdens indicated in the survey results, as doing so will lead to a positive economic future for the entire region."



Tony A. Sheridan

President and CEO, Chamber of Commerce of Eastern Connecticut

“Despite the challenging times businesses across Connecticut and the United States have endured recently, the economy of eastern Connecticut has a number of attributes that will assist in our collective recovery in the months to come. CBIA’s Survey of Eastern Connecticut Businesses provides a number of proposals to assist with economic development that should be strongly considered by policymakers and public officials in 2010.”



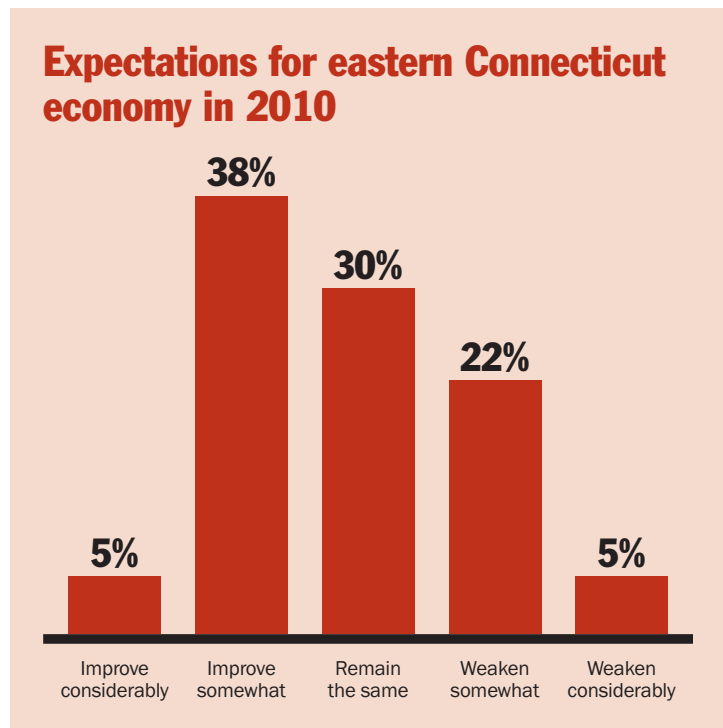
Richard M. Barry
President, Citizens Bank, Connecticut

Greater gains are expected statewide (with 68% of respondents foreseeing a recovery in 2011 or earlier) and nationally (74% predicting a recovery in 2011 or earlier).

Businesses are somewhat more optimistic about their own revenue growth over the next 12 months, with 50% expecting improvement, 34% expecting revenues to stay flat/remain the same, and 16% expecting conditions to worsen.

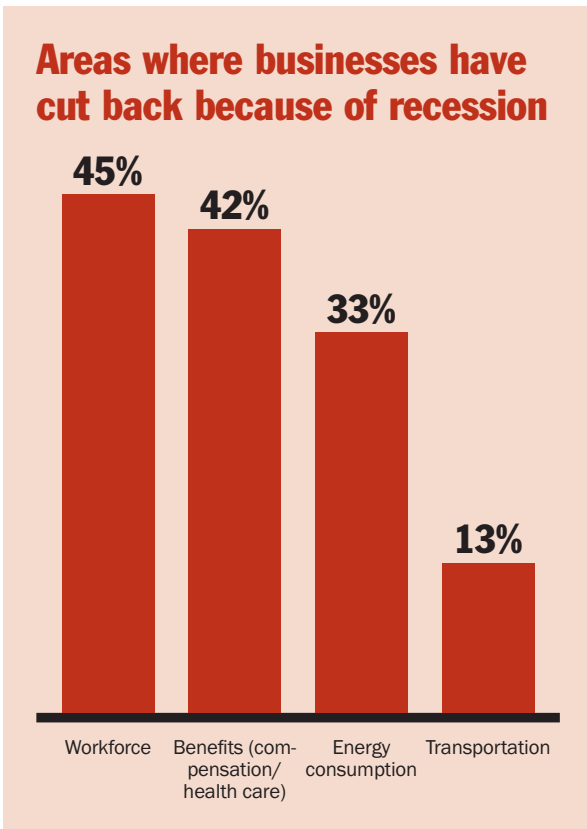
Business Challenges, Credit Conditions

For 72% of eastern Connecticut companies, the principal challenge to operating a business today is the cost of doing business. Health care premiums specifically were identified by two-thirds of respondents as a significant concern, followed by local property taxes (46%), the cost of energy (44%), and labor (28%).



More than three-quarters of eastern Connecticut companies believe the state's fiscal woes (and to a slightly lesser extent, national economic uncertainties) will continue to be detrimental to their operations over the next year. Price increases for commodities (cited by 58% of respondents), the price of energy (57%), and a slowdown in lending (54%) are projected to be problematic as well.

The credit crunch has also had significant implications for small business owners, many of whom rely on loans for startup costs, expansions, and working capital. While 21% of the region's businesses rate the lending climate in eastern Connecticut as good or excellent, 38% consider it average, and 42% characterize it as fair or poor.



“CIBIA’s biennial Survey of Eastern Connecticut Businesses once again provides a comprehensive and irreplaceable tool for area businesses. Two key findings jump off the pages, in particular when viewed in conjunction with each other. First, the cost of doing business, while not unique to southeastern Connecticut, continues its dramatic rise as the area’s leading challenge (72%). Second, nearly two-thirds of respondents claim the state legislature has a negative impact on their ability to operate a successful business. The connection between the two findings is telling: eastern Connecticut businesses feel a true disconnect with Hartford as they expect to pay more and receive less.”



Christopher Rixon

2009 Chairman of the Board, Greater Mystic Chamber of Commerce

“The survey findings clearly state what we already knew: we will continue to face challenging times in the next year. It is not business as usual, and we must remember there are opportunities all around us. We have to be open to change, open to collaboration and open to new ideas.”



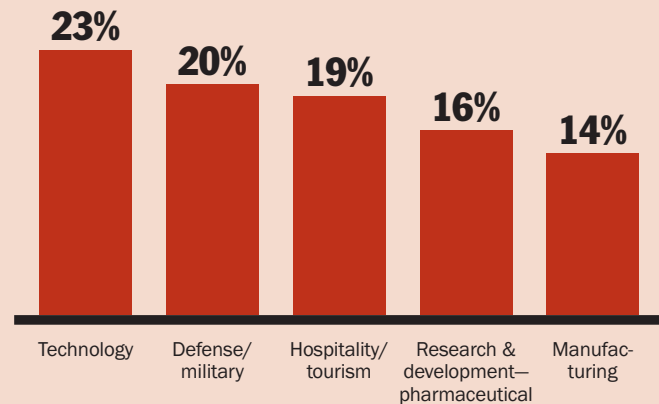
Tricia Cunningham

President, Greater Mystic Chamber of Commerce

Facing many of the same hurdles this past year as businesses throughout the state, companies in eastern Connecticut have been forced to make difficult decisions, including trimming their workforce (45% of respondents) and implementing employee pay cuts or reducing benefits (42% of respondents). It is worth noting that cuts reported in October in eastern Connecticut were not as pronounced as in the rest of the state—where, by June, almost two-thirds of businesses had made workforce reductions and nearly half had reduced compensation and benefits.

In this shaky economy, many businesses are unsure about what trends to expect in the coming year and how various factors might affect their operations. More than half (54%), for example, are unsure about the availability of skilled labor in the next 12 months; 42% are uncertain whether the lending climate will have a positive or negative impact on their business, and almost as many are unable to speculate on the direction that commodities and energy prices will take in the coming years (39% and 37%, respectively).

Top industry for future economic success in eastern Connecticut



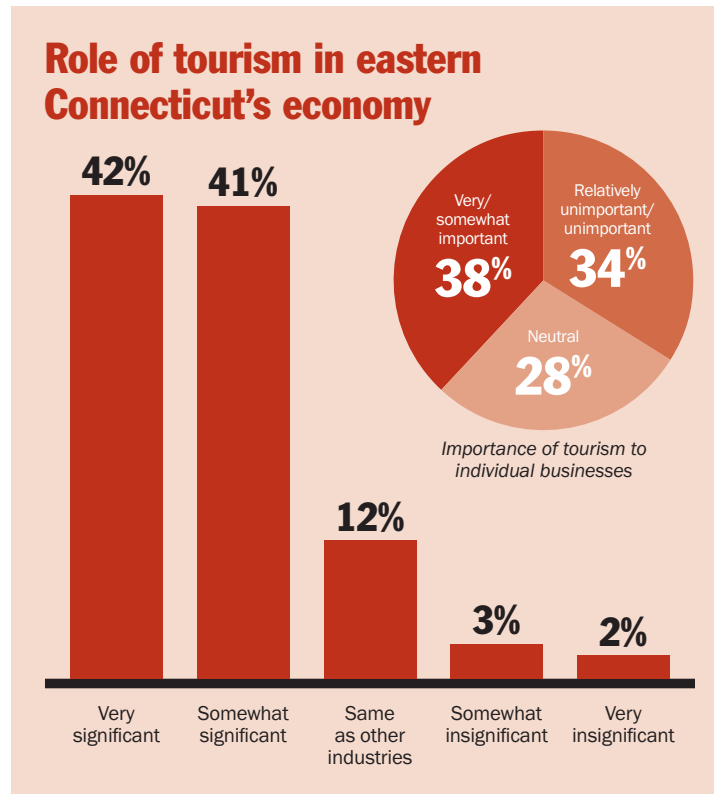
Regional Assets and Priorities

Quality of life is consistently cited as the single greatest benefit of operating a business in eastern Connecticut (58% of respondents in 2010), followed by the region's growth potential (17%) and skilled workforce (10%).

Technology is regarded as the most vital sector in the future success of the region (cited by 23%), followed closely by military/defense (20%), hospitality/tourism (19%), pharmaceutical research and development (16%), and manufacturing (14%).

Although technology outranks tourism—by a slim margin—as most critical to the region's future success, 83% of eastern Connecticut businesses agree that tourism plays a somewhat or very significant role in the region's economic vitality. Thirty-eight percent consider it somewhat or very important to their firm's success specifically, and 21% say it plays a significant role in their ability to operate a profitable business.

By and large, the region's casinos are seen as the primary drivers of tourism (64%), followed by its beach communities and harbor access to islands (18%), and Mystic Seaport, Mystic Aquarium, and Olde Mistick Village (15%).



While 38% of businesses believe “staycationing” (spending recreational time and money close to home rather than traveling) did not occur to the degree expected in 2009, 22% believe that local consumer spending remained stable because of staycationers, 4% believe it increased, and 36% are unsure.

There was no clear top answer when business leaders were asked what should take first

priority for eastern Connecticut's economy. Solutions varied from technology-based economic development and innovation (19%) to improving the transportation infrastructure (18%), strengthening entrepreneurship (16%), maintaining/growing the tourism industry (13%), ensuring the availability of affordable housing (9%), and maintaining/growing the pharmaceuticals and defense industries (each 9%).

Transportation and Energy Infrastructure

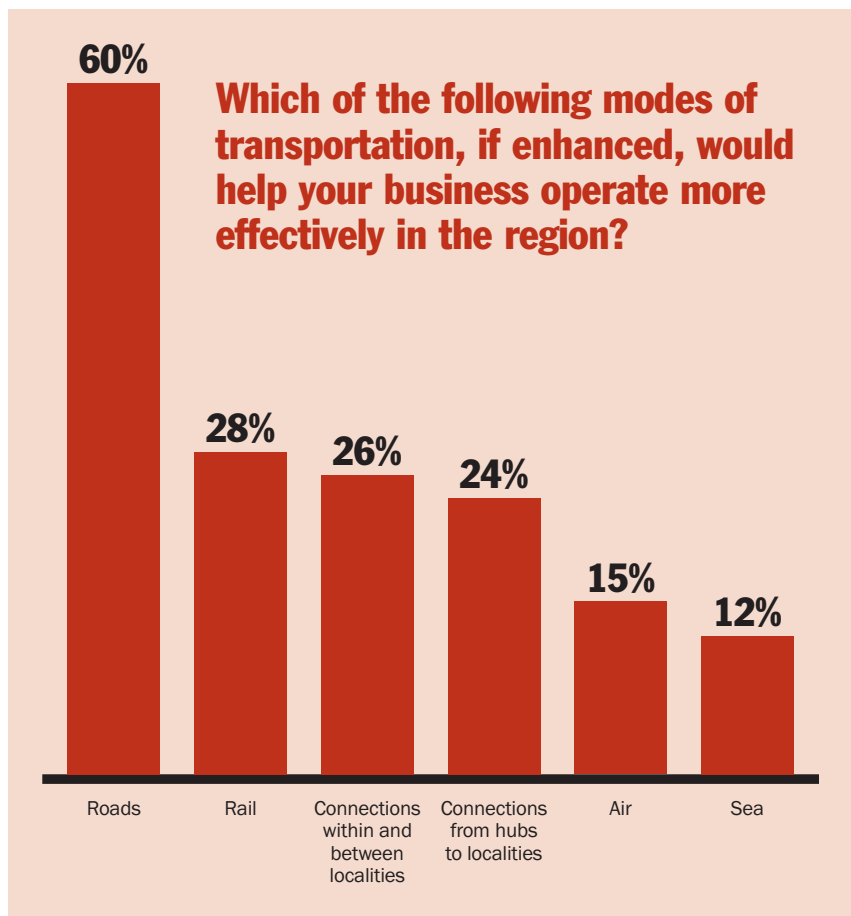
Eastern Connecticut's network of roads, waterways, rail and bus transit, and air transport offers a strategic advantage for area businesses, enabling them to move goods and services into and out of the region and facilitating commuter access. Improvements to the area's transportation infrastructure and connectivity have the potential to allow for seamless movement of passengers and freight.

Respondents are evenly split on whether or not the region's multimodal transportation is an asset to their business. Nearly half do not exploit multiple modes of transportation, and most acknowledge not using the infrastructure to its maximum benefit. The vast majority (87%), however, believe transportation projects are important overall to maintaining a healthy business environment in eastern Connecticut. In fact, improving the region's transportation infrastructure ranked second only to technology-based innovation as the top economic priority for eastern Connecticut. Specifically, 60% of respondents believe road enhancements would help their business, and 28% believe the same about rail enhancements. Better connections from major hubs to localities (24%) as well as interconnectedness of

the region's localities (26%) are also seen as potentially facilitating business effectiveness and efficiency.

Ensuring that key sites not only are accessible and developable but also have reliable access to utilities is critical as well. Most businesses in eastern Connecticut (63%) are dissatisfied with the current state of energy in the region, and 64% believe upgrading our electricity transmission system should be a priority.

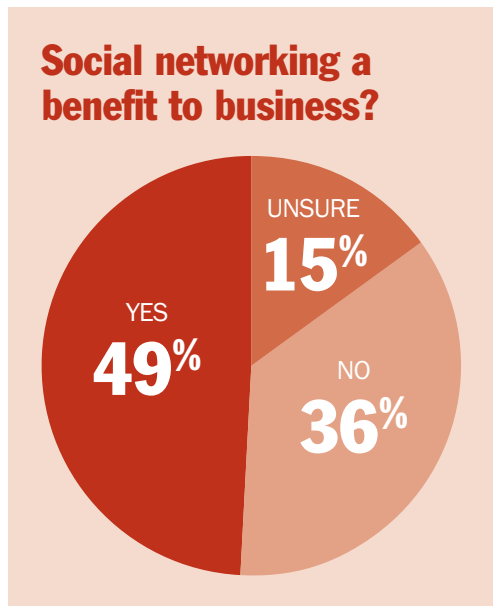
Also of note, in 2010, the Chamber of Commerce of Eastern Connecticut in collaboration with the



Council of Governments will release a transportation-focused study highlighting the needs of the region to better drive economic growth.

Workforce

Closely mirroring the results of other recent CBIA surveys, 31% of eastern Connecticut companies report having difficulty attracting



qualified workers, even as widespread job losses have created a broader pool of available talent. In most cases, this can be traced to demographics, with manufacturers accounting for the majority of firms reporting hiring difficulties. In eastern Connecticut, however, that is not the case. Professional services was the largest

single sector participating in this survey (25% of respondents), with manufacturing a distant third (12%).

A lack of qualified applicants was cited as the main difficulty in filling positions (69% of respondents). Also to blame were the region's high cost of living (44%) and high housing costs (30%).

Nearly half of eastern Connecticut businesses (46%) hired new employees over the last 12 months. It is unclear whether hiring was chiefly a result of incumbent worker retirements, company growth and job creation, or the recent employer's market that has made it possible to replace low-performing/less-qualified staff with more highly skilled candidates. (A 2009 CBIA survey of

“Eastern Connecticut is fortunate to have a higher proportion of young residents aged 20-34 than the rest of the state. During this period of economic uncertainty, the ability to attract and engage young talent is critical as the region looks to define itself as a hub for technology-based innovation. Area leaders can capitalize on this youthful demographic by selling the area’s cultural and recreational assets, its ‘wired’ infrastructure, and its relatively easy access to major metro areas such as New York and Boston, without the associated costs and logistic hassles of those cities.”



Douglas G. Fisher

Manager, Economic Development & Community Relations, Northeast Utilities (CL&P/Yankee Gas)

“Despite the diversity of business and industry found in eastern Connecticut, the survey findings depict an economic downturn that has had a direct negative impact on the region’s ability to grow. The uncertainty being displayed in the national and state economy coupled with a tight lending climate has left many businesses in the region hesitant to make investments in either workforce or infrastructure. With no clear consensus on economic recovery, eastern Connecticut businesses will remain cautious as we enter 2010.”



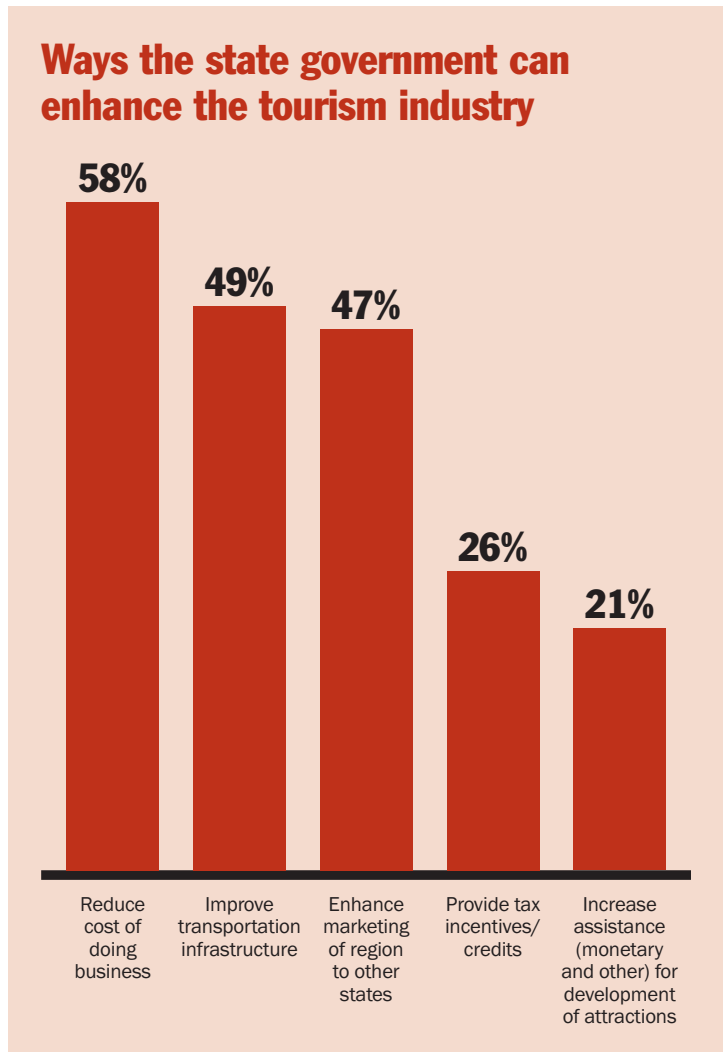
Jason J. Giulietti
Research Economist, CBIA

businesses statewide found that the economic downturn prompted 47% of companies to reevaluate their existing workforce and capitalize on the availability of skilled workers.)

Many eastern Connecticut businesses—44% of those surveyed—expect to continue hiring in the next 12 months.

The Role of Government

The state legislature received low marks both on its performance on the whole (considered poor by 46% of respondents and fair or



average by 47%) and on the impact it has had on companies' ability to operate a profitable business (with 64% saying it had a negative impact and 32% saying it had no impact).

In addition, 35% of eastern Connecticut businesses surveyed indicate that the 2009 budget stalemate had a negative impact on their operations, and the vast majority (78%) presume the state's budget deficit and fiscal woes will have a negative impact on their business in the coming year. Seventy-one percent believe national economic turmoil will continue to undermine their success as well.

Businesses believe state government can play a role in enhancing tourism in eastern Connecticut by reducing the cost of doing business (58%) as well as improving the region's transportation infrastructure (49%), ramping up marketing in other states (47%), providing tax incentives and credits (26%), and increasing monetary or other assistance in the development of more local attractions (21%). Also, the ability for the region to better unify and streamline messages related to tourism could prove as a helpful tool for businesses.

Conclusion

As the state positions itself for an economic upswing, eastern Connecticut—widely known for its defense presence, pharmaceutical research and development, and tourism industry—hopes to evolve into an even more economically diverse region, fueling higher employment and economic activity.

Businesses surveyed today agree that capitalizing on the region's well-established strengths (which include not only tourism, defense, and pharmaceutical R&D but also a greater share of the 20-to-34-year-old demographic than any other part of the state) will be key factors in the region's recovery. They also acknowledge, however, that eastern Connecticut's future success will come in large part from new technology and innovation—an area in which both public policy and private-sector investments can have considerable influence.

The next Survey of Eastern Connecticut Businesses is planned for 2012, by which time Connecticut's political and economic landscape will conceivably have been transfigured. With the right strategies, decisionmakers, political leadership, and commitment of public and private resources in place, eastern Connecticut's best days may be yet to come.

ABOUT THE SURVEY

Demographics

A wide variety of industries are represented in the survey. Twenty-five percent of respondents represent professional services firms, 16% insurance and finance, 12% manufacturing, 11% retail, 9% social services, 6% hospitality and tourism, 6% technology, 5% construction, and 4% medical. Arts and entertainment, maritime, and wholesale distribution firms each comprise 2% of respondents.

Most companies employ fewer than 50 individuals: 39% have nine or fewer employees, and 27% have 10 to 49. The remainder have 50 to 249 employees (22%), 250 to 499 (4%), or 500 or more employees (8%).

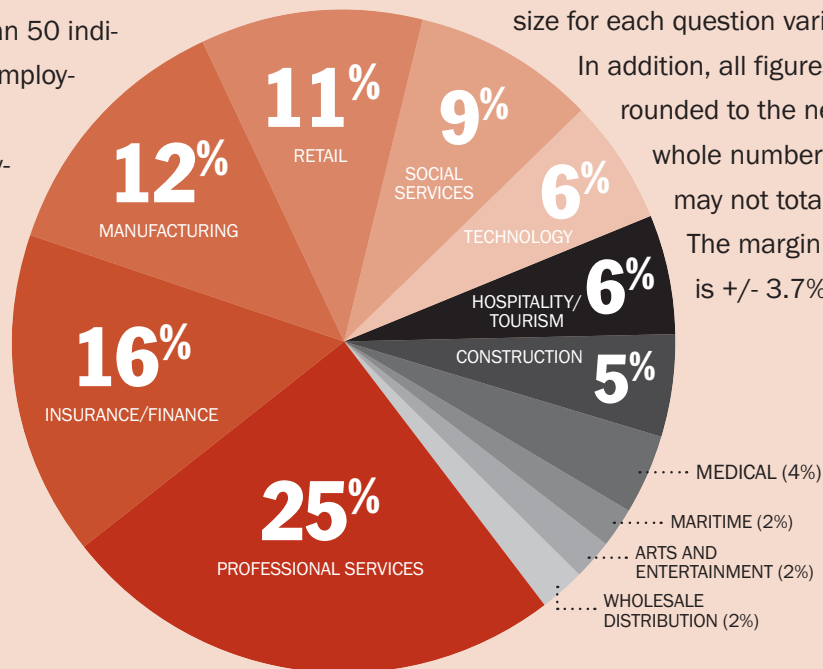
Respondent companies are incorporated (26%), privately held (20%), family-owned and limited liability corporations (16% each), publicly held (12%), woman-owned (10%), and minority-owned (2%).

Most (80%) are located in New London County; 8% are in Windham County, 8% in Middlesex County, and 4% in Tolland County.

Methodology

This survey was conducted in October 2009 via e-mail; 703 companies responded. The percentages quoted in this report relate to the number of respondents answering each question; thus the sample size for each question varies.

In addition, all figures are rounded to the nearest whole number and may not total 100%. The margin of error is +/- 3.7%.



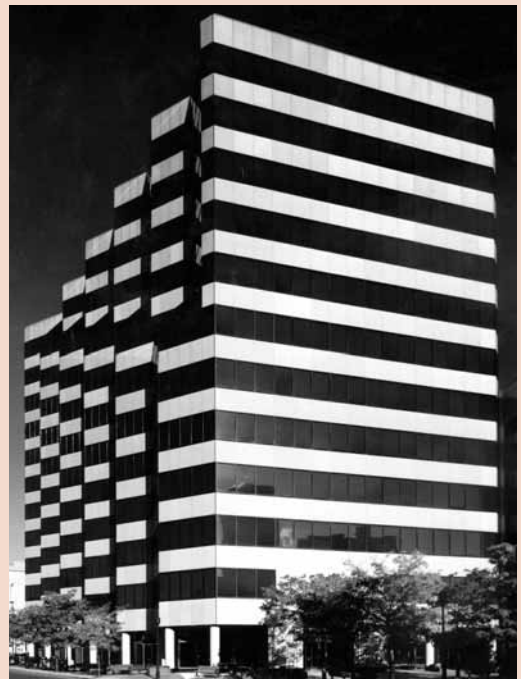
ABOUT CBIA

Connecticut Business & Industry Association

CBIA is Connecticut's largest business organization, with 10,000 member companies. Our public policy staff works with state government to help shape specific laws and regulations to make Connecticut's business climate competitive and support job creation. Our councils, committees, and roundtables give our members forums in which to become involved in the legislative and regulatory processes.

One of the most important functions of CBIA is to provide our members with information that can help them better manage their businesses. We conduct training seminars and workshops; arrange for consulting services; and hold conferences on environmental regulations, health and safety, human resources, compensation and benefits, taxes, energy, and health care. Our free telephone consulting service gives members access to our experienced staff of professionals on a wide range of business topics.

Many CBIA members take advantage of our employee benefits plans, discount programs, and group



purchasing opportunities. These include innovative health and dental insurance programs as well as other insurance lines, retirement plans, a COBRA continuation program, an eyewear savings plan, group energy purchasing, and member discounts on everything from packaging materials to background checks.

Visit cbia.com.

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Citizens Bank

Citizens Bank is a division of RBS Citizens, N.A., operating its seven-state branch network in Connecticut, Delaware, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. It has 49 branches and 65 ATMs in Connecticut.

RBS Citizens, N.A., is a subsidiary of Citizens Financial Group, Inc., a \$160 billion commercial bank holding company headquartered in Providence, R.I. CFG's two bank subsidiaries are RBS Citizens, N.A. and Citizens Bank of Pennsylvania. They operate a 12-state branch network under the Citizens Bank brand in Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont, and the Charter One brand in Illinois, Michigan, and Ohio. CFG has non-branch retail and commercial offices in about 40 states. It is one of the 10 largest commercial banking companies in the United States ranked by assets and deposits. CFG is owned by RBS (The Royal Bank of Scotland Group PLC).

Visit citizensbank.com.

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Chamber of Commerce of Eastern Connecticut

The Chamber of Commerce of Eastern Connecticut is a collaborative of business and community leaders dedicated to securing and enhancing the economic vitality of eastern Connecticut. With a base of 1,700 members, a staff of 15 and a paid lobbyist we are actively committed to supporting and growing a strong sustainable regional economy by:

- Providing a forum for business networking
- Showcasing our member businesses' products and services
- Advancing small business through educational and promotional programs
- Acting as the inclusive voice of businesses for the region
- Modeling the workplace of choice for the region
- Acting as the “voice of business” for the region in Hartford

In addition, the Board of Directors is committed to promoting eastern Connecticut as a regional economic unit. We do so by collaborating with public and

private agencies, including the Eastern CT Workforce Investment Board, SCORE (Counselors to America's Small Business), the U.S. Small Business Association (SBDC), the Connecticut Economic Research Center (CERC), the CT Department of Economic and Community Development (DECD), Southeastern Connecticut Council of Governments, the U.S. Department of Commerce, Southeastern Connecticut Enterprise Region (SECTER), the Connecticut Business & Industry Association (CBIA), as well as local Chambers and the Connecticut Metro Chamber Group.

The Chamber of Commerce of Eastern Connecticut also promotes the economic interest of eastern Connecticut through our incubator program recently established by a federal grant to operate up to 10 incubators for startup companies.

The Chamber of Commerce of Eastern Connecticut serves the communities of Bozrah, Colchester, East Lyme, Fishers Island, Franklin, Griswold, Groton, Lebanon, Ledyard, Lisbon, Lyme, Montville, Mystic, New London, North Stonington, Norwich, Old Lyme, Preston, Putnam, Salem, Sprague, Stonington, Voluntown, Waterford, and our two Native American

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communities' enterprises, the Mashantucket Pequot Tribal Nation's Foxwoods and MGM Grand at Foxwoods and The Mohegan Tribe's Mohegan Sun.

Visit chamberect.com.

Greater Mystic Chamber of Commerce

The Greater Mystic Chamber of Commerce represents the voice of over 700 business members throughout the region. Our mission is to bring prosperity to our community while carefully balancing the historic nature of our residential neighborhoods. Since 1937, we have bridged the towns of Groton and Stonington in governmental affairs and served as the conduit for communicating with our political representatives to solve small business issues affecting our livelihood. We also address waterfront issues, host annual events, conduct forums for educational outreach, and provide many networking opportunities for members.

As a member of the Greater Mystic Chamber of Commerce, you can attend legislative forums and breakfasts, receive free listings in our membership

directory and on our website, promote company events and programs, become active on a committee, attend workshops and seminars, meet with SCORE business representatives, host meetings and presentations in our conference room, and use the LCD projector, sound system, and much more.

Weekly e-blasts and monthly newsletters can provide a forum for company announcements. In addition, new or expanding businesses can benefit from a Chamber-hosted ribbon cutting. The Chamber also maintains a townwide gift certificate program known as Mystic Dollars, keeping money in our local economy. The Chamber has two active divisions working to bring people together.

The Chamber manages the Welcome Center at the Mystic Depot and offers visitor information promoting tourism in our community. The Chamber produces the *Mystic Boaters Guide* as well as the *Mystic Discovery Guide*, both valuable advertising tools aimed at families planning to vacation here. The Greater Mystic Chamber is proud to support our hardworking and innovative business community.

Visit mysticchamber.org.



The environment is like a bank account.
Every little bit helps.



With GreenSense from Citizens Bank, every time you pay without paper, like when you pay a bill online or buy something with your Debit Card, we'll pay you 10¢. That's 10¢ every time, up to \$120 a year. Plus you'll also get an environmentally friendly Debit Card made from recycled plastic. And with GreenSense, the average family can save about seven pounds of paper or 24 square feet of forest a year. To enroll, call 1-800-922-9999, visit any branch or go to citizensbank.com/greenSense.

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