

TARGET INDUSTRY ANALYSIS

PREPARED FOR THE:
Rockford Area Economic Development Council

PREPARED BY:

Carter-Burgess

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TABLE OF CONTENTS

	<u>Page #</u>
Executive Summary	3
Introduction	9
Phase I: Preliminary Target Industry Analysis	9
Phase II: Target Match (Strengths and Weaknesses) Analysis	15
Location Needs of the Preliminary Targets	15
Rockford Area's Economic Development Strengths & Weaknesses	24
Phase III: Selecting the "Best Fit" Target Industries	49
Phase IV: Recommendations	50
Appendix: Interviewed Companies/Organizations	54

EXECUTIVE SUMMARY

Introduction

The Rockford Area Economic Development Council (RAEDC) contracted with Carter & Burgess, a major national site selection and architectural/engineering firm, to complete this economic development plan for the Rockford Area. The plan was carried out in a multi-phased approach. Phases included:

1. Preliminary Target Industry Assessment
2. Target Match (Strength & Weakness) Analysis
3. Selection of the “Best Fit” Targets
4. Recommendations.

Phase I: Preliminary Target Industry Analysis

Targeting is well recognized as the best method of attracting economic development. We utilized a unique methodology designed to identify the best target industries, which included regional site location and an input-output analysis. The outcome produced the following preliminary targets:

1. **Warehouse/distribution centers (DC)** (NAICS 421, 422, 484, 488, 492, 493)
2. **Metals manufacturing** (NAICS 331, 332)
3. **Chemicals** (NAICS 325) and **plastics** (NAICS 326) **manufacturing**
4. **Transportation equipment manufacturers** (NAICS 336)
5. **Industrial machinery manufacturers** (NAICS 333)
6. **Back office/call centers/IT** (NAICS 513, 514, 522, 523, 524, 541, 561)

Other sectors that should be considered include:

- **Health care** (select sectors supporting local hospitals and businesses) – due to local/regional growth.
- **Food processing** (NAICS 311) – due to the large number of regional locations.

Phase II: Target Match (Strengths and Weaknesses) Analysis

In corporate site selection, we analyze communities in order to determine if they possess the attributes most important for our clients. Our objective in this phase of work is to:

1. Understand the general location needs of preliminary targets.
2. Understand the strengths and weaknesses of the Rockford Area.
3. Match these strengths with the needs of the preliminary targets.
4. Recognize the weaknesses for attracting some preliminary targets.

5. Determine the “best fit” targets based on these factors.
6. Make appropriate recommendations to improve elements that will attract/help expand the “best fit” targets.

Following is a summary of the Rockford Area’s strengths, weaknesses and key conclusions from each:

Transportation/Logistics **Strength**

Key Conclusion: The Rockford Area is an obvious distribution center location from a transportation/logistics viewpoint. Logistics modeling will help document these advantages.

Labor Costs **Strengths & Weaknesses**

Key Conclusion: By locating in Rockford Area target employers can save at least 6% over Chicago and 4% over Milwaukee, but will pay 5% more than Des Moines, 2% more than Toledo, and 6% more than Fort Wayne. In order to compete with competitors, Rockford must offset these costs through other criteria including incentives.

Labor Availability **Strengths & Weaknesses**

Key Conclusions: Engineers, particularly aerospace and machine related, are relatively plentiful and easy to recruit locally right now, with the exception of the chemical/pharmaceutical area. High demand in the future for engineers (particularly systems related) will require major training and recruiting efforts.

Due to the engineering center environment, R&D operations, particularly in the aerospace and machinery areas, are well suited for Rockford. R&D product development leads to commercialization of products which in turn leads to material, component and equipment manufacturing.

Skilled workers such as transportation equipment and industrial machinery (particularly welders, CNC machinists and some other equipment operators) are tougher to recruit in this market. Unskilled labor is no problem to recruit.

Labor Quality **Strength**

Key Conclusion: Target prospects will be very satisfied with labor quality issues in the Rockford Area, particularly machine tool and aerospace related.

Electric Power **Strengths & Weaknesses**

Key Conclusion: Local employers are generally satisfied with ComEd (Exelon) electric power services, but some are concerned about reliability and cost.

Sites

Strengths & Weaknesses

Key Conclusion: The Rockford Area needs to identify and develop new fully improved industrial tracts with large sites (over 100 acres; some with rail), especially to compete with Wisconsin competitors that are offering subsidized site options. The best opportunities are:

- 1) Rockford Airport area. Boundless potential if the area can be protected against residential and commercial encroachment.
- 2) Area south of the airport/west of I-39. Good interstate and rail accessible area with the potential for large (100 acre +) sites, if the area can be protected against residential and commercial encroachment.
- 3) Area west of Meridian Road near U.S. 20. Good highway accessible area with the potential for large (100 acre +) sites.

Industrial Buildings

Strengths & Weaknesses

Key Conclusion: The lack of a significant number of modern industrial buildings will eliminate Rockford from some searches.

Incentives

Strengths & Weaknesses

Key Conclusion: The Rockford Area will need to be aggressive in order to compete, especially with Wisconsin competitors. Reduced price or free land would be a very visible sign that you are serious about doing deals.

Education/Training

Strengths and Weaknesses

Key Conclusion: Rockford colleges will be a tremendous asset to new companies looking to jump-start a new work force. But area businesses have concerns about the quality of Rockford public secondary schools.

Community Services

Strengths

Key Conclusion: Rockford Area companies rate all services as good to very good.

Cost of Living/Quality of Life

Strengths & Weaknesses

Key Conclusion: Relocation of corporate employees should be a relatively “easy sell” when you combine competitive prices and the good quality of life offered in the Rockford Area. However, school and crime issues will dictate neighborhood preferences.

Preliminary Target Impacts

Strengths

Key Conclusion: Most preliminary targets offer solid economic impacts.

Phase III: The “Best Fit” Target Industries

We identified the “best fit” targets for Rockford Area (by priority) based on the Phase II analysis.

1. **Transportation equipment manufacturing and R&D**
 - a. Aerospace
 - Systems integration related
 - Those that must maintain domestic operations due to national security.
 - b. “On & off road” vehicle suppliers
 - c. R&D engineering
2. **Industrial machinery manufacturing and R&D**
 - a. Machine tools
 - b. Food processing equipment
 - c. Medical equipment
 - d. R&D engineering
3. **Warehouse/distribution (DC)**
 - a. Retailers
 - b. Pharmaceuticals and medical
 - c. 3rd party providers
4. **Back Office/Call Centers**
 - a. Medical
 - b. Insurance
 - c. Banking
 - d. Tech support
5. **Metals manufacturing and R&D**
 - a. Aerospace
 - b. “On & off road” vehicle suppliers
 - c. Industrial machinery
 - d. R&D engineering
6. **Food processing**
7. **Chemicals manufacturing** (pharmaceuticals, ethanol and related)

Phase IV: Recommendations

The following is a summary of the initial economic development recommendations for the EDC.

Target Industry Marketing

- Aggressively pursue the top three (3) targets.
 - Aerospace Production and R&D
 - Industrial Machinery Manufacturers and R&D
 - Distribution Centers (DC)

- Develop a detailed marketing plan for the top three targets.

Labor Related

- Conduct a more detailed labor analysis.
- Encourage Rock Valley College, the WIB, high school vocational officials and other training providers to focus skill training support on areas that will fulfill the most critical identified local needs:
 - Systems engineers
 - CNC Machine Techs
 - Machining/Fabricating
 - Maintenance
 - Math/Blue Print Reading/Measuring/Design
 - Sales
 - Welding/Soldering
 - Medical (RN, pharmacists, radiology/imaging, etc.)

- Encourage skill training support toward select soft/ “life style” skills.

- Support cooperative recruitment (including web-based) efforts among local businesses, particularly for engineers.

- Support the expansion of the Basic Manufacturing Skills “Boot Camp” at Rock Valley College.

- Explore the feasibility of instituting a National Institute of Metalworking Skills (NIMS) training program.

- Encourage the creation and/or enhancement of internship opportunities involving local businesses, high schools and colleges.

- Utilize this report to educate regional business interests regarding the “best fit” target industries and their location and skill needs.

Sites/Buildings

- Conduct a site selection analysis to identify the best potential large sites (100+) and potential park sites.
- Conduct a “spec” building study to determine the best type and location.

Incentives

- Conduct an incentives analysis comparing the Rockford area to your competitors.

INTRODUCTION

The Rockford Area Economic Development Corporation (EDC) contracted with Carter & Burgess, a major national site selection and architectural/engineering firm, to complete this economic development plan for the Rockford Area. The plan was carried out in a multi-phased approach. Phases included:

5. Preliminary Target Industry Assessment
6. Target Match (Strength & Weakness) Analysis
7. Selection of the “Best Fit” Targets
8. Recommendations

PHASE I: PRELIMINARY TARGET INDUSTRY ANALYSIS

Introduction

Targeting is well recognized as the best method of attracting economic development. We utilize a unique methodology designed to identify the best target industries. We maintain a database of actual, major private sector site locations/expansions¹. For this analysis we looked at activity that occurred between 2nd quarter 2004 and 3rd quarter 2005.

This database assists us in predicting growth trends and we utilize this data for selecting the best initial communities for our site location clients. The methodology is sound and proven for the following reasons:

- Locations/expansions are driven by recent market conditions and these conditions will generally continue into the near future.
- Companies (and site selection consultants) select regions first and then communities within these regions with the best business climates. This may mean, for example, a good labor climate, good market proximity, good transportation, the availability of incentives, all positive business conditions. This will result in clustering, a concentration of like companies due to favorable business conditions.
- Clustering is a “green light” for other similar companies to take a look. But they will only locate if the good business conditions remain. For example, they may find the labor market for select skills depleted due to too much location/expansion activity. This is why we conduct careful fieldwork interviews with local companies for our site location clients, in order to help them to thoroughly understand the local business conditions.

We also looked at existing County employment data in order to help determine growth (or declining) sectors.

¹ We use Conway Data information, which tracks major locations and expansions (At least \$1 million in capital investment, 50 new jobs or 20,000 square feet).

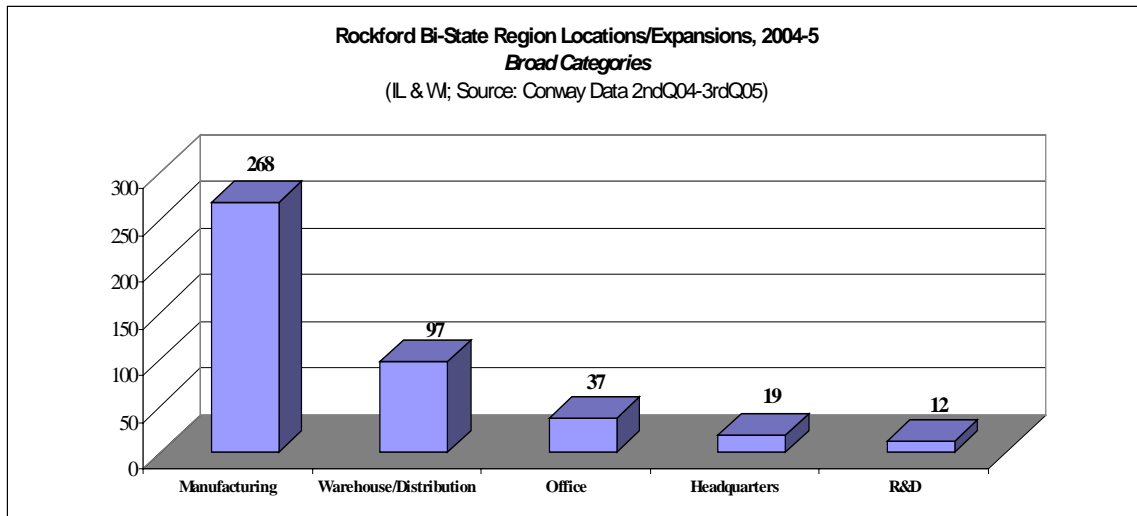
This methodology is also sound for economic development targeting. We will review and analyze both regional growth cluster and sector projections in order to help you to understand which existing (and future) businesses will grow. It will also set the stage for the next portion of this assignment: understanding the needs of the most active, fastest growing company types. Cluster data is excellent for target planning because:

- It represents actual physical building activity (size and type of building).
- It represents actual economic development (both capital investment and jobs).

Multi-State Regional Location/Expansion Activity (“Growth” Clusters)

We screened location/expansion data to identify which industries (by NAICS Code²) located/expanded the most facilities in a bi-state region (Illinois³ and Wisconsin) during 2004-05 (2nd Quarter 2004-3rd Quarter 2005; 6 quarters). We define these as “growth clusters”.

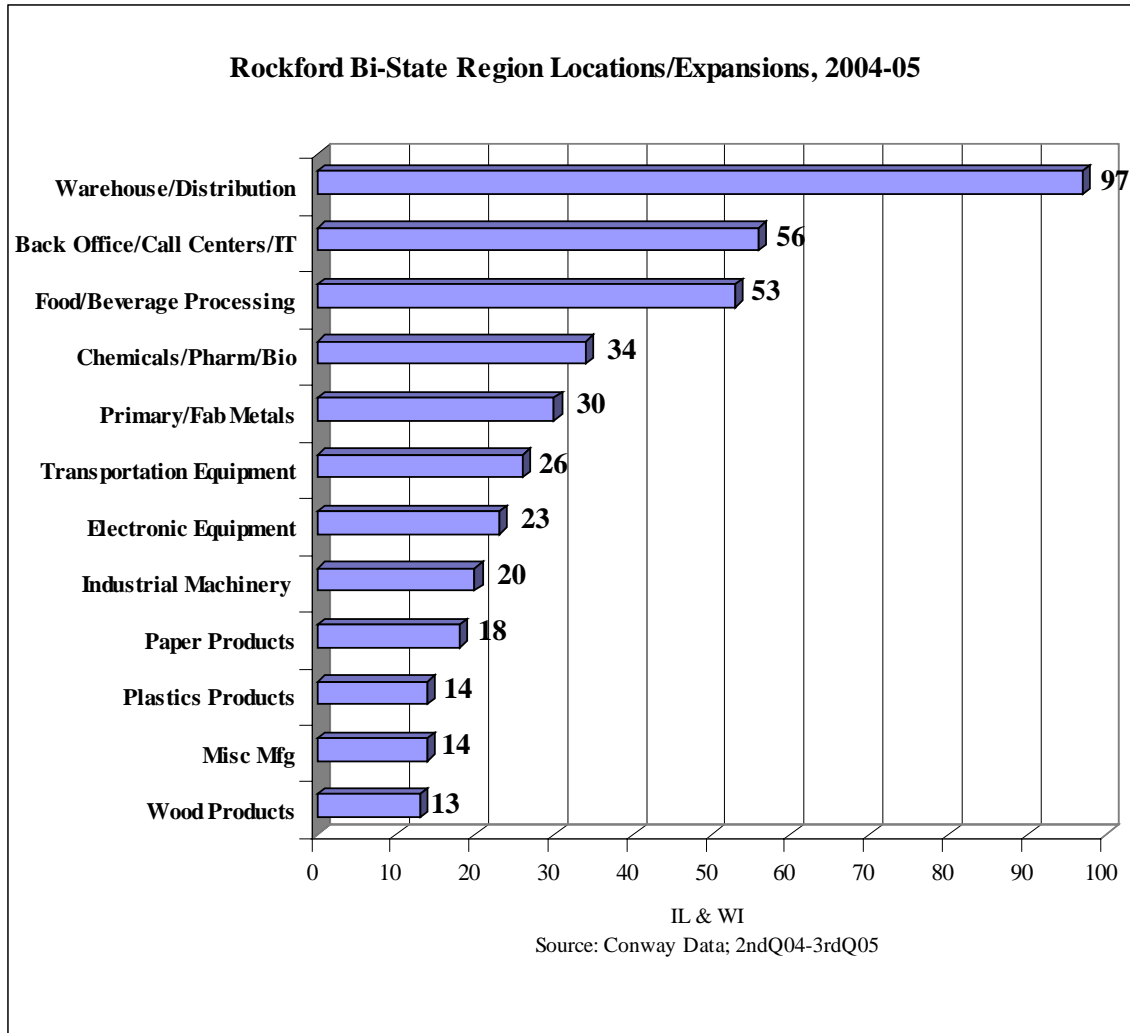
The following two graphs depict this information. The first one shows general industry categories and the second shows individual industry types.



- Manufacturing projects dominated.
- Warehouse/distribution (DC) had a significant number of projects.

² The North American Industry Classification System (NAICS) was formerly the Standard Industrial Classification (SIC) system.

³ In 2004, according to Conway Data, Inc., Illinois was the 5th most active state in the union with 356 new or expanded locations.



- Warehouse/distribution (DC) was the single largest sector, by far.
- Other significant manufacturing sectors include food processing; chemicals/pharmaceuticals/biotechnology; metals; and transportation equipment.
- The most active non-manufacturing sector was back office/call centers/IT, which includes computer software.

The trend will be toward more locations/expansions in these general categories and industry types into the near term. They all, therefore, represent potential targets for the Rockford Area.

Rockford Area, IL Target Industry Analysis

Major new locations (100,000 square feet and over) in 2004-05 included:

City	State	Company	Size (SqFt)	Jobs	Invest (\$mil)	Type
DeKalb	IL	Target	1,500,000	500	100	DC
Rockford	IL	Lowe's	1,400,000	500	70	DC
Ottawa	IL	PETsMART	1,000,000			DC ⁴
Milwaukee	WI	Aldrich Chemicals	800,000			Chem
Monee	IL	Michelin	720,000	100	20	DC
Riverwoods	IL	Morgan Stanley	650,000		170	HQ
Beloit	WI	Staples	600,000	400	40	DC ⁵
Beaver Dam	WI	Finlay Industries	508,000		15	DC
Belvidere	IL	DaimlerChrysler	500,000	500		Auto
Wauwatosa	WI	GE Medical	475,000	700	85	Office
Macomb	IL	Pella Windows	275,000	480		Wood
St. Charles	IL	Jacobson	256,000	10		DC
Pewaukee	WI	Steinhafels	240,000		30	DC
Chicago	IL	Bombardier	238,000			DC
Chicago	IL	USG	230,000	800	128	HQ
McCook	IL	Keating	210,000			Mach
Madison	WI	Covance	210,000	200	54	Office
Janesville	WI	Lowe's	210,000	125	7.5	Wood
Woodridge	IL	Bridgestone Tire	209,000		209	DC
Boingbrook	IL	Tireco	206,000		11	DC
Joliet	IL	Tyco Healthcare	205,000			DC
Aurora	IL	Victory	200,000			Mach
Lincoln	IL	Sysco	190,000	250	14	DC
Neenah	WI	Alta Resources	175,000	450	20	R&D
Lincolnshire	IL	Klein Tools	127,000			Mach
Champaign	IL	Supervalu	155,000			DC
Hammond	WI	Ristow Trucking	155,000	50	13	DC
Hoffman Estates	IL	Mary Kay	134,000		7.8	DC
Chicago	IL	Quality Crouton	104,000	75	6	Food
Rockford	IL	UPS	100,000		4.8	DC
Kenosha	WI	Roundy's	100,000	120	22	Food
Oconomow	WI	Bruno	100,000	100	6	Auto

Included are the Staples DC location in Beloit (the search area included Rockford) that Carter & Burgess assisted with and the new Lowe's DC recently announced and under construction in Rockford.

⁴ Carter & Burgess client

⁵ Carter & Burgess site location

Local “Growth” Sectors

The targeting process also includes looking at employment growth trends. Winnebago County lost employment between 2000 and 2003 (see below; key sectors in **bold**).

Wage & Salary Employment – Winnebago County, IL - Major Categories - 2003

Source: 2003 County Business Patterns

<u>NAICS</u>	<u>Industry</u>	<u># of Employees</u>	<u>% Change 2000</u>	<u>Annual Payroll (\$1,000)</u>
	TOTAL	127918	-6	\$4,037,078
23	Construction	4795	-13	\$234,194
31	Manufacturing	30263	-18	\$1,322,180
311	Food Mfg	1532	-14	\$67,618
314	Textile Mfg	146		\$4,685
321	Wood Products	285	-4	\$7,945
322	Paper	261	0	\$10,154
323	Printing	407	-57	\$12,068
	325 Chemicals	1264	10	\$56,668
	326 Plastics & Rubber	641	8	\$21,805
331	Primary Metals	359	-62	\$13,074
	332 Fabricated Metals	8776	-16	\$338,826
	<i>3322 Cutlery & Handtools</i>	<i>730</i>		<i>\$25,117</i>
	<i>3325 Hardware</i>	<i>882</i>		<i>\$28,913</i>
	<i>3326 Spring & Wire Products</i>	<i>615</i>		<i>\$20,450</i>
	<i>3327 Machine Shops</i>	<i>4567</i>		<i>\$194,300</i>
	<i>3328 Coating, Engraving, Heat Treating</i>	<i>763</i>		<i>\$19,974</i>
	333 Machinery Mfg	8446	-23	\$373,716
	<i>3332 Industrial Machinery</i>	<i>1043</i>		<i>\$52,134</i>
	<i>3335 Metalworking Machinery</i>	<i>3782</i>		<i>\$159,964</i>
	<i>3336 Engine, Turbine & Transmission</i>	<i>963</i>		<i>\$40,174</i>
334	Computer & Electronic Products	851	-15	\$30,386
335	Electrical Equipment	564	-23	\$22,042
	336 Transportation Equipment Mfg	5300	-7	\$309,806
	<i>3363 Motor Vehicle Parts</i>	<i>866</i>		<i>\$40,561</i>
	<i>3364 Aerospace Products</i>	<i>3802</i>		<i>\$241,892</i>
377	Furniture Mfg	431	9	\$13,017
42	Wholesale Trade	5267	4	\$205,849
44	Retail Trade	16118	-6	\$319,182
	48 Transportation & Warehousing	4341	63	\$128,441
	51 Information	3183	12	\$90,391
	52 Finance & Insurance	5517	3	\$210,612
53	Real Estate, Rental & Leasing	1577	17	\$36,452
56	Administrative & Support	9940	5	\$202,106
54	Professional, Scientific & Tech	3874	-30	\$152,901
61	Educational Services	1366	-8	\$26,046
	62 Health Care & Social Assistance	18868	6	\$662,754
71	Arts, Entertainment & Recreation	1169	4	\$18,149
72	Accommodation & Food Services	9669	-2	\$102,174

Several dominant sectors have experienced good job gain and will likely continue to grow:

- Chemicals (10%) and Plastics (8%)
- Finance & Insurance (3%)
- Information (12%)
- Transportation & Warehousing (63%)
- Health Care (6%)

Even though each has experienced job loss, several sectors remain dominant in the economy and will remain dominant into the near term:

- Fabricated Metals (-16%)
- Machinery (-23%)
- Transportation Equipment (-7%)

All of these sectors have also had recent actual locations in the bi-state region.

The Preliminary Targets

Based on the previous analysis, we therefore feel that the best preliminary targets for the Rockford Area include:

1. **Warehouse/distribution centers (DC)** (NAICS 421, 422, 484, 488, 492, 493)
2. **Metals manufacturing** (NAICS 331, 332)
3. **Chemicals** (NAICS 325) and **plastics** (NAICS 326) **manufacturing**
4. **Transportation equipment manufacturers** (NAICS 336)
5. **Industrial machinery manufacturers** (NAICS 333)
6. **Back office/call centers/IT** (NAICS 513, 514, 522, 523, 524, 541, 561)

Other sectors that should be considered include:

- **Health care** (select sectors supporting local hospitals and businesses) – due to local/regional growth.
- **Food processing** (NAICS 311) – due to the large number of regional locations.

Retail (i.e. restaurants/hotels) should not be considered a primary target industry. Retail will naturally follow the attraction of targets over time.

PHASE II: TARGET MATCH (Strengths and Weaknesses) ANALYSIS

Introduction

In corporate site selection, we analyze communities in order to determine if they possess the attributes most important for our clients. Our objective in this phase of work is to:

1. Understand the general location needs of preliminary targets.
2. Understand the strengths and weaknesses of the Rockford Area.
3. Match these strengths with the needs of the preliminary targets.
4. Recognize the weaknesses for attracting some preliminary targets.
5. Determine the “best fit” targets based on these factors.
6. Make appropriate recommendations to improve elements that will attract/help expand the “best fit” targets.

The Location Needs of the Preliminary Targets

Introduction

First, we provide pertinent background information on each preliminary target. This includes a brief description and important trends. Next, based on our site selection experience, we have listed the top site selection criteria for each target.

Warehouse/Distribution (DC) - NAICS 421, 422, 484, 488, 492 and 493

Understanding the Sector

The warehouse/distribution (DC for distribution center) sector was one of the few bright spots during the last recession and the sector continues to boom. Locations/expansions have been driven by consumer demand for retail products.

The bi-state area has been a hot bed of DC activity as retailers strive to serve the burgeoning markets of Chicago, Milwaukee and Madison. The sector had 41 more locations/expansions in the bi-state region than the next most active sector (back office/call centers), a total of 97 over the last 6 quarters. This number is actually much larger as most manufacturing locations/expansions also include a warehousing function.

Regional types included general merchandise (i.e. Wal Mart/Target/Staples), grain, building materials, automotive supplies, foods/beverages (requiring refrigeration space), and boxes/containers.

We expect this rapid growth trend to continue. Carter & Burgess recently assisted Wal-Mart with site selection/design for a one million square foot DC employing nearly 600 in Sterling, IL, as well as the Staples location mentioned earlier.

Warehouse/distribution falls under a number of NAICS codes, including 421 & 422 wholesale distribution, 484 truck transportation, 488 transportation support, 492 couriers and 493 warehouse/distribution.

Key Site Selection Needs (by priority)

1. Access to market/transportation costs
2. Labor costs/availability (key positions: material handlers, forklift drivers; truck drivers)
3. Electric power costs
4. Access to Interstate highways (within 15 miles)
5. Large sites (50 to 250 acres) or large buildings (40,000 square foot plus)
6. Rail service for select operations
7. Good labor/management relations.

Primary & Fabricated Metals – NAICS 331 & 332

Understanding the Sector

Metals sectors have been active over the period with 30 new locations/expansions. Major projects included:

- Aledo, IL; General Grinding; 200,000 sq.ft.; \$4 million capital investment
- Fond du Lac, WI; Mid-States Aluminum; 102 jobs; \$6 million capital investment
- Janesville, WI; United Alloy; 118 jobs; \$11 million capital investment
- Macomb, IL; NTN-Bower Bearings; 420 jobs; 300,000 sq.ft.; \$8 million capital investment
- Milwaukee, WI; Master Lock; 51 jobs; \$12 million capital investment
- Monroe, WI; Orchid Monroe; 173 jobs; \$7.4 million capital investment

Also included was the \$2 million Ingersoll Machine expansion in Rockford.

Key Site Selection Needs (by priority)

1. Available labor (key positions: machining skills & quality (key positions: machinist, maintenance mechanic, machine operator (CNC) and warehouse workers)
2. Labor costs
3. Access to Midwest markets/transportation costs
4. Interstate highway access
5. Electric power (reliability & costs)
6. Improved sites and/or existing buildings (minimum of 20,000 square feet)

7. Rail access
8. Available training (and incentives)
9. Good access to supplier
10. Good labor/management relations

Chemicals (including pharmaceuticals) – NAICS 325

Understanding the Sector

One of the largest new locations in the bi-state area in 2004-05 was Aldrich Chemical (800,000 square feet) in Milwaukee. The sector has been very active with 34 new location/expansions over the period. Project types in the region included: phosphorous, petrochemicals, biodiesel, ethanol, fertilizer, carbon dioxide, stains and pharmaceuticals.

Fastest Growing Plastics/Chemical Segments in US, 1999-2000

<u>Sector</u>	<u>% Growth</u>
Drugs	5.6
Plastics Materials & Resins	3
Industrial Organic Chemicals	1.8
Agricultural Chemicals	1.8
Industrial Inorganic Chemicals	1.6
Man-made Fibers	1.2
Nitrogenous Fertilizers	1

Source: U.S. Industry & Trade Outlook, 2000

Pharmaceutical/biotechnology is a growing sector, however, actual location/expansion manufacturing activity during 2004-05 was limited. The largest new location was Mentor Corporation into Madison, WI with only 20 jobs. The largest expansion was Fujisawa Health in Deerfield, IL with 150 jobs and a \$42 million capital investment.

The price of crude oil today is making the economics of ethanol/biodiesel production much more feasible. The most critical factor is access to raw materials (corn for ethanol; canola for biodiesel). NAICS code is 325193.

The newest product craze is cellulosic ethanol derived from plant waste left in the fields after harvest. By 2020 its production costs could be less than \$.80 a gallon. Traditional ethanol still costs \$1.40 a gallon to produce, roughly twice as much as gasoline. Early plants are locating in Canada, but U.S. locations will be sought soon. Iogen, a Canadian corporation is the early leader in production, but Cargill-Dow is exploring projects as well.

Regional ethanol/biodiesel projects in 2004-05 included:

- Illinois Biodiesel; Pekin, IL; 15,000 square feet; \$40 million capital investment.
- Utica Energy; Oshkosh, WI; \$15 million.
- Blue Island; \$20 million.

Key Site Selection Needs for ethanol (by priority)

1. Local grain supply and basis (grain represents 65%-70% of total operating exp.)
2. Highway access
3. Rail access to isolated industrial site
4. Utility infrastructure (natural gas pipeline, electricity, water)
5. Labor costs and availability.

Plastics – NAICS 326

Understanding the Sector

Plastic products has been an active industry driven in part by access to consumer markets, access to the Just In Time (JIT) needs of food and transportation industries and the cost needs to transport light parts and containers (mostly air) short distances. 14 plastics locations/expansions occurred during 2004-05 within the region.

Key Site Selection Needs for Plastics (by priority)

1. Labor costs and unskilled/semiskilled availability (key positions: machine operators, maintenance mechanics and warehouse workers)
2. Electric power (reliability and costs)
3. Fully improved site and/or existing building (30,000 square foot minimum)
4. Access to market/transportation costs (customer often require JIT delivery)
5. Rail service (pellets are often brought in via hopper car)
6. Incentives (training and offsets for large capital equipment costs)
7. Good labor/management relations.

Transportation Equipment – NAICS 336

Understanding the Sector

This sector involves operations that manufacture and assemble transportation equipment such as automobiles, trucks, aircraft/aerospace, watercraft, farm and rail equipment. The NAICS code is 336.

26 locations/expansions occurred in this sector within the region in 2004-05. The vast majority of these were auto and truck related, but other project categories included aircraft maintenance, railroad freight cars, and boats. In the aerospace sector, Bombardier opened a 238,000 square foot airliner parts operation in Chicago.

Research and development (R&D) operations which lead to new innovative products are significant in this sector, particularly in the automotive (as struggling companies such as Ford and GM seek new market share) and the aerospace field. Private industry still funds over 68% of all R&D operations.

Not included in these statistics are the six new suppliers set to come into Boone County for the Chrysler retooling and the two to four supplier changes (no new plants) for the GM retooling in Janesville, WI. It appears that all required tier one supplier changes are now complete and will not directly affect Rockford.

**Fastest Growing Transportation
Equipment Segments in US, 1999-2000**

<u>Sector</u>	<u>% Growth</u>
Auto/Truck Parts	5.1
Auto Aftermarket	2.5
Guided Missiles	6.2
Space Propulsion Units	2.1
Space Vehicle Equipment	0.7

*Source: U.S. Industry & Trade Outlook,
2000*

Key Site Selection Needs (by priority) for an automotive supplier

1. Access to main plant/transportation costs/Just In Time (JIT) service
2. Available labor skills (key positions: Engine/Machine Assembler; and Machine Operator, Machinist, Welder and Maintenance Mechanic)
3. Labor costs
4. Interstate highway access
5. Electric power (reliability & costs)
6. Improved sites and/or existing buildings (minimum of 20,000 square feet)
7. Incentives to offset large capital investment
8. Available training (and incentives)
9. Good access to suppliers
10. Good labor/management relations.

Key Site Selection Needs (by priority) for an aerospace R&D facility

1. Access to aerospace engineering and other technical talent
2. Other aerospace R&D operations in the region
3. Close access to a major research university with aerospace programs
4. Training and higher education access
5. High quality of life and culture
6. Access to an airport sites/buildings for testing and prototyping
7. Commercial air service.

Industrial Machinery - NAICS 333

Understanding the Sector

Industrial machinery is a diverse sector covering the manufacturing and assembly of equipment used to aid and service other industrial sectors. 20 locations/expansions occurred in the region in 2004-05. Examples of active regional segments include agricultural equipment, food handling equipment, heat transferring & other HVAC equipment, and cutting tools.

Fastest Growing Industrial Machinery

Segments in US, 1999-2000

<u>Sector</u>	<u>% Growth</u>
Oil & Gas Machinery	9.1
Mining Machinery	6.9
Power Driven Handtools	4.7
Welding Apparatus	4.7
Food Products Machinery	4
Machine Tool Accessories	2.4

Source: U.S. Industry & Trade Outlook, 2000

Key Site Selection Needs (by priority)

- 1.** Available labor (key positions: machining skills & quality (key positions: machinist, maintenance mechanic, machine operator (CNC) and warehouse workers)
- 2.** Labor costs
- 3.** Access to Midwest markets/transportation costs
- 4.** Interstate highway access
- 5.** Electric power (reliability & costs)
- 6.** Improved sites and/or existing buildings (minimum of 20,000 square feet)
- 7.** Rail access
- 8.** Available training (and incentives)
- 9.** Good access to supplier
- 10.** Good labor/management relations

Back Office/Call Centers/IT - NAICS 513, 514, 522, 523, 534, 531, 541 and 561.

Understanding the Sector

The back office/call center/IT sector continues to grow at a rapid pace nation-wide because:

1. the sector crosses virtually all industry types (every business has an administrative and IT components)
2. companies continue to seek ways to reduce costs. They therefore either outsource administrative functions to a third party provider or find a lower cost location outside corporate headquarters, and
3. software and related IT products are rebounding nicely.

However, as in the manufacturing sector, more and more of this sector's jobs are moving off-shore. According to McKinsey Global Institute, the service-sector jobs ripe for off-shoring include:

- Engineering – Up 52%
- Accounting – Up to 31%
- Insurance – Up to 19%.

Companies site lower costs, competitive pressures and access to greater numbers of qualified personnel as reasons for off-shoring.

The largest and fastest growing administrative back office segment is call centers. There has been rapid volume growth in this industry. The industry grew from 1.5 billion minutes in 1994 to 6.1 billion minutes in 1998. Inbound minutes are increasing faster than outbound minutes, even though outbound represents 60% of all calls.

Generally, the call center industry is broken into three primary groups:

- Outbound telemarketing centers consisting of outbound sales, insurance, fundraising, polling, credit card acquisition, and related functions.
- Inbound call centers consisting of customer service, order fulfillment, insurance, credit card authorization, and the like.
- Technical support centers at the high end of the industry, and often called technical help desks, offering computer software/hardware or financial support.

56 locations/expansions occurred during 2004-05 in the region. Back office/call centers/IT fall under a number of NAICS codes, including 513 broadcasting/telecommunications, 514 data services, 522 credit services, 523 financial services, 534 insurance, 531 general office, 541 professional services/software and 561 call centers.

Key Site Selection Needs for Call Centers (by priority)

1. Labor availability (key positions: customer service representatives (CSR), help desk reps, telemarketers)
2. Labor quality (turnover, absenteeism, etc.)
3. Labor costs
4. Telecommunications
5. Education/Training (and incentives)
6. Existing Class B buildings with ample parking and/or improved commercial sites
7. IT tech support
8. Commercial air service (decent access to corporate headquarters)
9. Corporate income tax
10. Electric power (reliability & cost).

Food Processing - NAICS 311 (Secondary Target)

Understanding the Sector

Food processing is a dominant sector in the Midwest due to the direct access to an abundance of raw food materials and access to large consumer market areas such as Chicago, Indianapolis and St. Louis. 52 locations/expansions occurred in 2004-05 within the region. Major project types included baked foods, candy, dairy products, cereals, corn/soybean processing, snack foods, water bottling, fruit/vegetable packaging, microwave meals and meat processing.

Carter & Burgess assisted Land O’Frost locate a deli meat processing plant in Madisonville, KY in 2004.

Fastest Growing Food Segments in US, 1999-2000

<u>Sector</u>	<u>% Growth</u>
Poultry Processing	5.1
Salted/Roasted Nuts & Seeds	4.9
Potato Chips and Similar	4.9
Wines, Brandy & Spirits	2.5
Distilled & Blended Liquors	1.3
Malt Beverages	1.1

Source: U.S. Industry & Trade Outlook, 2000

Key Site Selection Needs (by priority)

1. Available labor skills (key positions: machine operators (cutting, blending & PLC⁶); food technicians, maintenance mechanics and warehouse workers)
2. Labor costs
3. Access to Midwest markets & raw materials/transportation costs
4. Good water and sanitary sewer capacities
5. Electric power costs
6. Fully improved industrial sites (may require rail service)
7. Incentives (training and offsets for large capital investment)
8. Good highway access
9. Good labor/management relations.

Key Meat Processing Criteria

1. Raw materials
2. Labor
3. Waste water capacity with city or municipality
4. Electrical power
5. Remote site with rail.

⁶ PLC – Programmable Logic Control

Rockford Area's Key Economic Development Strengths & Weaknesses

Introduction

Carter & Burgess examined key site selection criteria prevalent in all the preliminary targets as they relate to Rockford Area. Each is rated a strength, a weakness or both. Criteria include:

- Transportation/Logistics
- Labor Costs
- Labor Availability & Quality
- Electric Power
- Sites & Buildings
- Incentives
- Education/Training
- Community Services
- Cost of Living/Quality of Life
- Target Economic Impacts

The analysis included extensive fieldwork interviews with company, training/education, and development officials. A list of companies interviewed by preliminary target and others is found in the Appendix.

We benchmarked the Rockford area against several competitor cities for select criteria: Chicago, IL; Des Moines, IA; Fort Wayne, IN; Milwaukee, WI; and Toledo, OH. We finally looked at economic impacts of each preliminary target.

Transportation/Logistics

Strength

The ability of a company to receive and deliver goods economically is often a determining site selection factor. Rockford Area has strong transportation/logistics features, including:

- Outstanding access to two Interstate highways (I-90 & I-39)
- Outstanding rail connections
- Ideal for serving both Illinois and Wisconsin markets
- Close to Chicago, but away from major congestion

Key Conclusion: *The Rockford Area is an obvious distribution center location from a transportation/logistics viewpoint. Logistics modeling will help document these advantages.*

Labor Costs

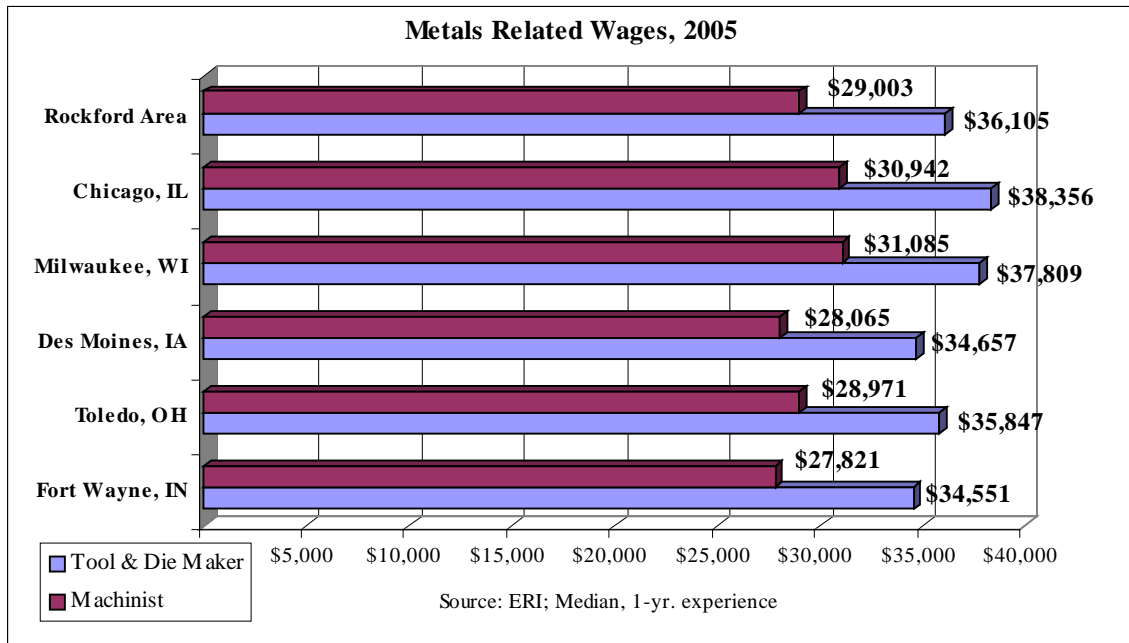
Strengths & Weaknesses

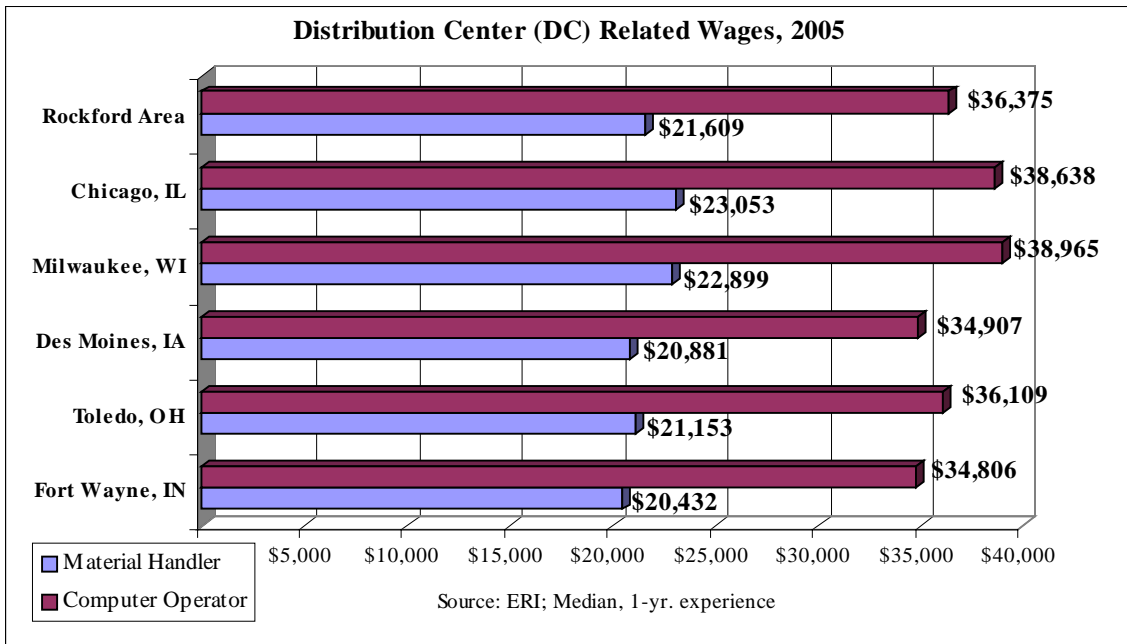
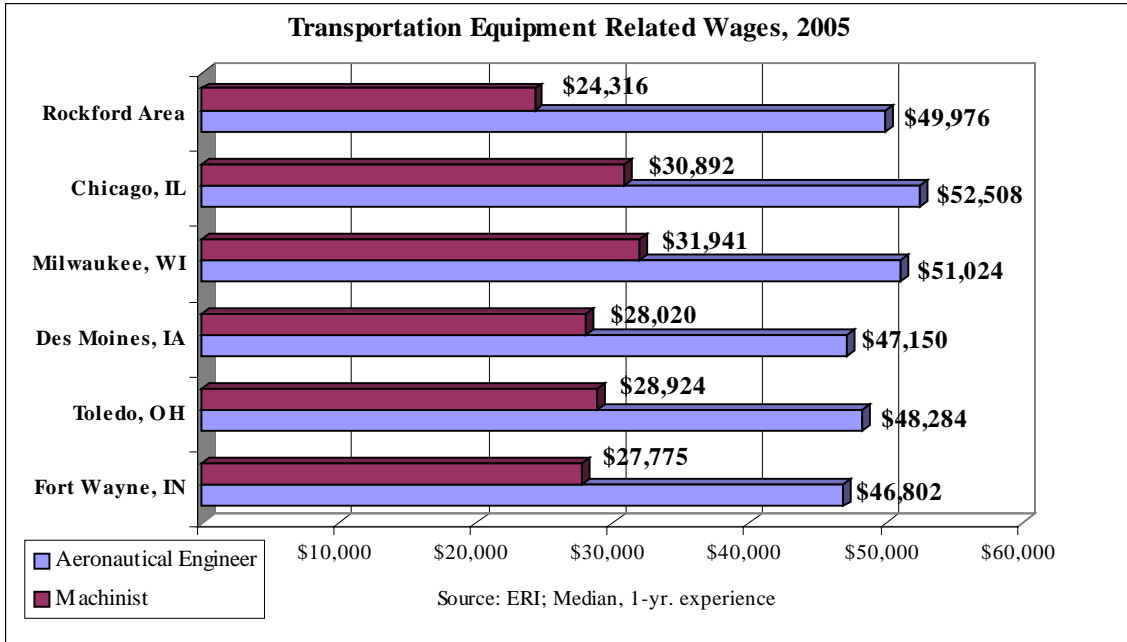
Wage rates and salaries are the single most important labor factor both affecting the availability of good quality workers in a marketplace and affecting a company's competitive position. Up to 80% of the annual operating costs of a project can be labor.

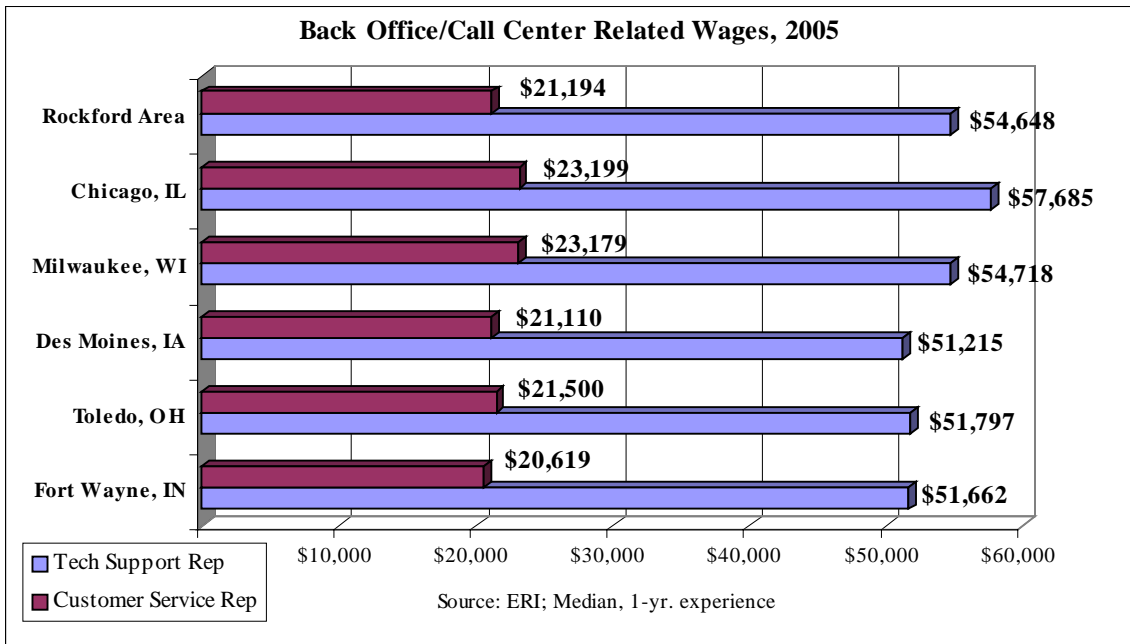
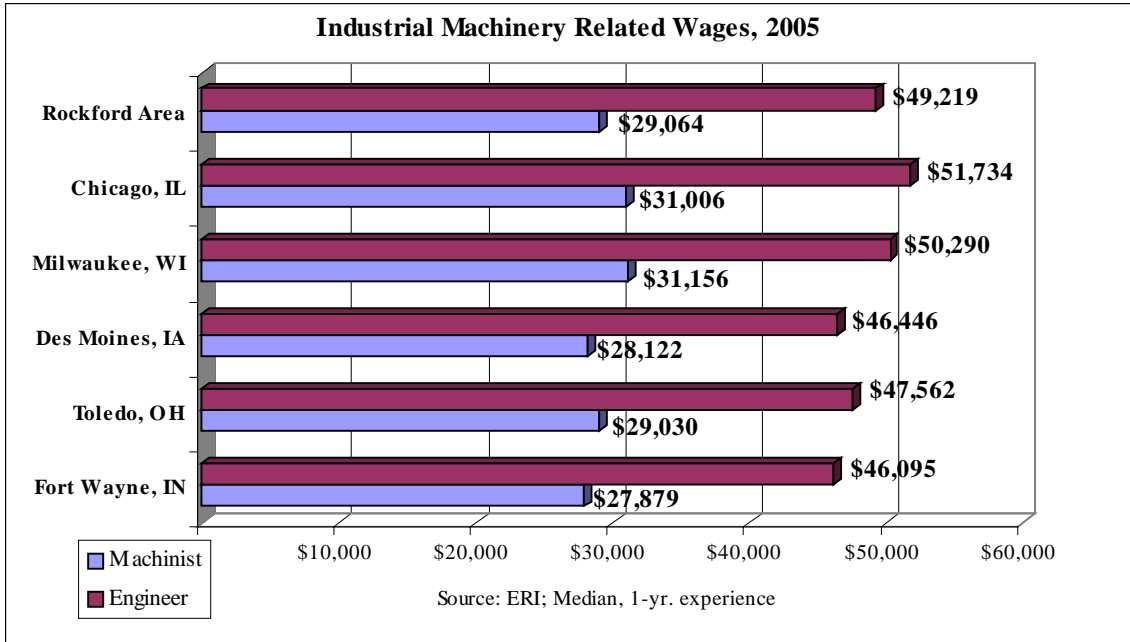
Select preliminary target wages follow. We utilized wage data from our Economics Research Institute (ERI) data base and actual field work. Wages are for workers with one-year experience, median without benefits.

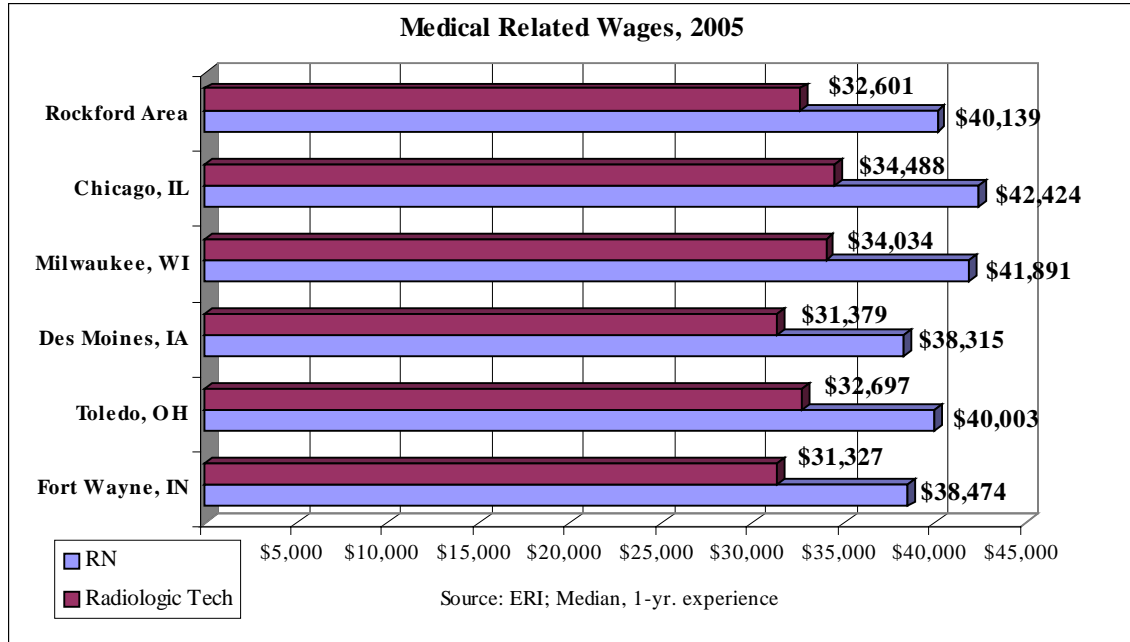
Rockford will not be able to compete with many U.S. and overseas competitors on wages. Manufacturing wages in China, for example, average \$.75 - \$1.00 per hour versus \$14.00 per hour in Rockford.

- **Rockford Area wages are lower than Chicago and Milwaukee, but generally higher than all regional competitors for all preliminary target sectors.**









Key Conclusion: *By locating in Rockford Area target employers can save at least 6% over Chicago and 4% over Milwaukee, but will pay 5% more than Des Moines, 2% more than Toledo, and 6% more than Fort Wayne. In order to compete with competitors, Rockford must offset these costs through other criteria including incentives.*

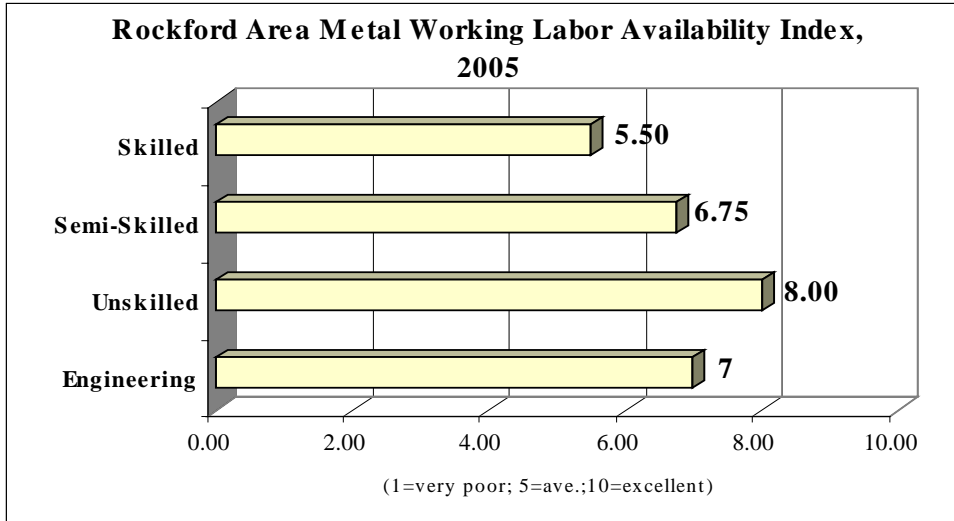
Labor Availability

Strengths & Weaknesses

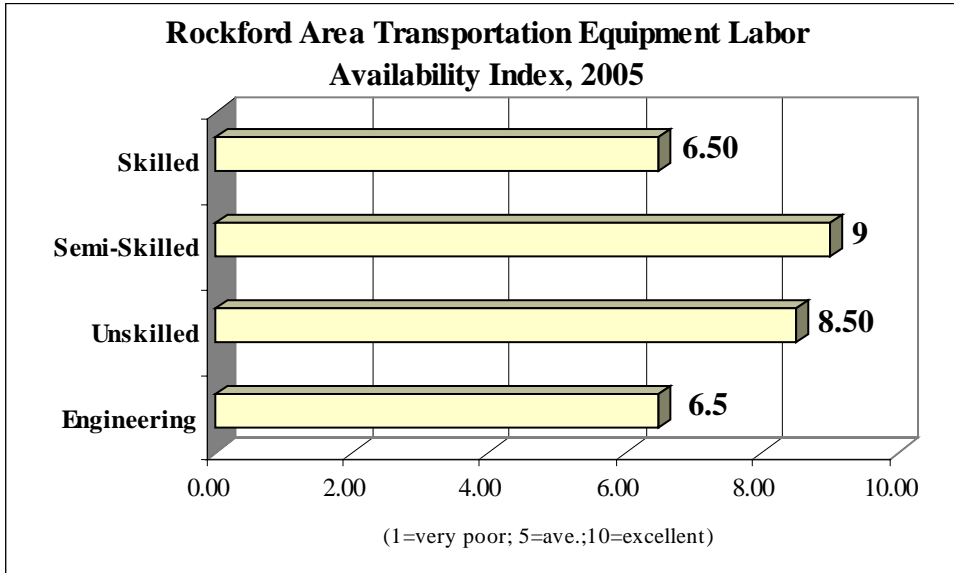
The ability to attract the right amount of labor in the right skill categories is critical to the success of a project. We use an *Availability Index*, which measures labor availability on a one to ten point scale (1= very poor; 5=average; and 10=excellent). We use the same index in all of our labor market analysis nation-wide and this gives a true “apples to apples” comparison of different communities. Generally, scores of 3 to 4 are “below average”, 4 to 6 are “average”; 6 to 7 are “above average”; 7 to 8 are “good”; and 8 to 9 are “very good” and 9 to 10 are excellent (see below).

The following rates labor availability by preliminary target categories:

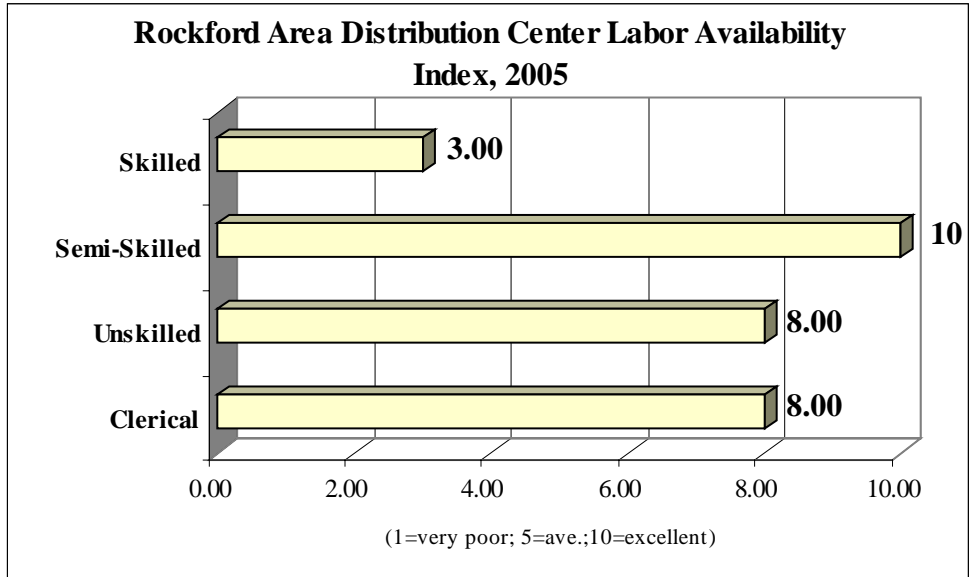
- Skilled metal worker availability is only average; all others are above average to good.



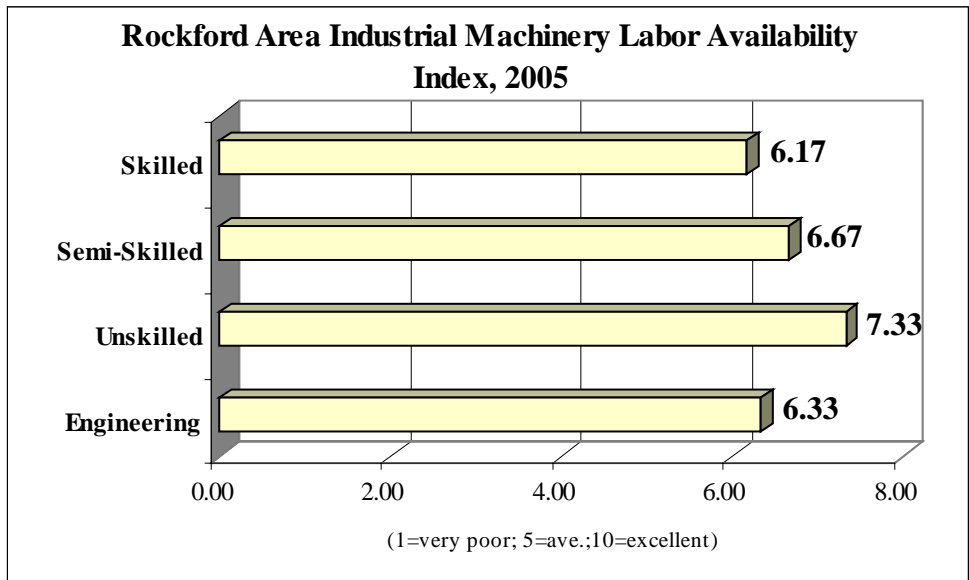
- All transportation equipment labor availability is rated above average to very good.



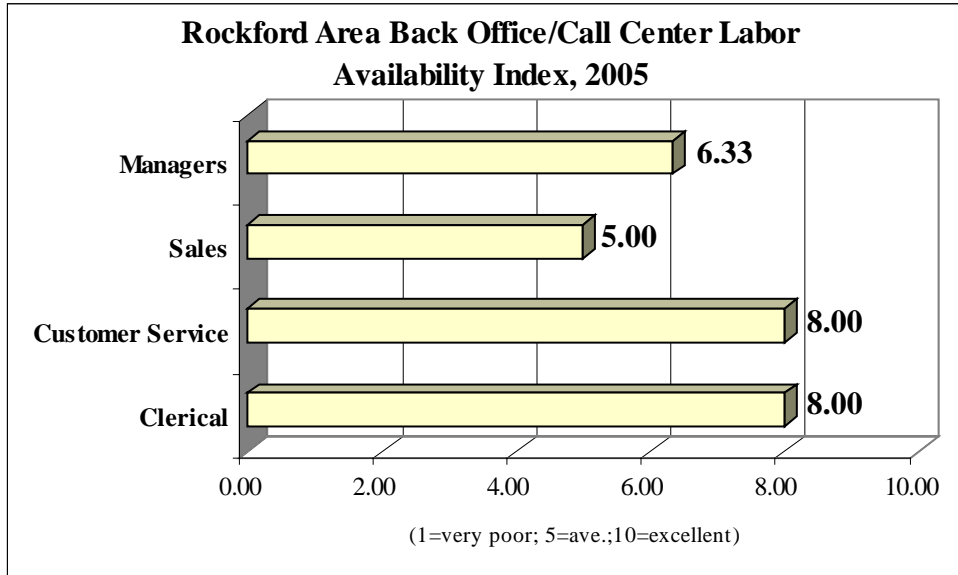
- Skilled DC workers (maintenance workers) are in short supply; all other are rated good to excellent.



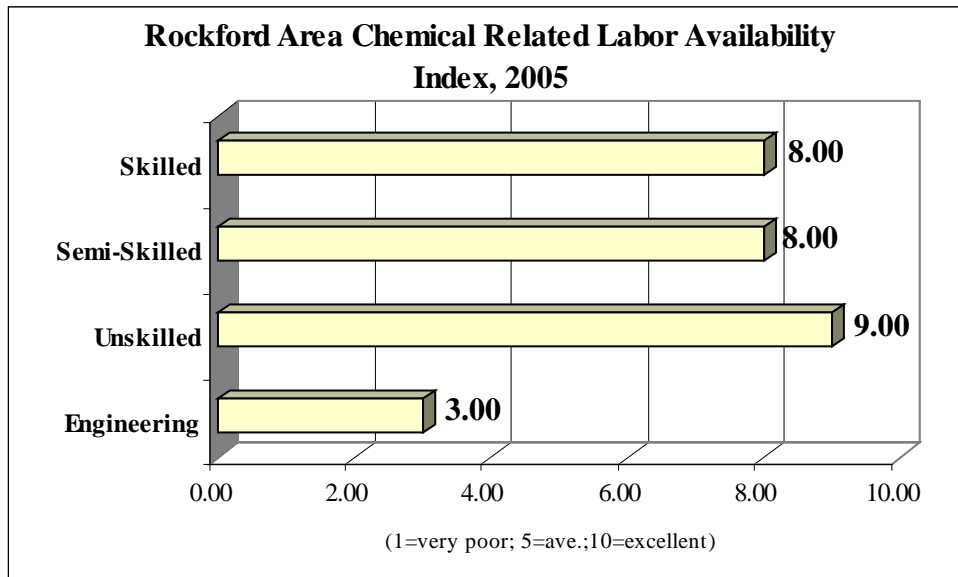
- All industrial machinery worker availability is rates above average to good.



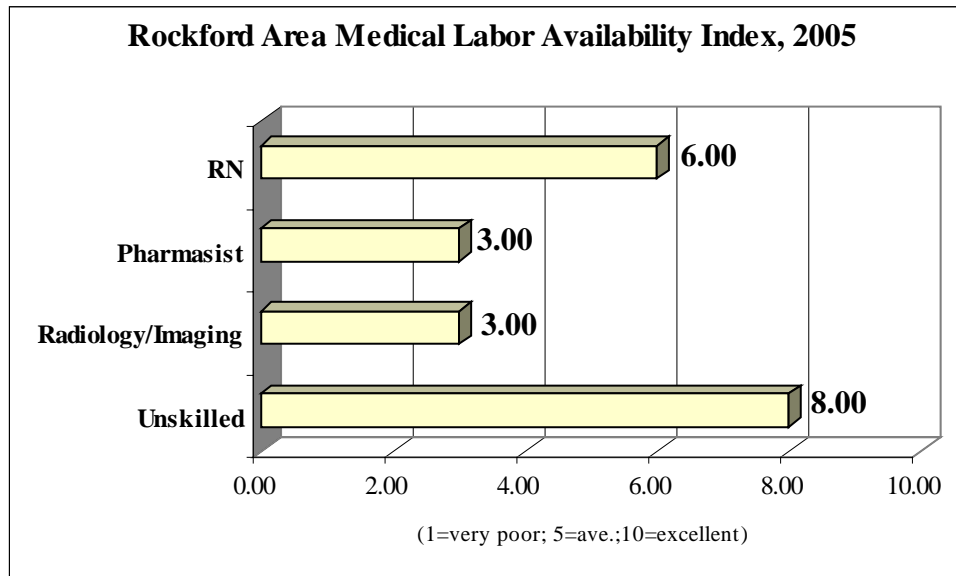
- All back office/center labor has above average to good availability except sales positions which are only average.



- Engineers are difficult to find in the chemical/pharmaceutical area.



- Radiologists and radiology/imaging personnel are hard to find; RN availability has improved.



There is a substantial workforce within a 30-mile radius (30 minutes). Existing employers tell us that 82% of workers live within 15 miles of their work.

Employers tell us:

- *A little tougher now to find techs and machine operators.*
- *High demand for engineers.*
- *Hiring now for Technical Engineers and field service techs ...our engineering is all consolidated here.*
- *Manufacturing engineers/designers love Rockford, it's a manufacturing center.*
- *Never had trouble hiring skilled workers.*
- *No problem hiring salesmen, they are in the territory.*
- *Not difficult to get engineers to Rockford, good availability currently.*
- *Pool is out there if you pay right...*
- *Quite a few skilled machine tool assemblers out there.*
- *Skilled market is very tight.*
- *Toughest job to fill is metal fabricators- also continuously hiring welders*
- *Unskilled availability is good...never had any trouble.*
- *We've had good success hiring engineers, market is good.*
- *Workforce is being shaken up a bit...Proof that good qualified workers are out there.*

Summary Findings

- Overall labor availability is good.
- Unlike many places, engineering talent is plentiful. Rockford is becoming a manufacturer's engineering center.
- Some skilled positions are difficult to fill, particularly technicians, fabricators and welders
- Unskilled availability is good.
- Semi and clerical are good.

Key Conclusions: *Engineers, particularly aerospace and machine related, are relatively plentiful and easy to recruit locally right now, with the exception of the chemical/pharmaceutical area. High demand in the future for engineers (particularly systems related) will require major training and recruiting efforts.*

Due to the engineering center environment, R&D operations, particularly in the aerospace and machinery areas, are well suited for Rockford. R&D product development leads to commercialization of products which in turn leads to material, component and equipment manufacturing.

Skilled workers such as transportation equipment and industrial machinery (particularly welders, CNC machinists and some other equipment operators) are tougher to recruit in this market. Unskilled labor is no problem to recruit.

Labor Quality

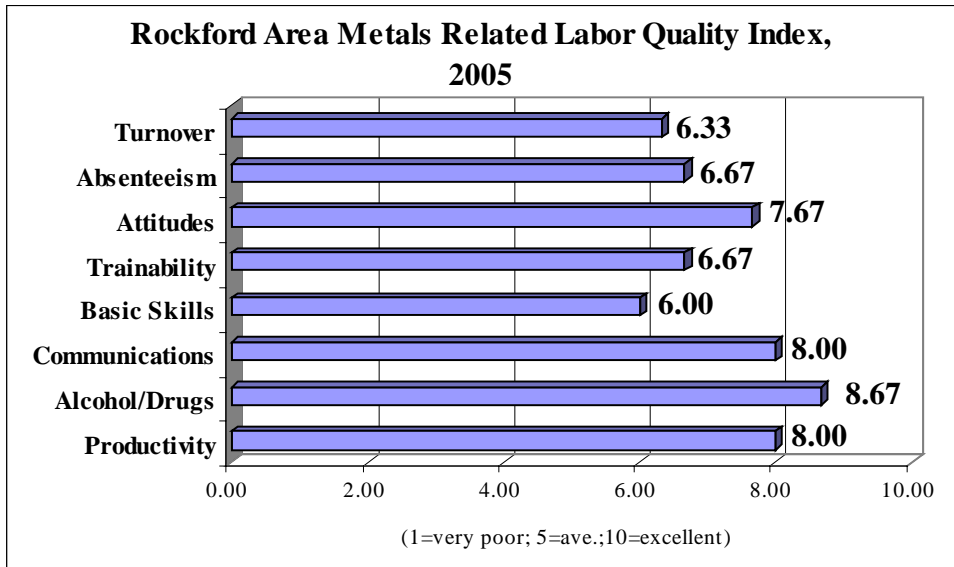
Strength

The ability to find quality workers will be critical to the success of any target company project. Through interviews with the local employers we were able to determine current labor quality in the Rockford Area market.

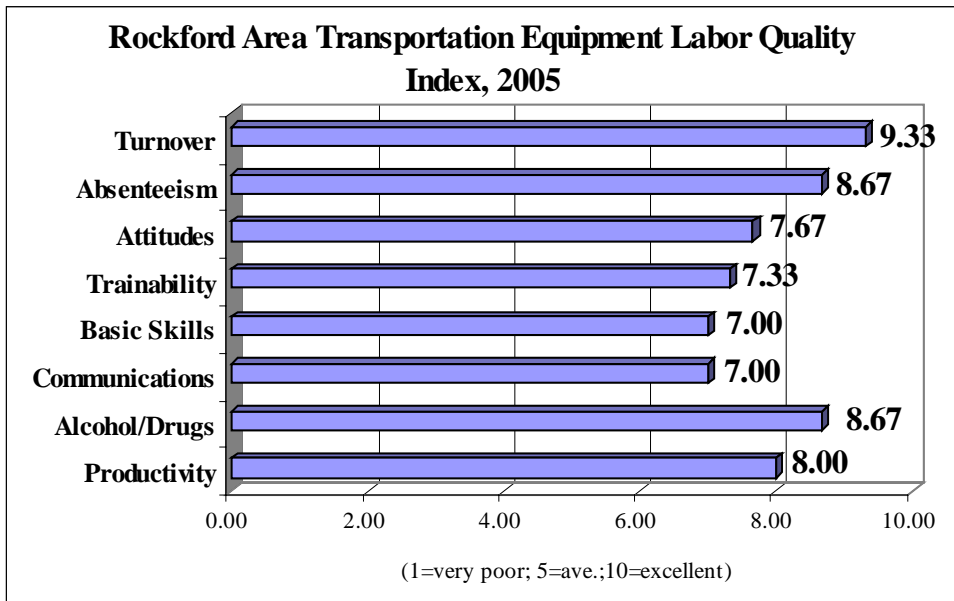
We use a *Quality Index*, which measures labor quality on a one to ten point scale (1= very poor; 5=average; and 10=excellent). We use the same index in all of our labor market analysis nation-wide and this gives a true “apples to apples” comparison of different communities. Generally, scores of 3 to 4 are “below average”, 5 to 6 are “high average”; 6 to 7 are “above average”; 7 to 8 are “good”; 8 to 9 are “very good” and 9 to 10 are excellent (see below).

The following are labor quality ratings by preliminary target sector:

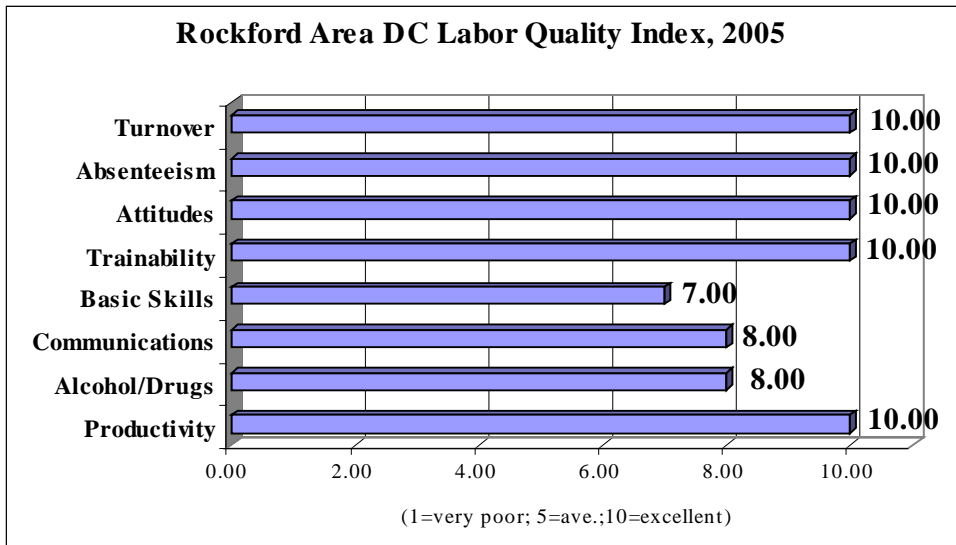
- All factors for metals companies were rated above average to very good.



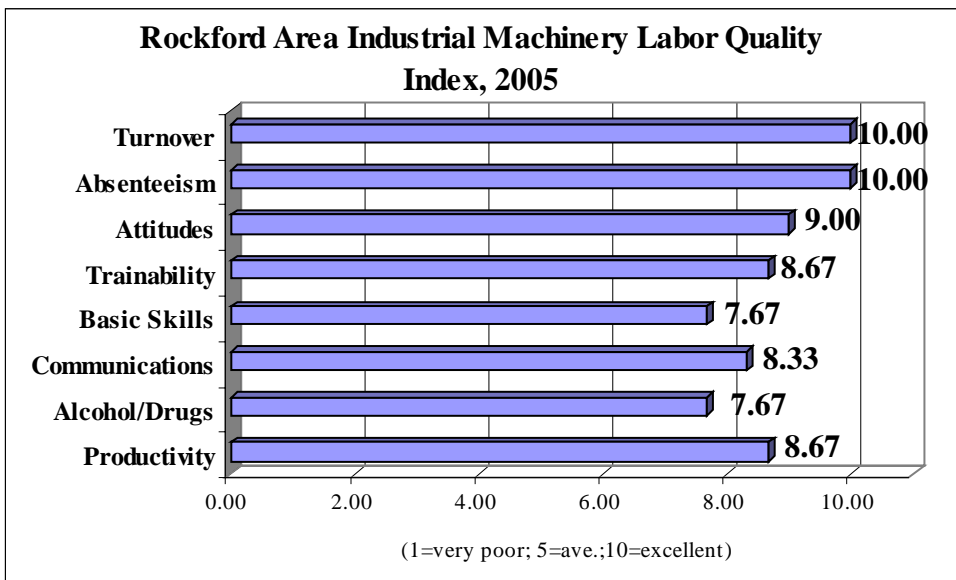
- All factors for transportation companies were rated good to excellent.



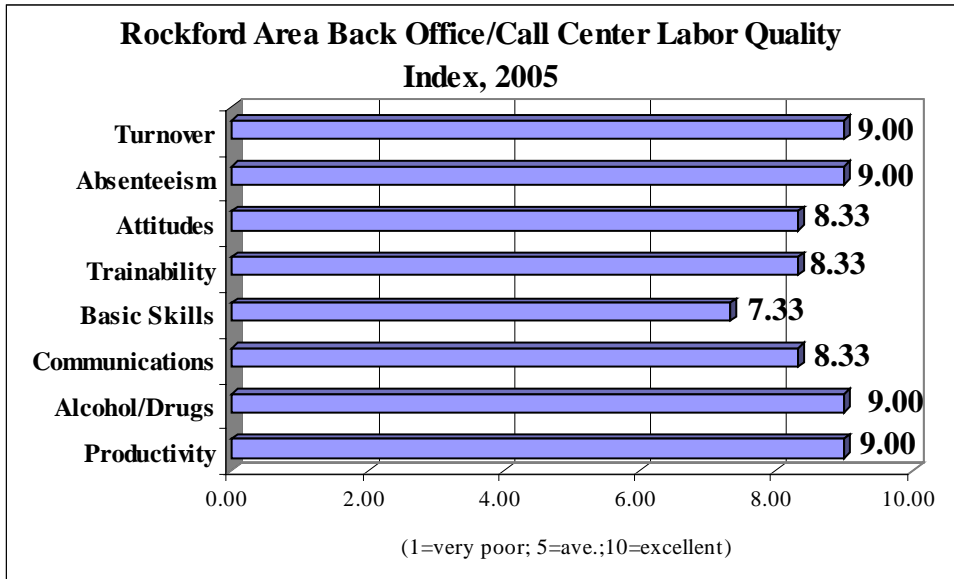
- DC labor quality is rated very high, all good to excellent.



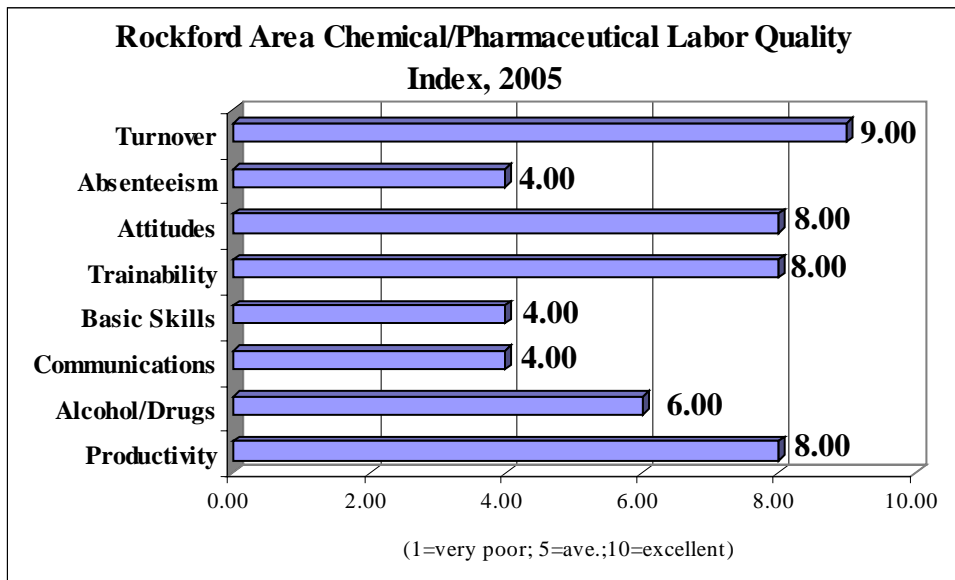
- All industrial machinery quality factors are rated good to excellent.



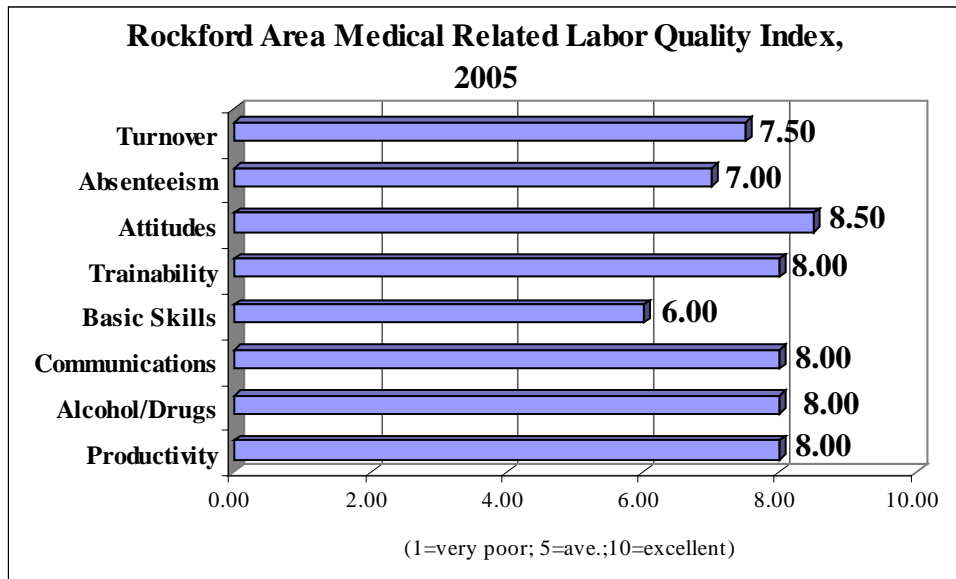
- All back office/call center quality factors are good to excellent.



- Some problems exist with absenteeism, basic skills and communications in the chemical sector.



- All medical quality factors are good to excellent, except basic skills.



Employers tell us about labor quality:

- *Access to machine shops helps us.*
- *Attitudes are suffering here due to business uncertainty.*
- *Due to better productivity, they closed the S. Carolina plant and kept the Rockford plant open.*
- *Entrepreneurial and forward thinking...*
- *Europe and China would die for our skills.*
- *Most workers are very flexible today and wear multiple hats.*
- *No longer a union problem in Rockford.*
- *No pressure to unionize.*
- *Our products can compete anywhere in the world.*
- *Pressure from Asia is more intense in the last 6-12 months.*
- *Productivity is pretty high...*
- *Still great skills here...tool & die, job shops, machining, and heat treating...best in the world.*
- *Still over 1000 manufacturers here...*
- *They like to work hard.*
- *Tremendous workforce – trainability, teachability.*
- *We bring in young people and train them. Skills sets are here and are very good.*
- *Willingness to work hard among the Hispanics.*
- *Workforce is made for manufacturers.*

Summary Findings

- Overall manufacturing quality is among the best in the country, and in some cases the world.
- Machine tool, aerospace and related engineering skills here are among the highest in the world.
- Machine tool, aerospace and related productivity is among the best in the world.
- Labor/management relations are good and Rockford's "age-old" poor labor image no longer holds true.

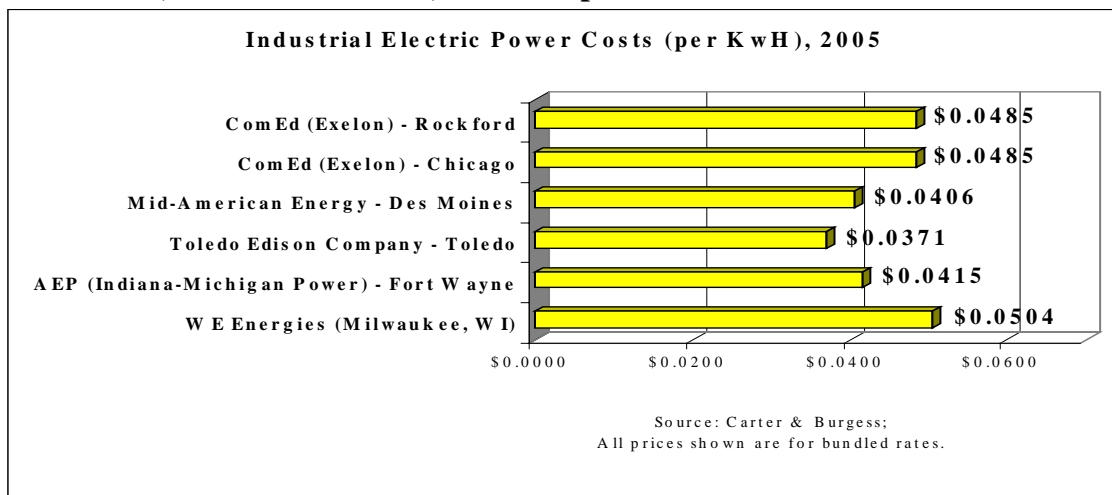
Key Conclusion: *Target prospects will be very satisfied with labor quality issues in the Rockford Area, particularly machine tool and aerospace related.*

Electric Power

Strengths & Weaknesses

Electric power costs and reliability are critical site selection factors in all projects. ComEd (Exelon) serves the majority of the region.

- **The Rockford Area (and Chicago) has the second highest industrial electric rates, behind Milwaukee, of all comparison cities.**



Key Conclusion: *Local employers are generally satisfied with ComEd (Exelon) electric power services, but some are concerned about reliability and cost.*

Sites

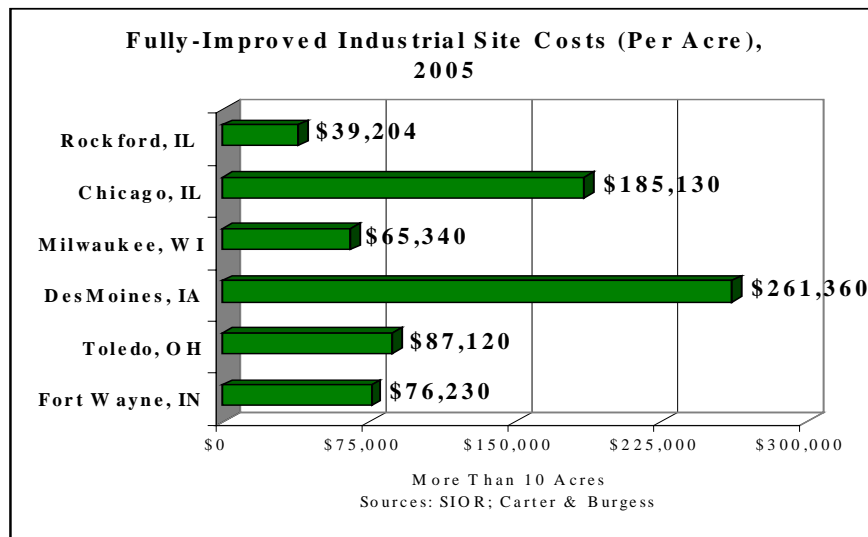
Strengths & Weaknesses

Good product (sites and buildings) must be available in order to attract economic development. There are a number of attractive parks and sites in the Rockford market.

- **However, there is a lack of fully-improved large sites (over 100 acres) in the area.**

Three of the best current industrial sites/parks in our opinion are:

1. **The Rockford Airport.** The capabilities and potentials are fantastic:
 - a. multi-modal (air, rail and highway)
 - b. Aerospace manufacturing/engineering/R&D
 - c. Air freight/distribution.
 2. **Roscoe Commons (Roscoe).** This area, if protected for industrial, offers excellent interstate access, and is the closest to the Wisconsin border.
 3. **Rock Valley Business Center (Loves Park).** Although limited by size and residential encroachment for larger uses, this site offers excellent interstate access.
- **Local land prices are the lowest of all competitors.**



Key Conclusion: *The Rockford Area needs to identify and develop new fully improved industrial tracts with large sites (over 100 acres; some with rail), especially to compete with Wisconsin competitors that are offering subsidized site options.*

The best opportunities are:

- 1) **Rockford Airport area.** Boundless potential if the area can be protected against residential and commercial encroachment.
- 2) **Area south of the airport/west of I-39.** Good interstate and rail accessible area with the potential for large (100 acre +) sites, if the area can be protected against residential and commercial encroachment.
- 3) **Area west of Meridian Road near U.S. 20.** Good highway accessible area with the potential for large (100 acre +) sites.

Industrial Buildings

Strengths & Weaknesses

Two out of three site searches begin with a building search. However, the majority of lookers still end up building a building since it turns out that the existing spaces don't work. Therefore, having good fully improved buildings and sites available is critical.

Rockford Area has a number of industrial buildings on the market currently, however, most are older former manufacturing facilities. One exception is the modern 52,000 square foot Sundstrand facility. Some buildings in the Kishwaukee neighborhood can be leased or purchased for very favorable prices (leases in \$2.00 per square foot range).

Many communities have addressed their building void through a speculative ("spec") building program. An available "spec" building will keep them in many more searches. Generally parameters include: 30,000-40,000 square feet; 20' to 30' clear span height; overhead /dock doors; no floor (install after client determines) and unfinished office of 10%.

Key Conclusion: *The lack of a significant number of modern industrial buildings will eliminate Rockford from some searches.*

Incentives

Strengths & Weaknesses

Economic development incentives are usually not a top location criteria. However, they are critical when a company is down to a few finalist communities and everything else is equal. They are often the "hidden" criteria, so be aware of your prospects needs early on.

We feel today the most important incentives are (in order of priority):

- Training related – with flexibility.
- Tax credits tied to job creation and other property tax relief⁷.
- Site infrastructure assistance
- Building/site financing
- Project financing.

Rockford Area is limited in their ability to offer large financial incentives. However, you do have some attractive programs:

- Illinois Enterprise Zone (and related such as EDGE and TIF) – All potential industrial areas are included. Zones offer tax abatement, investment tax credits, reduced permit fees, low interest financing, etc.
- Infrastructure Assistance – County and/or city has ability to assist with improvements for select projects.
- Winnebago County tax abatement – up to 10 years

⁷ Be Aware! Recent 6th Circuit Court (based in Ohio) case has ruled that tax credits are unconstitutional (Cuno vs. Daimler Chrysler). Other states are likely to follow.

- Foreign Trade Zone #176 at the Greater Rockford Airport
- Training Funds – Employer Training Investment Program (ETIP) and related through DCEO and WIB are available to many Illinois deals.

Key Conclusion: *The Rockford Area will need to be aggressive in order to compete, especially with Wisconsin competitors. Reduced price or free land would be a very visible sign that you are serious about doing deals.*

Education/Training

Strengths and Weaknesses

Education is the key to the future work force an area. Local businesses rate Rockford College (4-year) and Rock Valley College (2-year community) highly, but have some concerns regarding Rockford secondary schools (see ratings under Cost of Living/Quality of Life below).

Rock Valley College offers many disciplines that target industries will benefit from including:

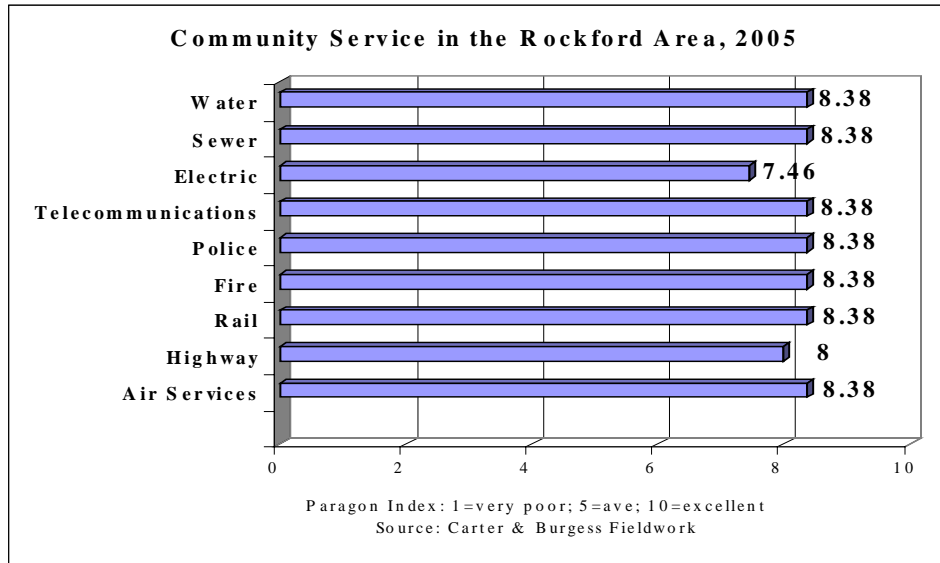
- Certified Manufacturing Tech program covering CNC machining, welding and related training starting at the 8th grade level.
- Supply chain management.
- Certified warehouse program covering fork lift, truck driving and related training
- “Boot camp” internship program covering such as areas as OSHA, blueprint reading and work ethics.

Key Conclusion: *Rockford colleges will be a tremendous asset to new companies looking to jump-start a new work force. But area businesses have concerns about the quality of Rockford public secondary schools.*

Community Services

Strengths

Community services (water, sanitary sewer, police, fire, air service, etc.) are all essential to the attraction/expansion of a target industry project. During interviews we asked corporate officials to rate a series of local services.



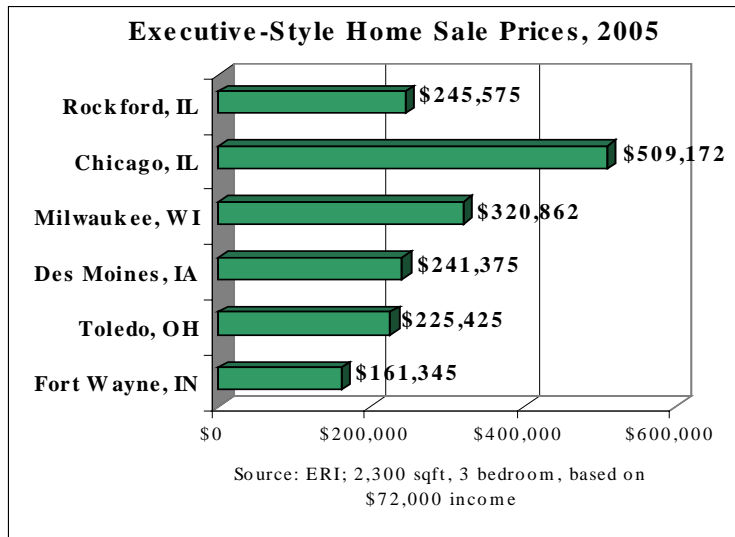
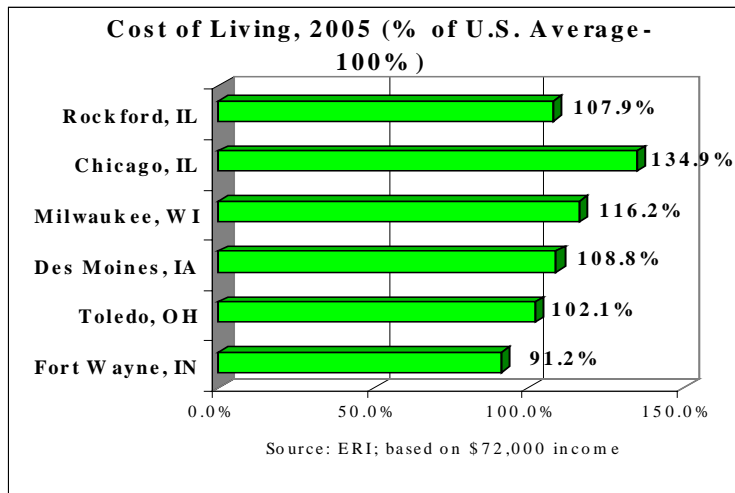
Key Conclusion: Rockford Area companies rate all services as good to very good.

Cost of Living/Quality of Life

Strengths & Weaknesses

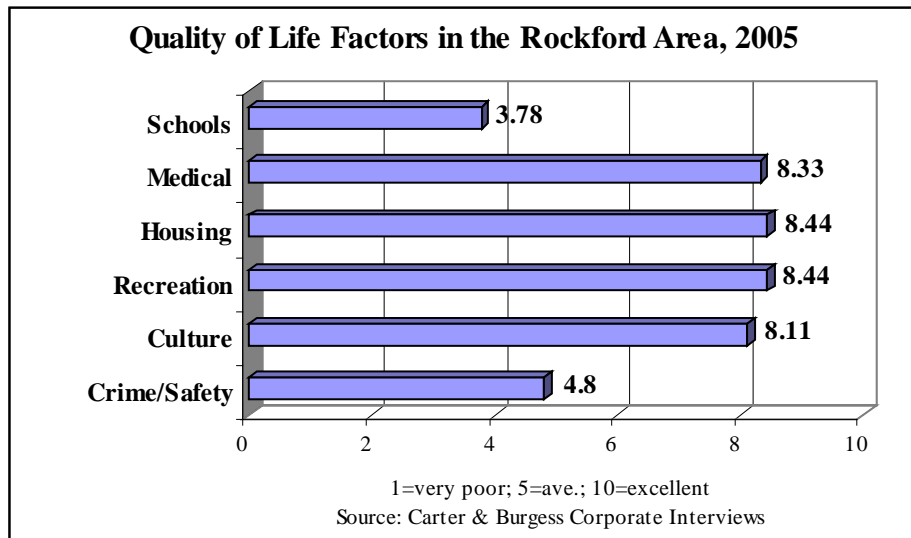
Cost of living⁸ and quality of life aspects (recreation, schools, shopping & culture) are important to relocating managers. If managers refuse to take the move, the new project could be in jeopardy.

- **The Rockford Area cost of living is lower than Chicago, Milwaukee and Des Moines.**



⁸ All data comes from our ERI Relocation Assessor database. Cost of living items include: consumables, transportation, health services, housing/utilities/property taxes and miscellaneous items.

- **Most quality of life factors are positive, but there are negative feelings regarding schools (city only) and crime/safety.**



The following are important quotes from the corporate interviews:

- *Crime is more perception than reality.*
- *Fantastic medical services; wonderful housing market; best parks in the country – schools are improving.*
- *Good place for others to select.*
- *Location has not stopped us from attracting workers... Rockford is a great place to live.*
- *Rockford is a better place than you might think...Don't get turned off too quickly.*
- *Rockford is a great place to live.*
- *The quality of life is a lot better than people give it credit for.*
- *We had tremendous amount of support from City when we were considering moving.*
- *We've had good relocation experience; low cost of living; one-hour from O'Hare.*

Key Conclusion: *Relocation of corporate employees should be a relatively “easy sell” when you combine competitive prices and the good quality of life offered in the Rockford Area. However, school and crime issues will dictate neighborhood preferences.*

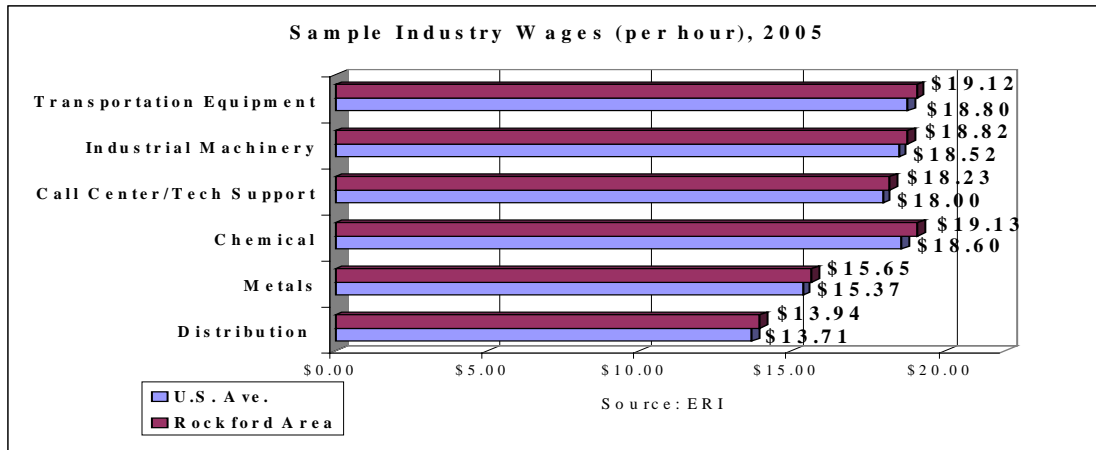
Preliminary Target Impacts

Strengths

Using our wage data source and our location/expansion data (2nd Quarter, 2004-3rd Quarter 2005) we calculated possible economic impacts by preliminary target.

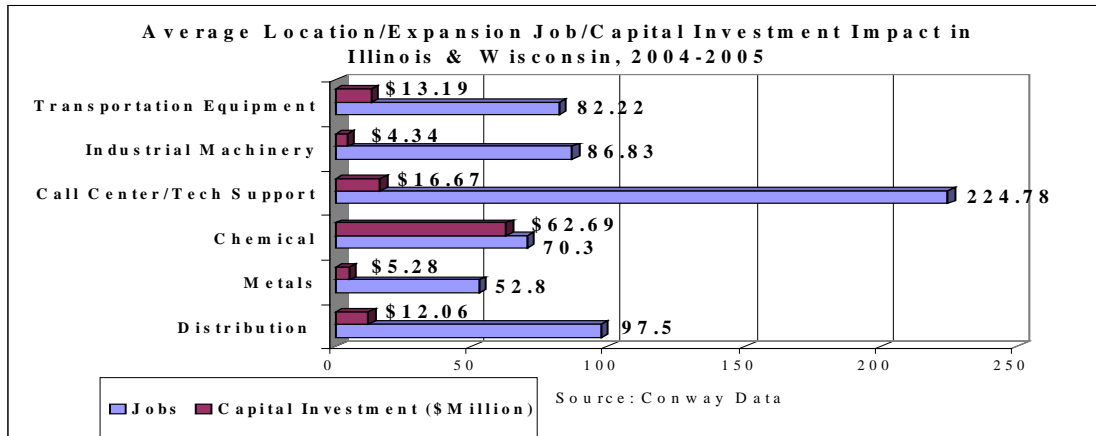
Wage Impact

All preliminary targets offer good wage impacts. As depicted below, transportation equipment (autos) and chemicals tend to offer the highest wages and distribution the lowest. Call center/tech support will vary widely depending on the type of operation (high end tech support versus customer service).



Job and Capital Investment Impact

Different target sector projects produced different job and capital investment impacts in Illinois and Wisconsin. Call Center/Tech support projects produced the largest job impacts due to the labor intensive nature of the function. Chemical projects produced the largest capital investment due to the large number of ethanol projects. Transportation equipment, distribution and industrial machinery all produced nice impacts overall.



Key Conclusion: Most preliminary targets offer solid economic impacts.

Rockford Area’s Strengths & Weaknesses Versus Preliminary Target Needs

We next assessed Rockford Area’s strengths and weaknesses versus preliminary target needs.

<i>Rockford Area Strength</i>	<i>Rockford Area Weakness</i>
<p>Warehouse/Distribution</p> <ul style="list-style-type: none"> • I-90/I-39/U.S. 20 access • Access to Midwest markets • Improved smaller sites (25-50 acre) with rail • Labor availability • Labor quality • Good labor/management relations • No state inventory tax • Large regional location activity • Good job impact 	<ul style="list-style-type: none"> • Large (100+ acre) sites with rail • Labor costs • Electric power rates • Low wage impact
<p>Metals Manufacturing</p> <ul style="list-style-type: none"> • Labor availability • Engineering talent • Market access • Potential sites with rail • Low cost existing buildings • Supplier access • Enterprise Zone/Incentives • Good labor/management relations • Large regional location activity 	<ul style="list-style-type: none"> • Some skilled labor availability • Labor costs • Electric power rates • Larger sites with rail • Lower job/capital investment impact
<p>Chemical Manufacturing</p> <ul style="list-style-type: none"> • Access to raw materials • Highway access • Industrial sites with rail • Water and sanitary sewer capacity • Labor availability • Good capital investment impact 	<ul style="list-style-type: none"> • Electric power costs • Labor costs • Engineer availability • Some labor quality • Low regional location activity for pharmaceuticals/biotech

<i>Rockford Area Strength</i>	<i>Rockford Area Weakness</i>
<p>Auto Parts Manufacturing</p> <ul style="list-style-type: none"> • Market access • Distance to auto plants • Labor availability, especially skilled and engineering • Labor quality • Incentives • Regional suppliers • Good labor/management relations • Large regional location activity • Good job and wage impact 	<ul style="list-style-type: none"> • Labor costs • Electric power rates • Larger sites with rail
<p>Aerospace R&D</p> <ul style="list-style-type: none"> • Access to aerospace engineering and other technical talent • Other aerospace R&D operations in the region • Training and higher education access • High quality of life and culture • Access to an airport sites/buildings for testing and prototyping • Commercial air service (O’Hare) 	<ul style="list-style-type: none"> • Access to a major research university
<p>Industrial Machinery</p> <ul style="list-style-type: none"> • Labor availability, especially skilled and engineering • Labor quality • Market access • Training opportunities • Regional suppliers • Good labor/management relations • Large regional location activity • Good job and wage impact 	<ul style="list-style-type: none"> • Labor costs • Electric power rates • Larger sites with rail
<p>Back Office/Call Centers</p> <ul style="list-style-type: none"> • Labor availability • Labor quality • Telecommunications • Training incentives • Existing Class B buildings • Access to O’Hare air service • Large regional location activity • High wage/job/capital impact 	<ul style="list-style-type: none"> • Labor costs • Electric power rates • Presence of other operations

<i>Rockford Area Strength</i>	<i>Rockford Area Weakness</i>	
<p>Food Processing</p> <ul style="list-style-type: none"> • Access to raw materials • Labor availability • Market access • Excess water & sewer capacity • Incentives • Highway access • Good labor/management relations • Large regional location activity 	<ul style="list-style-type: none"> • Labor costs • Electric power rates • Larger sites with rail 	

PHASE III: THE “BEST FIT” TARGET INDUSTRIES

We identified the “best fit” targets for Rockford Area (by priority) based on the Phase II analysis.

1. **Transportation equipment manufacturing and R&D**
 - a. Aerospace
 - Systems integration related
 - Those that must maintain domestic operations due to national security.
 - b. “On & off road” vehicle suppliers
 - c. R&D engineering
2. **Industrial machinery manufacturing and R&D**
 - a. Machine tools
 - b. Food processing equipment
 - c. Medical equipment
 - d. R&D engineering
3. **Warehouse/distribution (DC)**
 - a. Retailers
 - b. Pharmaceuticals and medical
 - c. 3rd party providers
4. **Back Office/Call Centers**
 - a. Medical
 - b. Insurance
 - c. Banking
 - d. Tech support
5. **Metals manufacturing and R&D**
 - a. Aerospace
 - b. “On & off road” vehicle suppliers
 - c. Industrial machinery
 - d. R&D engineering
6. **Food processing**
7. **Chemicals manufacturing** (pharmaceuticals, ethanol and related)
8. **Plastics manufacturers**, especially “on & off road” vehicles, medical and aerospace related.

PHASE IV: RECOMMENDATIONS

The following are initial economic development recommendations for the EDC.

Target Industry Marketing

- **Aggressively pursue the top three (3) targets.**
 - **Aerospace Production and R&D** – focus direct marketing to companies that are active in engineering hiring in higher-priced regions, such as: Chicago, Southern California, Minneapolis and Seattle.
 - **Industrial Machinery Manufacturers and R&D** - focus direct marketing to companies in higher-priced Midwest centers, such as: Chicago, Milwaukee, Minneapolis and St. Louis.
 - **Distribution Centers (DC)** – focus on corporate and third-party providers, including retail, pharmaceutical and auto parts companies. Pay special attention to those needing world-wide air cargo capabilities.
- **Develop a detailed marketing plan for the top three targets.** Plan elements should include:
 - ***Important: Economic tele-development (direct mail, telemarketing and direct calls) into select markets.***
 - ***Important: Cost comparison reports (and logistics model for DC) for each target promoting strengths*** such as labor/wages, transportation/logistics, education/training, infrastructure, electric power, incentives, and quality of life/cost of living.
 - **Building research files**
 - **Cooperative (with DCEO and/or other communities) trade show/prospecting trip attendance (i.e. I-39 Corridor)**
 - **Improved economic development profile and web-site development.**

Labor Related

- **Conduct a more detailed labor analysis, which includes an underemployment/commuting patterns study, designed to document potentially available skills in the work force.**
- **Encourage Rock Valley College, the WIB, high school vocational officials and other training providers to focus skill training support on areas that will fulfill the most critical identified local needs:**

- Systems engineers
 - CNC Machine Techs
 - Machining/Fabricating
 - Maintenance
 - Math/Blue Print Reading/Measuring/Design
 - Sales
 - Welding/Soldering
 - Medical (RN, pharmacists, radiology/imaging, etc.)
- **Encourage skill training support toward select soft/ “life style” skills, which will help existing business and future targets:**
 - Communications
 - Language (English & Spanish)
 - Safety
 - Understanding business principles
 - Work ethic.
 - **Support cooperative recruitment (including web-based) efforts among local businesses, particularly for engineers.**
 - **Support the expansion of the Basic Manufacturing Skills “Boot Camp” at Rock Valley College.**
 - **Explore the feasibility of instituting a National Institute of Metalworking Skills (NIMS) training program.** NIMS has developed special curriculum designed to provide the latest in machining skills training. The NIMS process is being instituted in a number of communities where severe skill shortages are occurring. Check their web site: www.nims-skills.org.
 - **Encourage the creation and/or enhancement of internship opportunities involving local businesses, high schools and colleges.** An area-wide “interns for industry” program should include:
 - Job shadowing
 - Exposing educators to the work place
 - Advertising real work elements (i.e. machine trades) to parents.
 - **Utilize this report to educate regional business interests regarding the “best fit” target industries and their location and skill needs.**

Sites/Buildings

- **Conduct a site selection analysis to identify the best potential large sites (100+) and potential park sites.**
- **Conduct a “spec” building study to determine the best type and location.**

Incentives

- **Conduct an incentives analysis comparing the Rockford area to your competitors.** Identify new programs that can offset higher labor and electric power costs.

For More Information Regarding This Report, Please Contact:

Mr. Deane C. Foote
Senior Project Manager
Carter & Burgess, Inc.
(602) 650-4982
deane.footedc@c-b.com

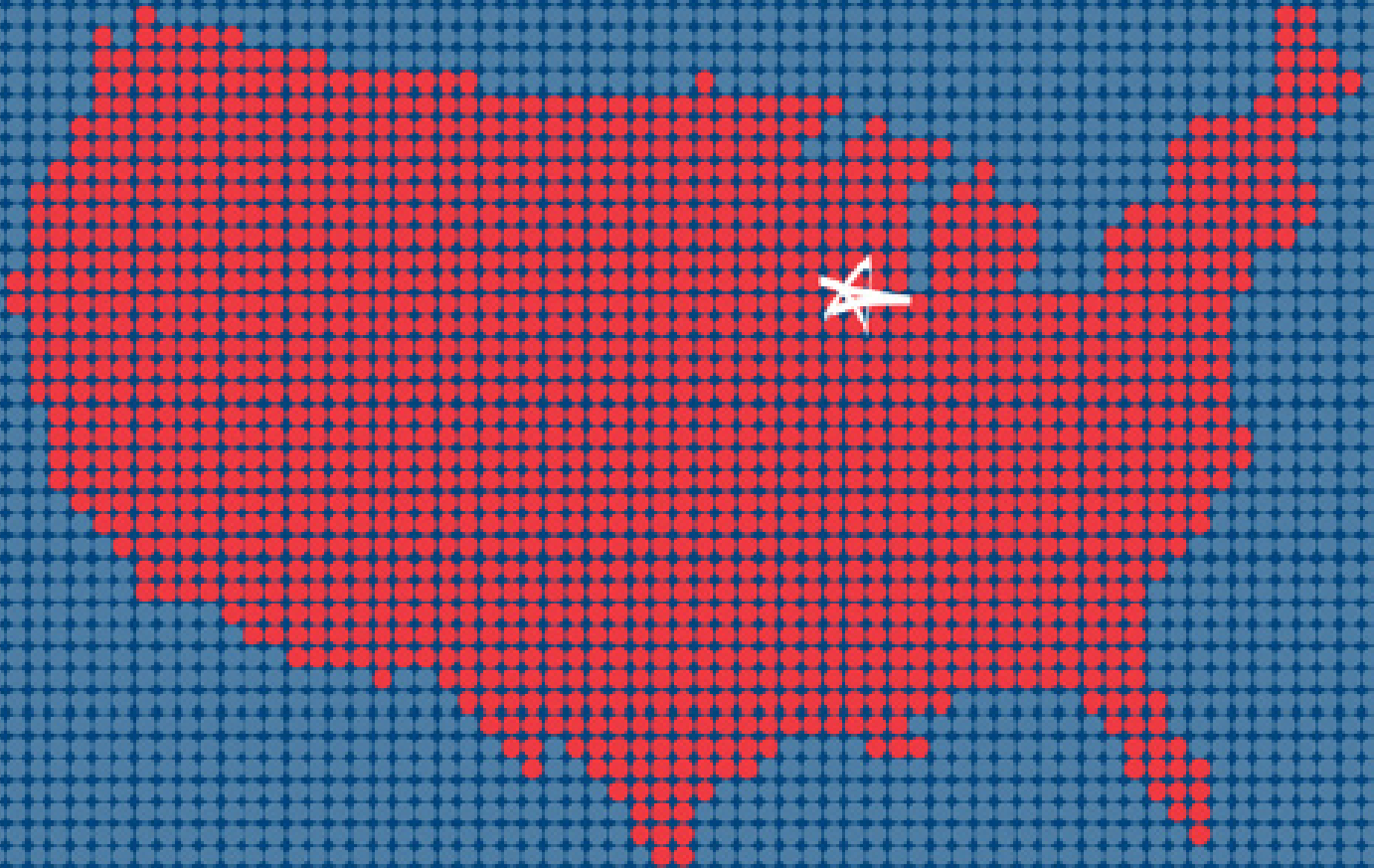
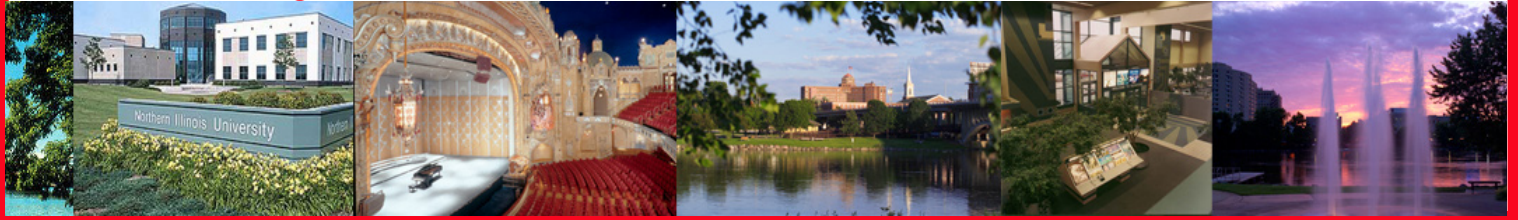
Appendix A

Interviewed Companies/Organizations

Fifth Third Bank
AMCORE Financial
Anderson Packaging
Behr Iron and Steel
City of Rockford Department of Community Development
Dial Machine
Eclipse
Estwing
First Rockford Group
Furst Group
Growth Dimensions
Hamilton Sundstrand
Liebovich Brothers
MegaFab
Pierce Box & Paper
Rapid Granulator
Rock County, WI Economic Development
Rock Valley College
Rockford Area Economic Development Council
Rockford Health System
Rockford Products
Smith's Aerospace
St. Anthony Medical Center
UPS
William Charles Investments
William-Manny
Winnebago County Economic Development
Woodward
Workforce Investment Board

Targeted Industry Analysis

Prepared by Carter Burgess
February, 2006



Rockford

ILLINOIS  USA

ROCKFORD AREA ECONOMIC DEVELOPMENT COUNCIL

Targeted Industry Analysis

Carter Burgess, a major national site selection and architectural/engineering firm, was commissioned by the Rockford Area Economic Development Council (RAEDC) to conduct a targeted industry analysis of the Winnebago/Boone counties area of northern Illinois, an area with a laborshed population of approximately 800,00 and a labor force of over 434,000. Methodology included regional site location and an input-output analysis. The Rockford area was benchmarked against several competitor cities, including: Chicago, IL; Des Moines, IA; Fort Wayne, IN; Milwaukee, WI; and Toledo, OH.

The study identified key site selection criteria prevalent in all targets:

- Access to markets
- Transportation Costs
- Labor costs
- Labor availability & Quality
- Electric power
- Sites and buildings
- Incentives
- Education/Training
- Community Services
- Cost of Living/Quality of Life

The outcome identified the “best fit” targets for the Rockford Area:

- **Transportation Equipment Manufacturing and R&D**
Aerospace
“On & off-road” vehicle suppliers
R&D Engineering
- **Industrial Machinery Manufacturing and R&D**
Machine Tools
Food Processing Equipment
Medical Equipment
R&D Engineering
- **Warehouse/Distribution**
Retailers
Pharmaceuticals and medical
3rd party providers
- **Back Office/Call Centers**
Medical
Insurance
Banking
Tech support
- **Metals Manufacturing and R&D**
Aerospace
“On and Off-road” vehicle suppliers
Industrial Machinery
R&D Engineering
- **Food Processing**
- **Chemicals Manufacturing** (pharmaceuticals, ethanol and related)

Based on the assessment, the Rockford Area possesses these Key Economic Development Strengths for our targeted industries

AUTO PARTS MANUFACTURING

- Good access to markets
- Distance to auto plants
- Good labor availability, especially skilled labor and engineering talent
- Good labor quality
- Incentives
- Good regional suppliers
- Good labor/management relations
- Large regional location activity
- Good job and wage impact

AEROSPACE R&D

- Good access to aerospace engineering and other technical talent
- Presence of other aerospace R&D operations in the region
- Training and higher education access
- High quality of life and culture
- Access to an airport sites/buildings for testing and prototyping
- Available commercial air service (O'Hare International Airport, Chicago)

WAREHOUSE/DISTRIBUTION

- I-90/I-39/U.S. 20 access
- Access to Midwest markets
- Improved smaller sites (25-50 acres) with rail
- Good labor availability
- Good Labor Quality
- Good labor/management relations
- No state inventory tax
- Large regional location activity
- Good job impact

CHEMICAL MANUFACTURING

- Good access to raw materials
- Good highway access
- Available industrial sites with rail
- Good water and sanitary sewer capacity
- Good labor availability
- Good capital investment impact

INDUSTRIAL MACHINERY

- Good labor availability, especially skilled and engineering
- Good labor quality
- Good access to markets
- Many training opportunities
- Regional suppliers
- Good labor/management relations
- Large regional location activity
- Good job and wage impact

BACK OFFICE/CALL CENTERS

- Good labor availability
- Good labor quality
- Good telecommunications infrastructure
- Training incentives
- Existing Class B buildings
- Access to O'Hare air service
- Large regional location activity
- High wage/job/capital impact

FOOD PROCESSING

- Good access to raw materials
- Good labor availability
- Good market access
- Excess water & sewer capability
- Incentives
- Good highway access
- Good labor/management relations
- Large regional location activity

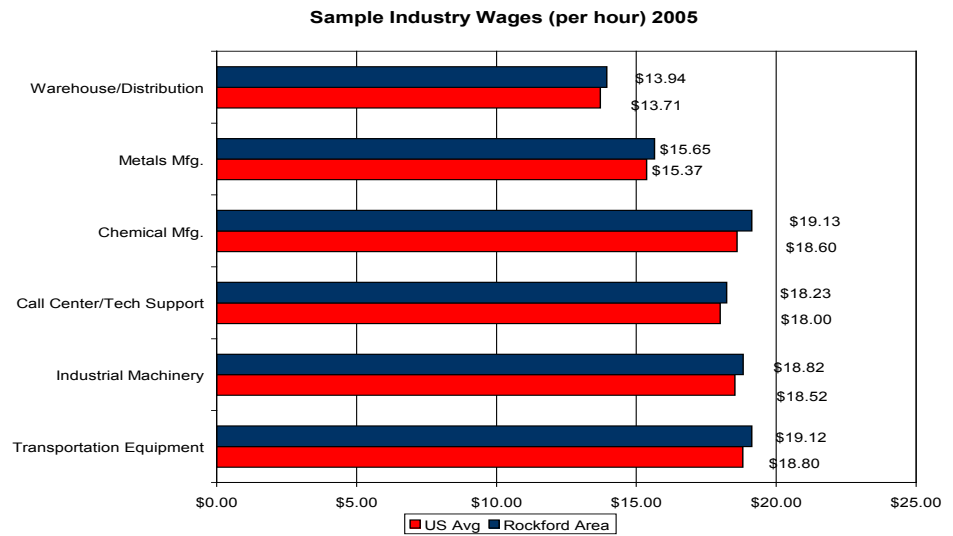
METALS MANUFACTURING

- Good labor availability
- Plentiful engineering talent
- Good access to markets
- Many potential sites with rail
- Low-cost existing buildings
- Access to suppliers
- Enterprise Zone/incentives available
- Good labor/management relations
- Large regional location activity

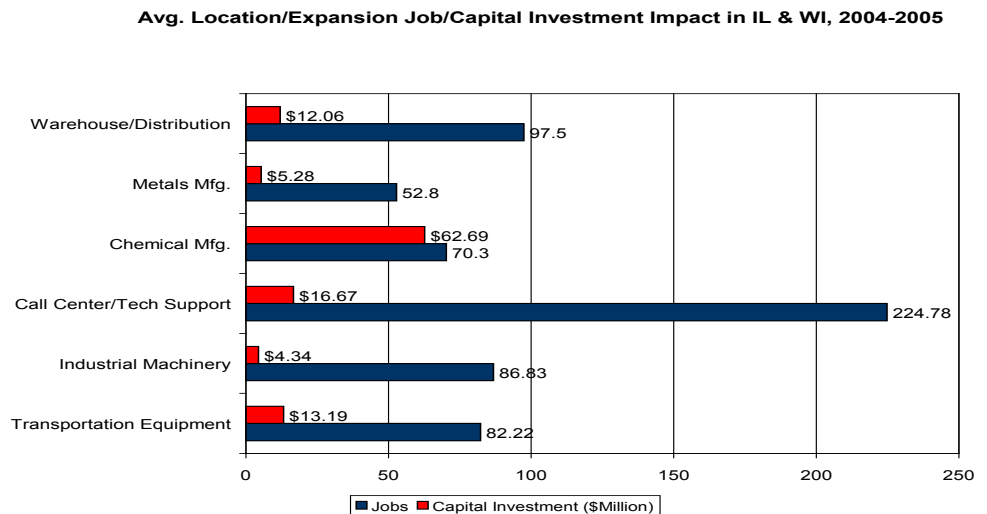
Targeted Industries offer solid economic impacts

Using wage data and location/expansion data, possible economic impacts were calculated by target.

WAGE IMPACT



JOB AND CAPITAL INVESTMENT IMPACT



KEY CONCLUSIONS

- The Rockford Area is an obvious distribution center location.
- By locating in the Rockford Area, target employers can save at least 6% over Chicago and 4% over Milwaukee
- Engineers, particularly aerospace and machine related, are relatively plentiful and easy to recruit locally.
- Due to the engineering center environment, R&D operations, particularly in the aerospace and machinery areas, are well suited for the Rockford Area.
- Target prospects will be very satisfied with labor quality issues in the Rockford Area.
- Rockford colleges will be a tremendous asset to new companies looking to jump-start a new work force.
- Relocation of corporate employees should be a relatively "easy sell" when you combine competitive prices and the good quality of life offered in the Rockford Area.