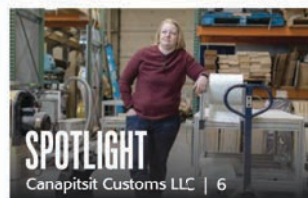


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CORONAVIRUS CRISIS

REALITY CHECK



PBN SURVEY: Businesses realizing pandemic pain is going to last

BY NANCY LAVIN | Lavin@PBN.com

RHODE

News' Winter 2021 Business Survey.

More than 4 in 10 business owners and executives who responded to the biannual survey say new regulations put in place because of the pandemic have already raised the cost of doing business and

SEE SURVEY
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ISLAND BUSINESSPEOPLE are coming to terms with the harsh reality that the COVID-19 pandemic will likely hurt their bottom lines for years to come, according to responses to Providence Business

CRAFTY MOVE: Kris Waugh, foreground, co-owner of Apponaug Brewing Co. in Warwick, packs cans while Brian Olsson, left background, assistant operator for the Iron Heart Canning Co., looks on. The brewery had to switch its focus to retail sales after a state-ordered shutdown closed the bar and restaurant area when the coronavirus hit in March.
PBN PHOTO/MICHAEL SALERNO

Legal aid on way for Indigenous tribes

BY NANCY LAVIN |
Lavin@PBN.com

RAYMOND TWO HAWKS WATSON'S adolescent identity crisis was more complicated than most.

As a member, and now chief, of the Mashapaug Nahaganset Tribe, his ancestry played a key role in his upbringing. But his tribe is not among the 574 American Indian tribes recognized by the U.S. Department of the Interior.

"You grow up wondering, 'Am I a real Indian?'" said Watson, 41.

Lack of federal recognition also left him and his fellow tribal members ineligible for the many

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LAW
REVIEW**

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ONE LAST THING

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MAKING A DIFFERENCE AT YOUR COMPANY.
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CORONAVIRUS CRISIS

SURVEY

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will continue to mean larger bills far into the future. That's nearly double the rate of respondents who felt that way last summer – the biggest shift in concern about the crisis since the previous survey six months ago.

But as businesses continue to suffer, some are clinging to the hope that things will get better. Just under two-thirds of respondents were optimistic their businesses would be in better shape a year from now – perhaps a reflection of rock-bottom status more than true confidence, although a similar share of survey takers had that view a year ago, before the arrival of COVID-19.

Still, it's a far cry from the 2008 financial crisis, which rattled business owners' confidence more severely. Fewer than 40% who took the winter 2008 survey expected to see improvements over the next year. It took two more years, until the winter 2010 survey, for optimism to rebound above the 60% mark.

Hopefulness for a state comeback also far exceeds 2008 levels and has even grown over the last six months: 57.1% of survey takers think the Rhode Island economy will improve in the next 12 months, compared with 42.3% last summer. In the winter 2008 survey, fewer than 20% of survey takers predicted a state economic rebound.

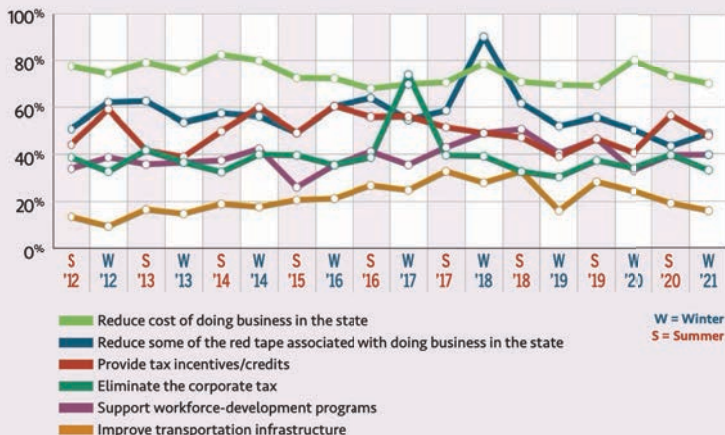
That uptick in confidence over the last six months suggests that business owners are more upbeat that they can survive the coronavirus, no matter how costly it is, according to Edward M. Mazze, a University of Rhode Island distinguished professor of business administration who helped develop the PBN survey.

Another key factor in a renewed sense of optimism: the outcome of the 2020 presidential election, which offered some certainty on who will be in the White House for the next four years. While the New England business community tends to lean conservative on many economic issues, Mazze said President Joe Biden's approach to COVID-19 likely has appealed to even those who might not like his other policy ideas.

"Seeing a president in power that recognizes

RED TAPE GROWING?

Businesses perennially seek government help to lessen costs, but since the pandemic-challenged summer, reducing red tape is the only concern that's grown noticeably, identified by nearly 5 out of 10 respondents.



what has to be done regarding COVID and rebuilding the economy ... I think people are happy to see a change in the White House," Mazze said.

Mazze was quick to point out that the survey is not scientific – it disproportionately reflects businesses that have succeeded in a challenging environment. Owners and executives of failing businesses would be less likely to respond, he said.

The PBN survey, which has been conducted twice a year since 2008, includes 22 questions sent to 1,160 businesses in the newspaper's database, with two questions specific to the pandemic. One hundred and twenty-seven businesses returned the survey, representing a range of industries, from banking and manufacturing to hospitality and health services. A few respondents employ more

'We could be looking at 2025 before things really get back to normal.'

EDWARD M. MAZZE,
University of Rhode Island
distinguished professor
of business administration

than 1,000 people, but most are small and midsize companies.

While the latest results offer glimmers of hope in business attitudes and the actions to back it up, such as hiring new employees and purchasing capital equipment, Mazze predicted the climb out of a devastating economic and health crisis would be slow.

Even with the distribution of vaccines and financial relief in the form of federal aid to businesses and consumers, he did not anticipate the economy – or the survey results – would return to pre-COVID-19 conditions for at least two years, and possibly longer.

"We could be looking at 2025 before things really get back to normal," he said.

Mazze cautions, however, against comparing the 2008 financial crisis to the pandemic. Though both catastrophic, the root causes were very different and the impact disproportionately hit certain industries this time around, he says.

CHANGING TIMES

"Normal" in a post-pandemic world is expected to be much different, according to survey results.

CONTINUES ON PAGE 14



WEIGHING OPTIONS: Linda and Bill Bombach are the co-owners of Home Healthsmith LLC in Portsmouth. The business sells and installs home wheelchair lifts and elevators. Linda Bombach says prices for plywood and other supplies used to make the lifts and elevators have increased, but she hasn't yet decided whether to pass along those additional costs to her customers.

PBN PHOTO/TRACY JENKINS

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About 70% of respondents said they believe the COVID-19 pandemic will spur lasting changes in the way the business world operates.

Harrison Bilodeau sees those changes right in front of him.

The president of **Bilodeau Property Management Inc.** hasn't been conducting business face to face as much as he used to, and he doesn't expect that to change any time soon.

Bilodeau shuttered its office for the first time in its 30-plus-year history when the state issued stay-at-home orders in March. Even now, the East Side office doors remain locked and the desks are empty, and Bilodeau had no timetable for reopening.

While the company has continued to offer in-person tours of its 40 rental properties – mostly apartments and condominiums in Providence – contracts are signed and sent electronically, repair requests from tenants are made through a new internet portal, and the company has ramped up online advertising to replace what used to be walk-ins who saw the “for rent” signs on Bilodeau properties.

“What I am accustomed to is people just walking in the front door or calling us to make appointments and show apartments,” he said. “It was all personal, face to face. Now, it's on Zoom or on the internet.”

That transition has brought new expenses, such as the laptops for eight of his 17 employees who now work remotely and better software for online repair requests and additional advertising. Bilodeau did receive a Paycheck Protection Program loan to help keep his employees on the payroll.

While a majority of survey takers – 56.3% – said they were paying higher prices for materials and supplies compared with the previous quarter (up from 45.9% last summer), more also are considering raising prices. The 13.7% who said they will raise prices in the next quarter is nearly double the 7.3% who anticipated doing so at the time of the summer survey, but on a par with the 13.1% who said the same in the winter 2008 survey – the height of the financial crisis. At that time, just under two-thirds of survey takers said they were already paying higher prices for materials and supplies.

Among those paying more is Linda Bombach, co-owner of **Home Healthsmith LLC**.

A spike in homebuilding and home improvement projects has raised prices for plywood and other

supplies used to make the home wheelchair lifts and elevators her company sells and installs, she said. Already, suppliers have raised prices, though she hasn't yet passed the additional cost along to her customers.

But after ending 2020 with a loss – even while being frugal with expenses – Bombach was running out of options.

Now she's anxious to see how the vaccine distribution plays out.

While the outbreak of COVID-19 cases at nursing homes has increased interest in Home Healthsmith's services as families bring their aging loved ones back to their own homes, that's been offset by the unease with letting a technician into a home to install or assess lifts and elevators.

“Our clientele is not someone that's young, and because they're elderly, they're most at risk, which means they're really being cautious,” Bombach said.

At the same time, prospects are reluctant to visit the company's Portsmouth headquarters for demonstrations of equipment in a mock apartment set up in the office. Fewer demonstrations have meant fewer sales, she said.

CAPITAL DECISIONS

Most businesses are not eager to commit to major capital purchases in a still-unsettled economy, according to the survey.

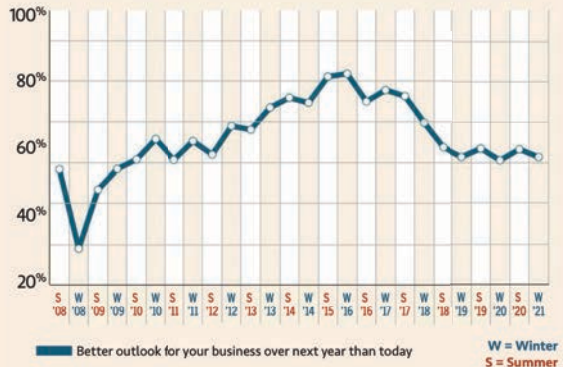
Just over 16% planned big-ticket-item purchases in the next quarter, about even with from the historic low of 15.2% in the summer – but less than the one-quarter who indicated they would a year ago. Facility expansions also remain largely off the table, with 74.6% of respondents saying “no” to expansion plans, less than the 80% last summer but slightly more than 72.7% 12 months ago.

Lack of certainty is a key driver of this hesitation, Mazze said. Even in the 2008 recession, slightly more businesses were committed to purchases, 22.9%, because the path to recovery was much clearer.

Tamara McKenney, co-owner of **Apponaug Brewing Co.**, spent close to \$50,000 shortly after the COVID-19 pandemic hit in March and a state-ordered shutdown closed the bar and restaurant at the Warwick brewery. Buying new kegs, keg washers and other equipment needed to boost production as her business made the foray into retail sales was a risk, but McKenney said it was worth it because of the restrictions in the dining area and bar, which had been the

CAN'T GET WORSE

Rhode Island business owners are a typically optimistic bunch, so it's no surprise that a clear majority think their business will be doing better a year from now.



main sources of revenue since the brewery opened in 2018.

Even as restrictions are relaxing on restaurants, McKenney figured many customers would remain uneasy about indoor dining. At this point, she saw the best hope for on-site sales was mass vaccinations and warmer weather that would bring back crowds to the brewpub's expansive outdoor patio overlooking the Pawtuxet River.

“I think the warm weather will come first,” she said.

Even after the virus subsides and customers seek to quench their pent-up thirst for local craft beer, she was realistic that some elements of doing business may never be the same.

“Customers are going to demand higher levels of sanitation,” she said. “They may never want to touch menus again. We may be tracking the number of people coming through our doors for a long time.”

Another change McKenney is ap-

prehensively anticipating: a \$15-an-hour minimum wage mandate, which leading state and congressional lawmakers have indicated is a priority. While many of Apponaug Brewing's servers earn well above the \$15 mark when tips are included, any proposals that end the “tip credit” – which allows workers who earn tips to make a lower base minimum wage – would add what she estimated to be several hundred thousand dollars in expenses.

UNEASY OUTLOOK

Health care remained a top concern for businesspeople.

Nearly half of those surveyed – 47.6% – said higher health insurance costs continue to be their biggest increasing expenses, although that percentage has slowly declined from 55.1% a year ago and 51.9% six months ago.

Meanwhile, health care cost ranked as the second-biggest busi-

NOT READY TO SPEND

Don't expect many big-ticket purchases, though 4 in 10 respondents do plan to hire in the next quarter. The latter has remained steady over the past year but well below the highs of just a few years ago.

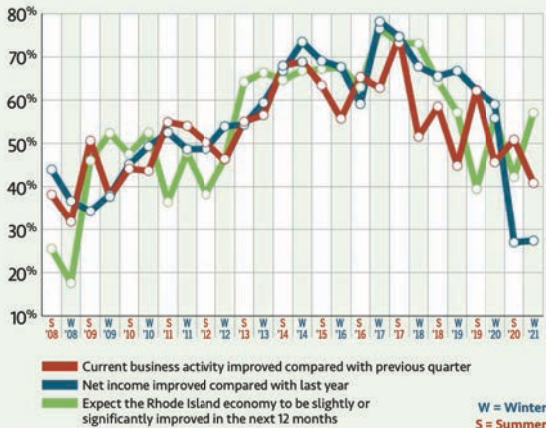


‘I’m thinking we could be seeing a dip in the next year or so.’

JEFF POTTER, Arden Engineering Constructors LLC
vice president of service and sales

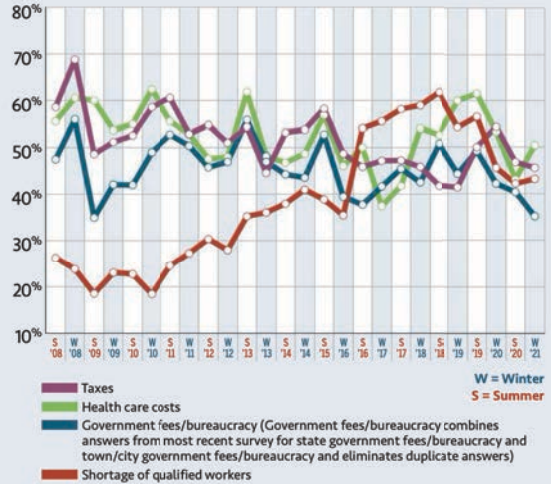
TREADING WATER

You have to go back to the Great Recession to find slower winter business growth compared with the previous quarter in Rhode Island. And only 27% of responding businesses said their net income had improved compared with the previous year, sharply lower than a year ago. In fact, 27% is tied with summer 2020 for the lowest it has been since PBN began the survey in 2008. One hopeful sign: More businesses expect the economy to improve in the next year than was the case last summer.



STUBBORN CHALLENGES

Annual concerns about taxes, government fees/bureaucracy, finding qualified workers and health care costs remain, but well below historical highs. Health care costs top the list this year and were cited by half of all respondents, a slight increase compared with last summer.



ness challenge among respondents at 50.4% (down from 55.2% a year ago), second only to a weak economy at 52.8% (up from 16.1% a year ago but down from 61.9% last summer after the pandemic hit).

Kenneth Richardson, who owns four substance abuse treatment and mental health clinics in the state under the umbrella of **The Journey to Hope, Health, and Healing Inc.**, was optimistic that a Democratic White House, with its emphasis on social services and mental health, would be favorable for his business. The biggest benefit to his company so far, however, came under the Trump administration in the form of Medicare coverage for medication-assisted treatment.

That his company could now be fully reimbursed for treating its Medicare patients was the primary reason Richardson saw profits increase in 2020, despite the havoc wreaked by the pandemic.

Those reimbursements offset a \$100,000 loss in revenue primarily due to lower patient levels as people lost jobs and their employer-based health insurance that covered medication-assisted treatment. Still, the clinics continued to operate every day, with nurses administering doses through open car windows of people waiting in parking lots and telehealth therapy appointments for patients.

The biggest challenge for Richardson had little to do with the pandemic, but rather the long-standing industry struggle of finding and retaining qualified workers. Irregular hours – the clinics typically open at 5 a.m. so that recovering addicts can receive medication early – low pay and shortage of training programs to produce qualified workers make hiring difficult. It didn't help that at

least some positions require in-person work with close contact during the outbreak of an airborne virus.

And that's a problem that can't be cured with a vaccine.

"Until you can start offering better pay, training more qualified health professionals, offering incentives for people to stay and work in this state, this is going to be a problem," Richardson said. "Rhode Island

really needs to figure out its path forward and if [health care] is what we want to be known for, to make that commitment."

Jeff Potter, vice president of service and sales for **Arden Engineering Constructors LLC**, was reluctant to comment on how the November election results might change his business outlook. He was optimistic about incoming Gov. Daniel J.

McKee, a Democrat who has touted his support of small businesses, although Potter was doubtful that new state leadership would change his day-to-day operations much.

Instead, Potter has his eyes fixed on municipal budgets. Shortfalls due to COVID-19 could mean a slowdown for the kind of major construction projects that bring in business for his company.

While activity remained steady through 2020, thanks to the lineup of projects that were planned and funded before COVID-19 – and work outfitting the state's three field hospitals in the coronavirus crisis – he worried about the pandemic effect on construction in 2021.

"I'm thinking we could be seeing a dip in the next year or so, especially when we look at what we're seeing with the architecture and engineering firms we work with who are not as active right now," Potter said.

At the same time, the increased expenses related to personal protective equipment and sanitation protocols for workers were not something he expected to go away soon.

Still, he was optimistic that vaccinations and consumer demand, once unbridled, would spur an economic revival of some degree by the end of the year.

Mazze said the upbeat tone may be already growing in the business community now that the state appears to have turned a corner on the year-end surge in COVID-19 cases.

"You can't put on the back burner the hard data taking place regarding [virus spread] in November and December, especially in a state where there's a better chance than not that when you open up the obituary page, there's going to be a name on it you recognize," he said. ■

'It was all personal, face to face. Now, it's on Zoom or on the internet.'

HARRISON BILODEAU,
Biodeau Property Management Inc. president



EXTRA EXPENSES: Harrison Bilodeau, president of Biodeau Property Management Inc. in Providence, says the transition to remote work brought with it new expenses in the form of laptops for eight of his 17 employees and better software for online repair requests and additional advertising.
PBN PHOTO/MICHAEL SALERNO