CHATTANOOGA CAN DO

2007 REPORT

Business Retention and Expansion Visitation Team

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INTRODUCTION By Dr. Richard Casavant

This award-winning survey managed by Steve Hiatt, the Chamber's director of existing business development, enables 75 local firms to collectively tell us what they see as local issues that affect their companies. The survey took place from January 2006 to June 2007, among a diverse array of local companies. 93% of these companies have 100 or less employees. The employees were 39.3% blue collar and 60.7% white collar. Nineteen of the 75 companies have union representation.

The questions sought to elicit what these respondents see as valuable in our community and what poses a threat to their operation here. Specific to the 75 responding companies, information was gathered to identify their growth potential, the risk of their downsizing and/or leaving Chattanooga, and a gauge of their foreseen growth opportunities.

A business retention and expansion program shows that the Chamber and local government are concerned with business needs. In turn, the program improves the ability of local government to help businesses.

The 75 respondents are in a sense the area's present customers. Certainly the respondents employ many of our citizens. As in the marketplace, most of our future business will come from present customers.

Indeed, the majority of new jobs created in U.S. communities are a result of expansion by existing successful businesses. Existing business brings us most of our new job creation, so we should strive to keep those businesses (customers) satisfied.

Also, their presence may encourage some of their suppliers (and even their customers) to locate here. It is easier to attract new business if it can be demonstrated that existing companies are successful and expanding. In a sense, local companies become ambassadors to prospective new firms.

The five largest local projects announced in the last few months came from existing business. Overall, existing business is responsible for 88.3% of new job creation and 85.3% of new investment. This survey shows two-thirds of the respondents plan to expand in the next three years. Almost eight out of 10 have favorable growth prospects. It is critical that our economic development arm proactively communicate with these companies so as to gather information to enhance their and our economic future.

In an ever-changing economy which forces companies to innovate or die, it is positive to see that 83% of these Chattanooga firms have introduced new products in the last five years and 89% anticipate introducing new products soon. Competitive strength is often measured by market share. 60% see an increase in market share and only 3% a decrease. These data, along with 79% forecasting a total company sales increase, point to a positive future for these companies. Forty - three percent of the surveyed firms stated that federal, state and local actions were expected to have an unfavorable impact and 23% look for a positive impact.

At the high end of community service ratings were:

- Fire Protection
- Chamber of Commerce
- Economic Development Activity
- Health Care
- Higher Education (four and two year)
- Trucking

At the low end were:

- Airline Service
- K-12 Education
- Regulatory Enforcement
- Child Care Services

Airline services and K-12 education have been a known weak link for some time. Effort has been exerted in both areas with mixed results. No major city can truly hope to go forward without an effective air service. Human capital is such an important part of most endeavors that some way must be found to properly educate all our citizens.

Of the areas below, 13 compared favorably against responses from businesspeople across the United States and 10 fell below the average national response (see page 26).

<u>ABOVE</u>
Economic Development Organization
Chamber of Commerce
Trucking
Health Care Services
Colleges and Universities
Community Colleges
Highways
Air Cargo Service
Child Care Services
Property Tax Assessment
Traffic Control
Streets and Roads (local)
Public Transportation

<u>BELOW</u>
Fire Protection
Ambulance Paramedic Service
County Services

Zoning Changes and Building Permits
Police Protection
Community Services
Regulatory Enforcement
Community Planning
Schools (K-12)
Airline Passenger Services

When the collective response for all U.S. respondents is measured against our 75 local respondents, it demonstrates that we should improve in 10 areas. That is not to say we should rest on our laurels in the 13 areas that local business seems more satisfied than U.S. respondents. The business climate will always be a work-in-progress.

Forty - one of the 75 companies saw a future increased need for utilities.

- 32% saw more need for telecommunication
- 26% saw more need for electric
- 15% saw more need for natural gas
- 10% saw more need for sewers

The local infrastructure should be well-prepared to meet these foreseen utility needs.

The community strengths that the study noted were Chattanooga's location, its workforce, and quality of life. The community's weaknesses were perceived as its workforce, education system, and air services. Workforce was a strength and a weakness, so beauty is in the eye of the beholder and may depend on the set of skills sought. Indeed, respondents throughout the U.S. perceive their workforce stronger than Chattanooga saw its workforce, but availability, quality, stability, and productivity are similarly ranked in terms of their relative strength by Chattanooga and U.S. respondents on a scale of 1 (low) to 7 (high).

Workforce	Chattanooga	U.S.
Availability	4.11	4.67
Quality	4.12	4.73
Stability	4.84	5.12
Productivity	5.55	5.60

Chattanooga and the U.S. for some time have seen increased demand for more skilled workers. There has been pressure for more highly educated workers and generally there is more pay associated with the demand. Technology and globalization have reduced demand for those who do routine tasks in offices and factories. David Wessel in the *Wall Street Journal (10/11/2007)* makes this point and further states that those tasks which can not be accomplished by technology or can not be done off-shore have increased and are reflected in the rising need for more personal-service workers. Therefore, if there is pressure for more and better workers at the high and low end then the workforce measure can appear mixed as well.

Stephen Covey, author of *The Seven Habits of Highly Effective People*, stated if you want to be understood by others, then first work to understand them. More times than not, the favor will be returned. This study is a concerted effort to understand our area's businesses, the challenges they face, and their future potential as they see it. Our local business climate is largely positive with identified issues on which we need to work.

The fundamental role of local government is to educate its citizens from pre-K through the university level. Today's knowledge economy makes it imperative to educate our future workers so that everyone is comfortable with abstract skills rather than depending on the availability of muscle jobs which are disappearing.

A recent World Bank study stated that areas that are economically well-off are that way because of the skills of their population and the quality of their institutions. Our own area will grow by attracting talent, but more importantly it will grow by creating talent internally. In a recent community meeting, a citizen reacted to our sizeable investment in education by saying it was time to slow down and digest what we have. I maintain that our community progress demands continuous improvement. The time to slow down will never come.

Richard Casavant, Ph.D., is the John Stagmaier Chair and Dean of the University of Tennessee at Chattanooga College of Business.

About the Chamber's Synchronist Award

The Chattanooga Area Chamber of Commerce was recognized in 2007 by Blane, Canada Ltd. at the Annual Synchronist Users Forum in Chicago for excellence in the design, execution, and impact of its existing business strategy and program and also was recognized in 2006 with an award from Business Expansion and Retention International (BREI) in recognition of its collaborative efforts to promote economic development in the Chattanooga area.

OVERVIEW & METHODOLOGY

As much as 88% of the area's new jobs and investment come from companies right here in Chattanooga.

Source: Synchronist Business Information System, Blane Canada Ltd.

Our community's best companies are our competitor's best prospects! This simple fact underlies every business retention program. Business retention programs have emerged in an attempt to slow business defections and the negative impacts those defections have on a community's economy. Today, these programs have increased in importance as communities recognize that real job growth over time comes from the expansion of businesses already in the community.

The Chattanooga Chamber's business retention program was developed to provide a systematic approach to working with existing employers to:

- Identify problems that could cause employers to leave a community
- Identify opportunities to help companies expand their presence in the community
- Build relationships with individual employers

The Chamber's Business Retention & Expansion Visitation Team (BREV Team), comprised of 10 economic development partners in Chattanooga, focuses on the strength and prospects of its business sector by making personal visits to businesses throughout the community.

From January 2006 through June 2007 BREV Team members visited and surveyed 75 companies in the Chattanooga area. The companies, with employee counts ranging from one to over 4,000, operate in a diverse assortment of sectors including health care, technology, manufacturing, transportation and many others. Some companies are located in the county's largest industrial parks, while others are tenants in the local business incubator.

The BREV team used the Synchronist Business Information System® developed by Blane Canada Ltd. as a tool to survey businesses. The Synchronist System is an internet software tool used to organize, analyze and report company information, giving community decision-makers valuable insight into the dynamics of the local economy.

The Synchronist System survey instrument focuses on the collection of information designed to help answer six specific questions of concern to every economic development decision-maker, questions that cannot be asked directly of company representatives. These questions are:

- What is the company's value to the community?
- What is the growth potential of the company?
- Is the company at risk of downsizing or relocating?
- What is the company's level of satisfaction with the community and its services?
- Do any existing or emerging problems in the community pose a threat to existing or potential businesses?
- Are there untapped marketing opportunities (e.g., industries, companies, strategies) that could be leveraged for attracting new businesses to the community?

This report seeks to answer these questions by aggregating the responses of individual companies into an overview of the plans, projections and perceptions of the Chattanooga area business community.

COMMUNITY ECONOMIC VITALITY RATING

These charts assign numerical scores to measure Chattanooga's economic vitality. The scores are based on each company's responses to interview questions in the areas of growth, satisfaction and risk.

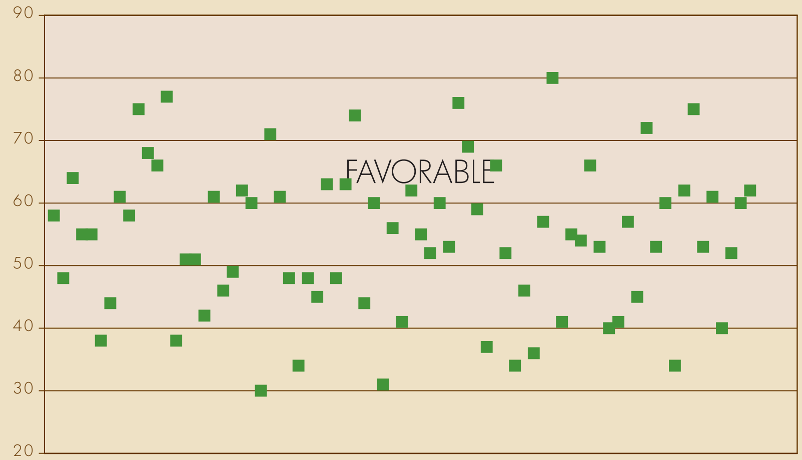
GROWTH

What is the growth potential of the company? Growth scores above 60 are considered favorable; scores below 40 are considered unfavorable. A favorable growth score indicates that a company is more likely to expand its operations, add new products or services in the next two years, or has increasing company sales. Most companies (78%) reported a favorable growth outlook.

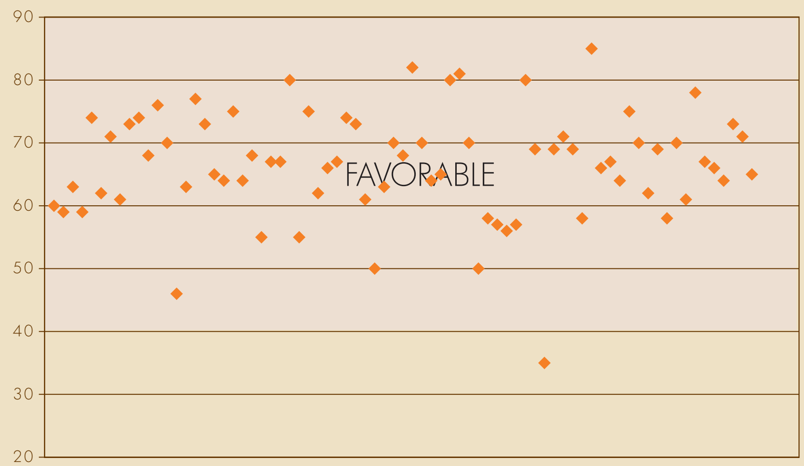
SATISFACTION

What is the company's level of satisfaction with the community and its services? Satisfaction scores above 60 are considered favorable; scores below 40 are considered unfavorable. A favorable satisfaction score indicates that a company is more likely to choose Chattanooga for an expansion, is pleased with Chattanooga's workforce and community service offerings, or that executives at the company's corporate headquarters view Chattanooga as a good place to do business.

GROWTH



SATISFACTION



SIGNIFICANT FINDINGS

Chattanooga is experiencing strong growth among its industries.

The BREV interviews were conducted with the owner, president, manager, supervisor, or head administrator of the business. The responses reflect the opinions of the survey participants. The results are not weighted by the size of the firm. Each firm's response is counted as equal even though the sizes of the firms are not equal. The respondents reported employing from one to 4,100 full-time employees.

Significant findings include:

Chattanooga is experiencing strong growth among its industries:

- 98% reported increased or stable company sales and 81% projected new products or services.
- Two-thirds of respondents indicated plans for expansion.
- These expansion plans will create over 800 new jobs, add $362 million in new capital investment, and add over 770,000 square feet to local facilities.
- A majority of companies report increasing imports and exports.
- 38% of respondents rated the productivity of Chattanooga's workforce as high or very high, while only 8% rated the quality of the workforce as high or very high.
- 97% of companies have increasing or stable employment needs at their facility; however, 63% of companies are having problems recruiting employees.
- "Workforce" was listed as both Chattanooga's greatest strength and biggest weakness, according to a poll of the respondents.
- Local utilities were all rated as above average.
- Fire service received the highest community service rating, while air passenger service received the lowest rating.

In comparing the Chattanooga region's workforce data to Tennessee business workforce data:

- The Chattanooga region compares favorably in workforce availability, stability, productivity and quality.
- Businesses in the Chattanooga region are more likely to have local recruitment problems, but are less likely to attribute those problems to the local community.

In comparing the Chattanooga region's workforce data to national business data:

- Chattanooga companies are more likely to be planning an expansion.

BUSINESS GROWTH & EXPANSION

Existing companies are considering expansion plans that have the potential to create 800 new jobs and add $362 million in new capital investment over the next three years.

From January 2006 through June 2007, existing businesses in the Chattanooga area were responsible for 88.3% of new job creation and 85.3% of new investment. In fact, existing area companies were responsible for the five largest projects announced in Chattanooga during that time period.

In addition to those companies that have announced expansion plans, nearly 2/3 of companies surveyed have plans to expand in the next three years. These expansion plans have the potential to create over 800 new jobs, add $362 million in new capital investment, and add over 770,000 square feet to local facilities.

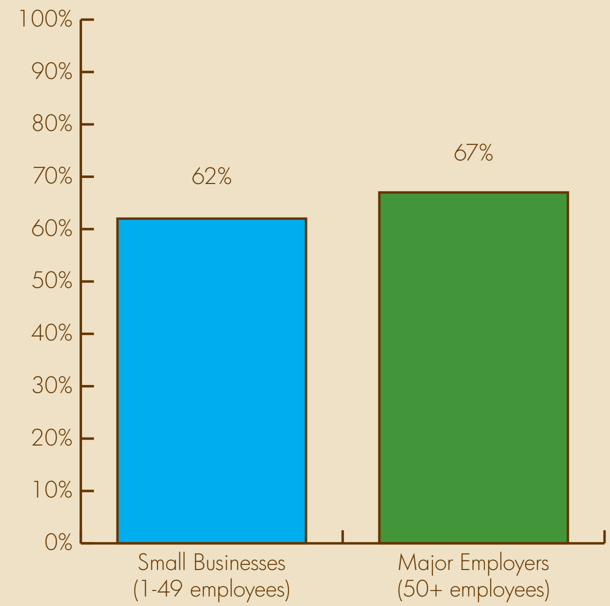
Business expansion is not limited to Chattanooga's major employers. The BREV survey found that while 67% of surveyed companies with 50 employees or more plan to expand in the next three years; 62% of small businesses surveyed also plan to expand in the next three years.

Over half of the companies interviewed responded that barriers exist that may affect the company's continued growth in the Chattanooga area. Most barriers were minor and would not compel a company to leave the area. However, 19 companies stated that Chattanooga may not be the location for an expansion.

Below, in no particular order, are some reasons given as to why Chattanooga may not be considered for a local company's expansion:

- Lack of available space for small businesses
- Difficulty obtaining skilled and qualified employees
- Limited industry growth
- Workforce and education system weaknesses
- Lack of incentives to cover expansion costs
- Proximity to other company facilities and suppliers

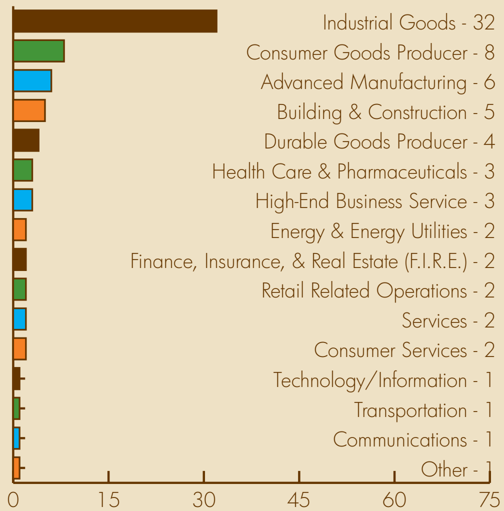
PLAN TO EXPAND IN NEXT 3 YEARS:



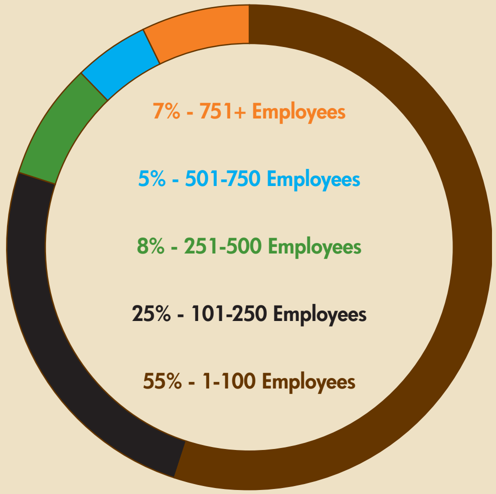
RESPONDENT DEMOGRAPHICS

The Chattanooga Area Chamber of Commerce's BREV team surveyed a total of 75 companies in the Chattanooga region from January 2006 through June 2007. Here are demographics of the companies surveyed.

TYPE OF BUSINESS SURVEYED



COMPANY SIZE BREAKDOWN



REGIONAL DEMOGRAPHICS

	HAMILTON COUNTY	TENNESSEE	UNITED STATES
TOTAL POPULATION	310,584	5,999,597	299,088,112
% MALE	48.2%	49.0%	49.3%
% FEMALE	51.8%	51.0%	50.7%
MEDIAN HOUSEHOLD INCOME	$43,836	$41,012	$48,271
NUMBER OF BUSINESSES	16,767	239,960	12,062,827
NUMBER OF EMPLOYEES	182,357	2,670,689	130,012,127
% IN BLUE COLLAR OCCUPATIONS	39.3%	44.4%	39.7%
% IN WHITE COLLAR OCCUPATIONS	60.7%	55.6%	60.3%

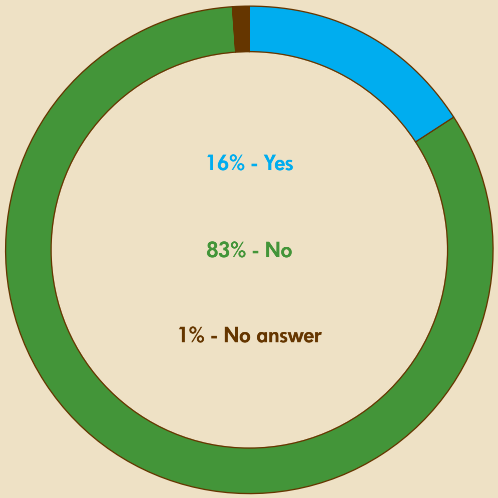
Source: DemographicsNow, 2006 estimates

BUSINESS CHANGES/FORECASTS - OWNERSHIP & MANAGEMENT

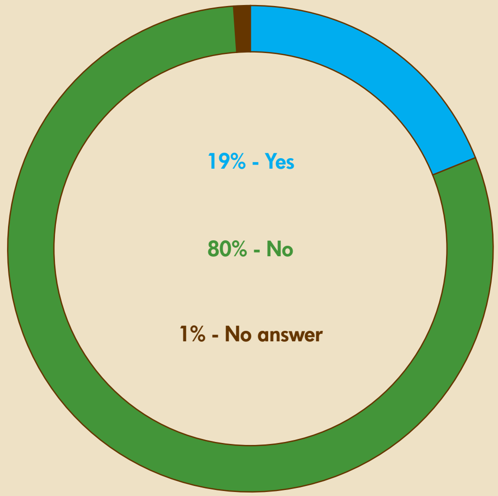
When asked if the company's ownership or management has changed in the last 18 months - or if a change is expected - less than 20% of companies said yes.

Additionally, while merger, acquisition & divestiture activity is on the rise for respondents, a majority of the companies (68%) report that production in their industry is either balanced or over capacity.

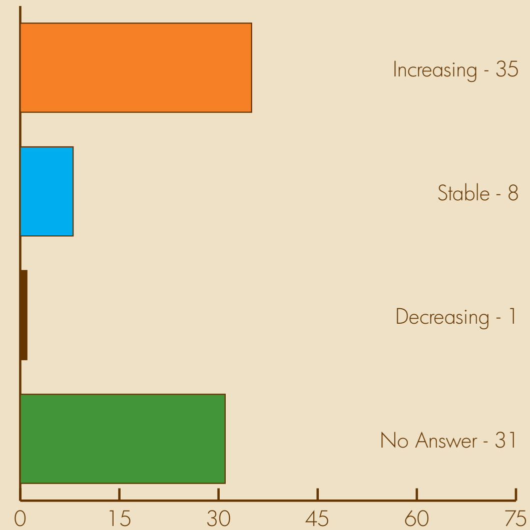
OWNERSHIP CHANGE:



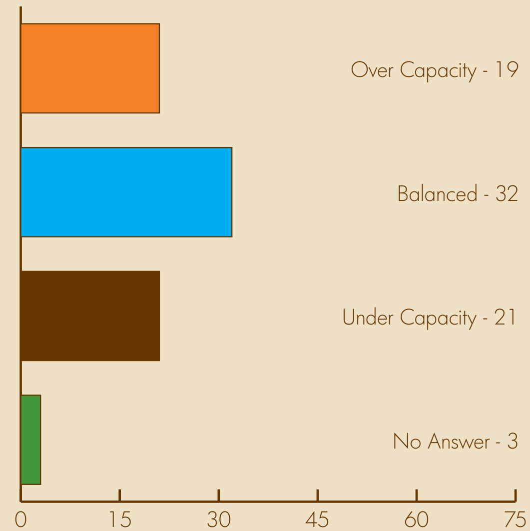
MANAGEMENT CHANGE:



MERGER, ACQUISITION & DIVESTITURE ACITVITY:



PRODUCTION IN INDUSTRY:



BUSINESS CHANGES/FORECASTS - LEGISLATION

The companies surveyed responded to two separate questions about the impact of federal, state and local legislation on their business over the next five years. When asked if they anticipated a positive impact, 23% responded in the affirmative, but when asked if they expected negative impact from legislation, 43% of responding companies foresaw challenges.

Interestingly, some companies anticipated positive impact from environmental legislation while others placed this kind of regulation in the negative impact column.

Most companies did not express concerns about anticipated legislation.

Examples of anticipated legislation with a negative impact:

- Rate increases from public utilities
- Property tax increases
- Health care socialization
- Trade taxes
- Environmental regulations
- Interest rate increases
- Labor regulations

Examples of anticipated legislation with a positive impact:

- Environmental regulations
- Tort reform
- Immigration reform
- Workers' Comp reform

ANTICIPATE NEGATIVE LEGISLATION:

ANTICIPATE POSITIVE LEGISLATION:

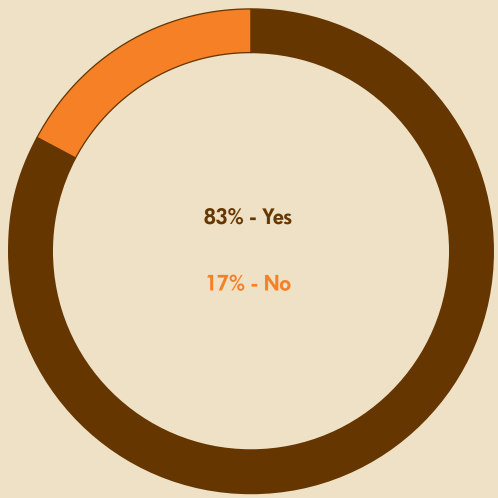
PRODUCT DEVELOPMENT

Chattanooga area companies are developing products at a faster rate than the national average (see page 24). Over 80% of businesses have introduced a new product in the last five years, and over 80% anticipate introducing new products in the next two years. In most cases, new product development comes out of a company's Chattanooga operation, with several company R&D facilities located here.

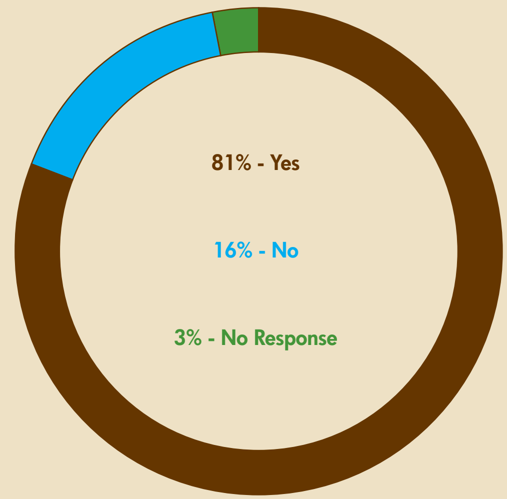
Almost all of the 75 companies reported that their product/service life cycle was on the upward end of its arc with only two companies describing declines.

Most of the surveyed companies are investing in research and development with 17 companies (nearly 20%) reporting on R&D investments of more than 6% of budget.

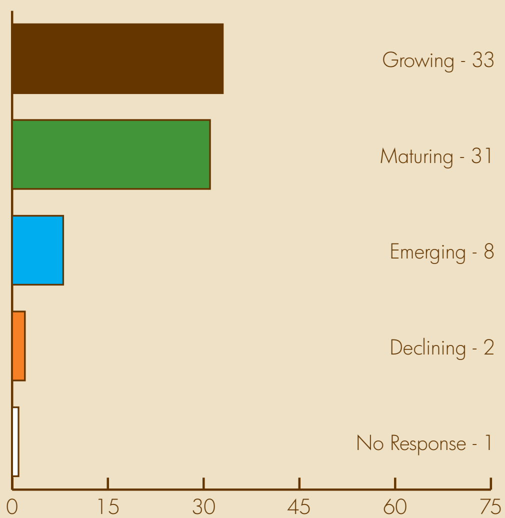
NEW PRODUCTS INTRODUCED LAST 5 YEARS:



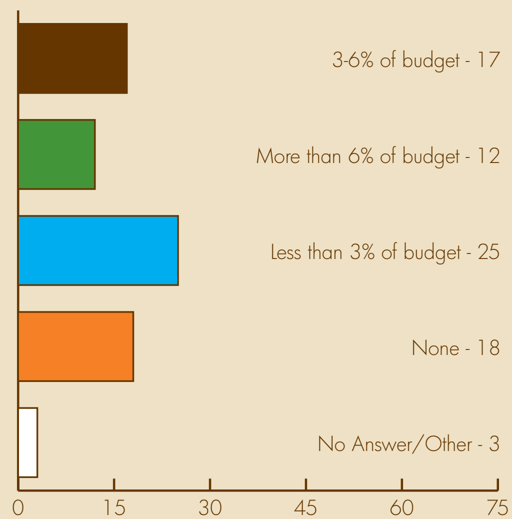
NEW PRODUCTS ANTICIPATED 2 YEARS:



PRODUCT/SERVICE LIFE CYCLE



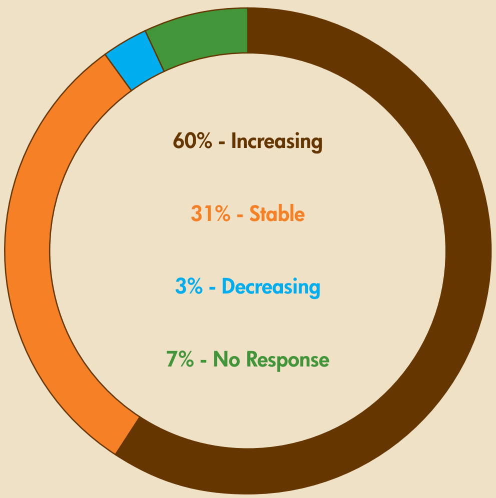
R&D INVESTMENT



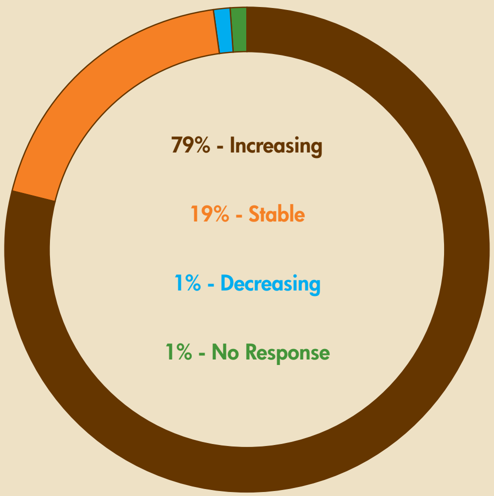
MARKET & INDUSTRY CHANGES

The region is poised for continued growth with 98% of respondents reporting increasing or stable company sales and 91% of the companies reporting increasing or stable market share of their key products. The majority of companies surveyed sell their product to a national or regional market, rather than just locally.

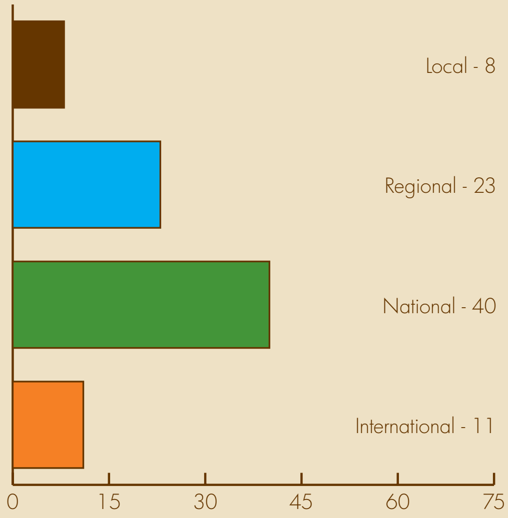
MARKET SHARE OF KEY PRODUCTS:



TOTAL COMPANY SALES:



PRIMARY MARKETS*:



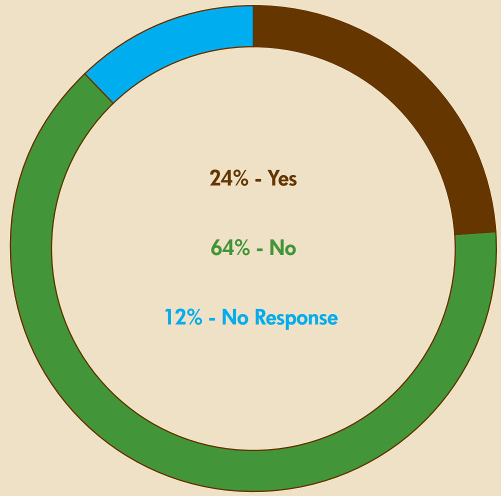
Note: Total responses exceed number of companies surveyed (75) because two or more responses could be given by a single company.

INTERNATIONAL PRODUCTION

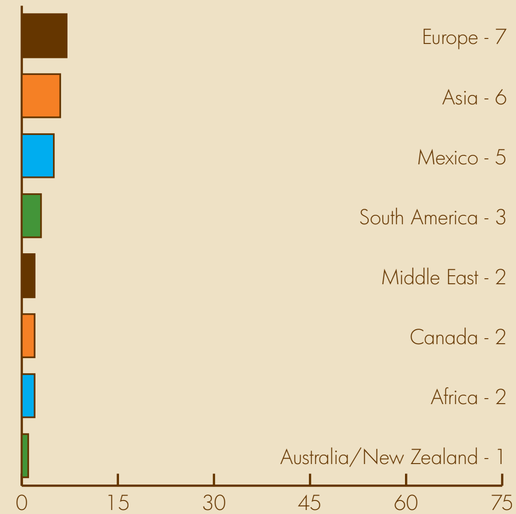
The companies surveyed report an increasing involvement in international business, with a majority reporting stable or increasing export sales. More than 20% of the companies own overseas production facilities. Most of these production facilities are located in Europe, Asia and Mexico. Twenty-nine percent of companies report an increase in products and/or components imported.

Nearly 40% of the surveyed companies reported that their domestic competitors are increasing overseas production.

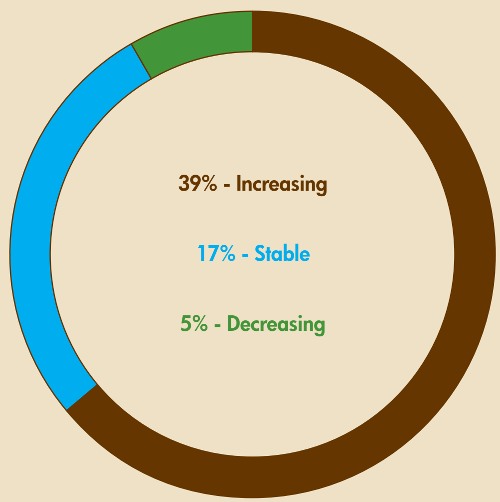
OVERSEAS OPERATIONS:



LOCATION OF OVERSEAS OPERATIONS:



OVERSEAS PRODUCTION BY DOMESTIC COMPETITORS



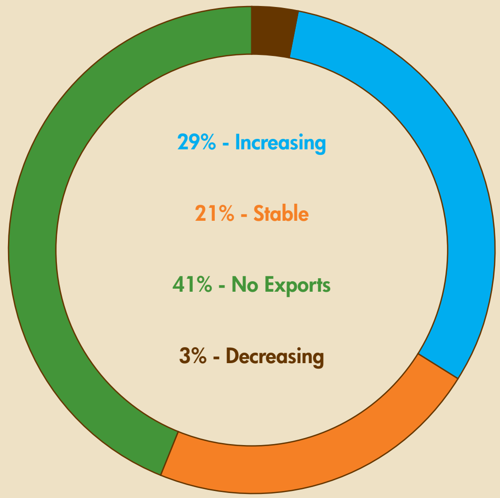
INTERNATIONAL MARKETS

More than half of the surveyed companies are exporters. Nearly 30% reported that export sales account for an increasing percentage of total sales. Most others reported stability in their export sales or in their status as non-exporters. Only 3% reported declines.

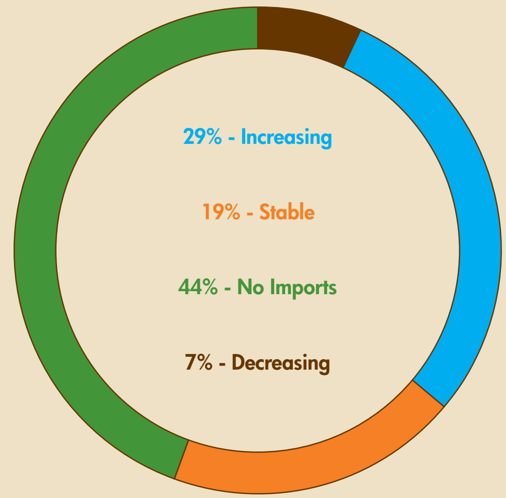
Interestingly, export sales increases were mirrored by the percentage of companies (29%) reporting increased imports of products or components.

Local export companies listed Europe and Asia as their top two export markets.

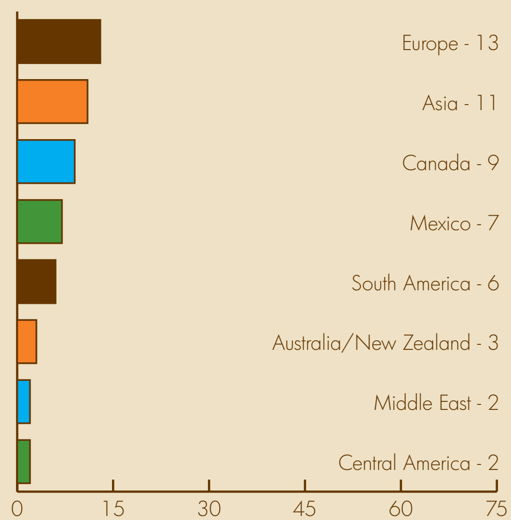
EXPORT SALES AS A % OF TOTAL SALES:



PRODUCTS OR COMPONENTS IMPORTED:



WHERE ARE YOUR EXPORT MARKETS:



WORKFORCE EVALUATION AND TRAINING

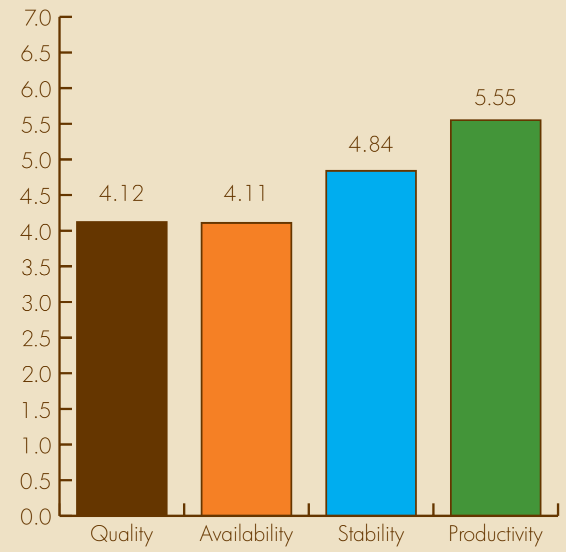
Many executives ranked Chattanooga's workforce high or very high.

Having a well-educated and stable workforce is crucial to the growth of existing businesses. Using a scale of 1 (low) to 7 (high), executives surveyed by the BREV team rated the quality, availability and stability of the local workforce as average, while rating the productivity of the local workforce as above average. However, it should be noted that many executives ranked Chattanooga's workforce high or very high:

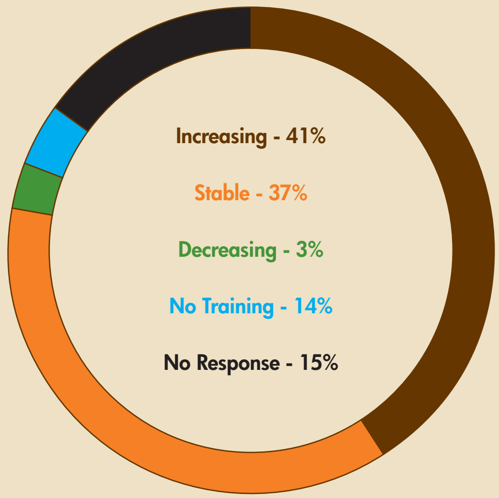
- 38% rated workforce productivity high or very high
- 32% rated workforce stability high or very high
- 17% rated workforce availability high or very high
- 8% rated workforce quality high or very high

Many of the companies reported well-developed training programs. In fact, nearly 80% of companies report an increased or stable investment in employee training and 81% of companies offer some kind of training to their employees, whether in new skills training, proficiency training or remedial skills training.

WORKFORCE ATTRIBUTES:



BUDGET FOR EMPLOYEE TRAINING:

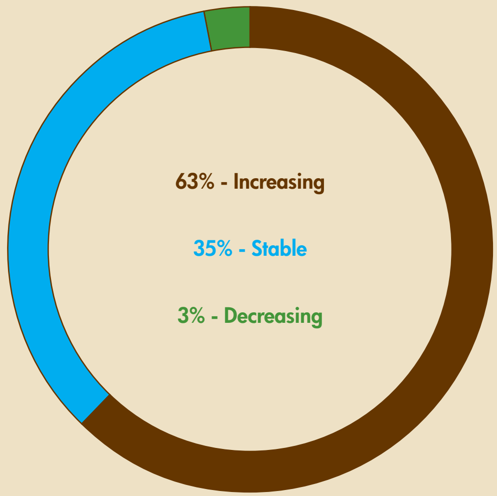


EMPLOYMENT NEEDS

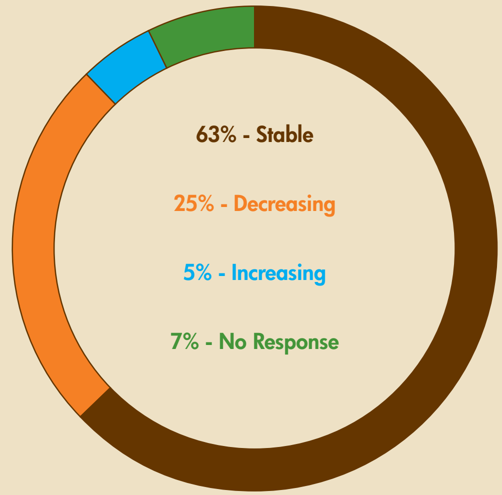
Survey respondents reported employing over 12,000 employees. Almost all (98%) of respondents reported that the employment needs of their facility are stable or increasing.

While the majority (63%) of companies are not seeing an increase or decrease in the number of unfilled positions, 63 of the 75 of companies interviewed have problems recruiting employees for those unfilled positions. The jobs most commonly reported as hard to recruit were maintenance technicians, engineers and welders. However, when asked if recruitment problems were related specifically to Chattanooga, nearly 60% said that the problem is industry-wide and not community-related.

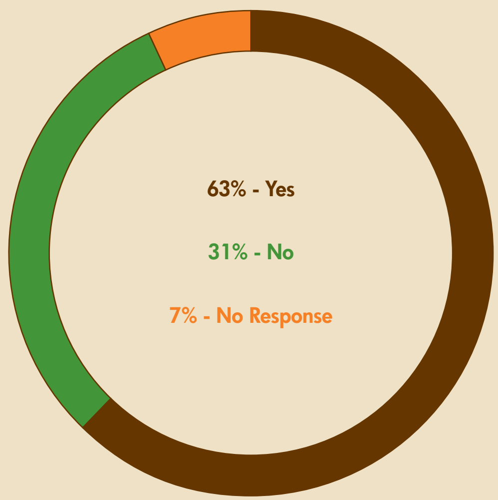
EMPLOYMENT NEEDS FOR THIS FACILITY:



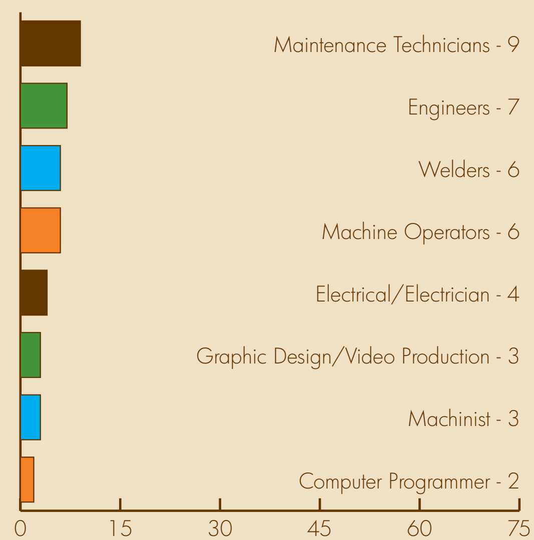
NUMBER OF UNFILLED POSITIONS:



RECRUITMENT PROBLEMS:



HARDEST TO FILL POSITIONS:



UNION ACTIVITY

Of the 75 companies surveyed, 19 have union representation. All 19 companies report a positive working relationship with their union(s).

Chattanooga has not had any work stoppages in the last 10 years and has a low union membership as compared to other major U.S. cities.

Chattanooga has not had any work stoppages in the last 10 years.

UNION MEMBERSHIP: (percentage of union membership in the workforce)

City	Private Sector Mfr.	Private Sector	TOTAL
Chattanooga, TN	6.6	3.8	7.8
Augusta-Richmond County, GA	0.0	1.4	1.9
Birmingham, AL	19.3	6.3	9.7
Boise, ID	7.1	3.4	5.2
Huntsville, AL	6.7	3.4	6.2
Lancaster, PA	9.4	3.8	10.7
Lexington, KY	4.9	5.0	6.3
Memphis, TN	0.0	1.7	4.3
Nashville, TN	18.5	5.8	7.7
Tennessee	8.2	3.1	6.0
U.S.	11.7	7.4	12.0

Source: Union Membership & Earnings Data Book (2007 edition), Bureau of National Affairs, Inc.

Note: Private sector is defined as both private for-profit and not-for-profit companies. The total includes both private and public companies. Public companies are defined as federal (including postal), state, or local government.

UTILITY EVALUATION

More than half of respondents – 53% – rated EPB service as high or very high. 55% have increasing utility needs, with telecommunication equipment having the most increased demand.

Local utility providers were rated from 1 (low) to 7 (high). All utilities scored a better than average ranking overall, and Chattanooga's electric service received the highest ranking with more than half of respondents – 53% – rating EPB as high or very high. This chart represents the number of companies who ranked the above services as high or very high.

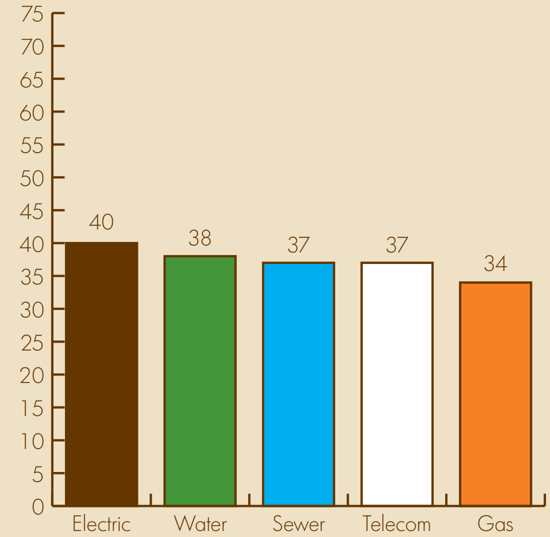
Several companies surveyed anticipate going through significant business changes in the near future. For example, 55% have increasing utility needs, with telecommunication equipment having the most increased demand.

Utility Needs:

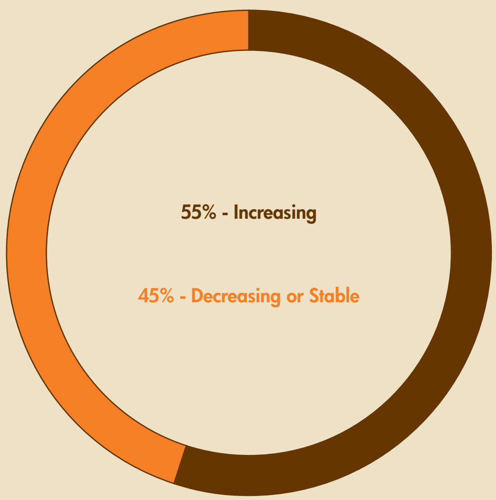
Of the 41 companies that are experiencing increasing utility needs:

- 32 have increasing telecommunications needs
- 26 have increasing electric needs
- 15 have increasing natural gas needs
- 11 have increasing water needs
- 10 have increasing sewer needs

UTILITY RANKING:



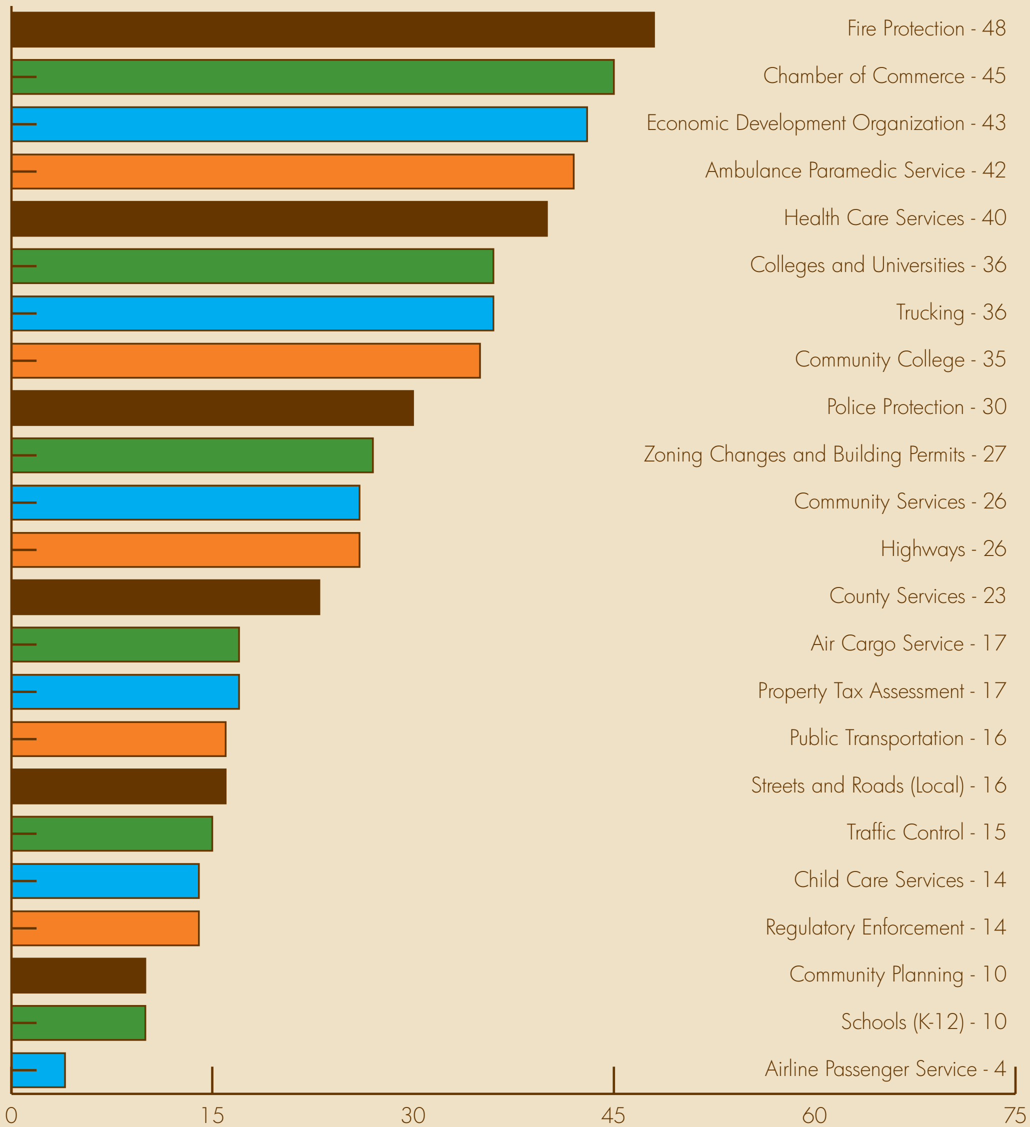
PROJECTED UTILITY NEEDS



COMMUNITY EVALUATION

A list of community services was rated from 1 (low) to 7 (high) as companies evaluated the Chattanooga area as a place to live and work. The list represents the number of companies ranking service as high or very high.

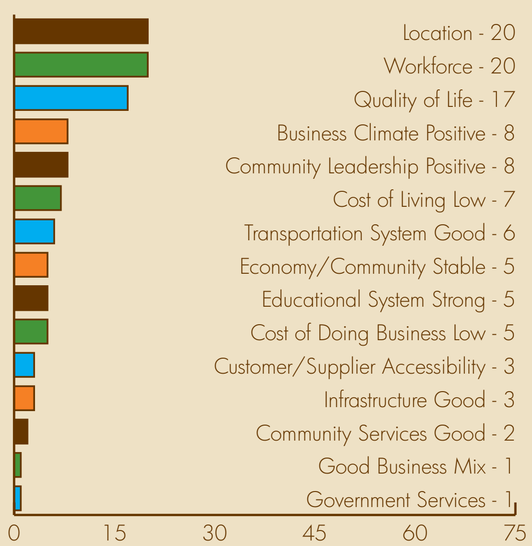
COMMUNITY SERVICES RANKING:



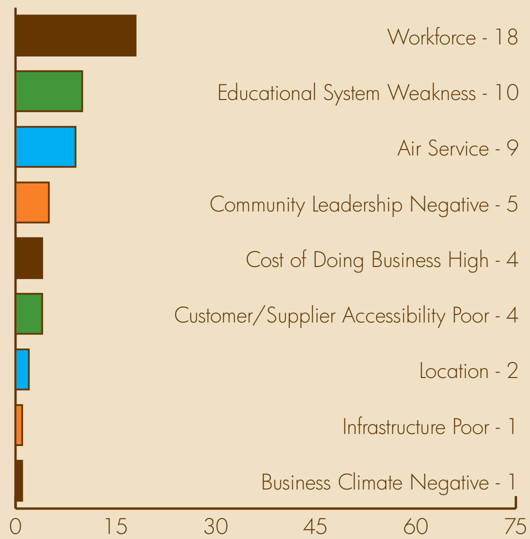
COMMUNITY STRENGTHS & WEAKNESSES

The survey participants were asked to share the strengths and weaknesses of the community. The charts on this page tally the number of companies that gave particular reponses. Total responses may exceed the number of surveyed companies (75) because companies were allowed to give two or more responses.

COMMUNITY STRENGTHS:

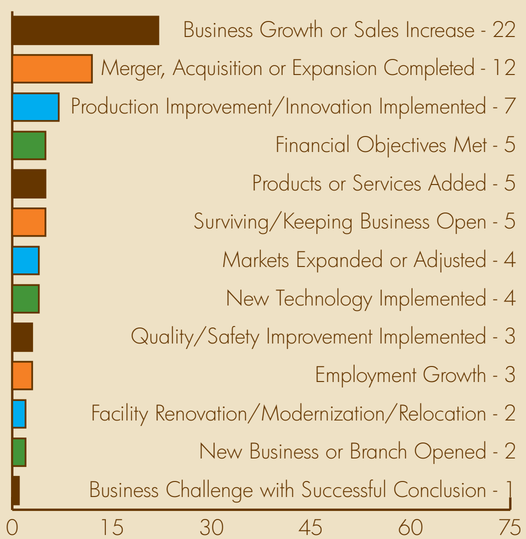


COMMUNITY WEAKNESSES:



Companies were asked to name their greatest achievement within the last five years. Business growth and expansion topped the list, in sharp contrast to the 2003 BREV report in which nearly 25% of companies surveyed listed "Surviving" as thier greatest achievement.

GREATEST ACHIEVEMENT:



COMPARISONS: CHATTANOOGA VS. TENNESSEE AND U.S.

For comparative purposes, the Chattanooga Area Chamber of Commerce has obtained Synchronist survey data from two groups – the Tennessee Valley Authority which conducts surveys throughout Tennessee, and Blane Canada, Ltd. who produced a "National Data Study" based on surveys compiled from all across the United States.

When Chattanooga scored better than Tennessee or the National Data Study, the numbers are highlighted in **BLUE**.

EXPANSION PLANS

	Chattanooga	Tennessee	US
Expansion Plans	**65%**	67%	53%
New Jobs	800	5,878	322,224
New Investment	$362 mil.	$1.3 bil.	$56.3 bil.
New Square Footage	770,000 SF	6.2 mil. SF	230.9 mil. SF

INCREASED UTILITY NEEDS BY CATEGORY

	Chattanooga	Tennessee
Telecommunications	**78%**	36%
Electric	**63%**	35%
Natural Gas	**37%**	22%
Water	**27%**	19%
Sewer	**24%**	17%

	Chattanooga	US
Increasing Overall	**55%**	10%

**Increased utility needs by category not available from the National Data Study.*

UTILITY EVALUATION

(Rated on a scale of 1 (low) to 7 (high))

Utility Service	Chattanooga	Tennessee
Sewer	**5.47**	4.92
Electric	**5.47**	5.46
Water	**5.42**	5.00
Natural Gas	**5.42**	5.32
Telecommunications	**5.32**	5.28

COMPARISONS: CHATTANOOGA VS. TENNESSEE AND U.S.

DOES THE COMPANY ANTICIPATE POSITIVE OR NEGATIVE LEGISLATION?

	Chattanooga	Tennessee	US
Positive	23%	28%	33%
Negative	43%	41%	43%

PRODUCT DEVELOPMENT

	Chattanooga	Tennessee	US
New Products in Last 5 Years	**83%**	28%	80%
New Products in Next 2 Years	**80%**	41%	74%

MARKET & INDUSTRY CHANGES

	Chattanooga	Tennessee	US
Market Share Increasing	**60%**	58%	57%
Market Share Stable	31%	38%	37%
Market Share Decreasing	**3%**	4%	6%
Sales Increasing	**79%**	77%	68%
Sales Stable	**19%**	18%	24%
Sales Decreasing	**1%**	5%	8%

INTERNATIONAL MARKETS

	Chattanooga	Tennessee	US
Overseas Locations	**24%**	15%	31%
Primary Market is International	15%	21%	17%

EXPORTS

	Chattanooga	Tennessee	US
Increasing	**29%**	26%	20%
Stable	21%	24%	19%
Decreasing	3%	2%	2%
No Exports	41%	48%	59%

IMPORTS

	Chattanooga	Tennessee	US
Increasing	29%	25%	18%
Stable	19%	19%	18%
Decreasing	**7%**	3%	2%
No Imports	44%	53%	62%

COMPARISONS: CHATTANOOGA VS. TENNESSEE AND U.S.

WORKFORCE ATTRIBUTES

(Rated on a scale of 1 (low) to 7 (high))

	Chattanooga	Tennessee	US
Availability	**4.11**	3.88	4.67
Quality	**4.12**	4.03	4.73
Stability	**4.84**	4.29	5.12
Productivity	**5.55**	4.95	5.6

EMPLOYEE TRAINING BUDGET

	Chattanooga	Tennessee	US
Increasing	41%	45%	53%
Stable	37%	48%	46%
Decreasing	3%	2%	1%
No Training	**4%**	5%	25%

EMPLOYMENT NEEDS

	Chattanooga	Tennessee	US
Increasing Needs	**63%**	53%	44%
Increasing Unfilled Positions	5%	4%	6%
Recruitment Problems	63%	56%	43%
Attribute Recruitment Problems to Local Community	**42%**	51%	26%

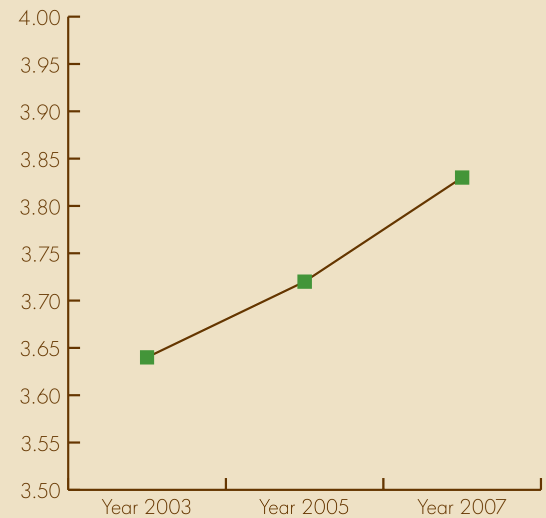
COMPARISONS: CHATTANOOGA VS. TENNESSEE AND U.S.

COMMUNITY EVALUATION

Public Service	Chattanooga Average	Tennessee Average	U.S. Average
Fire Protection	5.82	5.93	6.20
Economic Development Organization	**5.76**	5.34	4.02
Ambulance Paramedic Service	5.73	5.83	6.06
Chamber of Commerce	**5.68**	5.49	3.96
Trucking	**5.58**	5.54	4.28
Health Care Services	**5.51**	5.37	4.39
Colleges and Universities	**5.45**	5.56	3.97
Community College	**5.42**	5.33	3.27
County Services	**5.11**	5.09	5.15
Zoning Changes and Building Permits	5.06	5.10	5.31
Police Protection	5.04	5.39	5.81
Highways	**5.04**	5.04	4.71
Community Services	**5.00**	4.38	5.15
Air Cargo Service	**4.84**	4.89	2.78
Regulatory Enforcement	**4.77**	4.72	4.93
Child Care Services	**4.75**	4.73	3.22
Property Tax Assessment	**4.71**	4.27	4.36
Traffic Control	**4.68**	4.49	4.54
Streets and Roads (Local)	**4.66**	4.59	4.04
Public Transportation	**4.64**	4.04	4.16
Community Planning	4.43	4.54	4.60
Schools (K-12)	3.83	4.62	5.09
Airline Passenger Service	3.52	4.11	4.18

It should be noted that while K-12 schools are ranked very low in this survey, their rating has increased since the first survey was conducted in 2003.

IMPROVING PERCEPTION OF SCHOOLS (K-12)



LIST OF PARTICIPATING COMPANIES

Accu-Cast, Inc.
ADM Flour Milling
Advanced Technical Ceramics Co.
Aerisyn LLC
Airgas South
Alchemy Spice Company
Allied Metal Co.
Alstom Power, Inc.
American Plastics
AquaShield
Arcadis
Astec Industries, Inc.
BASF Corporation
Big Blue Glass
Big Horn, Inc.
BlueCross BlueShield of Tennessee
Brown Dog Construction
Burner Systems International, Inc.
Burton & Alley
C & P Attachments, Inc.
C. J. Enterprises, Inc.
Card Monroe Corporation
Chattanooga Bakery, Inc.
Chattanooga Group, Inc.
CIGNA HealthCare

Commercial Metals Co.
Communication Prose Ink
Competition Athletic Surfaces
Copelands, Inc.
Davis & Davis Rugs
Dillard Construction Company, Inc.
Double-Cola Co. USA
East Tech Company, Inc.
Emanon Manufacturing
Episode 49, LLC
Eureka Foundry
Evercare Home Services
Farley's & Sathers Candy Company, Inc.
Fillauer, Inc.
Fire Eye Productions
FreeUp Capital Leasing, LLC
Hawker Power Source
Koch Foods, LLC
Komatsu America Corporation
Lock Joint Tube, TN
Lodge Manufacturing Co.
Lord and Adame'
Ted Marsden, Inc.
M&M Industries
Metals USA Flat Rolled - Chattanooga

Mortgage Direct
National Print Group, Inc.
Olan Mills, Inc.
Parker Communications
Pilgrim's Pride
Price Brothers
Propex, Inc.
R. L. Stowe Mills, Inc.
Regis Distribution Center
Robbins & Bohr
Sherman & Reilly, LLC
Sofix Corporation
Southern Centrifugal
Southern Champion Tray
Sphere One
Starkey Printing Company
Steward, Inc.
Ten Cate Grass North America
Tennessee Rand
Textile Printing Co.
Tikkun LLC
Top Flight
U.S. Xpress Enterprises, Inc.
Weathershield of Tennessee, LLC
Woodbridge Foam Fabricating

SPECIAL THANKS

The Chattanooga Area Chamber of Commerce would like to thank the companies who participated in this survey. You will find a list of those companies on the preceding page. We would also like to thank our partners in economic development, especially the City of Chattanooga and Hamilton County governments, for their continued support of the Chamber's economic development programs.

The Chamber would like to recognize the members of the Business Retention and Expansion Visitation Team (BREV Team) for helping the Chamber to gather company information and conduct the surveys that were the basis for this report.

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