

FTZ#176

2020 ANNUAL REPORT

JULY 2021

Prepared for the Greater Rockford Airport Authority



By Zethmayr LLC



ZETHMAYR

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About the Greater Rockford Airport Authority

The Greater Rockford Airport Authority is one of the oldest airport authorities in the United States. Formed in 1946, the Authority has four jurisdictions that appoint a seven-member Board of Commissioners. 2006 marked the 60th anniversary of the Greater Rockford Airport Authority and 2007 marked the 20th anniversary of our Main Terminal. The Board of Commissioners is responsible for setting policies and ordinances governing the operations at RFD, which are carried out or enforced by a professional staff.

www.flyrfd.com

About Zethmayr LLC

Zethmayr is a location strategy firm that helps companies establish cost-optimized operations in the United States through providing site selection and incentive negotiation services. With 10 years of experience in state and regional economic development, the firm also helps regions apply for and administer programs to enhance cost-competitiveness. Zethmayr bridges market intelligence and location strategy, ensuring businesses establish operations in a location that optimizes their long-term operating costs, fits with their corporate strategy and values, and provides a mutually beneficial economic partnership with a community.

Zethmayr.com

About Foreign Trade Zone #176

The Greater Rockford Airport Authority (GRAA) received its Grant of Authority from the National Foreign Trade Zones Board to establish, operate and maintain a foreign-trade zone, establishing FTZ #176. In 2012, the GRAA received approval to re-organize its foreign-trade zone under the Alternative Site Framework (ASF), allowing companies in its 11-county service area to follow an expedited process to be approved as FTZ subzones and usage-driven sites. www.ftzrockford.com.

For more information

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EXECUTIVE SUMMARY

Despite the uncertainty throughout the global economy at the beginning of 2020, the year finished strong across many indicators for industrial and distribution sectors. One of the predominant impacts of the COVID-19 Pandemic has been an increase in lead times throughout the supply chain, and reduction of overall supply. Companies are seeing price increases and growing lead times to access product, while demand continues to grow. To mitigate this impact, companies are increasing inventory volumes. The foreign-trade zone can play an important role in deferring the tariff costs of those inventories and help stabilize supply chains.

Companies in the FTZ# 176 Service Area use the foreign-trade zone to benefit from inverted tariffs, improve cash flow, and realize other common foreign-trade zone benefits. In addition, there are several operators in FTZ #176 that specialize in FDA regulated products. The foreign-trade zone allows these companies to conduct research and development operations and provide specialty packaging for imported products that are pre-FDA approval. New interest in the foreign-trade zone is coming from companies that are seeking cash-flow benefits because increased tariffs are having an immense impact on cash.

Many 2020 indicators reflect growth in FTZ activity overall, however these are largely correlated to the 50% increase in total activated FTZ operators, rather than organic growth among FTZ operators; indicators reflected:

- 50% growth in total activated sites with the addition of Bergstrom, Inc., Leading Americas, Inc., and Staal & Plast; while many indicators reflected growth in FTZ activity overall, these are largely correlated to the increase in activated sites rather than organic growth among operators;
- Among legacy sites (the 6 activated prior to 2020), exports grew 11% while employment and total value of shipments both decreased among legacy sites; when adding the new sites, indicators grew across all metrics;
- Operators reported stalled sales in the first part of 2020, then experience resurgence in the 3rd and 4th Quarters; and
- Interest from new potential operators slowed at the end of 2020, with some potential operators putting activation on the back-burner due to COVID.

Consolidations across the nation are impacting local operations, as one of our operators, Energizer Holdings, Inc., will relocate its operation to a new facility in Indianapolis and will de-activate its FTZ in Dixon, IL in 2021. Other FTZ operators are growing due to the relocation of facilities from outside our region to consolidated operations within FTZ #176, so there is also positive job growth and activity benefiting our region from consolidations.

Section 301 and 232 tariffs continue to impact our foreign trade zone providers, although the impacts stabilized throughout 2020 compared to 2019, allowing for a more predictable environment.

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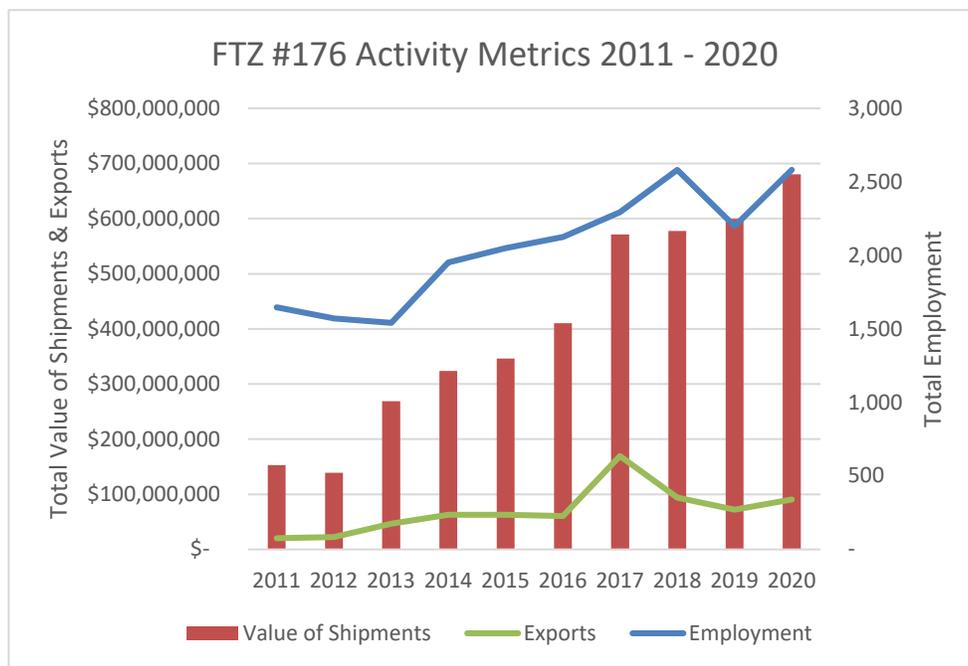
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ZONE ACTIVITY

As of December 31, 2020, FTZ #176 includes nine activated general-purpose zone (GPZ) sites and subzones:

1. Site #1a Packaging Coordinators, Inc., Rockford, Winnebago County
2. Site #15, Chicago Importing Company, Huntley, McHenry County
3. Site #16, Energizer Holdings, Inc, Dixon, Lee County
4. Site #17, Leading Americas, Inc., Hampshire, McHenry County
5. Site #18, Staal & Plast, Sycamore, DeKalb County
6. Subzone #176 E, UniCarriers Americas Corporation, Marengo, McHenry County
7. Subzone #176 F, Cellusuede Products, Inc., Rockford, Winnebago County
8. Subzone #176 G, Brake Parts, Inc., McHenry, McHenry County
9. Subzone #176 I, Bergstrom, Inc, Rockford, Winnebago County

In addition to the nine activated sites and subzones, FTZ#176 includes six approved (not activated) usage-driven sites and subzones. The below chart shows economic impact of activated FTZ sites from 2011 – 2020:



FTZ operators rebounded employment in 2020 and continued to grow the total value of shipments and exports. Industries represented by foreign-trade zone operators were resilient during the pandemic and positioned for continued growth in 2021. As demand for more efficient distribution solutions grows, companies that implement a foreign-trade zone strategy will be well positioned to lead the market.

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ZONE MARKETING

To increase awareness of the foreign-trade zone, we continue to update our website

(<https://ftzrockford.com/>) with new resources, success stories and information to enable companies in our 11-county service area to implement an FTZ strategy. In October 2020 we hosted the second FTZ #176 Annual Meeting, with a public presentation introducing FTZ #176 and featured a keynote presentation from Bob Hess, Vice Chairman of Global Corporate Services with Newmark. As a site selector with experience across the globe, Bob spoke to the state of Illinois' economic development strengths and weaknesses, as well as opportunities to leverage competitive advantages. The event featured a private meeting for regional economic development professionals with Bob Hess, to talk about regional strategy. Held virtually, the event had over 70 attendees representing regional manufacturing companies and economic development organizations.

Current operators expressed a desire for increased collaboration and sharing of best practices. To accomplish this, we are planning to do facility tours in Q3 and Q4 2021 if conditions allow. Operators have also volunteered to help develop programming for the 2021 annual meeting to feature presentations from current operators to share FTZ benefits and best practices.

ZONE EXPORT METRICS

International trade in the Rockford MSA has grown significantly compared to the national and Illinois averages. According to data available from the International Trade Administration, total exports from the Rockford MSA grew at an 8.8% CAGR between 2009 – 2019 (most recent available), while nationally exports grew at a 4.5% CAGR and Illinois exports grew at a 3.7% CAGR. Over the same period, Rockford MSA Exports increased from 3% of the State of Illinois exports to 4.9% of State of Illinois exports, making the Rockford MSA an increasingly important market within the State of Illinois for contributing to a diversified GDP.

Rockford continues to trend towards being a larger exporter compared to other MSAs nationally:

| Year | Rockford MSA Rank for Value of Total Exports of 406 MSAs |
|-------------|---|
| 2009 | 107 |
| 2010 | 114 |
| 2011 | 115 |
| 2012 | 100 |
| 2013 | 90 |
| 2014 | 92 |
| 2015 | 90 |
| 2016 | 91 |
| 2017 | 85 |
| 2018 | 82 |
| 2019 | 83 |

Source: U.S. Department of Commerce, International Trade Administration

The increasing rank nationally is a positive indicator of growing economic diversification and stability.

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In 2019, the largest value of exports from the Rockford MSA were:

| Product | 2019 Export Value | 2009 – 2019 CAGR |
|--|--------------------------|-------------------------|
| Total All Products | \$2,907,190,060 | 8.8% |
| NAICS 336: Transportation Equipment Manufacturing | \$687,619,068 | 10.0% |
| NAICS 325: Chemical Manufacturing | \$606,272,356 | DNA |
| NAICS 333: Machinery Manufacturing | \$500,311,522 | 4.2% |
| NAICS 335: Electrical Equipment; Appliance; and Component Manufacturing | \$464,536,867 | 8.6% |
| NAICS 332: Fabricated Metal Product Manufacturing | \$302,938,086 | DNA |

Source: U.S. Department of Commerce, International Trade Administration

CONCLUSION

As global supply chains continue to be impacted by tariffs and constraints on supply due to increased demand, the foreign-trade zone will continue to be an important tool for companies in Northern Illinois. An FTZ allows a company to plan cash flow, reduce and sometimes eliminate import tariffs, which becomes increasingly important as companies are holding more inventory to mitigate the impact of shortages.

Foreign-Trade Zone #176 is a resource to Northern Illinois and will continue to serve regional businesses to optimize their total cost of operations and increase competitiveness.