

Southeast Alaska Business Climate and Private Investment Survey

June 2018



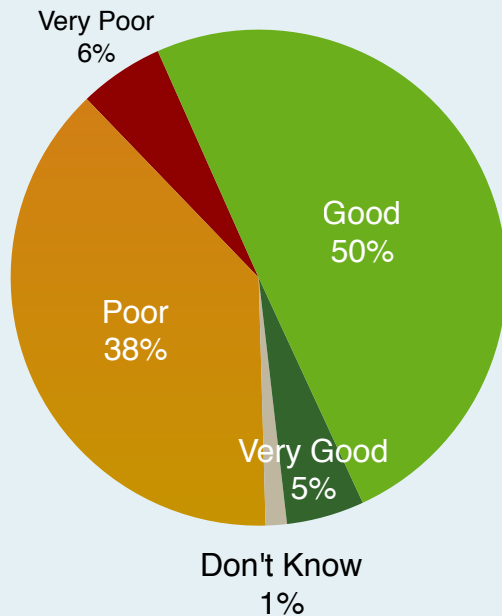
**SOUTHEAST
CONFERENCE**

Prepared by Rain Coast Data

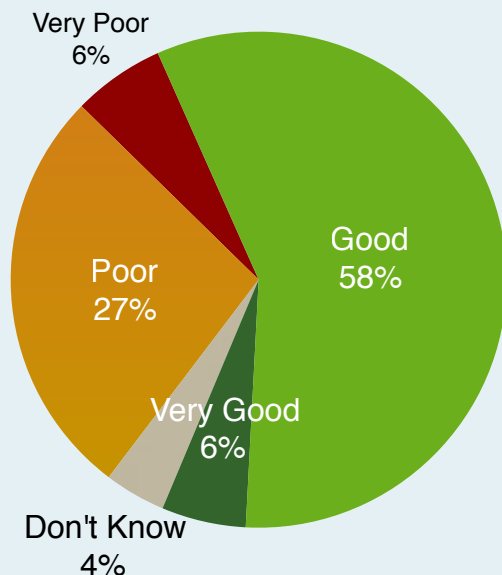


Southeast Business Climate Survey Results 2018

2018 Southeast Alaska: **How do you view the overall business climate right now?**



2017 Southeast Alaska: **How do you view the overall business climate right now?**



Current Regional Business Climate Survey

In the Spring of 2018, 232 Southeast Alaska business owners and top managers from 27 regional communities responded to Southeast Conference's Business Climate and Private Investment Survey, answering questions about the economic climate and regional investment. A summary of the responses by these business leaders is presented here.

Confidence in the regional business climate has been decreasing. In 2018, just over half (55%) of regional business leaders were positive about the economy, calling the business climate "good" or "very good," a decrease of 9% from the year before, and 12% from 2015. Nearly half (44%) of business leaders called the Southeast business climate "poor" or "very poor" in 2018 — up from a third (33%) in 2017 and 29% in 2015.

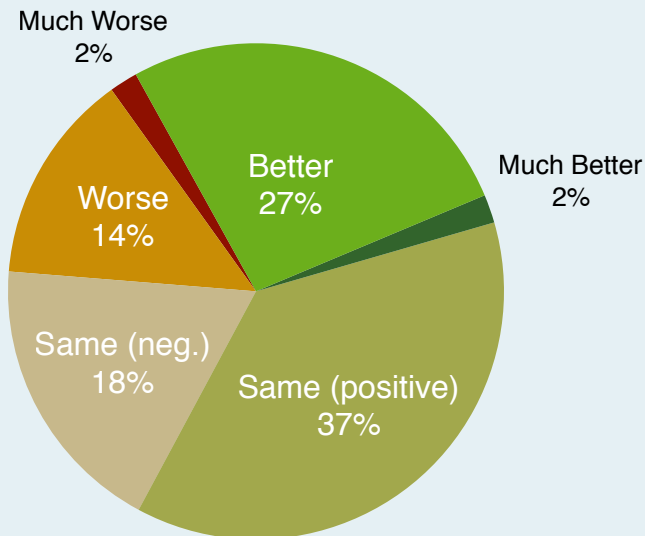
Southeast Alaska Economic Outlook

However, looking forward business leaders see similar prospects to what they saw a year ago (see charts on page 2). 29% of Southeast Alaska business leaders expect their businesses or sectors to improve, although those saying they thought the outlook would be "much better" shrank from 5% to 2%. An identical percentage to last year, 16%, expect their business or industry to decline. More than half of respondents (55%) expect the economic outlook for their industry or business to remain stable. We asked respondents to differentiate between a positive or negative "remain the same" response, and found that "same" was largely a positive response.

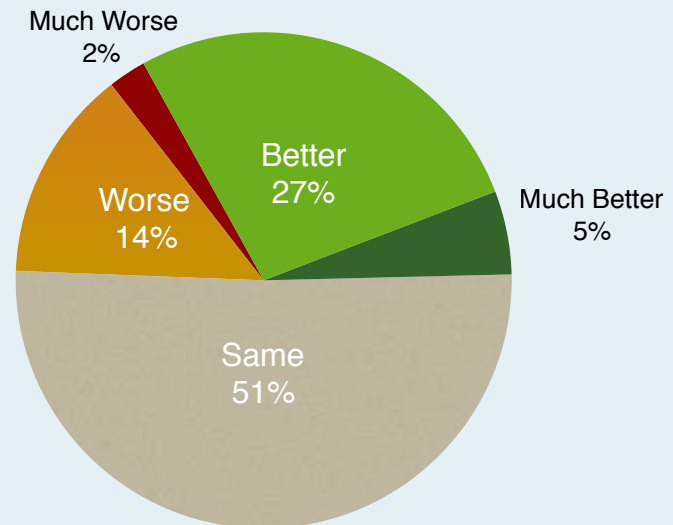
Businesses in Skagway and Haines reported the brightest outlook in the region; while Petersburg and Hoonah leaders reported the most concern regarding their economic forecasts. The mining sector reported the most positive industry outlook, followed by the health care, tourism, and real estate industries. The sector most concerned about their future was the seafood industry. Other industries with diminished confidence regarding their industries includes construction, the food and beverage sector, energy, and financial services. The stories behind the numbers are presented on page 5.

Southeast Economic Outlook

2018: What is the economic outlook for your business or industry?

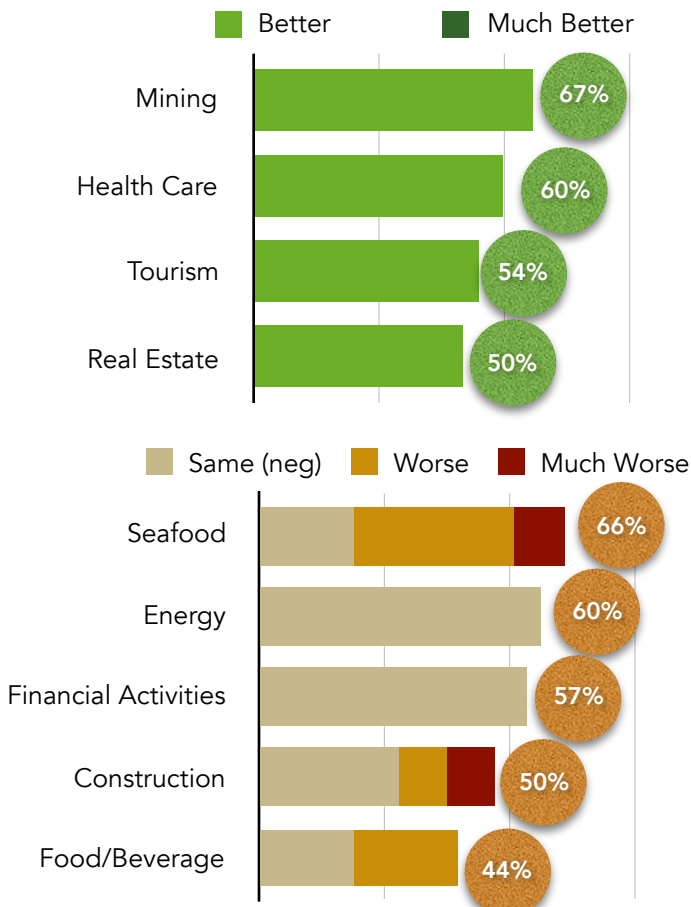


2017: What is the economic outlook for your business or industry?

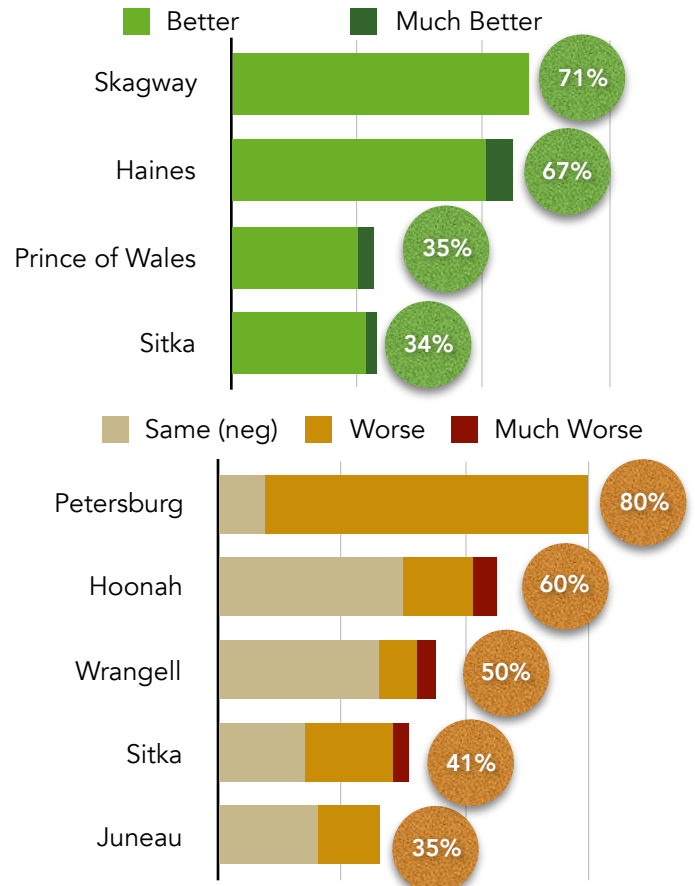


What is the economic outlook for your business or industry?

By Industry



By Community



Southeast Private Investment 2018

The purpose of the annual Southeast Alaska private investment survey questions is to gain better insight into the levels of private capital invested in the region. Business owners and operators across the region are invited to take the survey by Southeast Conference and report expenditures beyond typical business and payroll expenses.

Rather than disclosing exact dollar amounts, respondents report investments by range. This survey measure economic investments made by survey respondents only, and does not purport to measure expenditures beyond typical business and payroll expenses. However, the survey is a useful tool as it allows Southeast Conference members and businesses to confidentially self-report on private sector investments. These results were combined and aggregated to paint a picture of the region's investment climate.

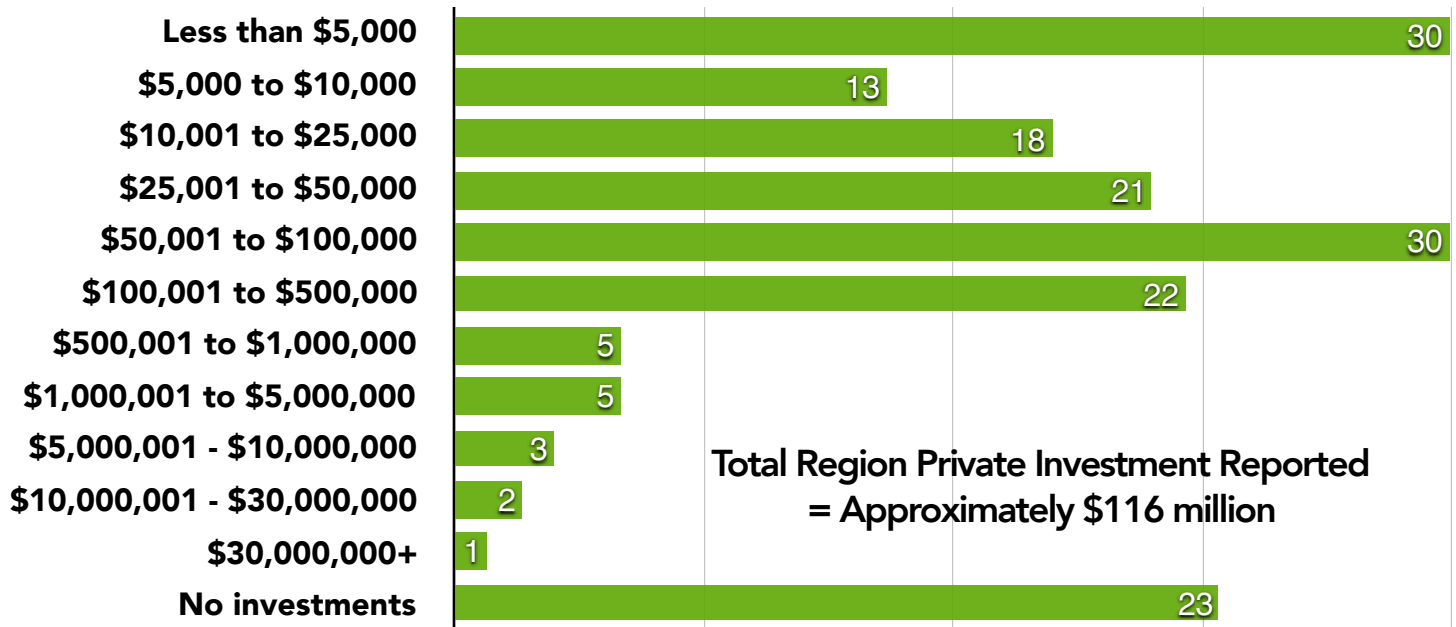
Overall, \$77 million to \$156 million of private investment in the Southeast Alaska region was documented by the survey in the 12-month period between July 2017 and June 2018. The maritime, seafood, tourism, food and beverage, energy, and mining industries attracted the highest level of regional private investment last year. Overall, investments reported were similar to previous years.

Total Investment by Sector (Reported in Ranges)

Sector	Mid point	Minimum	Maximum
Maritime Industrial	\$35,375,000	\$30,150,002	\$40,600,000
Seafood, Commercial Fishing	\$17,452,500	\$11,315,022	\$23,590,000
Visitor or Tourism Industry	\$16,810,000	\$8,600,024	\$25,020,000
Food/Beverage Industry	\$15,490,000	\$10,320,008	\$20,660,000
Energy	\$8,550,000	\$5,600,003	\$11,500,000
Mining	\$7,817,500	\$5,110,003	\$10,525,000
Real Estate	\$4,110,000	\$1,635,005	\$6,585,000
Communications / Information Technology	\$3,420,000	\$1,180,004	\$5,660,000
Transportation (non tourism)	\$3,090,000	\$1,060,002	\$5,120,000
Financial Activities	\$1,427,500	\$750,004	\$2,105,000
Retail / Wholesale Trade	\$990,000	\$455,009	\$1,525,000
Construction / Architecture / Engineering	\$657,500	\$235,004	\$1,080,000
Professional & Business Services / Consultant	\$442,500	\$185,005	\$700,000
Tribal Government	\$300,000	\$100,001	\$500,000
Timber and Forest products industry	\$225,000	\$150,003	\$300,000
Health Care (includes senior services)	\$152,500	\$100,002	\$205,000
Arts	\$37,500	\$15,001	\$60,000
Other	\$5,000	\$-	\$10,000
Grand Total	\$116,352,500	\$76,960,102	\$155,745,000

Business Investments

Southeast businesses said they invested approximately \$116 million in their businesses last year. Investment is considered any expenditure beyond typical business and payroll expenses. The average investment was \$684,000, while the median investment (including no investment) was \$17,500.



Business leaders that made investments last year were asked to provide a short description of the purpose of these investments. This word cloud is a visualization of the responses, with more frequently used words appearing more prominently.



In the Words of SE Business Leaders

This year we added a new question to to our business climate survey: ***How has the economy impacted your business? Looking forward what are your hopes or concerns?***

We received 140 thoughtful responses from business owners and operators from across the region the story ***behind the numbers***, presented by industry below:

RETAIL / WHOLESALE TRADE

"Overall business is down close to 15%. The good news is the rate of decline has slowed and seems to be bottoming out. The bad news is we all know the percentage of our business where the profit resides."

"Sales to local customers continue to decrease significantly each year. Sales to tourist maintain at a neutral level. This means decreases in staffing, no ability to provide pay increases, no longer have the ability to provide donation support for fundraisers in all areas, and now having difficulty meeting financial obligations."

"We have begun to look outside of Southeast Alaska for opportunities. We now export more of our products out of the region to other markets in the state and out of the state. One of our concerns is that the regulatory agencies that regulate our business and industries related to our business growth will not have the funding to provide the services we need. They are already less responsive and more distanced from Southeast Alaska than they have been since we started operating our business. One of our biggest concerns is crumbling infrastructure that gives us a lack of confidence in the ability to grow our business here in the long term, and the lack of state funds to help with the big infrastructure needs. The state-subsidized ferry system being underfunded concerns us; our ability to travel for business needs has been restricted and noticeably inconvenienced and we expect it to continue to get worse."

"To our surprise, our sales were up this last year over the previous year. Three and two years ago things were grim, but this last year and the outlook for this year (calendar 2018) are good and similar to 5-6 years ago. We have been forced to expand our borders for new customers, change how we market our products and services, and seek new products to sell. All this has been productive, as well as trimming our work force, and providing new tools and markets for the existing work force to work with."

"I am in the new Marijuana industry. The future looks promising as long as the State backs the needs for banking to become possible. The Department of Commerce, AMCO Office needs to find a better way to process applications and the changing needs of the current licensees. The taxes this new industry will created a favorable coffer to the State."

"Business is doing just fine for me. I mainly do custom orders for around Southeast and the majority of my income is coming from Etsy sales via internet."

"We are dependent on tourism and fishing. Fishing looks bleak this year but tourism is looking up. We anticipate a year that is comparable to last year."

"There is not a lot of new business coming to town."

"I am selling much less locally and much more online nationally."

Retail / Wholesale Trade Continued

"Business is slower, also have lost some of the Canadian business due to the exchange rates as well. Summer tends to be my busy season due to cruise ships, so I'm looking forward to see if the additional ships in town will make a difference."

"Looking forward, I am counting on an increase of independent tourists to remote locations like POW, to shore up our economy and help support the small businesses on the island, especially those that are newly established businesses providing services to those visitors."

"The lack of people, means a lack of sales."

"The main concern I have is the freight rates keep going up and it'll put all of us out of business. As for the state, get rid of the needless wasting money and put a limit on welfare. There's way to many people that could work but instead live off the state."

CONSTRUCTION / ARCHITECTURE / ENGINEERING



"People are not developing like they were in 2009. One has to worry. We are an excellent contracting business. But we do have to worry about investments."

"We have abandoned several multi family housing projects due to city actions, inactions and giving one of our projects to a Seattle firm. We now have little to No confidence in local leaders or programs."

"After nearly 32 years in a private family owned business in SE Alaska, we are transitioning to conduct business in another State. It is very difficult to look at things this way, however the risk to maintaining a business entity in SE Alaska is not feasible or financially responsible any longer. I recently discussed new business opportunities (or the lack of) with someone who thought he and his young family would like to start a business. My advice was to not take the risk, as Alaska was not the place to invest your money or your dreams in, not now and maybe not for several years."

"Occupational licensing with all the requirements that go along with it, has killed our business. We can't price jobs competitively with the many weekend laborers doing jobs under the table. Who would have thought that doing work would be so complex? There is also the factor that many homeowners simply can't afford the rates we MUST charge, just to cover our expenses. They either opt to do the work themselves, or not do it at all. It's been a hard race, but now is the time to hang up the running shoes and consider business options that don't require occupational licensing."

"I have faith that Juneau will discover a way to grow through private sector initiatives. I also hope that Alaska will find a way to be less dependent on oil as the burning of fossil fuels is killing our planet."

"The reduction in travel options and schedules has forced us to explore alternative transportation to maintain our business out of southeast Alaska."

Construction / Architecture / Engineering Continued

"The declining regional economy has few positive signs. Our company is in year 4+ of a 20% decrease in hours per employee to maintain cash flow as we read the signs of the stagnant and declining economy ahead of the decline in oil prices and market crash. The current political climate that continues to place more regulations on businesses. One looming the "Stand for Salmon" initiative is a project killer in our region and across Alaska. The other job killer in our region is the local mining ordinance that was recently reviewed but little change made to help attract companies to our region. The lack of a road out of Juneau and the States continued pouring of fleeting and precious State funds into a 55 year old, failing and outdated Ferry system compounds the regions problems of no new infrastructure that meets the demands of the State and our 21st century lifestyles. Re-configuring the Ferry system to better serve areas of Southeast with no possible road service or placing roads to link areas with shorter Ferry routes will better serve the communities of Southeast Alaska and allow regional commerce, job creation better access to health care etc. to flourish revitalizing our declining region."

"The State needs to develop a sustainable budget based upon introducing a state income tax, continue with the cut in the PFDs. We need to look at programs that were around before oil, consider those the "sacred cows" and start looking at reducing programs that were only created because of the oil revenues. Bring back the yearly payroll tax for education to help stabilize the funding."

ENERGY

"Energy (kWh) sales are down for at least the fifth year in a row, even though we grew by about 50 customers over the same period. We believe this is due to investments in more efficient lighting and appliances. We have plans to invest in more hydropower again next year as the second of a two-phase hydro project is completed. Substantial grant funds are necessary to make hydro projects "pencil." It is concerning that there is less and less grant funding available for these long-lived projects, since they both provide financial benefits to the small communities and reduce air pollution."

"Growth has been limited. There are few good new opportunities of meaningful size on the horizon for the region. USFS resource management practices in the Tongass National Forest make it difficult or impossible to have an economically-viable timber or mining industry due to access challenges. Low fish returns have had significantly detrimental impacts to rural economies. Limited investment opportunities available in SE Alaska -- there is a need to look outside the region, or even the State, for new opportunities. Hopeful that the coming years could bring greater cross-border collaboration with Yukon Territory and BC on energy and communications projects."

"Our propane business has seen a slight upswing mainly due to the clean energy marketing and pricing. I certainly hope the State can keep a stable tax structure for the oil producers so they can continue to invest in exploration and production on the slope. It sounds like a major oil field has just been discovered in the NPR, which may spur development and jobs desperately needed with Alaska."

COMMUNICATIONS / INFORMATION TECHNOLOGY



"Lack of fiscal certainty and general uncertainty in the market causes us to be more conservative, especially in hiring. Major concern is for decline in contracting. Related concern is that if the state does decide to contract out for additional work we will not have the resources to put forward and work is move down south as we don't have the capacity in town."

"We are a non-profit, and we seem to have weathered the storm so far; while we are not growing as much as we would like, we have been able to raise new revenue to offset the loss in funding from the Legislature and indirect state funding from state agencies that use our services."

"The Commercial Fishing fleet made a little money last year, which forwarded to support business's such as mine. Additional diversification in services helped. The outlook for the 2018 looks to be pretty poor so I expect my IRS bill to be slightly less. (I'd say profits but the IRS makes sure I don't receive any benefits for my hard work.)"

FINANCIAL ACTIVITIES

"We are continuing to grow in total asset size, income has increased, and we are looking at adding additional locations in the next few years."

"We are in the insurance business, property and casualty, benefits, and bonds. This industry is relatively stable. We have noticed the loss of retail business, larger local businesses selling to national company's, and people moving."

"Our business is considering closing branches and laying off workers. The southeast hospitals are struggling and looking to find outside hospitals to take over as they are not making it. The main industry in Ketchikan is tourism which is not sustainable. Fishing is poor, logging is barely existent. The Alaska marine highway is struggling to even keep the existing ferries running. Ketchikan no longer has car dealerships, a lot of mom and pop stores have closed. The only positive is the shipyard. After 30 years in business this is the poorest I've seen our community, even considering the pulp mill closure in 1997. As a lifelong Alaskan I don't see Alaska as a business friendly state any longer."

"It's been very difficult in that this area of business has gone through a variety of federal changes that have had a huge impact on business. Earnings have been reduced drastically to the point where employees were let go and positions were not filled that were open."

FOOD/BEVERAGE INDUSTRY



"I recently closed my retail/coffee shop because a small retail shop is not sustainable in a small community like Craig. There are many factors that contribute to unsustainable small business in rural SE AK and a poor economy is a significant factor. I had lots of community support but there just isn't enough people in our community. I'm not sure if our community is shrinking in population but it doesn't seem to be growing and there are not enough living wage jobs available to support a larger workforce. My hope is that our legislators will take courageous action and implement a state income tax to increase revenues that can then be (partially) directed to supporting communities that need to shift their focus from resource extraction based jobs to other new industries that provide a living wage. I don't know what industries that would be but I think we need new blood and new ideas. I'm concerned for our state and our nation. I hope that we can replace our Congress with individuals who place country before party and people before politics."

"I will likely be closing my business in 2019."
"We are down 23% in 2017. 2016 was down 12%. Much more and we will be out of business. The State budget crisis is affecting how people are spending money now."

"The high cost of doing business in Sitka is difficult. The increase in visitors to the city is what is offsetting our increased operating costs. If the visitor industry declines the situation will be untenable."

"The decline in economy has increased our supply costs due to escalating shipping and travel costs."

"My concerns are that the cruise ships are bringing more and more lie income passengers that use EBT cards (like food stamps) at the grocery store, instead of buying food from local eateries. Why are welfare recipients taking cruises? If they are on welfare, how can they afford a cruise?"

"My business primarily depends on tourist from the cruise ships. My weekend business is primarily southbound road traffic from the Yukon when ships are not in port. I believe an extension of the existing road from Juneau to Skagway would help to strength both the year round and regional economy of upper Lynn Canal. Giving people an additional alternative to quicker and more independent travel will only help our region. I also believe that the jobs created by a large scale construction project like the Juneau Access Project will greatly aid in pulling our state out of the economic depression we are currently in."

"A continued downward turned economy will only increase the likelihood that we will not remain open for business. The possibility of the elimination or extreme decrease in ferry service along with the increased cost of air travel makes for a very likely result of our business and others having to close our doors."

"Brand name stores have expanded, making it harder for "mom and pop" stores to stay open"

Food/Beverage Industry Continued

"The Government needs to become stable again and hopefully cannot rely so heavily on oil revenues or the PFD for that matter. The capital improvement projects are essential to the continued health of our rural communities."

"Many out of towners are coming in on a seasonal basis and all monies coming in leave town and thanks to no local hire."

"I'm learning the in's and out's of growing local produce, what types the customers want and generally do trade and barter. For example, I received fifty pound of cohos burger for fresh greens that I grew last summer. I plan to do more of the same"

"Summers are slowing down, fish aren't flowing like they used too and overall people are strapped for cash."

"Our outlook looks good but the banks are hard to work with and get working capital is tough."

HEALTH CARE

"Adequate livable wage and relative job security effect the over economic health and spending of all those in Southeast in Alaska. We remained focused on our part to enhance the health and safety of our community and hope to see stabilization and overall improvement in our local economy."

"I would like to see a growth in private medical practices before in rural areas."

MARITIME INDUSTRIAL



"There is less of a ship building and industrial manufacturing need due to the decline in economy not just as a region, but as a state. Nationally there has also been a decline in ship building and manufacturing. Our hope is that the state looks at the Ketchikan facility as not only a maritime production facility, but as a heavy industrial fabrication and repair facility with a skilled and capable workforce. We are an AIDEA owned facility, operated by Vigor shipyards, with an agreement to serve Alaska through projects that provide jobs to skilled Alaskan residents."

"The State of Alaska, Southeast Alaska, and the Ketchikan city and borough seem to be in competition with private employers, both in projects and paying employees wages greater than the free market can compete with."

"Manufacturing is a corner stone of a stable economy. My hope is that Alaska and its communities start thinking about other businesses besides mineral and oil, seafood and tourism."

PROFESSIONAL & BUSINESS SERVICES / CONSULTANT

"Even though we are a new business this year, we are coming to understand that people do not have amount of spare funds to invest in general cleaning services as they would like. The lower middle income and poor income households often turn away our services (despite being fairly priced) even though they most often need our services the most. As a result, we are bringing in less income than we could be, but are also bringing in enough to keep our business progressing in a positive direction."

"I've actually had to travel more for business and also had to cultivate clients out of region. Money is tighter here in SE people/ organizations/businesses have to prioritize differently and often don't seek organizational or management support even when they need it. I own a consulting firm and more and more professionals are reaching out to me to help them wade into consulting as there are less professional jobs in the region. I hope that we start looking to each other for answers, start purchasing goods and services locally or in region."

"We have one large ongoing project; one other very large mining-related project that is likely to go ahead in a few years, but is still just yielding small-scale planning-stage work. No others; nor are there prospects for much else to develop. Given the Legislature's emphasis on unrealistic cuts and failure to address the need for revenue, the Juneau economy is crashing. Between that and the high crime and drug addiction rates, we are looking at relocating our main base to Northern Lynn Canal, probably Haines; but it is difficult to sell our Juneau base for a decent price to enable us to move."

"It is harder to find customers."

"Clients are less interested in potentially spending money."

"My business relies on the tourism industry and commercial real estate--each have remained relatively stable for me."

"It has been a lot slower and less work for repairs."

"My business is independent of Alaska economics or politics. As a personal opinion I believe this state leaders should be imprisoned for not performing as sworn in their oath of office."

"Business is still slowing down customers are very hesitant to invest in funding for business development and expansions. The make up of the current assembly majority has been pretty clear. They do not support or stand in favor mining, or a secondary access to Juneau."

"Coupled with the uncertainty of our state economy we do not have much chance of outside interest in expanding into Juneau or southeast Alaska. The state needs to develop a ferry system that primarily serves communities outside of Juneau and Ketchikan and develop a consistent service between Ketchikan and Prince Rupert. The primary communities in SE AK need to work together to incentives business development. Our state is run by the rail-belt communities and their elected officials who understandably are interested in only their own areas. Don't wait for the state it will never happen."

"There has been reduced business from regional clients."

"SE Alaska needs to look beyond traditional business-as-usual. There also needs to be a categorization of business, with emphasis on business that brings in fresh outside money into our region."

REAL ESTATE

"The cost of buying a home is getting ridiculous high. Apartment rentals prices have declined but there is still not enough housing in summer for all the employees of the tourism industry."

"The instability in local, state, and federal government is the primary economic deterrent right now. I don't give a damn if its the right or left, but pick a direction and stick with it so we can move down the road."

"The State of Alaska's retraction of services has impacted my business negatively by cutting back on lease of office space. Fortunately, the private sector has taken up the difference."

"Housing in Sitka is tight, still. So we have not seen an impact from the declining economy. Our residential properties enjoy 100% occupancy. Lack of good land for development and the high price of buying and converting existing properties to moderate priced housing units are our biggest challenges."

"The previous few years were rough, but we are off to a great start this year."

"We are now in our third year of significant vacancies and negative cash flow."

"The declining regional economy has created opportunities for growth of leaner more efficient companies and changeovers of older long standing stagnant businesses to newer vibrant energetic businesses."

SEAFOOD, COMMERCIAL FISHING



"I am a young fisherman. There is no feasible way that I can afford to diversify my fishing business by buying halibut quota. It is prohibitively expensive and I can't afford to buy into it (or other fisheries) ADF&G Also has a few questionable practices regarding King Salmon protection. The southeast gillnet fishery has minimal impact on kings in July, and yet we are being penalized through the end of the month with severely diminished fishing time."

"Our business has seen a decline because off bad or unstable markets. Also natural stock decline."

"I am in the process of selling out of the commercial trolling and halibut fishing business. Things do not look good for the immediate future. My purpose in selling is because it is time for me to go and let younger fishermen have the opportunity. I have been at it for 52 years. This will be my last with a much reduced presence."

Seafood, Commercial Fishing Continued

"Prices for supplies and services are going up, but income is flat, leaving less profits."

"One would hope that the impact of the warm ocean current (the blob) of 2015 and claimed global warming would stabilize and salmon returns would return to levels of the not so recent past. Our preseason forecast for number of employees is at 300, when we have enough bunks for 450, with an average of 375. The canning market has shown signs of dwindling market demand as well, we need to increase fresh/frozen fillets or some other product form to create increased returns to be sustainable in maintaining profitability in the future. With increased electrical and fresh water costs it is becoming an concern of how long we can maintain a presence in the current location with-in city limits."

"My fishing business is in decline and looks to be worse in the future. The region is being strangled by the one freight company with a monopoly the state refuses to acknowledge. The cost of health care makes it hard to stay here if you are not employed by government, are Native or on Medicaid/Medicare. (35,000.00 per year premium for me)."

"Prices for everything still going up. Shipping to AK nearly doubles costs. Wages remain the same and opportunities are lower. Fisheries need to be protected from the "cute" sea otters. They are destroying many species. Fisheries think they are being managed properly but they are not. Sport fishing industry has gotten HUGE over the past years and much of it is in isolated areas, unchecked and abused, I think. Crime is definitely on the rise. Police make arrests and the courts are unable to follow thru with adequate punishments."

"Hoping ADFG, learns how to better manage the resource."

"Fishing is very bad. The warming up of the Gulf of Alaska five to six ago was very devastating to all of us."

"I see big turn down in seafood processing sector with the status of some of the stocks. Graying of the fishing fleet and seafood processors on all levels is major concern for future employees. We need to do a state income tax since many people who work in Alaska don't live here but benefit from our resources. We in southeast are small numbers and have wants and needs than the rail belt. As a region we need to stick together for all the needs of the region."

"The fishing industry has stayed constant to growing, however the invasive sea otter is having an overall downward pressure on the economy as they expand into areas, and the conservation of the king salmon will have a devastating effect on the economy of Southeast as well. It seems the most communities of Southeast do not recognize the small boat fisherman as a small business and offer incentives to attract them to their ports and communities. The boroughs are operating on the premise that their budgets will be funded by the state government and they are not paying attention to the industries that truly fund the services in the small communities. Government is part of the solution to the economic hardships we are facing, but not the entire solution that the borough assemblies believe."

"Due to the State's current fishing policies the access to the fishery we mainly make our living from has become very limited. This impacts the fisherman and the processors."

"Mariculture could be an important addition for people who already have developed seafood investments."

"Support businesses being strapped economically has hurt my business."

"Recent years have all been growth years for me. Looking forward I do not see any signs I will be declining but I could see it leveling out. While I do not see any immediate concerns I am slightly worried about hearing being well below historic levels. (I am thinking back when hearing used to be every were not just in a few small areas.) Whale population growing to populations we have not seen in many generations adding more pressure on the eco system and finally ocean acidification. I feel very good about the next 10 or so years but I feel it is important to consider that it might not last."

"Lower projected prices and less King Salmon and halibut to catch impact me significantly as I am a commercial troller and longliner. I understand the need to regulate the fishing industry to preserve stocks but am concerned that not enough is being done regionally, nationally and globally to protect the environment, particularly the marine environment that is essential to having any stocks at all. My concern is that the federal government (this administration) has taken actions that will allow further harm to come to our marine environment. My hope is that our state takes courageous action to solve our own fiscal crisis (increase revenue in the form of a state income tax) and that our federal legislators are replaced with individuals who will fight for the future of our marine environment. I hope someday that I can catch more fish, that are worth more so I can make enough to make ends meet without counting every penny."

"Southeast fish runs are lower."

"We still high costs to do work, limited availability of welders & fabricators which lengthen the down time to do the work that needed to be done. The workers were recruited via Craig's list and came to Alaska from out of state. It hard to have consistency

with the rebuilt project we are doing, we slogged our way through it though."

"If I had a better work force other then a bunch of meth heads things would be and could be a lot better. I am working on "worker housing" on my own to maybe bring in Hispanic workers from the lower 48 when needed to go through my oysters and then send them home. Would Likely be much more efficient and profitable for me."

"Alaska's economy has not affected my business much as most of my products are exported to lower 48 or overseas."

"Seems like things are moving along OK hoping for a little increase in sales of some of the more profitable areas of our business."

"We are in for a tough few years."

"The increase of charter fishing has impacted fish stocks as has the poor management practices of some ADF&G managers. This has reduced our income by over 30%. As a direct marketer, costs of transportation are adding to cost, thereby reducing our margins even more. I hope we can continue to find ways to cut cost through efficiencies in human and mechanical resources to slow down the erosion of capital available."

TRIBAL GOVERNMENT

"Things have slowed down for us construction wise but since we are a Tribal Government we have funds to stay afloat. We have less and less opportunities for our members because of the down turn so we try and keep the essential services alive. Things seem to slowly be getting better with relations between the State and Tribal Governments. We are receiving more recognition and a higher awareness of our Sovereignty. Time will tell."

VISITOR OR TOURISM INDUSTRY



"My business has not been impacted by the poor regional economy."

"The tourism sector has grown in the past 4 years and continues to do so, this has positively impacted our business and I hope it continues."

"We have more business this year than the past 24 years. However, the floatplane company we used is going out of business that will cost us more and possibly discourage return guests for 2019."

"To travel to large events to set up a booth is not profitable because sales are down & travel expenses up."

"The visitor industry has outperformed the greater economy. We are seeing increases and planning for continued growth. Looking forward, I hope that oil prices recovering will provide some short term stabilization to our economy while our lawmakers craft a plan to move our economy off the oil rollercoaster. I'm concerned that the rapid trend toward deregulation happening at the federal level will allow projects that will have a negative effect on the land and water. I support responsible development and resource extraction but think that appropriate regulation is needed to ensure the health of

our wilderness, which directly effects the health of our fishing and tourism industry."

"The largest impact has been in off-season travel. Local, business and government travel were all down this winter. However, summer business is looking strong."

"We are counter to the negative trend. Business is up about 15% so far this year with hopes of breaking through 17% by seasons end."

"Trying to retire and cannot find a buyer for my seasonal business Cap rate of 16 so it is a good business. No one wants to live in Gustavus who has the money to buy it."

"We need more tourism marketing dollars invested into the cruise ship industry in Juneau."

"Sitka's Cruise ship industry is on a slow increase. Whenever the passenger number on boats decrease, so does my business. With the increasing cost of doing business here and the sometimes declining cruise ship numbers, we are looking to relocate to a more business friendly community."

"We have experienced about a 20 to 25 percent decrease in independent travelers to our town because of reduced Alaska Marine Highway ferry stops. The increased fees for licensing in the State from many regulatory agencies have an effect. Lack of funding for fisheries enforcement as well as fisheries development and monitoring."

"Luckily, we are doing OK. We are a year round visitor business, so the winter legislative season really helps up make the mortgage payments. Our hope is that the legislature continues to operate in Juneau, and not moved up north."

Visitor or Tourism Industry Continued

"The majority of our business traffic is attributed directly to outside (of SE Alaska) tourism dollars during the peak season where we've seen no downturn. We've been generally trending up over the past 4 years in gross revenues... a portion of those revenues are directly related to commodity/logistical cost increases that have directly impacted and required inflating our retail cost model. While we've seen some local decline in other businesses in town, we've fared well."

"My comment is framed around the state fiscal situation in general. Conversation between the governors office and state legislature involving state income tax could easily lead to fiscal suicide on the local and state level. Keeping the state income tax free needs to be a priority. Adopting a state income tax will result in a migration of "old money" out of the state. It can be a past time for legislators and lobbying factions to "poll" constituents about revenue shortfalls. I would caution legislators to understand government employees, at whatever level and a generation completing surveys with smart phones, does NOT represent a constituency contributing to the gross domestic product of the state of Alaska."

"We only have 2 years of ownership of the Bed and Breakfast but it seems that we are doing fine and our business is growing. I am concerned about how much it costs to barge anything to the island. We rely on this service to get supplies. That has definitely added a cost. We also need reliable cell and internet service to reach customers. We do not have this right now."

"Our Juneau hotel has seen a decline in revenue due to decreases in government travel and more businesses decreasing their travel/entertainment budgets. With an

undetermined ferry schedule this could continue to negatively impact our three SE Alaska Hotels for school/sport team and local Alaskan travel."

"Important updates and structural improvements are not being made."

"We are 85% dependent on cruise ship passengers, and have seen increases in visitors over the last several years."

"Lack of government funds has led to a reduction in travel for their employees."

"Charter Sport Fishing clients are from the Cruise Ships, 2017 was off about 30%, our goal is 300 charters today we have 35 bookings."

"As a destination tourism business, we have not been adversely affected by the Alaska fiscal challenges. However, we are increasingly concerned with proposals being made to design and implement additional taxes on the visitor industry. Such efforts are short-sighted and will negatively affect Alaska's tourism's revenues."

"Regional outlook looks very good for the tourism industry."

MINING

"We would be looking for skilled and non-skilled labor to grow our business. The concern would be that labor is moving out of the area due to lack of jobs, making it difficult for us to fill the positions required to grow our business."

"There is uncertainty due to State agencies being sufficiently staffed to review and approve permit applications."

TRANSPORTATION (NON TOURISM)

"The declining regional economy has negatively affected our transportation business, especially given the major reduction in State funding for projects."

"My business is no longer focusing on the community where we live. I am following the money to Juneau and am operating predominantly from there. I have abandoned much of what we built over the years designed to support Sitka and surrounding communities. For my type of business there is no local government support in the form of infrastructure and the continued shift away from industry based jobs has me re-defining our focus away from this community."

"This trend has encouraged us to be proactive in finding new sources of revenue."

"I will diversify into other businesses in an attempt to add another income stream and lengthen my work season."

"Overall Revenue has declined while expenses have gone up."

ARTS



"The arts are thriving, I continue to feel supported regionally and internationally."

"I work with private clients and they have less income for expenditures outside of school and work."

"We have reduced staff by one, which means we have to reduce services which reduces revenue. We know that nonprofits all across the country have to change their structure to meet the needs of the communities we exist for. This is nothing new. And in fact I think it is good. However, our municipal leaders continue to broadcast that State money is in short supply and therefore our community is in trouble. But in fact, new construction is happening throughout the community, our visitor's industry is growing, and generally Ketchikan is doing OK. Yet municipal leaders are extremely reluctant to invest in the infrastructure and future of Ketchikan. What I think I am observing is municipal leaders negatively affecting the economy of our community 1st by saying the economy is horrible and 2nd by not making investments in the community's future. I am actually - for the first time - concerned how Ketchikan will weather the next few years and if it will come out the other end as simply a tourist trap having lost the appeal for people to live here year round and raise a family."

"Most of my income comes from summer tourist art purchases. Increased tour ship dockings should help. My concerns for the future include destruction of view shed as an attraction for visitors due to UA timber harvest. Also road expansion by state's impact on road traffic and scenic byway draw. Impacts of logging and mining trucks also a concern. I would like to see more targeted groups of visitors coming to our community for vacations and designated programming for outdoor and arts / culture adventures in our amazing valley. Declining regional economy only affects me directly as decrease in regional visitors with spending power - especially Canadians with the devalued dollar."

"I am looking forward to things picking up. I am an artist, I oil paint Alaskan landscapes. When the economy is down than there is no extra money for art work. And rent becomes too expensive for a place to sell art."

"We are just emerging and have found that our business is slowly starting to grow."

"Need to encourage the arts in smaller communities. Partner with larger communities. Match larger galleries in larger towns who sell to tourists with artists from smaller towns. Start up business funding is helpful too. Also encourage cities to make space for smaller cottage businesses. And rent reduction programs."

"My business is very new. I am attempting to provide quality imagery for commercial purposes. However, things are very competitive and competing with "free" is pretty tough."

"There are fewer discretionary funds available in the school systems for exposure of students to performing arts/education by outside entities."

ALASKA NATIVE ENTITY

"Our shop income has been steadily decreasing for the last 3 years."

PRIVATE EDUCATION

"My amount of business consulting contracts have lessened because tighter educational funding, the state fiscal uncertainty, and dropping enrollments."

OTHER



"Revenue is down. I would hope the state legislature would pass a small sales tax to help our local governments collect sales tax on online sales."

"I have felt it in the amount of clients that are not getting the big ticket hair services. People are getting haircuts every 8 weeks instead of 6 weeks. The big ticket hair colors are not as frequent as the previous year."

"Our Chamber of Commerce has lost 25 members for 2018 and the average stated reason was because they couldn't afford it."

"That our legislators will make the Alaska marine highway a priority to provide stable transportation between our coastal communities ASAP."

"Contributions are diminishing and competition for dollars increasing."

Investment in CEDS Areas

One of the most valuable purposes of this survey, is that it allows us to track investments into projects that are part of the regional economic plan, also call the Comprehensive Economic Development Strategy (CEDS). Of the 134 private investments that were reported, 32 were invested in CEDS priority objective areas. (An additional 8 private sectors companies reported making contributions to the AMHS reform project in a follow up outside the survey.) Approximately \$80 million was reported to be invested into the seven CEDS priority objectives over the past year.

Was your investment specifically in one of the areas below?

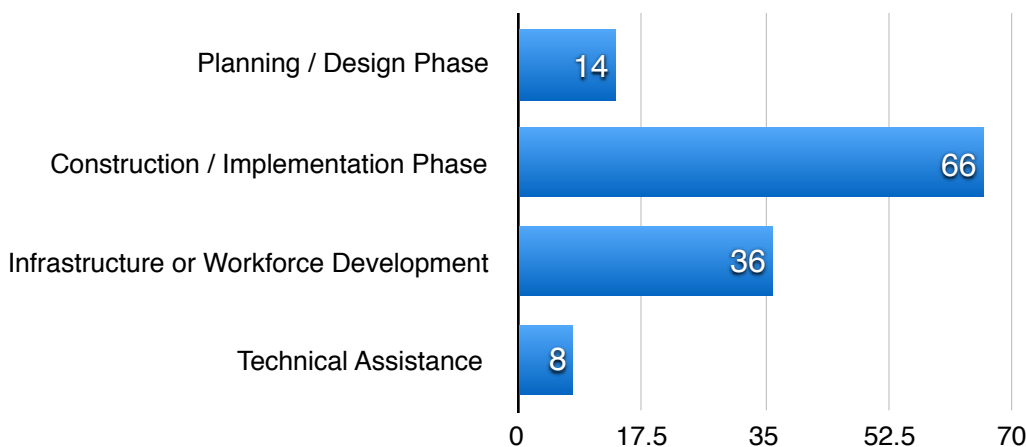
Answer Options	Number of Investments
Development of seafood products	11
Mariculture	7
Maritime Workforce Development	7
Reducing diesel use through energy efficiency or move to alternative energy	6
Marketing Southeast Alaska to Visitors	7
AMHS Reform*	8

*Note: AMHS reform project investments were calculated apart from the survey.

Did your projects use funds from any of the following sources?

Answer Options	Number of responses
State of Alaska	12
EDA (US Economic Development Administration)	1
Other Federal Agency	7
Local Government Funds	2

Number of Respondents by Project Stage



If applicable, businesses were asked to report on the project stage of their private investment. Projects were most likely to be in the construction or implementation phase of development.

Participant Overview

More than 230 businesses in 27 Southeast Alaska communities responded to the private investment survey this year. Respondents came from 20 different regional economic sectors. Similar to past years, the highest number of respondents came from the seafood and visitor industry sectors.

Which best describes you?

Answer Options	Response Percent
Owner, President, or CEO	44%
Self-Employed	38%
Senior Executive, Senior Official, Director, Vice President, or Manager	18%

Which best describes the primary industry focus of your company?

Answer Options	Response Percent
Visitor or Tourism Industry	40
Seafood/ Commercial Fishing/ Maritime	36
Retail / Wholesale Trade	22
Professional & Business Services / Consultant	17
Food/Beverage Industry	17
Communications / Information Technology	11
Arts	11
Construction / Architecture / Engineering	10
Real Estate	9
Financial Activities	7
Energy	5
Transportation (non tourism)	5
Health Care (includes senior services)	5
Mining	3
Timber and Forest products industry	3
Maritime Industrial	2
Education (private)	2
Tribal Government	2
Alaska Native entity	1
Other	9

Please identify the community in which your business is located.

Answer Options	Response Percent
Angoon	2
Coffman Cove	2
Craig	10
Edna Bay	1
Elfin Cove	1
Gustavus	4
Haines	19
Hollis	4
Hoonah	5
Hydaburg	1
Juneau	55
Kake	3
Kasaan	1
Ketchikan	19
Klawock	4
Klukwan	1
Metlakatla	3
Naukati Bay	2
Pelican	3
Petersburg	10
Port Alexander	2
Sitka	31
Skagway	10
Thorne Bay	3
Whale Pass	3
Wrangell	25
Yakutat	1

Short description of purpose of investment:

Private investment descriptions are presented below in alphabetical order:

- 2018 TRADE Show, to support local businesses.
- Adding assets
- Additional equipment
- Additional hydraulic equip plus normal replacement equip.
- Advance mineral prospect, road construction
- Bought new nets to capitalize on higher chum prices.
- Build a working mechanic shop
- Building a new transport vessel with 125 passenger capacity
- Building garden and hydroponic infrastructure: ie garden beds, soil development, weed control, fencing.
- Building improvements, contribution to investment accounts, retail space renovation
- Business
- Business purchase
- Charter boat
- Completion of fiber optic to the home build-out. Investment in existing infrastructure.
- Construction of 2 large housing units and the beginning construction phases of a large commercial building to expand our business into.
- Construction of a hydro project in Kake using an existing dam.
- Crab skiff
- Nets
 - Direct resource to community and local non-profits seeking to improve the health and safety of our community
 - Electronic equipment upgrades every couple years
 - Equipment
 - equipment upgrades and gear repair and upgrades
 - Expand oyster business
 - Expansion of used oil collection and processing.

- Remodeled warehouse space to accommodate gymnastics training center.
- Purchased fuel truck.
- Complete repower of fuel freight landing craft.
- Completed land trade with ADOT in Ward Cove.
- Facility expansion
- Facility remodel
- Facility remodel
- Facility remodel and improvements.
- Family remodel/repair
- Fishing equipment and vessel purchase.
- Fix up boat
- Given the declining economy, at least in Juneau, we are holding off on investment. We will replace electronics and software to remain viable.
- Hiring of local businesses.
- Improve diversity
- Improvements and new construction.
- Improvements to fishing vessel
- In Ketchikan we are making improvements to our parking and traffic areas between the two buildings we own.
- Infrastructure and equipment
- Infrastructure maintenance
- Install Lexan thermocleal end panels and venting on a 30' x 60' high tunnel
- Investment in cleaning equipment and startup costs of business.
- Land and road investment
- Land improvement to control rain water runoff, includes concrete and asphalt paving
- Land improvements. Facility/Equipment upgrades.
- Land purchase and remodel of Bed and Breakfast
- Maintenance
- Maintenance and upgrade
- Major office remodel
- Major repairs and maintenance
- Marketing consultations for online efforts at counseling and product sales
- Merger with another similar business entity.
- Mineral exploration

- Moved the 88-guest SS Legacy back to Alaska with operations from late April through mid August.
- New aircraft and hangar facilities to support corporate travel
- New Charter boat purchased.
- Replaced 20kw generator.
- New coolers and freezers
- New engine ,fishing boat
- New equipment
- New equipment
- New Fuel pumps for my other store
- New hires.
- New machine, We are attempting to get a significant landing craft going.
- New office equipment, new vehicle
- New vehicle purchase (2 vans), expansion of storage space at 1 location by renting neighboring unit.
- No new investments were made and only repair of existing equipment was done to keep company equipment functioning. Only expenditures (not new investment) was transactions to keep software subscriptions current that are used to perform our work.
- Not investing; we are closing down our business when the license expires in May. It has become too expensive for the license/ bond/insurance/etc. to be competitive with those who don't follow the rules.
- Only replacement equipment
- Overhaul of computer, software, and accounting systems to accommodate movement to the internet for sales and service
- Purchase of portable garage and rock to create a carving area.
- Purchase of quota shares
- Purchase of two new boat engines
- Purchase of additional tour vessel
- Purchased 3 Shuttle busses
- Purchased equipment and supplies for improvement to commercial vessel
- Quality improvement for seafood
- Rebuild & renovate
- Remodel
- Remodel and acquisition
- Remodel of office space, includes access spaces—deck and stairs leading to offices.
- Remodel of the office building and built a new office inside our existing building.
- Remodel small shop
- Remodeling of rental units
- Renovations and installing a wood fired furnace for water and domestic heating...
- Renovation of commercial and residential real estate
- Rental equipment and storage
- Repower a new/used vessel
- Restaurant
- Room renovations
- seed money to keep business going
- Servers and equipment
- Small improvements to inventory storage facility.
- Studio remodel, travel for research
- To create jobs and fill a need for the community. To better ourselves, economically, traditionally and make a better future.
- To upgrade vessel
- Updated evaluation tools
- Updated vehicle fleet
- Upgrade boat
- Upgrade the drainage system around our facility
- Upgraded current professional photography gear.
- Upgrades
- Upgrades
- Vessel improvements
- Writing residency and time to write.
- Zero investment
- Replacement equipment
- Completion of fiber optic build-out.
- Investment in existing infrastructure.
- Improve diversity.
- New equipment
- Facility expansion
- Major office remodel

SOUTHEAST CONFERENCE MAJOR SPONSORS

