



**U.S. Metropolitan Small Business Survey
April 2, 2001**

EXECUTIVE SUMMARY

America's small business owners are optimistic about the state of their own businesses and future prospects, despite concerns about the economy. They say that they will continue to invest in technology. In addition, they intend to keep their current number of employees, but think that it is difficult to find new qualified employees, and they want the federal government to support local skills training and crime fighting efforts.

KEY FINDINGS

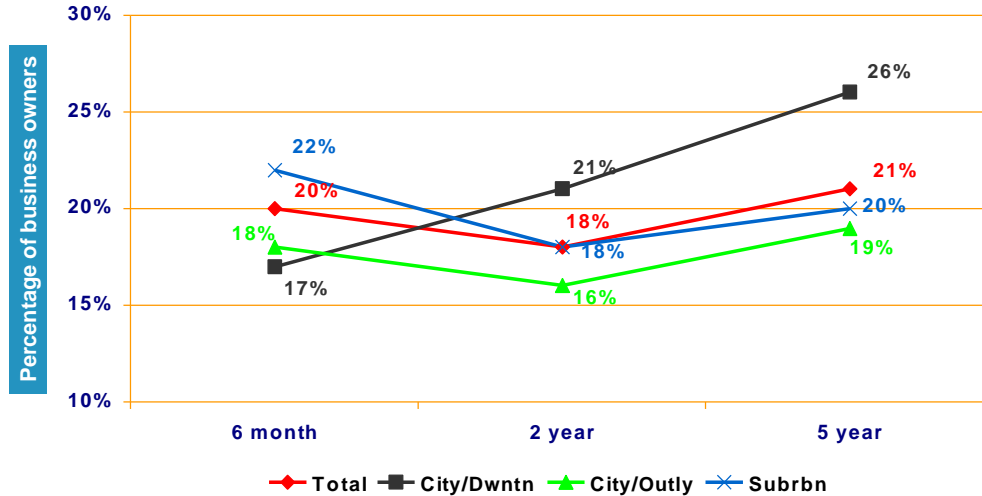
By the three measures tested - economic outlook, technology spending and employee hiring - small business owners are optimistic about the future.

Financial Outlook

- Over six in ten (63%) small business owners have a positive short term, or six-month outlook for their business. Those who are most optimistic include women in business (69%), businesses in the South (69%), and service sector businesses (66%).
- Businesses are equally optimistic about their medium-term, or two-year outlook, with 65% looking positively upon the near future. Women in business, once again, are slightly more optimistic than men, (69% to 62%), with those located in the suburbs and the center city more optimistic than those in the outlying parts of urban areas. In addition, those in the service sector are somewhat more optimistic than those in retail (66% to 59%), while by region, businesses located in the East are the most optimistic (68%), and those in the Industrial Midwest, least (61%).
- The long term, or five-year outlook is the same (65% positive), with women in business, Pacific region companies, suburban residents, and service sector businesses (66%) feeling the most positive about their future business prospects.

City business owners are optimistic about the future

Question 7-9: What is your six month/two year/five year economic outlook for your business?
(Percentage shown are those who say "Excellent")



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Technology

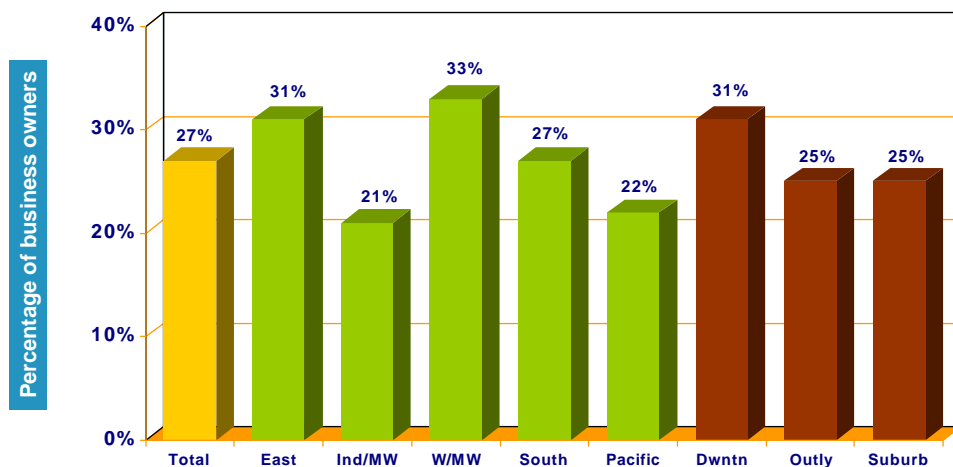
- Small businesses are feeling positive enough about their economic situation that a solid majority continue their plans to invest in computer technology, including the Internet. When asked about their investment plans in this new technology, 62% say they will invest more or the same amount of capital in technological resources as last year. This sentiment is strongest in the downtown areas of the cities (68%), and the East (65%).

Hiring Plans

- Over the next three months, in general, businesses intend to add or keep the same amount of employees (93%), while only 4% believe that they will need to subtract from their current number of employees. In fact, these small businesses might be more reluctant to lay off employees, because most businesses (74%) find it difficult to find new employees. This is a particular problem for small businesses located the Industrial Midwest (81%).

Business owners in the East and in urban areas are among the most likely to add new workers in the coming months

Question 11: In the next three months, is it more likely that your business will add, subtract, or keep the same number of employees? (Percentage shown of those who say they will add)

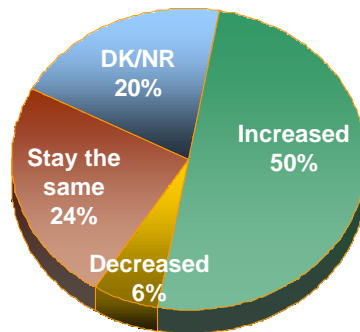


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- When asked if Federal Government support of local skills training should be increased, decreased, or stay the same, small businesses, by a large margin (50% to 6%), support increasing this form of government assurance that there is a pool of qualified workers available for small businesses.

Half of respondents believe the federal government should increase local skills training programs

Question 12B: Do you think the federal government support of local skills training should be increased, decreased or stay the same?



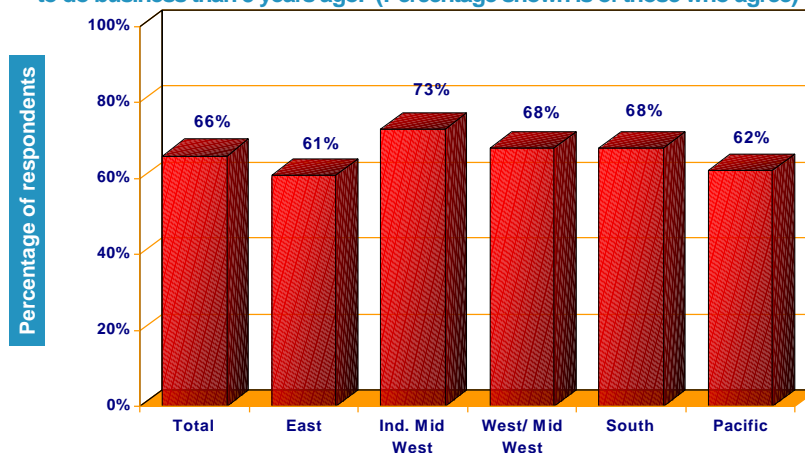
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The research suggests that business owners are generally happy with conditions in their cities that might affect their businesses.

- Small businesses, by a two to one margin (45% to 22%), believe that the conditions in their metropolitan area have improved, while one quarter of respondents think that the conditions in their city has remained consistent. Those who think that their cities have improved the most are businesses located in the West/Midwest (57%), small businesses in the service sector (50%), and those located in the South (49%).
- When asked to agree or disagree with the statement that their city is an economically stronger, safer, and more exciting place to live than five years ago, 66% said that this was true of their area, with only 24% disagreeing with this statement. Those who most strongly agree with this statement include: residents of the Industrial Midwest (73%), women in business (70%), and those located in the downtown area of their city (70%).

While all respondents believe their city is economically stronger, safer and more exciting than five years ago, business owners on the coasts are slightly less upbeat

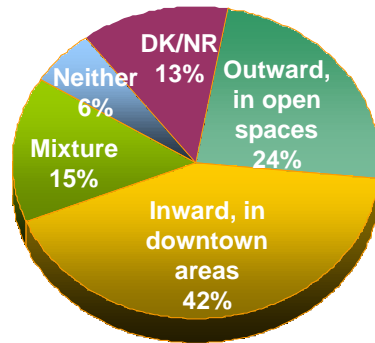
Q. 15 Agree/ Disagree: Your city is an economically stronger, safer and more exciting place to do business than 5 years ago. (Percentage shown is of those who agree)



- When asked if they would prefer that development in their metropolitan area occur outward, in open spaces or farmland, or inward, on available land in center cities, 42% of business owners want this development to occur inward while only 24% support outward development.

A plurality of business owners supports development in their metropolitan area to occur in the downtown area of cities

Question 26: Would you prefer development in your metropolitan area to occur outward, in open spaces or farmland, or inward on available land in the downtown part of cities?



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While business owners are pleased with economic conditions and with a decreasing crime rate, traffic, transportation and housing costs are cited as concerns.

Crime

- When asked if crime has increased, decreased, or stayed the same over the last three years in the area where their business is located, 68% say that it has either decreased or stayed the same, while only 27% believe that crime has increased in the area in which they do business. Men (74%), suburban residents (73%), those who own or are employed in a retail business (73%), and those who work in the West/Midwest (70%), are most optimistic about the crime situation in the area where their business is located.
- In order to continue progress made when it comes to crime, three quarters of small businesses support (58% strongly support) continuing federal government funding of local law enforcement efforts to defeat crime. The strongest support for this idea comes from residents of the West/Midwest (91%), women in business (82%), individuals located in the outlying areas of the cities (80%), and service sector business owners (77%).

Traffic

- When it comes to traffic, a situation that is already a drain on the production of many small businesses, one in two respondents think that traffic has worsened, with those in the Pacific region and in the suburbs being among the most likely to believe that this problem has worsened.
- Along these same lines, 42% of respondents think that their commuting time to work has gotten worse over the past five years, while only 8% think that their commute to work has improved. Specifically, one in two suburban and Pacific area residents believe that their commute has worsened, and 48% of Southerners agree with this proposition.

- Given these findings, it is not surprising that 46% of respondents believe that lessening traffic congestion will improve employee morale at the workplace.

Transportation

- It is clear that small businesses support greater investment in public transportation, with 64% of businesses in favor, and Pacific area businesses strongest in their support (77%).
 - One reason for this strong support for greater government investment in transportation is that 70% of respondents think that access to public transportation has either stayed the same or gotten worse in the area they have worked over the past five years.
 - Business owners in the Industrial Midwest (79%), suburbs (75%), and Pacific area (72%) are among those most likely to say that access to public transportation is a problem.

Housing

- Businesses are concerned about the cost of housing and its potential effect on their profitability. Fully eight in ten believe that the cost of housing has gone up or stayed the same over the last five years. When asked whether the government should play a more active role in encouraging home ownership, 60% said yes, while only 32% said no.
 - Those most in favor of more government involvement include businesses in the West/Midwest (71%) and in the suburbs (66%).

METHODOLOGY

- This survey was conducted between March 21 and March 27, 2001 among 500 small business owners.
- The margin of error at the 95% confidence level is 4.4%. Sub-samples have larger margins of error.
- The regional breaks for this survey were as follows:

East	23%
Industrial Midwest	19%
West/Midwest	17%
South	23%
Pacific	18%