

## Annual Report – Foreign Trade Zone #176 Rockford, IL

### ANNUAL REPORT - October 1, 2009-September 30, 2010 FOREIGN TRADE ZONE #176 - ROCKFORD, ILLINOIS

FTZ status has been beneficial to Cellusuede's domestic production and employment to allow [us] to produce product at a lower cost than its pre-FRZ status. This has allowed Cellusuede to increase production levels and maintain stable employment in that time. Cellusuede, in turn, has become more profitable and has begun to make capital investments within the company.

*Cellusuede Products, Inc.*

#### **RFD BACKGROUND**

Hosting a U.S. Customs Port of Entry, the Chicago Rockford International Airport (RFD) benefits from U.S. Customs and Border Protection (CBP) offices located at the Airport. Inspectors assist daily with U.S. Customs clearance for local importers as well as assisting with international, corporate aircraft clearances. Customs inspectors from RFD also provide inspection services to the Global III Intermodal facility located in Rochelle, IL. The increase of traffic in Rochelle resulted in a marked increase in customs entries. Monthly average of entries in 2005 was 450 and climbed to 2,500 – 3,000 by fall 2007. By Nov 2008, the number had fallen to 1,000 entries due to the slumping economy; it remains at that level today.

The federal presence at RFD includes FIS (federal immigration services), enabling the Airport to provide international passenger service. The Greater Rockford Airport Authority (GRAA) worked closely with a local processing facility to help them obtain USDA/CBP approval to process international regulated waste from flights arriving at RFD. This processor may locate on campus to better serve RFD customers. Currently, we have a total of five jet bridges available at our domestic and international terminals with a recent expansion of services at the international facility allowing for larger international flights. Season flights to Cancun Mexico nearly doubled (from 28 to 57) over the past year. The local CES (centralized examination station) at Todd Transit/Todd Special Services is located within a mile of the airport with the ability to clear freight through Customs in Rockford rather than Chicago with the potential for “same day” delivery.

Following the 2007 record passenger number of 217,009, service dropped in 2008 due to the rise in fuel costs and onset of the recession. Passenger service levels continue depressed, with September year-to-date numbers just over 76% for same period 2007. But RFD still ranks as 216<sup>th</sup> largest passenger service airport (2009). We continue to attract interest from new domestic and international carriers. While cargo service has dropped from record highs before the recession with substantial UPS activity moved to the Louisville Hub, RFD is the 21<sup>st</sup> largest air cargo airport in the U.S. The popular “Day Trips” continued on a scaled back basis, with 300 quilter’s heading to a convention in Paducah, KY and a Daytona flight for 150 community leaders to advocate for the location of the third residential campus – and flight school – of Embry-Riddle University in Rockford.

Employment at RFD tenants is growing among aviation firms at the airport. Ryan International acquired additional aircraft, ferrying over 30,000 troops on DOD charters in the past 3-4 years. With over 1,000 prime acres of airfield-side property available, RFD provides an attractive alternative to O’Hare with congestion, massive reconstruction projects and high cost of land. A 72,000 square foot state-of-the-art spec cargo building with a 5-acre ramp (sufficient to park six 747-8s or operate with three) is ready for the first cargo tenant to stop testing and commit to lease.

Additional factors driving development in the region:

- Proximity to Global III Intermodal Hub (with train engine manufacturer, Nippon Sharyo, poised to open a production plant in Rochelle on FTZ-approved property)
- Government incentive programs such as RERZ (Rivers’ Edge Redevelopment Zone) and the TIF district (Tax Incremental Finance) at the City of Rockford 7,000-acre Global Trade Park.
- ***The biggest economic development new of 2010: Embry-Riddle Aeronautical University has narrowed their search for a third residential and flight school campus to Rockford and Houston, TX. A decision is expected in spring 2011.***

A public-private sector team is also considering the potential for a World Trade Center in Rockford. With the opening of nearby Wanxiang solar panel manufacturing plant; tests at RFD conducted by two international cargo airlines with savings over \$10,000 per flight; and the potential for the Embry-Riddle flight school at RFD, the airport is poised for expansion.

#### **FTZ #176 HISTORY OF FTZ #176**

The Greater Rockford Airport Authority (GRAA), Grantee for Foreign Trade Zone No. 176 (FTZ #176) reports foreign merchandise activity at two subzones and one of two activated General Purpose Zone (GPZ) sites during the period

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beginning October 1, 2009 through September 30, 2010. During FY 2009/2010, activity at the GPZ site is pharmaceutical packaging; one activated subzone is forklift manufacturer, the other, flocking (manufacturer of two into flock by cutting the tow into small fibers in preparation for final production off site). We anticipate these activation numbers will change within the next several years, with prospective partners on the horizon in at least 6 counties of the 11-county service area.

The original grant was issued in 1991 to cover 1,972 acres at the site of the Chicago Rockford International Airport. An expansion adding 923 acres in Rochelle (near the Global III Intermodal Hub) and 74 acres in Woodstock was approved in February, 2005. Shortly thereafter, the Union Pacific Railroad/City of Rochelle/Global III Intermodal Hub requested the expansion of the Port of Entry (POE), moving the southern boundary approximately 10 miles from Illinois Route 72 east and west, to a point at Interstate 88 east and west. CBP approved this expansion effective February 16, 2006. Note this expansion request met the adjacency requirement prior to the proposed POE boundary change. In August 2006, another expansion was granted for 133 acres in Rochelle. The last change resulted from approval of the Expansion-Reorganization application effective January 30, 2009 (Board Order #1603): with both additions and deletions, resulting in net acreage of 3,618. Nine new partners with 11 new sites were added while sites #2 & 5 were deleted under this reorganization. With the Annual Report for 2009, Sites #8, 9 and 10a were surrendered. Formal approval for the first ASF application was granted on Aug 14, 2010 (Board Order #1702) for a 9-county service area (Boone, Bureau, DeKalb, Kane, Lee, McHenry, Ogle, Stephenson and Winnebago); the second ASF application (for LaSalle & Putnam Counties) was submitted Oct 14, 2010 with approval expected in spring 2011. In January 2011, FTZ #176 surrendered 10.03 acres of the City of Rockford Logistics Park (Site 1d); this acreage now belongs to Wanxiang America Corporation which does not wish to retain FTZ status.

### **FTZ #176 SUBZONE/SITE COMPOSITION**

At this time, FTZ #176 includes four (4) subzones: Chrysler, NIEM, Nissan Forklift and Cellusuede, Inc. Two are activated: Nissan Forklift and Cellusuede.

FTZ #176 has a total of eight approved sites: #1, 3, 4, 6, 7, 10, 11 and 12. Among these, two (#1a Anderson Packaging and #6 Catalent Pharma Solutions) are activated. Within Site 1, six partners have approved property: Anderson Packaging, Amphenol Antenna Solutions, Greenlee, City Logistics Park, HSA Real Estate and Alhark Corp. Sites #3 and #4 have “sub-sites”: 3a – UBS/owner with RC2 tenant; and 4a – ProLogis Park Rochelle Bldg #1. Our ASF application designates all as Magnet Sites.

With the addition of Cellusuede, FTZ #176 now has a total of 18 partners who control 20 approved sites/subzones.

The Zone Schedule/Tariff #4 is currently available at the Greater Rockford Airport Authority offices (60 Airport Drive) and at US Customs & Border Protection (50 Airport Drive), Rockford, IL.

### **FTZB APPLICATIONS & STATUS**

1. *Cellusuede* – Activated June 14, 2010.
2. *ASF Reorganization Application* – Eleven of 12 counties responded to an invitation to receive expedited service by FTZ #176. One (Marshall County) falls within the 35-mile radius of the Peoria zone as stipulated in the Illinois State Enabling Legislation; since no accord was reached with the administration of FTZ #114 in Peoria, service was not requested. The other 11 counties clustered around the I-39 corridor at the western edge of the Chicago basin were included in 2 separate ASF Reorganization applications. The first was filed Nov 2009 (Boone, Bureau, DeKalb, Kane, Lee, McHenry, Ogle, Stephenson and Winnebago Counties) and approved Aug 14, 2010 (Board Order #1702). The second was filed Oct 14, 2010 (LaSalle and Putnam) and docketed to the Federal Register on Oct 31, 2010, allowing expedited applications from the businesses in the qualified portions of these two counties.

### **FTZ #176 GROWTH & DEVELOPMENT**

The local economic picture is more dismal than the national one with the unemployment rate in the City of Rockford standing about 15% in September which is the highest in Illinois; our MSA (Boone-Winnebago Counties) is #14 in the nation.. Local earning power has dropped precipitously in comparison with the national average of \$1.00 (in 1994, \$1.01; in 2007, \$.79).

Given the bleak economy, marketing is more critical than ever. Website coverage ([www.flyrfd.com](http://www.flyrfd.com)) is more readily accessible from the RFD homepage, resulting in a substantial increase in traffic from the 12,700 hits the previous year (many of the 35,000+ hits resulted from a “contest” which took website viewers all over the airport site). New literature is

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now available and flexible enough to cover the current management structure or the ASF. With the relationships created in 11 counties as a result of the ASF application, the prospect leads remain at nearly one/week. Of the nearly 220 leads received over the past 4 years, 64 remain active. Presentations have tripled from the standard 5+ in an average year to 17 in 2010. Much of this activity resulted from the ASF applications and visits to various economic development teams and county board meetings. FTZ #176 continues to offer to leads, sites/subzones and ED partners one-on-one time with a professional consultant to include a free feasibility study. The consultant made five visits in 2010, meeting with 32 prospects or economic development officials. Staff has also developed a strong working relationship with Congressman Don Manzullo (R-Egan) who is a friend to the FTZ program.

The other major outreach initiative is educational. A consortium of public and private sector partners (EDC office, Chamber, airport and SupplyCore) created the first global trade workshop in May, 2007. The first “Go Global or Get Left Behind!” attracted 110 attendees who represented over 50 firms from 4 states. The event has grown to a major Midwestern event in 2010 with 218 registrants (132 companies) from 14 states. In the first three years, 428 individuals from 16 states (60 cities in Illinois), representing 228 firms have attended. For 2011, we have created an Advisory Council to help recruit speakers and solicit sponsors; coupled with a professional event planning firm, we seek to stabilize the event for years into the future. FTZ #176 administrator, Marge Bevers, serves as Chair for Go Global 2011: “Kiss, Bow or Shake Hands (Importing, Exporting and Everything in Between).” The team expects 250 attendees at Go Global IV, with keynote speaker, Terri Morrison, author of *Kiss, Bow or Shake Hands*.

A key initiative for the NAFTAZ grew out of the Go Global series: the Economic & Business Development Task Force. Suggested by popular GG speaker, Matt Gersper (President, Global Data Mining/CustomsInfo), he co-chairs with Marge Bevers (FTZ #176 Administrator, GRAA). The mission: *the objective of the Economic and Business Development Task Force is to develop a collaborative and replicable best-practice model to create economic wealth for local communities and increase revenues and profits for participating businesses within these communities.*

The EBD team now sports more than a dozen active members (members and non-members of the NAFTAZ) who are conducting annual Grantee Best Practices surveys (reported out at the Spring NAFTAZ conference) and host a web page on the NAFTAZ website where they collect best practice materials, research and data on economic development. They presented their first survey findings as well as the Grantee Best Practices at sessions during the Spring 2009 NAFTAZ meeting; both were both well received. Other projects include a webinar to share some of this information outside the NAFTAZ network while creating earned income for the organization and the development of an economic development metric to help evaluate prospects for relocation or FTZ participation.

FTZ #176 staff continues to participate in other NAFTAZ activities (Program and Grantee committee member and speaker), comment on FTZ issues of interest (Board Docket #20-2009 Dow Corning – KY) as well as the greater economic development networks. Staff will attend a membership meeting of the World Trade Center Association in NYC in December and is actively working with Milwaukee Alderman Joe Davis of the National League of cities on issues of common interest as well as support for the rejuvenation of Milwaukee FTZ #41. Finally, FTZ #176 staff has joined the Board of the SLWTA (Stateline World Trade Assoc.) in Beloit; another member is a key participant in the rejuvenation of the Milwaukee Zone.

In Feb 2010, the position of FTZ Administrator became full-time. A result of the increased workload and additional revenue to support FTZ outreach efforts, more change is expected in the near future. Given the likely retirement by Jan 2012 of the current FTZ administrator, airport management is considering options for a stable transition to new leadership within two years. .

### **CONCLUSION**

FTZ #176 continued restructuring in 2010 to augment the four activated and total of 18 approved sites/subzones. With the first ASF designation in Illinois and expanded staff support, this Zone is prepared to respond to business requests for faster and cheaper access, with a focus on activate participation in the program. Closer relations with economic development officials across an 11-county region of the Chicago basin surrounding I-39 practically guarantee increased interest. Given the economic conditions in the Rockford region, the FTZ program is a vital ingredient for economic success.