

Rockford Region Strategic Diversification Plan

EXECUTIVE SUMMARY

REGIONAL ASSETS

The Rockford region holds many assets that have helped it to successfully attract and grow industry clusters in the past and which are important to the future success of the region to support these industries. Several key assets of the region that make it an attractive destination include:

- **IH-39 corridor is one of hottest corridors in Midwest for industrial development**
- **EIGERLab's accelerator, incubator, and International Trade Center**
- **Three Enterprise Zones plus the Belle Valley Industrial Park (existing infrastructure)**
- **Small business growth from minority-owned firms (particularly Hispanic-owned businesses in Belvidere)**
- **High-quality community health care system**
- **Strong existing industry clusters: automotive; aerospace; industrial machinery; metals**
- **Existing Foreign Trade Zone and International Port of Entry**
- **Great geographical location with access to Chicago, Madison, and Milwaukee**
- **Rich manufacturing history with large, diverse machining and manufacturing sector already present**
- **Chicago-Rockford Airport: cargo air freight; no weather delays or closures; manages reverse logistics**
- **Deregulated electricity market**
- **Strong freight rail connectivity to other regions**
- **Major regional transportation infrastructure investments ongoing (IH-90, IL-2, IL-20)**

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OPPORTUNITIES AND CHALLENGES FACING THE REGION

Upon completion of the research and analysis associated with this study, a broad set of regional strengths and concerns were identified that continue to shape efforts to support and attract targeted industries in the Rockford region.

These issues served as a framework for the identification of goals and strategies that will help the region to grow and strengthen its economy and solidify its position as an emerging center for particular targeted industries. Among the challenges and opportunities that emerged throughout the course of analysis, several key issues were identified, including:

- **Relatively high property taxes**
- **Difficulty finding specific skill sets including aircraft-skilled machinists**
- **Real and/or perceived poor K-12 school system, particularly in the City of Rockford**
- **Limited /weak branding of the region**
- **Gaps in the entrepreneurial support system and limited local access to risk capital for start-ups**
- **Relatively small population of young professionals**
- **Business community has minimal ties to Chicago and other nearby regions, a major area of untapped opportunity**
- **Lack of collaboration among regional economic development partners**
- **Limited amount of shovel-ready sites, office building opportunities, and modern existing buildings for industrial or commercial users**
- **Rock River and downtown area are underutilized**
- **Decades of disinvestment in west and central Rockford**

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In order to assess and improve the current competitiveness of the Rockford region in the attraction and support of its targeted industries, a four-phase study was completed by AngelouEconomics over the course of several months. The purpose of this study was to identify opportunities created by national and international industry trends, to evaluate Rockford's attractiveness relative to other top destinations for its targeted industries, and to provide recommendations in support of regional efforts to diversify Rockford's economy.

The project team conducted an evaluation of the Rockford region's asset base of its targeted industries and assessed its competitiveness relative to four of the nation's growing locations (relative to each industry). This served as the foundation for the evaluation of the region's targeted industry cluster and its capacity to support future growth in these industries.

At the conclusion of the study, the project team found that although the Rockford region offers many of the assets desired by industry executives and site selectors, additional measures must be taken for the region to move to the top of the short-list of candidate communities considered for its targeted industries. The Rockford region was found lacking in the assets needed to build a strong Medical Equipment manufacturing cluster.

The Rockford region offers a solid foundation for the Aerospace & Defense and Aviation & Logistics industries and has experienced notable success in growing these industry clusters in recent years. With further growth and development of these clusters, the region may be in a position to build a stronger reputation as a national center for aerospace manufacturing and logistics operations. However, Rockford's success in doing so will be dependent upon its ability to build strong collaboration among regional partners and to demonstrate a firm commitment to the growth of these industries.

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THE COMPETITIVENESS OF THE ROCKFORD REGION IN TARGET INDUSTRY ATTRACTION

Any measure of “competitiveness” depends upon the measuring stick. As such, the competitiveness of Rockford with regard to the attraction and support of its targeted industries, differs in large part based on the communities with which one considers Rockford to be competing. To that end, the Rockford region was benchmarked against four communities per targeted industry based upon key location criteria that site selectors will generally consider when evaluating a potential location (location scorecard).

Rockford was benchmarked against the following four competitor regions for the **Aerospace & Defense** Industry: Wichita, KS; Dayton, OH; Ft. Wayne, IN; and, Chicago, IL. The Rockford region finished among the middle of the pack against some strong competitors. Rockford benefitted from having five major tier one aerospace supply companies calling the Rockford area home as well as a strong cluster of supply chain partners. However, the lack of a local pool of skilled/qualified workers has been an ongoing issue.

Rockford was benchmarked against the following four competitor regions for the **Aviation & Logistics** Industry: Memphis, TN; Louisville, KY, Peoria, IL; and, Chicago, IL. Sizing up against strong competition, the Rockford region again landed among the middle of the benchmarks. The region’s robust transportation system (composing of four Interstate highways, four class one railroads, and access to four international airports) provided strength to the region’s viability of this industry. However, it will have to adapt to the ever-changing logistics environment and the increasingly important international element.

Rockford was benchmarked against the following four competitor regions for the **Medical Equipment Manufacturing** Industry: Minneapolis, MN; Rochester, MN; Winston-Salem, NC; and, Chicago, IL. The Rockford region finished at the bottom of the pack against benchmarks that have a strong base of existing medical equipment manufacturers. The Rockford region has access to a solid healthcare network, however, it lacks private sector presence in the industry, especially within the realm of researchers and other skilled professionals.

As for the **Renewable Energy** Industry, Rockford was benchmarked against four competitor regions for each of the three sectors. In the Solar Energy sector, Rockford was benchmarked against Toledo, OH, St. Louis, MO, Pueblo, CO, and Chicago, IL. The Wind Energy sector included the following benchmarks: Denver, CO; Grand Rapids, IA; Madison, WI; and, Chicago, IL. The Biofuels sector composed of Omaha, NE, Madison, WI, Des Moines, IA, and Chicago, IL. Overall, the Rockford region ranked among the middle of the benchmarks in all three sectors. The logistics and distribution characteristics of the area greatly attributed to Rockford’s score, however, minimal access to readily available funding sources proved to be a deterrent.

BENCHMARKING THE ROCKFORD REGION BY INDUSTRY LOCATION CRITERIA: Aerospace & Defense Industry

Aerospace & Defense Industry Requirements	Highest Ranked MSA	Lowest Ranked MSA
Skilled Workforce	Wichita	Chicago
Existing Industry Presence	Rockford	Chicago
Technical College Presence	Chicago	Wichita
Transportation Infrastructure	Chicago	Ft. Wayne
Available Land/Infrastructure	Rockford	Chicago
Strong Communications Capacity	Chicago	Ft. Wayne
Research Presence	Chicago	Rockford
Airport Access	Chicago	Ft. Wayne
Cost Factors	Ft. Wayne	Chicago

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COMPETING ON COST

Cost is not the only factor that determines the ultimate location of a business facility, however, businesses will prefer the location that offers the lowest operating costs. Using estimates of likely costs associated with the development and operation of a facility within a specific, targeted industry, Rockford's competitiveness from a cost standpoint is listed below for each targeted industry:

- Average total cost savings of operating a 65,000 sf. **Aerospace & Defense** business within the Rockford MSA is estimated at \$889,146 (13.86%) annually, when compared to the benchmarks. Overall, the Rockford MSA is much less expensive than Chicago and Dayton, competitive with Wichita, and more expensive than Ft. Wayne.

- Average total cost savings of operating a 50,000 sf. **Aviation & Logistics** operation within the Rockford MSA is estimated at \$405,984 (9.14%) annually, when compared to the other benchmark communities. Overall, the Rockford MSA offers substantial cost savings compared to Peoria, Louisville, and Chicago, and is very competitive with Memphis.

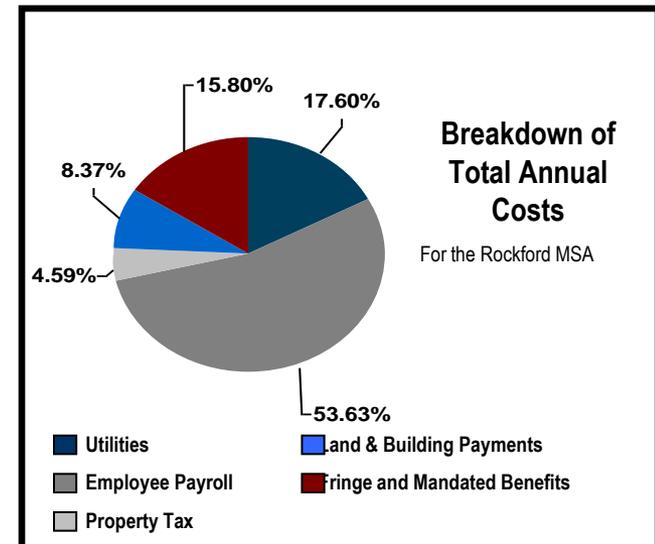
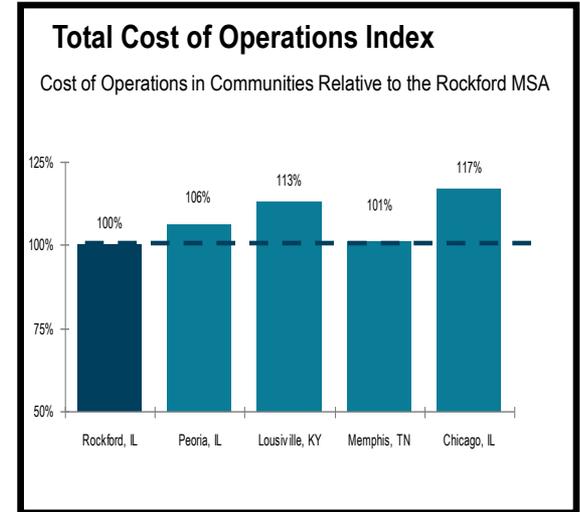
- Average total cost savings of operating a 90,000 sf. **Medical Equipment Manufacturing** operations within the Rockford MSA is estimated at \$125,818 (0.92%) annually, when compared to the benchmark communities. Overall, the Rockford MSA offers cost savings compared to Minneapolis and Rochester, yet less competitive than Winston-Salem and Chicago.

- The average total cost disadvantage of operating a 145,000 sf. **Solar Energy** operation within the Rockford MSA was \$1,098,999 (-6.56%) when compared to the benchmarks, making it slightly less attractive on a cost-basis.

- Average total cost savings of operating a 168,000 sf. **Wind Energy** operation within the Rockford MSA is estimated at \$85,844 (0.5%) annually, when compared to the benchmark communities.

- The average total cost disadvantage operating a 205,200 sf. **Biofuels** operation within the Rockford MSA was \$3,959,621 (-19.48%) when compared to the benchmarks, making it less attractive on a cost-basis.

Aviation & Logistics



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SUPPLY CHAIN GAP ANALYSIS

AngelouEconomics undertook a supply chain gap analysis that reveals the source and amount of purchases among the unique niches within each targeted industries. By identifying the total industry economic outputs and areas where goods and services are purchased from outside the regional economy, one can determine which areas of the industry supply chains are strongest, as well as those that present the best opportunities for growth within the region. Some of the key takeaways of this analysis are listed below:

- Search, detection, and navigation instruments are key components in the **Aerospace & Defense** industry. There is a significant gap in the regional supply of these instruments in the Rockford Region as more than 99% of search/detection/navigation instruments that supply the Region's Aerospace & Defense sector are supplied from outside of the Rockford Region. This provides a significant opportunity to grow the search/detection/navigation instruments industry within the Rockford Region.
- A stronger regional presence of Manufacturers of Material Handling Equipment and Machined Products would strengthen the regional **Aviation & Logistics** industry and encourage more related firms to locate facilities in the area.
- Scientific research and development is lacking within the Rockford region. Significant public sector research is creating development of product advancements within the **Medical Equipment manufacturing** industry. In order to grow this industry within the region, scientific research and development will significantly need to be increased in the Rockford area.
- Rockford has a moderate presence of the electricity and distribution services sector. This sector is imperative in the foundational growth of businesses engaged in **Renewable Energy**. The site decisions of businesses within this sector are very closely tied to the location of energy resources and major population centers.

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OCCUPATIONS AND COMPETENCIES

This section provides a regional occupational snapshot, highlighting occupations within each target industry that are in demand nationally and identifies how the Rockford region “measures up” in terms of its current concentration of those jobs. Key findings are listed below:

- 45% of the “In-Demand” occupations within the **Aerospace & Defense** industry pay higher than the Rockford region’s 2011 average wage of \$40,931. The Rockford region has occupational strength in 85% of the “In-Demand” occupations within this industry.
- 45% of the “In-Demand” occupations within the **Aviation & Logistics** industry pay higher than the Rockford region’s 2011 average wage of \$40,931. The Rockford region has occupational strength in 75% of the “In-Demand” occupations within this industry.
- 70% of the “In-Demand” occupations within the **Medical Equipment Manufacturing** industry pay higher than the Rockford region’s 2011 average wage of \$40,931. The Rockford region has occupational strength in 40% of the “In-Demand” occupations within this industry.
- 90% of the “In-Demand” occupations within the **Renewable Energy** industry pay higher than the Rockford region’s 2011 average wage of \$40,931. The Rockford region has occupational strength in 40% of the “In-Demand” occupations within this industry.

“IN-DEMAND” OCCUPATIONS

Key Occupations in Aerospace & Defense					
Occupations Title	Concentration Within the Industry	10-year U.S. Growth Projection	Avg. Annual Wages - Rockford	“In Demand” Occupations (Local Occupational Concentration)	Education
Engine and Other Machine Assemblers	35.12	5.3%	\$39,020	0.99	High school diploma or equivalent
Tool and Die Makers	30.31	-2.3%	\$44,590	7.23	High school diploma or equivalent
Computer Numerically Controlled Machine Tool Programmers, Metal and Plastic	25.95	10.8%	\$41,620	3.12	High school diploma or equivalent
Tool Grinders, Filers, and Sharpeners	22.13	7.0%	\$36,080	2.30	High school diploma or equivalent
Milling and Planing Machine Setters, Operators, and Tenders, Metal and Plastic	19.22	3.6%	\$40,890	6.70	High school diploma or equivalent
Computer-Controlled Machine Tool Operators, Metal and Plastic	17.94	19.2%	\$37,840	4.09	High school diploma or equivalent
Machinists	16.79	8.5%	\$35,440	6.09	High school diploma or equivalent
Lathe and Turning Machine Tool Setters, Operators, and Tenders, Metal and Plastic	16.41	-4.7%	\$36,000	7.96	High school diploma or equivalent
Grinding, Lapping, Polishing, and Buffing Machine Tool Setters, Operators, and Tenders, Metal and Plastic	15.91	1.4%	\$33,000	3.74	High school diploma or equivalent
Drilling and Boring Machine Tool Setters, Operators, and Tenders, Metal and Plastic	15.43	-7.0%	\$29,710	1.26	High school diploma or equivalent
Mechanical Drafters	14.54	11.1%	\$47,080	2.13	Associate's degree
Aircraft Mechanics and Service Technicians	14.04	6.3%	\$52,070	1.24	Postsecondary non-degree award
Industrial Engineering Technicians	13.23	4.2%	\$49,070	2.02	Associate's degree
Multiple Machine Tool Setters, Operators, and Tenders, Metal and Plastic	12.41	3.8%	\$28,020	4.00	High school diploma or equivalent
Mechanical Engineers	11.58	8.8%	\$75,660	1.64	Bachelor's degree
Industrial Engineers	10.86	6.4%	\$72,100	0.99	Bachelor's degree
Mechanical Engineering Technicians	10.85	3.9%	\$55,710	1.93	Associate's degree
Welding, Soldering, and Brazing Machine Setters, Operators, and Tenders	8.55	6.6%	\$36,640	1.35	High school diploma or equivalent
Logisticians	8.24	25.5%	\$53,820	0.40	Bachelor's degree
Structural Metal Fabricators and Fitters	7.22	15.7%	\$39,930	1.91	High school diploma or equivalent