

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

**ANNUAL REPORT - October 1, 2008-September 30, 2009  
FOREIGN TRADE ZONE #176 - ROCKFORD, ILLINOIS**

**PART I. SUMMARY OF ACTIVITY – ZONE PROJECT**

FTZ status was a large factor in acquiring a large customer. Unfortunately, this business gain was offset by sales losses, which were unrelated to FTZ status. This loss of business increased the importance of acquiring the customer in which the FTZ status was a major factor for doing business with us. With the addition of this business, we were able to hold sales and employment to a usual number instead of taking a loss... The use of a FTZ was one...key element in the customer's final decision to keep the packaging operations in the U.S. Domestic contract packaging service providers need every possible advantage in order to remain competitive in a worldwide open market.

*Catalent Pharma Solutions, LLC*

**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. The 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. Currently, we had a total of five jet bridges available at our domestic and international terminals. A \$3 million renovation at International Terminal features over five times the amount of baggage claim space and added restroom facilities. The expanded passenger capacity allows for larger international flights. The changes include flexibility that will provide a safety-valve for sizeable domestic flights in the event that the main terminal capacity is stretched. The local CES (centralized examination station) at Todd Transit/Todd Special Services is located within a mile of the airport. The potential to clear freight through Customs in Rockford rather than Chicago is attractive to business with the potential for “same day” delivery.

Following the 2007 record passenger number of 217,009, service dropped in 2008 due to an early rise in fuel costs and onset of the recession in September 2008. RFD now ranks as the 220<sup>th</sup> largest passenger service airport (2008). We continue to attract interest from new domestic and international carriers. Cargo service dropped from record highs in 2007, but only about 8.5%; RFD remains the 19<sup>th</sup> largest air cargo airport in the U.S. The “Day Trips” that were wildly popular in the 2008 fiscal year, were scaled back due to the economy in the summer of 2009; however, a seasonal flight to Branson, Missouri, was added in the fall of 2009 with costs shared between the airports.

Employment at RFD tenants is stable or growing among aviation firms at the airport. Ryan International acquired additional aircraft to ferry 12,000 troops on DOD charters and help them clear customs. 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. With the completion of a 72,000 square foot state-of-the-art cargo building with a 5-acre ramp (sufficient to park six 747s or operate readily with three), we look forward to our first new tenant as the economy recovers in 2010. In preparation, the GRAA hired a Director of Cargo Development, Ken Ryan, with many years of experience at O’Hare to lead efforts to attract new partners; RFD has also expanded the FIS and baggage claim capacity. We also anticipate the completion of the Wanxiang solar panel manufacturing plant at Logistics Park in the first quarter of 2010.

Additional factors driving development in the region: with regional planning in full bloom, the airport is primed to access government 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. Plans are on hold during the downturn for an ERD (education, research & development) building and efforts to establish a World Trade Center in Rockford are deferred, the access to the third largest UPS Hub, and proximity to the Global III Intermodal Hub also enhance the economic development potential for the region.

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### FTZ #176 HISTORY

The Greater Rockford Airport Authority (GRAA), Grantee to Foreign Trade Zone No. 176 (FTZ #176) reports foreign merchandise activity at one (1) subzone and two (2) General Purpose Zone (GPZ) sites during the period beginning October 1, 2008 through September 30, 2009. At this time, the activity at the two GPZ sites is pharmaceutical packaging; the subzone activity is forklift manufacture. As of the date of this report, the only manufacturing or processing activity recorded within the General Purpose Zone (GPZ) of FTZ #176 (not approved under the original Grant of Authority) is at Site #1a, Anderson Packaging. That may well change within the next several years with new partners on the horizon within GPZ sites.

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. We 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: with both additions and deletions, the net acreage is 3,618.

### FTZ #176 SUBZONE/SITE COMPOSITION

At this time, FTZ #176 includes four subzones: Chrysler, NIEM, Nissan Forklift and Cellusuede, Inc. One of these, Nissan Forklift is currently activated; we anticipate that Cellusuede will activate in January, 2010. In the fall of 2007, we wrote the board to request termination, deletion or removal of Milk Specialties and do not reflect this subzone in our report.

FTZ #176 has a total of 10 remaining approved sites. [Two other previous sites (Murphy-Kullens, Site 2 & Black Earth, Site 5) were deleted effective January 30, 2009 under Board order #1603.] Among these approved GPZ sites, two (Anderson Packaging, Site 1a; and Catalent Pharma Solutions, Site 6) are activated. Within Site 1, six partners have approved property, including Anderson Packaging. Of the nine other approved sites, our ASF application designates all but one (Abilities Center, Site 8) as Magnet Sites. Three of these already have “sub-sites” controlled by long-term lessees or new owners of the property. With three surrender notices (Site #8-Abilities Center; Site #9-Essex Wire/Hendricks Development Group and Site #10a/Target Corp.) among our new sites, #FTZ #176 now has a total of 17 partners who control 19 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. Expansion-Reorganization Application** - FTZ #176 filed an application with the FTZ Board on 11/22/2007; this application was approved 1/30/2009 under Board Order #1603. Sites #8 through #12 will terminate 1/31/2014 under the sunset clause absent FTZ activity. Sites #2 and #5 were deleted; site #1A, granted permanent status. Nine new partners with 11 new approved locations were added under this application: **4500 Kishwaukee, Abilities Center/2** buildings, including one owned by Hendricks Development Group, **Alhark Corp, Amphenol-Antel, City of Rockford/Logistics Park, Greenlee, Hendricks/Essex Wire, Venture One/3** industrial shovel ready parks including site of **Target**. The net effect: only a few hundred acres have been added to the Zone for a total of 3,618 acres.
- 2. Cellusuede** – This subzone application was submitted in July, 2008 and approved August 27, 2009 under Board order #1644. This firm is now *the last remaining U.S. manufacturer of flocking*. They expect to activate in early 2010.
- 3. ASF Reorganization Application** – FTZ #176 reached out to 12 counties clustered around the I-39 corridor at the western edge of the Chicago basin. Ten counties (Stephenson, Winnebago, Boone, McHenry, Ogle DeKalb, Kane, Lee, Bureau and Marshall) sent letters of support for service; staff continues discussions with the other two (LaSalle and Putnam). Six (6) of the 10 counties are enclosed fully or in part within our Port of Entry: Stephenson, Winnebago, Boone, McHenry, Ogle and DeKalb Counties. A complication in Illinois is a limitation imposed by the State Enabling Legislation. This requires no sites be added within a 35-mile radius of smaller communities hosting Zones and 50-mile radius of Chicago absent their express written permission. Support to provide service was

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obtained from Savanna for Ogle and Stephenson Counties; letters have not been obtained from Chicago (portions of Kane and McHenry) nor Peoria (portions of Bureau and all of Marshall). As a result, FTZ #176 will submit in early November an application to serve nine (9) counties who expressed interest, excluding Marshall County in its entirety and portions of Kane, McHenry and Bureau. We hope for rapid docketing, as two Rockford firms are lined up, ready to submit applications when the faster and cheaper ASF management model is available. As a companion piece to this application, the Tariff was revised to include a new pricing structure for services rendered as well as annual fees.

### **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 above 17.6% in September. Local earning power has dropped precipitously in comparison with the national average of \$1.00 (in 1994, \$1.01; in 2007, \$.79). Therefore, we are most anxious for the docketing and final approval of the ASF Reorganization application. The docketing is key to the submission of two applications from Rockford area firms who are waiting for the streamlined process under the ASF.

Website coverage ([www.flyrfd.com](http://www.flyrfd.com)) is more readily accessible from the RFD homepage, resulting in 12,700 hits from 11,400 separate IP addresses over the 2008/09 fiscal year. New literature is now completed and flexible enough to cover the current management structure or the ASF. With the relationships created in 12 counties as a result of the ASF application, the prospect leads now exceed one/week. Staff has presented to economic development officials in nine of the counties approached. Presentations have more than doubled from the standard 5-7 in a given year. Leads are up 42% in 2009 over 2008, thanks to economic development partners around the prospective service area. 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 2009 with even more anticipated in 2010.

The other major outreach initiative is educational. A consortium of public (EDC office, Chamber, airport) and private sector partners (US Bank, SupplyCore) created the first global trade workshop in May, 2007. The first two-day “Go Global or Get Left Behind!” attracted 110 attendees from 4 states and over 50 firms. In 2008, the event attracted 196 guests representing over 100 companies, consulates and agencies hailing from 10 states. With the addition of planning partners and sponsors both public (DCEO, USEAC, County of Winnebago) and private (NDIA), the steering committee has engaged a professional event planning firm and expects 300 or more attendees from across the Midwest. The 2010 Go Global theme: “GPS: Global Partnership = Success.”

A key initiative emanating from the Go Global (GG) series: The NAFTAZ Economic & Business Development Task Force. Suggested by popular GG speaker, Matt Gersper, he co-chairs with Marge Bevers. 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 at the Spring 2009 NAFTAZ meeting and Grantee Best Practices session at the Annual Meeting which 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.

With the rapid growth in workload and the age of the FTZ Administrator, senior staff is reviewing current assignments and consideration additional resources to accommodate the increased economic development and FTZ activity.

### **CONCLUSION**

With the approval of the Expansion-Reorganization application in January, 2009, FTZ #176 acquired nine new partners in 11 sites/sub-sites. The number of active sites/sub-sites/subzones increased to 22. Coupled with the approval last summer and anticipated activation of Cellusuede in January, 2010, we are poised for growth. With the submission of the ASF Reorganization application in November, 2009, to feature an expedited access to FTZ program benefits and the proposed expansion to service in 9 counties, the focus has turned to activation not approval. With unemployment approaching the 20% mark in the City of Rockford, we cannot act too soon in creation and retention of jobs to stabilize the region.