



# *Market Research Insight*

**A Confidential Report  
Prepared for**

**MAINE ECONOMIC RESEARCH INSTITUTE  
SENIOR MANAGEMENT SURVEY  
2008**

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## Introduction & Methodology

This report represents the results of a scientific survey of opinion among 413 business senior managers completed in July of 2008.

The sample population was scientifically selected to meet rigid criteria of random selection and geographical allocation. Survey results for the sample of 413 respondents provides a sampling error factor of plus or minus 4.6% at the .95 level of confidence; however, error factors for various geographical areas and crosstabulations contained in this report may vary widely depending upon the number of respondents in each cell.

Market Research Insight follows established and accepted procedures for sample selection, survey design, and analysis. All survey research, however, is subject to a margin of statistical error.

## Executive Summary

Market Research Insight assisted Maine Economic Research Institute with a survey of Maine's senior business officials. The Senior Management Survey had 413 business leader participants providing a sampling error factor of below 4.6% at a .95 level of confidence. MRI completed earlier surveys of Maine business leaders in 1999, 2002, and 2005. Some comparisons between the current and 2005 surveys are made in the report. Dr. Verne Kennedy, MRI President and Senior Analyst, served as Project Director.

Manufacturing, construction, retail trade and distribution, and professional services had higher participation in the survey because they make up a larger portion of Maine's businesses. Business participation in 2008 included a larger number of companies with 1,000 or more employees. However, most Maine businesses participating in the survey had between six and 1,000 employees. Most businesses, as would be expected, were incorporated. Cumberland, Penobscot, and York Counties had the highest representation of businesses. For 57% of businesses, the owner was the respondent. The Chief Executive Officer responded 22% and a Senior Management Official in the Maine company office 14%.

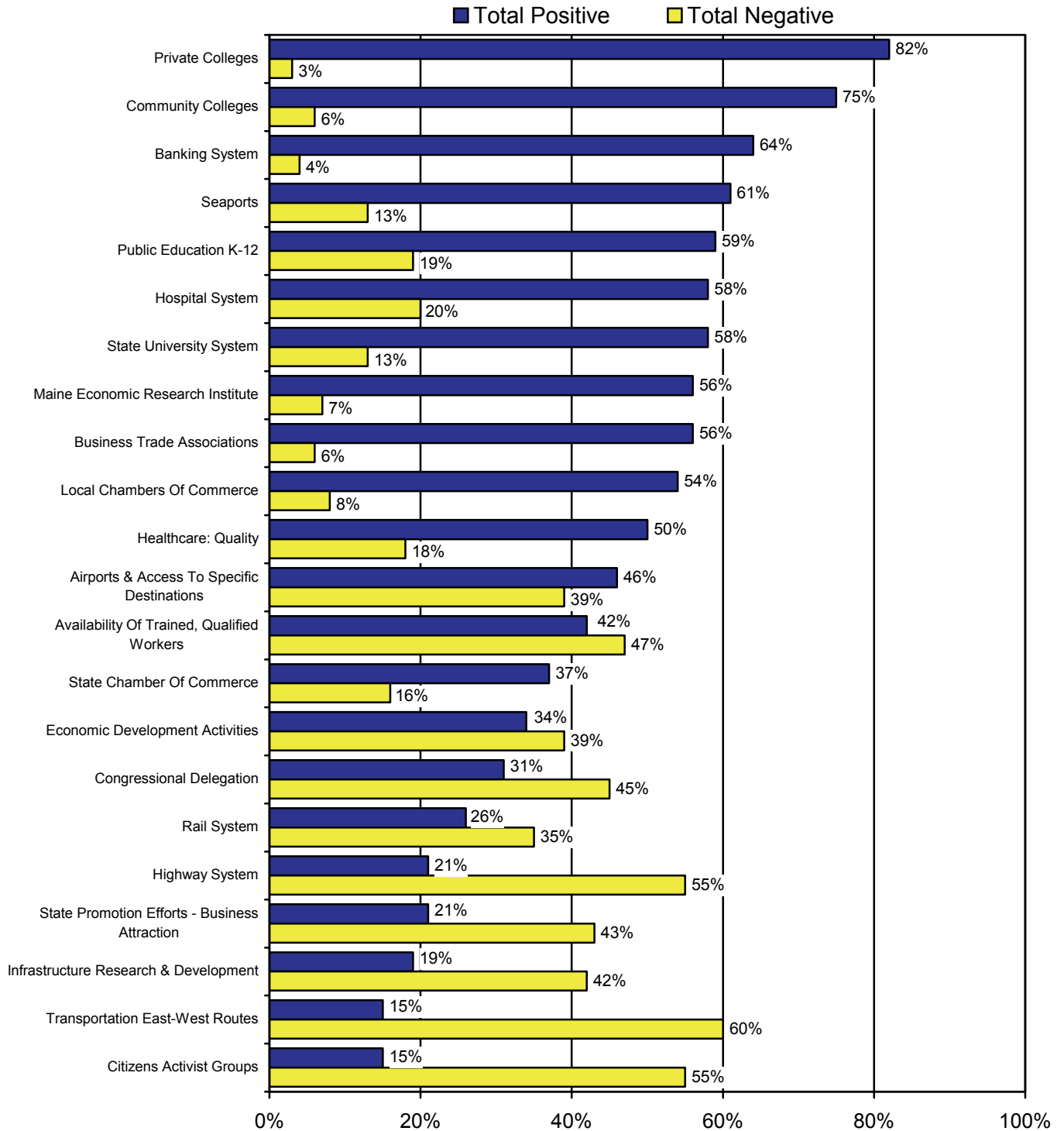
<b>NUMBER OF EMPLOYEES</b>		
	<b>2008</b>	<b>2005</b>
5 Employees Or Less	15%	14%
6-20 Employees	25	28
21-50 Employees	21	25
51-99 Employees	11	13
100-1,000 Employees	20	19
Over 1,000 Employees	8	1

In both 2005 and 2008, over 90% of business leaders said the overall business climate in Maine was poorer than other states and Canada with 54% saying much poorer and 38% somewhat poorer in 2008. In addition, 95% of 2008 respondents said the perception of Maine's business climate as held by other Maine business executives was negative. When it comes to state and local taxes, 95% said that Maine taxes are too high, 59% much too high and 36% simply too high. Senior Management respondents also replied 96% that current state and local taxes paid by individuals was too high.

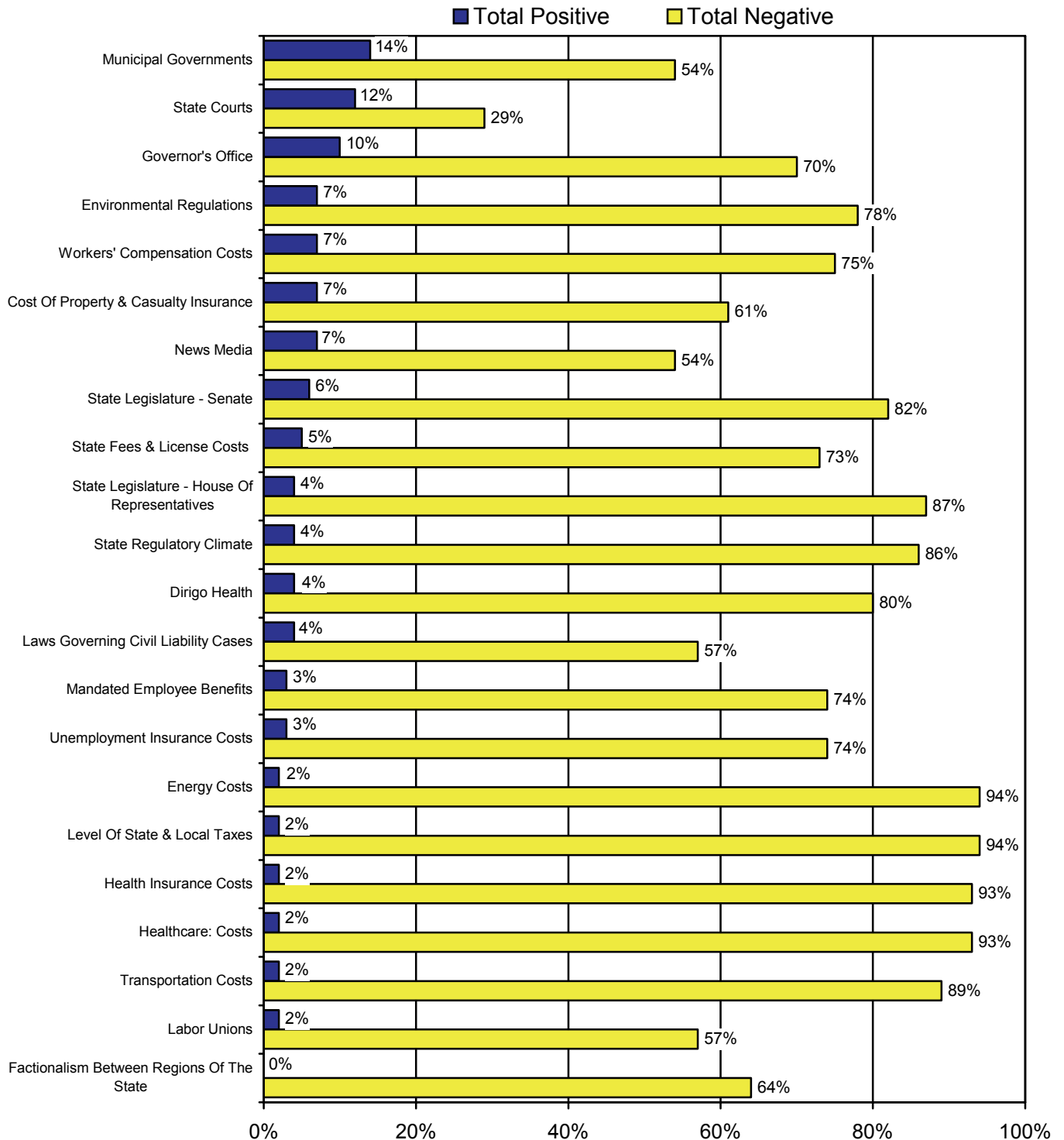
The following graphs depict whether business leaders said that each of the factors depicted had a positive or negative impact on the Maine economy.

*(See graphs on following pages)*

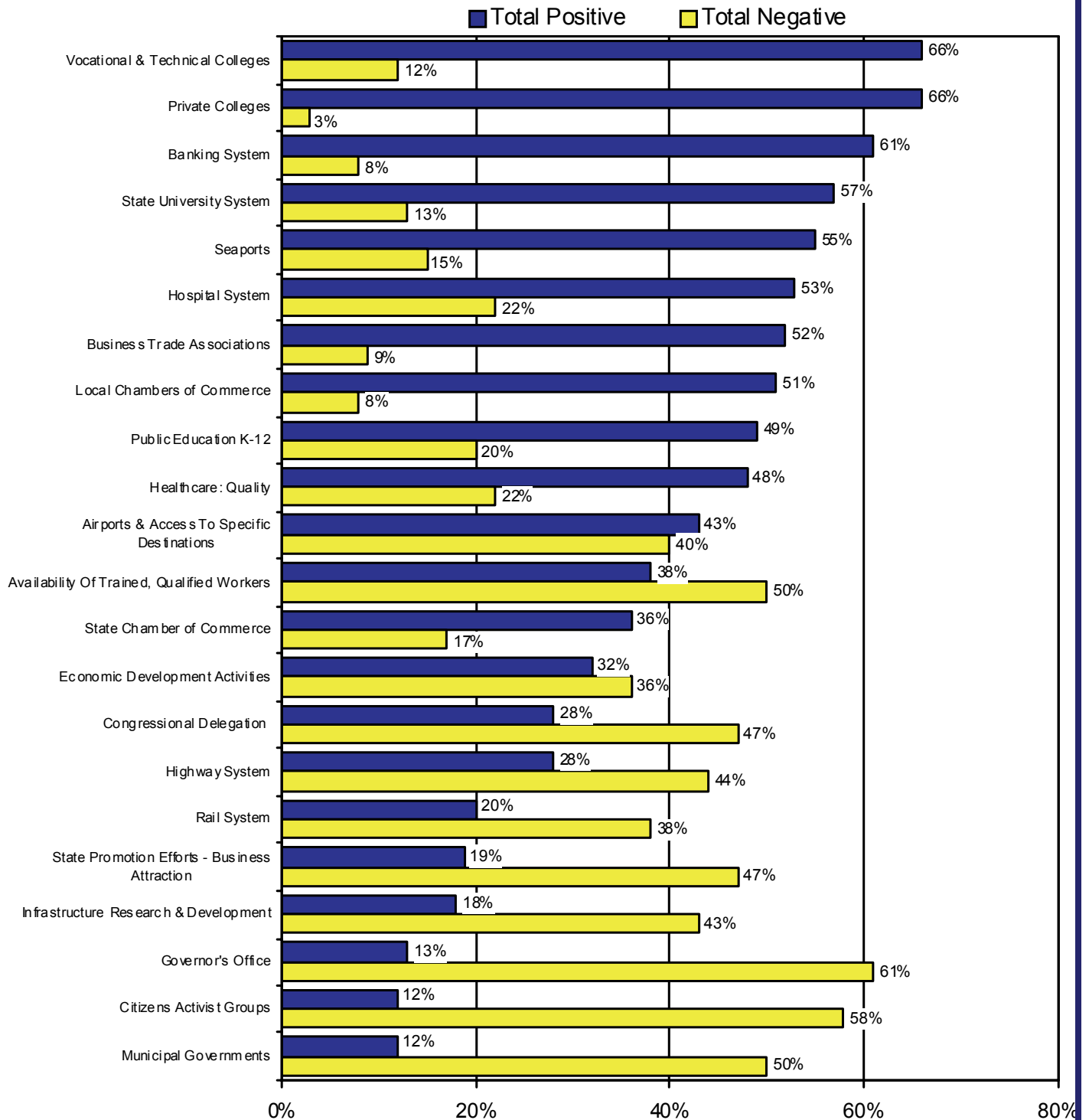
## 2008 INFLUENCES ON MAINE'S BUSINESS CLIMATE (Graph 1 of 2)



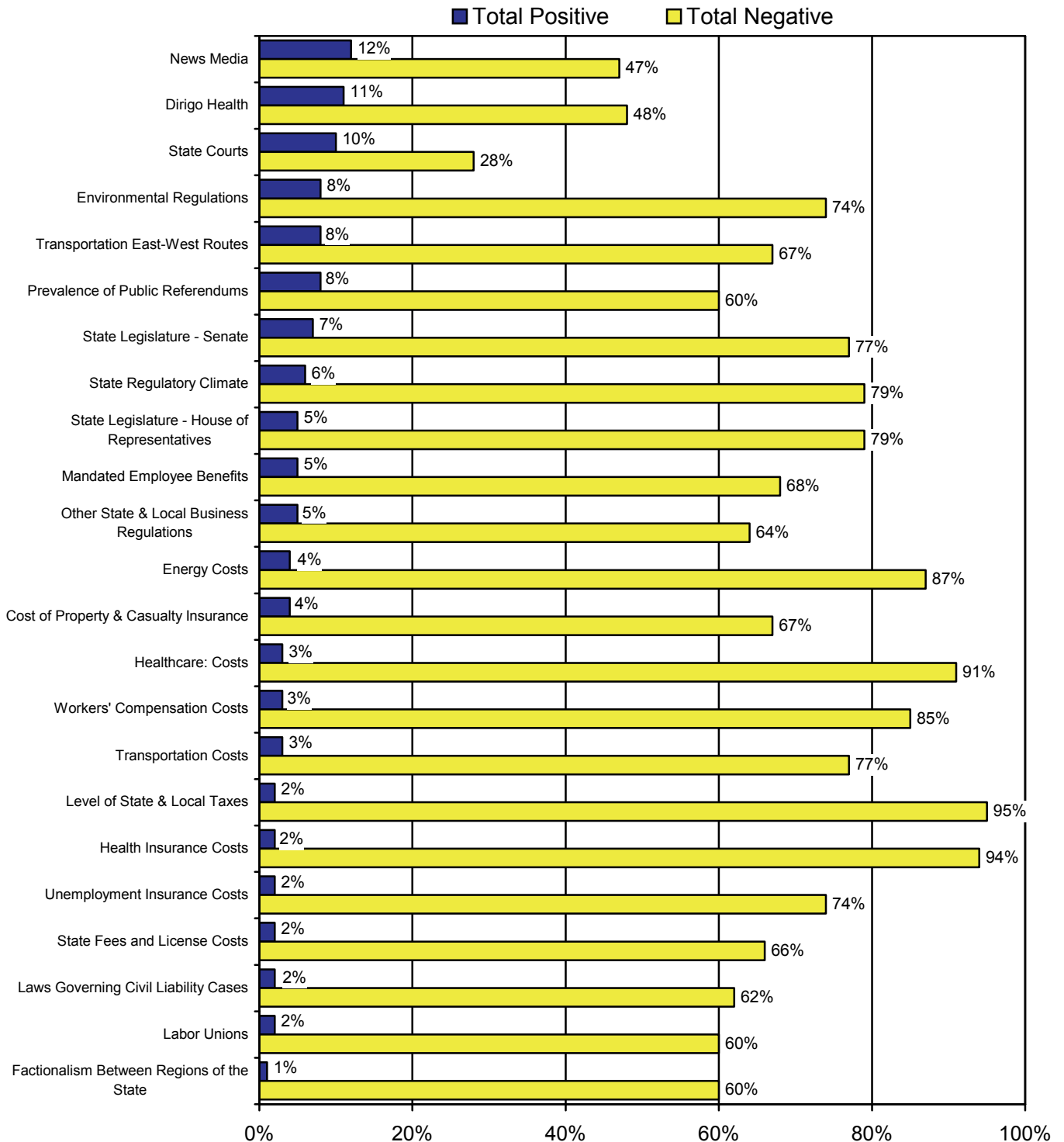
## 2008 INFLUENCES ON MAINE'S BUSINESS CLIMATE (Graph 2 of 2)



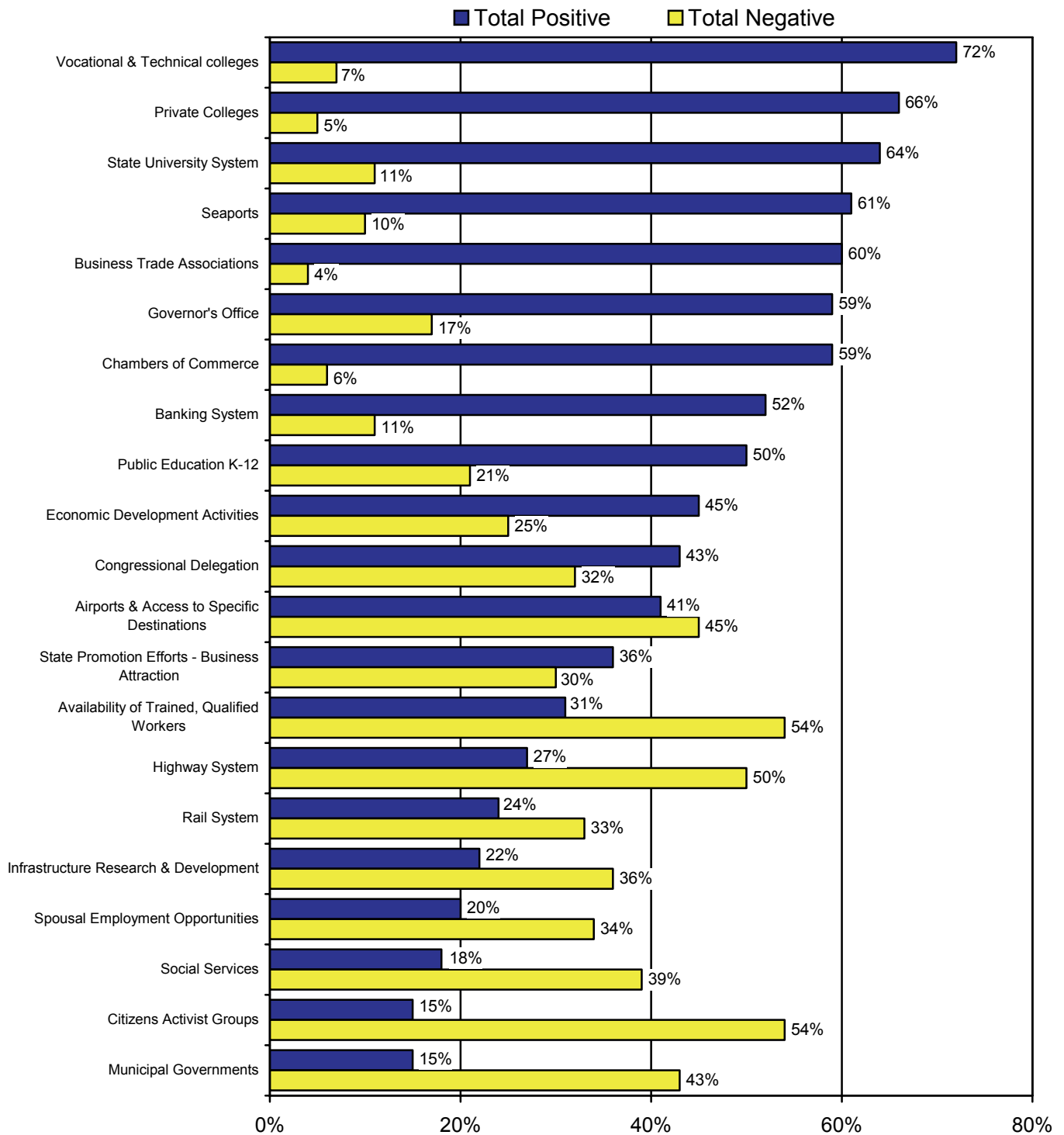
## 2005 INFLUENCES ON MAINE'S BUSINESS CLIMATE (Graph 1 of 2)



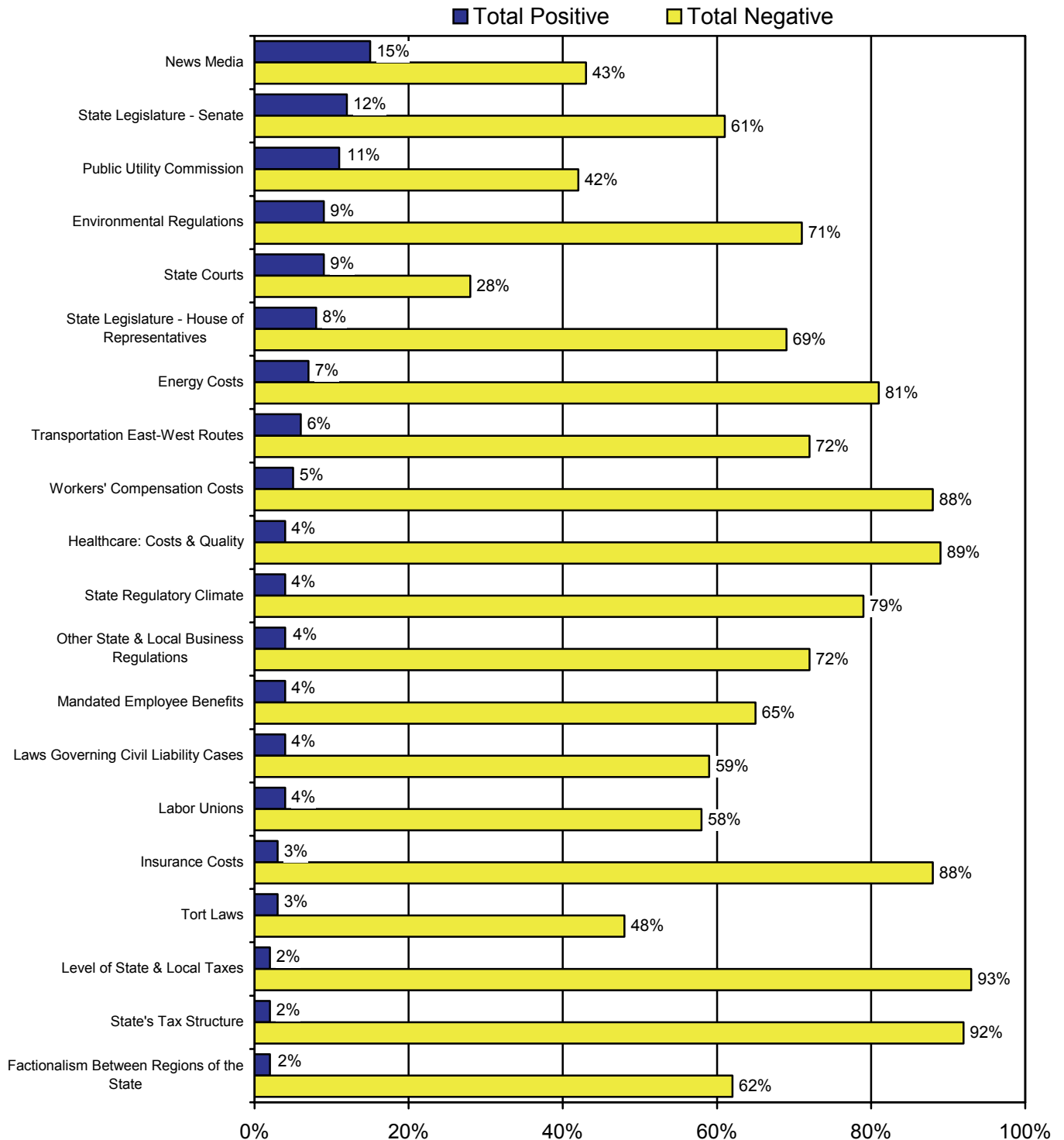
## 2005 INFLUENCES ON MAINE'S BUSINESS CLIMATE (Graph 2 of 2)



## 2002 INFLUENCES ON MAINE'S BUSINESS CLIMATE (Graph 1 of 2)



**2002 INFLUENCES ON MAINE'S BUSINESS CLIMATE  
(Graph 2 of 2)**

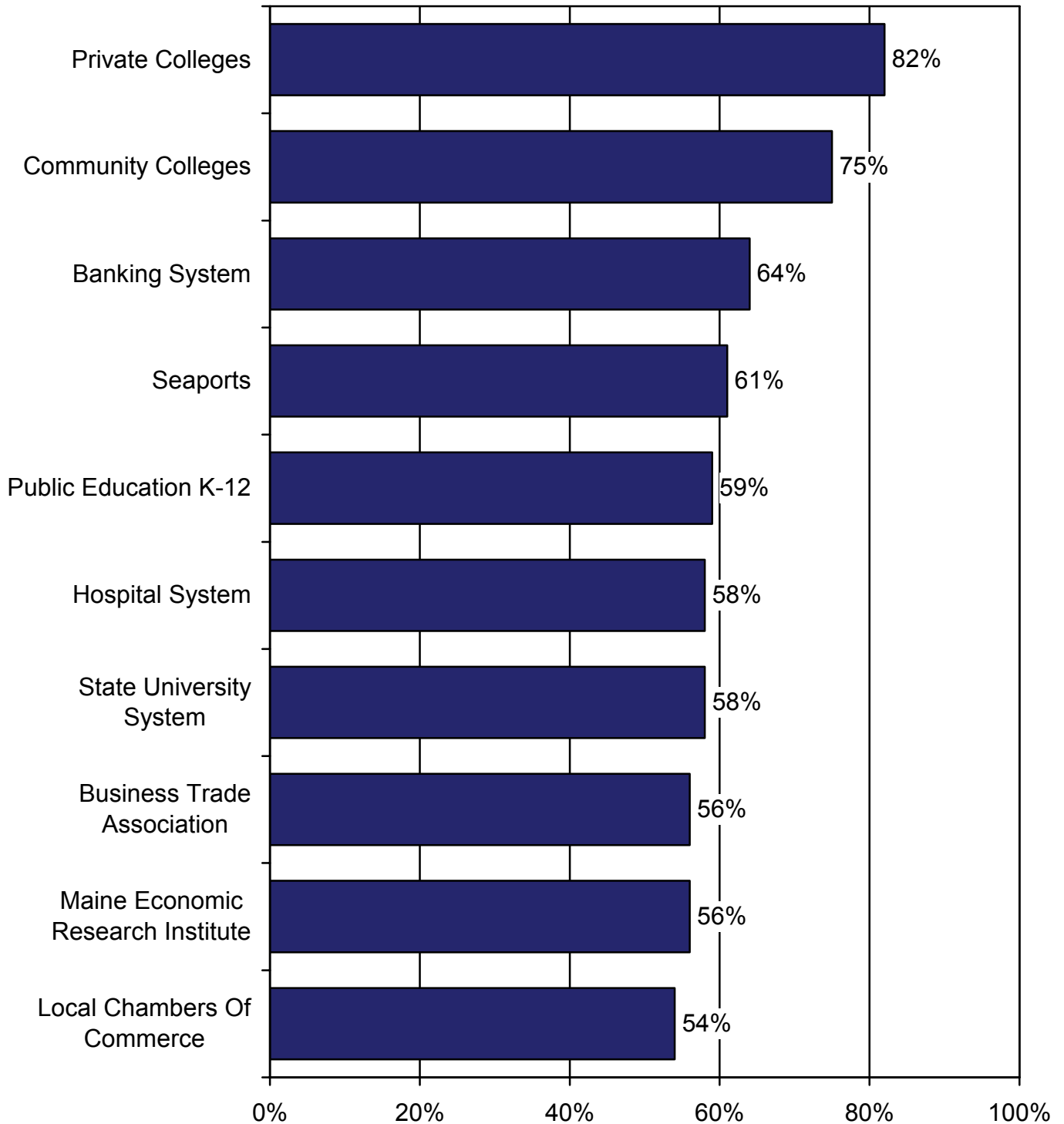


Major positive factors for Maine's business climate in 2008 are Private Colleges, Community Colleges, the Banking System, Seaports, Public Education K-12, the Hospital System, State University System, Business Trade Associations, Maine Economic Research Institute, and Local Chambers of Commerce. The major negative factors are Energy Costs, Level of State and Local Taxes, Health Insurance and Health Care costs, Transportation Costs, the State Legislature, and the State's Regulatory Climate. The following graphs depict the positive and negative factors in more detail based on business leader responses.

*(See graphs on following pages)*

**TOP POSITIVE ECONOMIC INFLUENCES**

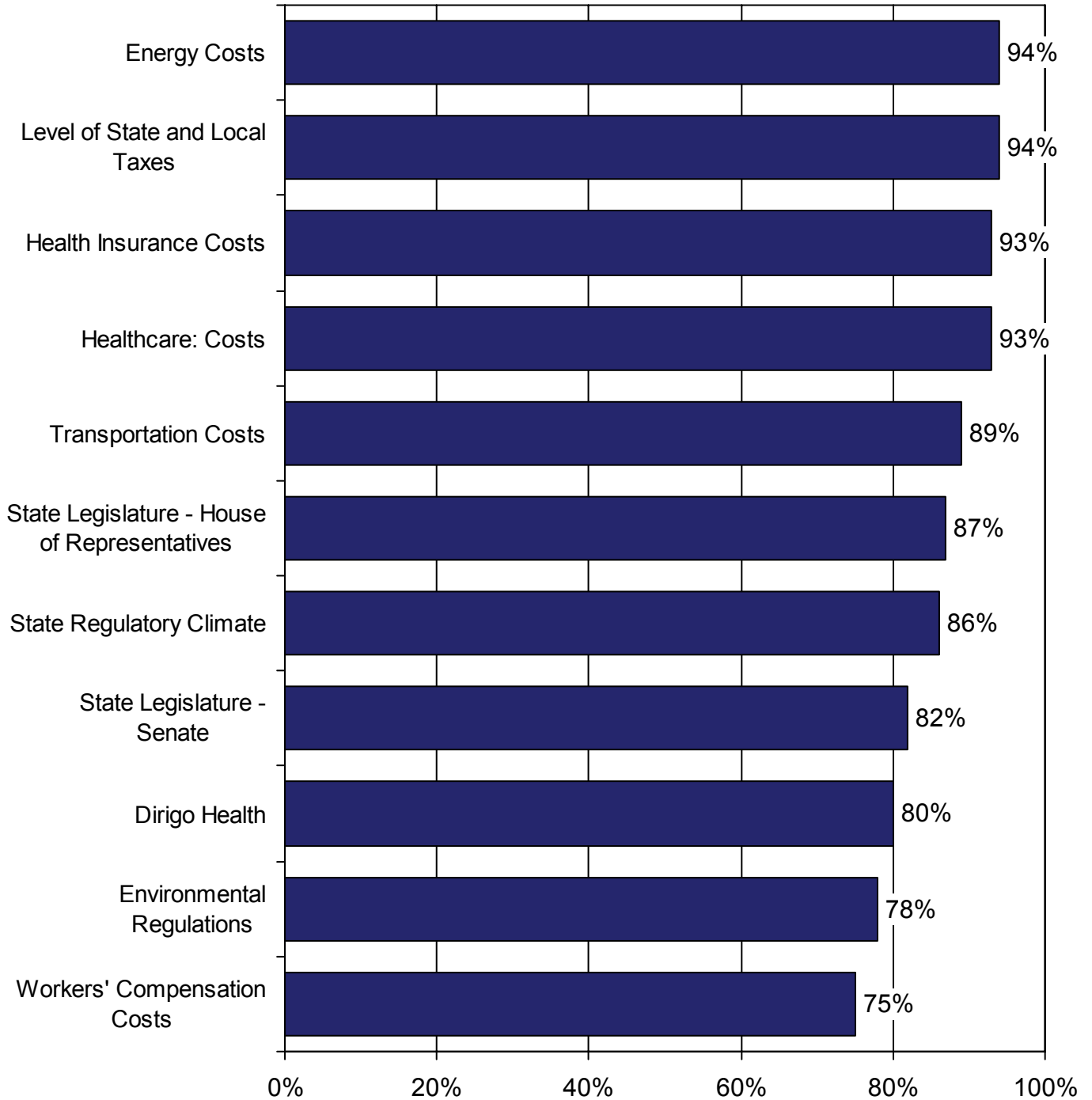
■ 2008



The next graphs depict the top negative response factors influencing Maine's economy for 2008.

**TOP NEGATIVE ECONOMIC INFLUENCES**

■ 2008



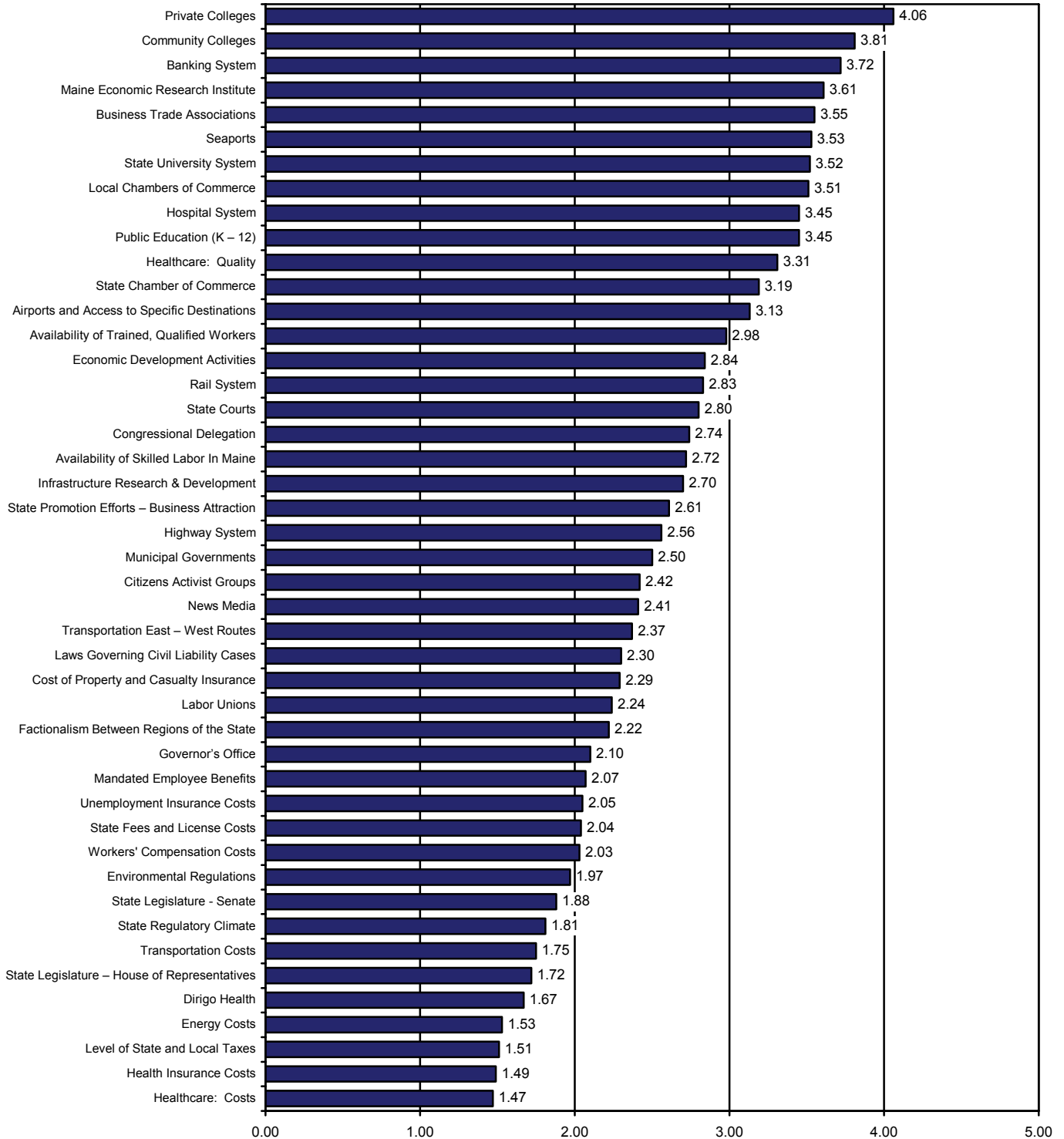
Top negative influences were energy costs, state and local taxes, and the cost of health insurance, healthcare costs, and the cost of transportation.

The following summary graphs depict the strength of overall positive and negative influences on Maine's economy using a five point mean score. The previous graphs show these same items but by depicting if survey participants thought each one was a positive or negative influence. The five point mean score is derived from converting the answers to numeric value ranging from 5 for very positive to 1 for very negative. A score of 3 means neither positive nor negative.

*(See graphs on following pages)*

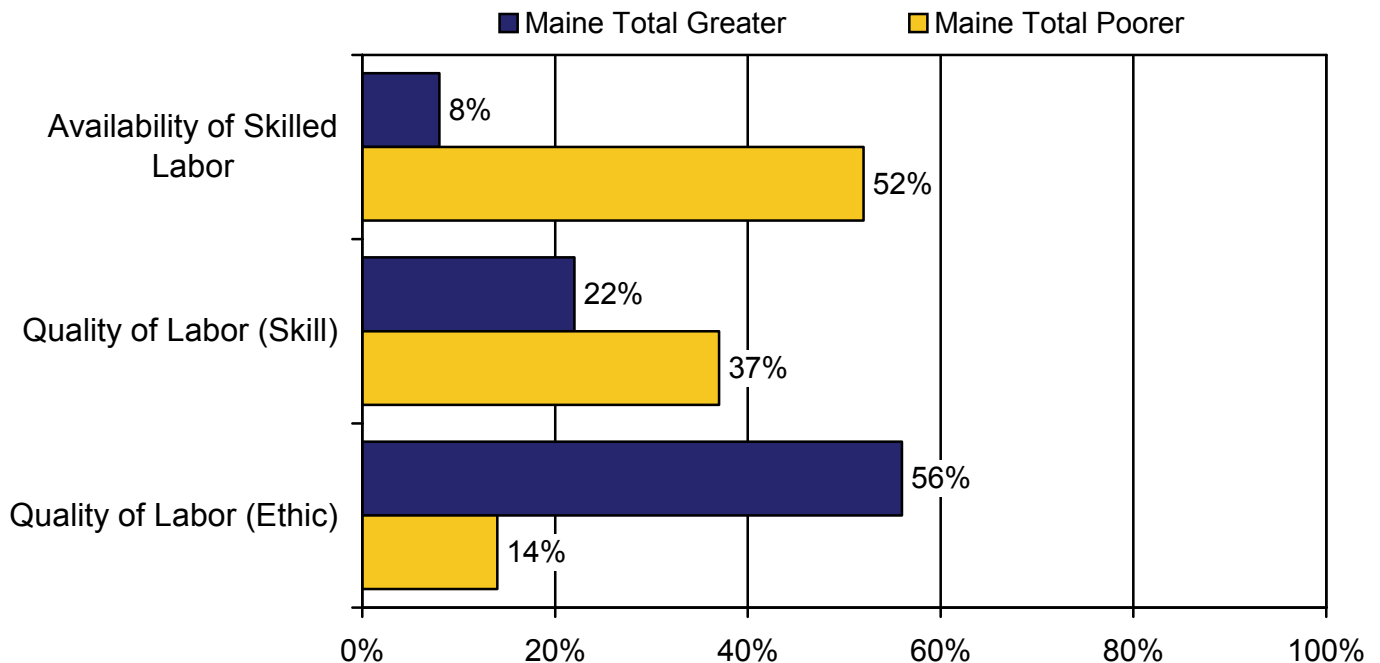
## 2008 - OVERALL INFLUENCES ON MAINE'S ECONOMY

■ 5-Point Mean Score



Questions 49 through 51 examined the availability and quality of Maine's workforce. Questions asked if Maine was much greater, greater, about the same, poorer, and much poorer than other states.

### MAINE'S WORKFORCE COMPARED TO OTHER STATES (2008)



When Maine business leaders compare essential workforce characteristics with other states, they say that the availability and quality or skill of workers is poorer in Maine. However, 56% say the work ethic in Maine is better than in other states.

When business leaders were asked what strengths Maine has that attracted their company to Maine and keeps it there, Maine quality of life and work ethic were top responses.

*(See tables on following pages)*

<b>STRENGTHS THAT ATTRACTED YOUR COMPANY</b>			
	<b>2008</b>	<b>2005</b>	<b>2002</b>
Maine Quality Of Life	80%	79%	69%
Maine Work Ethic	33	19	35
Access To Raw Materials	11	8	10
Founded In Maine	9	5	10
Access To Labor	8	3	6
Worker Skill Level	8	2	---
Market For Product	2	2	1
Location	1	1	1
Nothing	---	1	1
Uncertain	1%	0%	---
Other	4	0	---

**STRENGTHS THAT KEEP YOUR BUSINESS HERE**

	<b>2008</b>
Maine Quality Of Life	76%
Maine Work Ethic	33
Access To Raw Materials	11
Worker Skill Level	10
Access To Labor	9
Founded In Maine	5
Market For Product	5
Unhappy, Have Considered Moving, Will Move	4
Cost Of Moving Too Expensive	3
Location	1
Uncertain	2%
Other	2

Several questions examine opinion on issues relating to effectiveness and taxation in State Government.

- Among Maine Senior Management Officials, 86% agree and only 5% disagree that Maine should offer incentives to encouraging existing businesses and industry to expand in the State and for new companies to come to Maine.
- Ninety percent agree that Maine should make its Business Tax Incentive Program competitive with other states.
- Sixty-nine percent agree and 15% disagree that Business Tax Incentive Programs targeted at attracting new business to Maine are good investments.

- Eighty-two percent agree and only 3% disagree that if the overall tax burden for businesses and individuals were lowered, their companies would be more likely to expand and invest new capital in Maine.
- Eighty-six percent of business leaders disagreed that Maine's economic policies provide competitive advantages to Maine businesses related to other states.
- Ninety-four percent agree that the overall cost of doing business in Maine is more expensive compared to other states.
- When asked if they prefer a State Economic Development Program which focuses on specific industries or a more broad-based strategy that helps all businesses, 77% said a broad-based approach and 23% preferred a targeted approach.
- When asked to indicate the three most important taxes which should be lowered, business leaders responded 78% individual income tax, 59% property tax, and 49% corporate income tax.
- Business opinion was somewhat mixed when it comes to Maine's business permitting and licensing process. Among business leaders, 48% said it was inefficient and 34% considered it efficient.
- When asked about Workers' Compensation costs, 48% said that those costs were increasing, 10% decreasing, and 43% remaining stable. For those who consider Maine's Workers' Compensation costs higher than in other states, reasons given were Maine's Workers' Comp system overall 77%, medical costs 64%, benefit levels 55%, workforce behavior and characteristics 52%, and administrative cost of the system 51%.
- A new question in 2008 asked if substance abuse was a major factor affecting job performance and healthcare costs in Maine. Among Senior Management Officials, 49% said yes and 22% no.
- Considering the Maine Dirigo Healthcare Program, 79% said they oppose the program compared to 7% who support it. Another healthcare question looked at creating a healthcare risk pool in which 36% oppose and 31% support. In addition, 93% of participants support creating state policies that encourage competition among healthcare insurance providers.

- Given the fact that the State's MaineCare Program owes Maine's hospitals approximately 300 million dollars, 72% said they support the State making payment of this debt a high priority.
- When asked if they agreed or disagreed that State Government was spending tax dollars on services most important to the success of businesses and creating jobs, 88% disagreed and 6% agreed.
- When asked about spending enough on highway and bridge maintenance, 70% said the State was not spending enough compared to 13% who agreed the State was spending enough.
- On the subject of an East-West Highway financed by a toll on the road, 75% support and 12% oppose.
- When it comes to the State taking over the Maine Turnpike, 49% oppose and 25% favor.
- When it comes to locating a Liquid Natural Gas (LNG) terminal on Maine's coast, 83% support and 6% oppose.

When asked what factors were most important when considering whether or not to support a candidate for the State Legislature, understanding Maine's business climate, reducing the size of State Government and the State Government budget, honesty and character, cut welfare and giveaway programs, and tax cuts were most important. Among Maine business leaders, 91% say that politicians in Augusta are not focused on the key issues that will move Maine forward.

When asked if Maine's business and industry was well organized and speaks with a strong, unified voice or fragmented, 33% said very fragmented, 45% moderately fragmented, and 21% moderately unified. No respondents said very unified.

When rating Maine's Economic Research Institute (MERI), 63% said that MERI's legislative ratings were useful and 7% disagreed.

Maine State Government's budget for fiscal years 2008/2009 increased 407 million dollars or about 8%. When asked if they considered this a reasonable increase in State spending, 87% disagreed and 7% agreed. In addition, 94% said they were not satisfied with fiscal management of the State budget.

Business leaders were somewhat divided, 43% support and 42% oppose, on the issue of reforming taxes that would give greater stability for the State budget.

An overwhelming 90% disagreed that the State has an adequate strategic plan for its economic future. Forty-eight percent disagreed with 20% agreeing that Maine government has used the issuance of bonds appropriately for major long-lived infrastructure. When asked what Maine should do when faced with significant budget deficits, 63% said cut programs to close the deficit and 37% said some combination of raising taxes and cutting programs as indicated in Question 84. When asked what programs they recommend cutting, business leaders responded highest with 80% saying the Dirigo Health Program, 69% administrative state workers, 65% state worker benefit programs, 62% service across the board, and 58% health and human services.

When asked if they would support a constitutional spending cap, 74% said yes and 13% no. In addition, 46% support and 21% oppose the Governor's effort to consolidate Maine's jails under state control. An overwhelming 91% said they agree that any tax reform should result in a lower burden for individuals and businesses.

The survey examined top actions that should be taken to improve education as seen in the following table.

*(See table on following page)*

<b>TOP REMEDIAL ACTIONS TO IMPROVE PUBLIC EDUCATION</b>			
	<b>2008</b>	<b>2005</b>	<b>2002</b>
Consolidate/Cut Costs/Control Spending	26%	---	---
Improve Basic Skills	20	19%	15%
Increase Teacher Skills/Accountability/Merit Pay	18	14	16
Less Administration	17	16	6
Teacher Quality/Testing/Higher Standards	15	14	12
Increase Teacher Pay	10	4	7
Improve Funding	9	18	12
Improve Vocational/Technical Schools	9	11	8
Closer Cooperation With Business	8	7	7
Eliminate Mandates/Less State Control	8	7	3
Discipline	8	6	5
Improve University/Higher Education	6	9	8
Reduce Union Influence	6	5	3
Vouchers/School Choice	6	2	3
Improve Business/Life Skills	5	4	5
Special Education Reform	5	---	---
Emphasis On Technology	4	3	6
More Parental Involvement	4	2	4
Increase Computer Skills	2	4	6
Smaller Class Size	2	1	3
Other	19%	3%	4%
Uncertain	1	33	30

In addition, 64% supported and 23% opposed the Governor's effort to consolidate Maine's school districts, and 61% agreed and 25% disagreed that school consolidation would lower the cost of education. Maine business leaders were very high on the Community College System with 65% saying that it matches the educational needs of Maine businesses. Only 10% said it was a poor match with business needs. When asked the same question concerning the University System, 60% said the University System is meeting Maine's business needs and 14% said the University System was not meeting those needs.

Business leaders were asked for their top recommendation to attract business and industry and enhance the competitive position of Maine companies while maintaining Maine's quality of life. The following table shows results for 2008 and 2005.

*(See table on following page)*

<b>TOP RECOMMENDATIONS TO ATTRACT BUSINESS &amp; INDUSTRY</b>			
	<b>2008</b>	<b>2005</b>	<b>2002</b>
Tax Relief	59%	44%	43%
Ease Regulations/Less Mandates	24	15	8
Control Healthcare Costs	20	10	15
Increase Incentives	16	9	10
Cut Costs/Reduce Government Programs/Welfare Reform	15	---	---
Improve Infrastructure/Transportation	12	9	10
Less Government	11	22	6
Expand Economic Development	8	7	2
Lower Business Expenses	8	4	1
Create Renewable Energy Sources/Lower Price Of Fuel	8	---	---
Improve Education	7	6	11
Be Pro-Business	6	8	5
Fix Workman's Comp	6	8	19
Promote The State	6	3	4
Stable/Consistent Policies	5	9	4
Diversify/Bring In New Industry	3	4	3
Help Small Business	3	4	3
Put Existing Businesses First	3	3	1
More/Promote Environmentally Friendly Industry	3	1	3
Control Insurance Costs	2	9	5
Less Environmental Control	2	4	3
Stop Frivolous Lawsuits	1	---	---
Uncertain	---	28%	29%
Other	20%	1	1

In addition, business leaders were asked to identify the major roadblocks to improving the business environment as seen below.

<b>TOP ROADBLOCKS TO IMPROVING BUSINESS ENVIRONMENT</b>			
	<b>2008</b>	<b>2005</b>	<b>2002</b>
Taxation	53%	37%	24%
Healthcare Costs	19	7	9
Inexperienced Legislators	17	6	8
Government Regulations/Mandates	16	11	5
Anti-Business Legislature/Government	15	15	13
Government Spending/Give-Away Programs	14	---	---
Price Of Fuel/Need For Alternative Energy Source	12	---	---
Lack Of Political Leadership	11	16	3
Infrastructure/East-West Highway	9	4	6
Special Interests/Unions	6	7	5
Environmental Regulations	6	6	3
Size Of Government	6	4	3
Workers' Comp Costs	5	9	10
Politics	5	5	5
Skilled Workers	5	---	---
Cost Of Business	4	6	2
High Utility Costs	4	5	4
Transportation Costs	4	4	4
Schools/Education	4	3	5
Lack Of Foresight/Planning	3	7	3

*(Table continued on following page)*

**TOP ROADBLOCKS TO IMPROVING BUSINESS ENVIRONMENT  
(CONTINUED)**

	<b>2008</b>	<b>2005</b>	<b>2002</b>
Cost Of Living/Quality Of Life	3%	5%	3%
Location	3	3	4
Population Resistance To Change	3	3	3
Unemployment Compensation Too High	2	1	2
Perception Of Maine	1	2	1
Retaining Employees	1	2	1
Population Distribution	1	1	2
Insurance Costs	---	8	5
Local Governments	---	8	1
Lack Of Qualified Labor	---	7	5
Competitors/Canada	---	2	3
Lack Of Capital/Banks	---	2	1
Uncertain	---	23%	24%
Other	11%	1	3

Another question asked: “Thinking now about our Washington Government, including the President, Congress, and the Federal Government, what changes in laws, policies, and regulations would most help Maine’s economy and your company?”

(see table on next page)

**CHANGES IN LAW THAT WOULD MOST HELP MAINE ECONOMY**

	<b>2008</b>
Fuel Prices, Energy Reform	32%
Reduce Taxes	30
Less Regulation, Stop Government Mandates	19
Healthcare Reform, National Healthcare	15
Cut Spending, Reduce Deficit	11
Reduce Size Of Government	9
More Funds For Roads, Infrastructure	7
Stop Iraq War, Reduce Foreign Aid	6
Business Incentives	5
Reduce Give-Away Programs	5
Education Reform, Stop "No Child Left Behind"	4
Environmental Reform	4
Maine's Problem, Federal Government Should Stay Out	4
NAFTA Reform	3
Tort Reform	3
Other	13%
Uncertain	3

## Analysis

Dr. Verne Kennedy, President and Senior Analyst for Market Research Insight, served as Project Director, examined data and prepared the following analysis report. The analytical report is based upon the actual interviews of 413 respondents. Results contained within this report are based upon responses as reflected in the survey at the time actual interviews were completed.