

Testimony of:

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Economic Recovery Advisory Commission

Sub - Committee on Global Markets

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Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 2

As the VP of National Business Development for the Rockford Area Economic Development Council (RAEDC), a not-for-profit association of over 200 Rockford Area businesses, governmental entities, educational institutions and trades unions, as well as an economic developer that has worked across the state of Illinois, -- I am here to testify that the state of Illinois' ability to both retain jobs and businesses that are currently located in the state of Illinois, as well as, our collective ability to attract new jobs and private investment into the state of Illinois is of significant importance to myself, as well as, the economic health of my region and the state of Illinois.

The Rockford Area Economic Development Council was formed in 1980 by a collaboration of private and public sector leaders as a response to recessionary pressures affecting Rockford, Illinois, the Midwest and ultimately the nation. This was a time when Rockford led the nation with the dubious honor of having the highest unemployment of any major metropolitan area.

Today the Rockford Area Economic Development Council has a staff of nine implementing our five year strategic plan, called *Rockforward!* Community leadership is provided through a 65-member board of directors and board driven committees affecting the product staff sells...the people, places and services of the greater Rockford Region. This is all done in an effort to strengthen the economic health of the Rockford Region and create wealth generating jobs for local residents. The RAEDC works closely with its many partners to serve as a one-stop resource for clients, to improve the competitiveness of the region and engage the community in the process of improving the region. Furthermore, the RAEDC partners with economic development organizations within the greater region to market common assets and promote improvements in our infrastructure and workforce capabilities.

A principle partner in the economic development efforts of the RAEDC is governmental entities: federal, state and local. The RAEDC's initial efforts came to focus after receiving a grant from Congressman Manzullo (R), via the SBA to develop our brand for International and Domestic business development and the corresponding marketing materials. The state of Illinois has provided multiple areas of assistance. A recent example was financial and staff assistance in participation with the Paris Air Show. The RAEDC and DCEO developed 33 leads of which seven were expected to make capital investment decisions within the next 18 months and would result in over \$100 million in investment into the United States and the creation of over 500 jobs. Finally, approximately 30% of the RAEDC annual budget is provided by the investment of local

Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 3

governmental entities. These are partnerships we are very proud of and have worked tirelessly at developing and nurturing.

Today, trade is increasingly global in scope. There are several reasons for this. One significant reason is technology—because of improved logistics and communication capabilities, international trade is now more practical. Thus, consumers and businesses have access to the very best products from many different countries at the very best prices. Increasingly rapid technology lifecycles also increases the competition among countries as to who can produce the newest in technology. Another major reason for the growth in international trade is improved efficiencies in transit have made the international movement of goods and service cheaper than any other time in human existence. In part to accommodate these realities, countries, states, regions and businesses around the globe have taken increasing steps to explore and promote global trade through agreements, trade organizations and direct promotion.

Illinois has a long tradition of being a center of commerce, industry and primary job growth. This tradition has eroded over the past years by globalization. It is easier and more efficient to produce and provide many goods and services outside the borders of Illinois and then to transport these items back into the state for consumption, than to produce these products in Illinois. The increase in the fluidity of the movement of capital and ideas has not been matched with innovative practices to 1) attract and secure new investments back into the state of Illinois or 2) enhance export promotion and grow targeted exports. In many cases the costs of operating certain wealth generating businesses in Illinois have increased dramatically while programs which are designed to assist these targeted businesses have been left unfunded, unchanged and underutilized. These actions make all company decisions (foreign or domestic) to retain and create quality wealth accumulating, living wage jobs, while investing in the construction and improvement of facilities in Illinois increasingly difficult for private enterprise.

The primary role of the Rockford Area Economic Development Council is to enhance wealth creation in the Rockford Region through targeted marketing and help employers retain and create quality jobs. The Rockford Area Economic Development Council has adopted five core strategies to help attract investment and enhance the economic well being of our region. They are:

1. Thriving Business Climate
2. Targeted Marketing & Recruitment
3. World-Class Business Infrastructure
4. Workforce Development
5. Emerging Opportunities Fund

Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 4

The first two strategies - “Thriving Business Climate” and “Targeted Marketing and Recruitment” will focus our work in terms of branding and marketing the Rockford Region to help existing companies prosper by building on the investments that they have already made as well as attracting companies, foreign and domestic, to make new capital investments in our region.

The next two strategies - “World-Class Business Infrastructure” and “Workforce Development” - focus efforts on the two primary building blocks of economic development: place and people. A community is prepared to compete to attract and retain jobs when its infrastructure and workforce pipeline are capable of meeting employers’ current and future needs.

The fifth strategy - the creation of an “Emerging Opportunities Fund” - brings us to a leading, competitive position. Less than five percent of economic development councils take on a similar strategy. The Emerging Opportunities Fund convenes leaders and places a fund at their disposal to jump start investment into their chosen initiatives.

As an organization dependent upon community collaboration to achieve more, faster; the leadership of the Rockford Area Economic Development Council made the following regional collaborative Calls-to-Action for all community improvement groups for 2010:

- Embrace and assist our local companies
- Grow our international connections
- Improve our education system
- Build a strong, sustainable region

The Rockford Region is home to some of the most technologically advanced jobs and finest quality of life available in the state of Illinois. The region leads Illinois in aerospace employment and is second in on & off road vehicle and industrial machine manufacturing. The region offers a comparatively low cost of doing business, hard-working people, available land and buildings, access to over 75 universities and colleges within a 90 minute drive, and close proximity to the largest and most diverse industrial market in the US – the greater Chicagoland region.

Nearly 25% of our workforce is employed in manufacturing, which is twice the national average. Population growth for the region is expected to continue to be strong. Boone County was the fourth fastest growing county from 1990 to 2000 in the State of Illinois, while Winnebago County was the 17th. The population of the two-county area grew by over 35,000 people between 1990 and 2000, and is expected to rise by over an additional 75,000 people by 2020. The Rockford MSA is the fastest growing MSA in Illinois, and Rockford is the second largest central city in Illinois.

Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 5

The Rockford region is a community that still understands shift work and values companies that need employees that require industrial skills. A recent study found that the Rockford Area labor shed consists of a two-state region and a population of over 807,000 individuals, and that the workforce has over 435,000 people. Their research found that approximately 65,500 people were underemployed in this market, over 75,000 today. Rockford MSA has the highest unemployment rate in Illinois at 15.7%. The research also found that 42,600 individuals commute out of the Rockford MSA daily.

The Rockford Region's logistics infrastructure is a global asset! Rockford as part of the Chicagoland-area, is recognized as a "best logistics site" for connectivity and costs of operations. Rockford's transportation infrastructure assets include:

- US Interstate System – The greater Rockford Region contains four interstates: I-90, I-39, I-43 and I-88. Within a two hour truck drive there are connections with I-80, I-74, I-55, I-57, I-94 and I-65, providing coast-to-coast and international access.
- Motor Freight Carriers – Over 60 service carriers and terminals can be found in the Rockford area.
- Third Party Logistics Services – Rockford has the ability to meet all supply chain management functions. Companies operating here specialize in integrated warehousing and transportation services that can be scaled and customized to customer's needs based on market conditions and the demands and delivery service requirements for their products or materials.
- North American Rail System– Four class-one railroads provide service to the Rockford area. They are: BNSF, Union Pacific (UP), CN and Canadian Pacific (CP). In addition the region is served by the short line railroad, Illinois Railway and the CP owns the DM&E which owns the ICE which traverses through the Rockford area. This presence insures coast-to-coast and international access. The UP's largest intermodal facility, Global III, is located south of Rockford. The facility has excess capacity and is directly connected to west coast ports. Intermodal operations in the City of Chicago serve the East coast and are a short drayage distance away. As well, Reload a Watco Company, operates a transload operation off of the Illinois Railway.
- Foreign Trade Zone (FTZ) #176, located within our region, provides numerous working capital and import duty reduction benefits. The Chicago-Rockford International Airport (RFD) is a U.S. Customs Port of Entry with an on-site (container) Centralized Examination Station (CES) provider.

Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 6

- Chicago-Rockford International Airport (RFD) – the 215th largest Commercial Airport in the US with direct flight to many of the nations top tourist destinations. RFD was recently added to the list of top 20 air cargo airports (19th) in the United States. UPS, with its second largest US air operation at RFD, has two services located in Rockford, Parcel Sorting and Bulk Cargo. BAX Global (Schenker) also has a regional air operation at RFD. Direct International service is possible and two-shift, next-day service is guaranteed from a Rockford location.
- O’Hare International Airport (ORD) – a tier-one airport, is the world’s second busiest airport with world-wide direct flights to all major business cities! Rockford is a short, one-hour drive from a direct flight from Europe, Asia, Middle East, Africa and other locations! Rockford’s proximity to O’Hare, its commercial connections and its rank as a top 16 global air cargo airport allows for the use of multiple shipping companies and next day service.
- Mitchell International Airport (MKE) – Approximately one and one-quarter hour drive from Rockford in Milwaukee, WI. Mitchell offers less congestion and many direct connect flight options, at about the same distance as O’Hare.
- Midway Airport (MDW) – At approximately a two-hour drive from Rockford in Chicago, Midway offers additional options for flights with direct connect service.

The collection of these assets has caused the Rockford Area Economic Development Council to position the Rockford Region as, “**The Best Mid-sized International City in the United States.**” Further justification can be found in the fact the Rockford is one of the most ethnically diverse communities in the state of Illinois. The region has nine Sister Cities spread around the globe and one industrial trade agreement. Over 11 trade delegations visited the Rockford Region in 2009 alone and the region sponsored six trade missions abroad. An international arrival gate is located at RFD with 24-hour Customs and Border Security Service. The region boasts a growing export business culture that grew 49% from 2005 to 2008 and was \$1.475b for 2009. Exports as a percentage of GMP are growing at an increasing rate and averaging a double digit figure. Exports made up 11.8% of the Rockford Area’s GMP in 2008. Companies from over 20 nations have made Foreign Direct Investment (FDI) decisions in the Rockford area. The region was recently provided with a federal, “Immigration through Investment Zone.” Finally, the region has future international aspirations, which include a “World Trade Center” and additional Sister Cities and Industrial Trade Agreements.

The Rockford Area Economic Development Council has increased its role in international foreign direct investment and export promotion by partnering with the US Department of Commerce, state of Illinois and local communities such as Rockford’s

Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 7

Sister City Program to grow our international identity. The Rockford Area Economic Development Council has worked to develop relations with foreign Consulate Corps in Chicago; inviting these entities to numerous events in the region, assisting in introducing local companies to visiting trade delegations and organizing trade missions abroad.

The Rockford Area has hosted trade delegations from these organizations, communities and countries:

2006

- Changzhou (China)
- Tourism Reporters Tour (Sweden)

2007

- Hong Kong Productivity Council (China)
- Changzhou (China - 2 delegations)
- Japanese Ambassador (Japan)
- S. Korean Ambassador (S. Korea)
- KOTRA (S. Korea)
- Chinese Investment Promotion Agency (China)
- US-China Chamber of Commerce (China)
- Lidkoping (Sweden)

2008

- Wanxiang Group (China)
- Changzhou (China - 2 delegations)
- Guiyang (China)
- Chinese Investment Promotion Agency (China – 2 delegations)
- Tsinghua University (China)
- Lidkoping (Sweden)

2009

- Inner Mongolia (China - 2 delegations)
- CEIBS Alumni Automobile Industry Club (China)
- Wanxiang Group (China – 2 delegations)
- Federation of Israeli Chambers of Commerce (Israel)
- Lidkoping (Sweden – 2 delegations)
- Central Asia Research Council (Turkey)
- State Bank of India, EEPC (India)
- Shaanxi (China)

Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 8

The Rockford Area participated in trade missions to these countries:

2006:

- China
- Kyrgyzstan
- Sweden

2007:

- Sweden

2008:

- China
- Canada
- Sweden

2009:

- China
- Sweden
- Italy (3 trips)
- France

Specific International Tradeshows and Conferences include:

International and Domestic

- Entrepreneurial Days
- Bio-Energy Days
- Paris Air Show
- Forum on Science and Technology and Economic Cooperation
- IEDC & MAEDC Annual Meetings

In Illinois

- SACC Annual Meeting and Trade Show
- IDC Annual Conference and meetings
- CIP Conferences
- AIRE
- International Manufacturing Technology Show

In Rockford Region

- Entrepreneurial Days
- Go Global International Trade Conference
- Bio-Energy Days

Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 9

The question that must be answered is, “Has all of the Rockford Region’s effort on the international stage lead to meaningful success?” We at the Rockford Area Economic Development Council believe the answer is ...YES! Select regional international FDI successes include:

2007

- Radius (Sweden) moves U.S. headquarters to Rockford
- Schneider (France) acquires local company, TAC

2008

- Danfoss (Denmark) began a 129,000 sf expansion
- Global Display Solutions (Italy) expands into Rockford

2009

- Wanxiang Group (China) began development of solar panel assembly plant
- Tigerfish (Australia) announces development of prototype aircraft in Rockford

In addition, the region has seen growth in domestic operations with an international presence such as:

2007

- SupplyCore relocates global HQ to downtown Rockford into newly renovated multi-story office structure
- Watt Publishing relocates global HQ to the region and into a newly renovated multi-story office structure downtown

2008

- Chemtool, announces relocation of global HQ to Rockford area community

2009

- Tandem Development begins marketing completed Phase I of Chicago Rockford International Air Cargo Center at the Chicago Rockford International Airport.

I know that you, the other members of the Commission, the State of Illinois Legislature and the Governor, all have tough decisions to make during this review session as you seek out best practices for implementation. However, in order to continue to make Illinois a more competitive place in which economic development can and does occur state-wide for the benefit of all of Illinois’ citizens so that they have the ability to work at Illinois companies that pay a living wage and remain globally competitive, I ask you to consider the importance of the following six recommendations for the future economic well-being of the residents of the State of Illinois:

Initiatives that could substantially improve Illinois' global competitiveness are:

1. Establish sustainable and dedicated funding source for DCEO and local economic development organizations (EDO's)
2. Initiate certification process of EDO's for improved coordination and consistency of delivery of economic development services
3. Support economic development legislation for regionally targeted industries such as air cargo, alternative energy and aerospace
4. Coordinate international event participation with IDC and local EDO's
5. Enhance communication channels between state, IDC and local EDO's
6. Assistance in sister city partnership development focusing on economic gain

1. Establish sustainable and dedicated funding source for DCEO and local economic development organizations (EDOs)

Development of a dedicated funding source for DCEO

- Create, via legislative approval, a dedicated funding source for the running of DCEO and its mandated programs
- Separate the marketing and communications efforts from DCEO as related to primary job creation and capital placement and provide a dedicated funding stream to a separate, stand alone, not-for-profit, state-wide marketing entity.
 - This entity would be charged with enhancing the brand of the state of Illinois as a destination for primary jobs and capital placement
 - This entity would be charged with developing a unique selling proposition for the greater Chicagoland region, the few primary, more urbanized, centers found outside of the greater Chicagoland area, as well as the more rural portions of the state
- Develop a multi-year program of work for DCEO aligned with regional efforts and embed DCEO regional staff in local regional efforts with funding for EDO's

2. Initiate certification process of EDO's for improved coordination and consistency of delivery of economic development services

Certification for Coordination and Consistency

- Create a certification process for local EDO's to participate with DCEO programs such as International Trade as a partner at a level based on proficiency. Required factors can be:
 - public-private partnerships, operated on a regional, multi-county basis
 - have specific funding in a budget
 - have appropriate staff, for international a dedicated, multi-lingual staff
 - have a program appropriate focus for international FDI or export focus
 - has demonstrable results

Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 11

- Create an official partnership between DCEO and these certified local EDO's to help maintain an industry standard of professionalism, efficiency and results.

Promotion of key urbanized region's within the State of Illinois

- Utilizing an outside consultant develop regional boundaries of key urbanized region's within the state of Illinois.
- Develop a regional understanding of economy including:
 - Targeted Industries
 - Cluster profiles and make-up including costs
 - Workforce Issues, including Labor Shed analysis and costs
 - Logistics Profile of the region and interconnectedness to global supply chain
- Consult with local EDO on the development of the local brand and promotion
- Coordinate RFP development and responses with local EDO's
- Coordinate prospect tracking, report and follow-up with local EDO's

Promotion of Rockford Area (example)

- Focus on the Chicago Rockford International Airport (RFD) as being the third Chicago Airport instead of Peotone
 - RFD is 19th largest air cargo airport in U.S.
 - RFD is 2nd fastest growing air cargo airport in U.S.
 - Capabilities include:
 1. Two hard-surface runways [10,000 ft long x 150 ft wide (primary) and 8,200 ft long x 150 wide (secondary) with 40 ft paved shoulders] that accommodate landing, taxing and that take-off of the largest aircraft flying today with no runway modifications
 2. Cat III/II Instrument Landing System (ILS) allows landing in zero visibility conditions (only 5 airports in U.S. have this capability)
 3. De-icing fluid retention and processing facility on-site
 4. Independent airspace from O'Hare, Midway, Chicago/Gary, Mitchell Field (Milwaukee) allows for "straight in" approaches
 5. Non-stop service to Europe, Africa, Asia, Middle East and South America
 6. Severe weather operations – RFD has NEVER closed due to snow
 - Services include:
 1. 24/7 FAA Air Traffic Control Tower and ground handling
 2. International Arrival Gate
 3. U.S. Customs Port of Entry and Transportation Security Agency

4. Same day onsite Centralized Examination Station (CES) service available, 1-2 days faster than Chicago
5. Foreign Trade Zone Benefits (FTZ #176)
6. 24/7 customs and federal inspections
- Available development ready airside and non-airside land including 6,600 acres in the Global Trade Park
 1. 3,000+ acres of airport used land
 2. 200+ airside acres ready for development
 3. 2,000+ acres of non-airside industrial and commercial property developed or ready for development
- Air Cargo Aggregators
 1. UPS – 2nd largest U.S. hub
 2. BAX Global
- Focus on encouraging collaboration between RFD and O’Hare for flights that can not NOW operate at O’Hare and direct them to RFD, NOT Indiana or Wisconsin.
- Targeted Industry/Cluster Activity
 - Aerospace Cluster
 1. Align regions’ and targets’ lean manufacturing activities
 2. Promote Supply-Chain
 3. Promote presence of workforce and training options
 4. Target engineering, in high-priced geographic centers, such as:
 - a. Southern California
 - b. Minneapolis
 - c. Seattle
 - d. Wichita
 5. Promote sites to Primary OEM’s and global supply chains, i.e.:
 - a. Boeing
 - b. Airbus
 - c. Bombardier
 - d. Embraer
 - e. Others
 - Industrial Machine Manufacturing Cluster
 1. Align regions’ and targets’ lean manufacturing activities
 2. Promote Supply-Chain
 3. Promote presence of workforce and training options
 4. Target high-priced geographic centers with limited logistics strengths, such as:
 - a. Milwaukee
 - b. Minneapolis

- c. St. Louis
 - d. Cincinnati
- o Distribution Centers
 1. Focus business attraction efforts on corporate and third party logistics providers
 - a. retail seeking upper-Midwest and Chicago coverage
 - b. pharmaceutical and others dependent on air transportation
 - c. auto parts companies
 - d. short run production and warranty/service centers
 2. Pay special attention to those needing:
 - a. integrated rail, truck and/or air, mainly with a manual labor component
 - b. world-wide air cargo capabilities

3. Support economic development legislation for regionally targeted industries such as air cargo, alternative energy and aerospace

Legislation

- Develop key policies and drivers and estimate their potential impact. Present to legislature to make structural changes.
- Create forum for businesses to express suggested legislative changes, use their testimony to further cause
- Develop processes that help to build an analysis and communication infrastructure down to the local EDO level so that more information can be easily disseminated and gathered. Allowing the vast knowledge that Illinois' state departments and businesses have about internal information and operations to be more easily shared with decision makers

4. Coordinate international event participation with IDC and local EDO's

International Event Participation

- Participation in all major international tradeshows that come to Chicago or St. Louis
- Take advantage of significant international presence by orchestrating more reverse trade missions with Illinois communities
- Further support of participation in international trade shows such as the Paris Air Show, Farnborough and others
- Assistance in promotion and recognition of international conferences hosted in Rockford and other smaller communities, such as Go Global and International Bio-Energy Days

5. Enhance communication channels between state, IDC and local EDO's

Research

- More research staff or better coordinating with Illinois institutions that have this feature (Educational Institutions) so they can provide research services
- Subscribe to global databases that local/regional EDO's could access at no charge

Strategic Planning

- Reformulate scope and approach to trade development and export promotion
- Conduct comparative analysis across agencies and states to learn what works
- Develop and distribute business development goals and action plan including:
 - Marketing approach
 - Domestic & international activities
 - Success metrics
 - Service delivery partnerships

Communication between State and Local Communities

- Develop and distribute to EDO's and businesses:
 - A listing of the international trade & business develop and export promotion resources found in the state of Illinois
 - A listing of the international trade & business develop and export promotion resources found within DCEO
 - A process guideline of funneling projects back to EDO's within Illinois
 - A process guideline for bringing DCEO into locally initiated international projects
 - Overview of legislative and DCEO management mandates to staff
- Develop an organizational chart for distribution to supporting organizations, including reporting lines within government, including POC information
- Enhance communication channels to clients and supporting agencies, improving process of relaying prospect information and RFP distribution
- Coordination between International trade offices i.e. encouraging these offices to provide regional EDO's with a quarterly update about what is happening in their area and how Illinois might leverage emerging opportunities

Education and Training

- Develop a program to facilitate internal knowledge transfer of international trade development and export promotion
- Develop a culture of cross-agency knowledge sharing within and outside of DCEO
- Develop Online tools that support trade development and export promotion

Rockford Area Economic Development Council
Eric D Voyles
Vice President
National Business Development
December 16, 2009
Page 15

Furthering Statewide Partnerships

- Collaboration between DCEO and Illinois Development Council (IDC)
- Encourage knowledge management partnerships amongst public and private sector entities within Illinois, leveraging Illinois' large businesses such as Boeing, John Deere, and Caterpillar to gain insight and promote legislation

6. Assistance in sister city partnership development focusing on economic gain

Sister City Development

- Assign staff to participate in, assist and become experts in sister city efforts to leverage local efforts and connections create good will abroad and economic gains here at home

Conclusion:

The Rockford Area Economic Development Council believes that with the development and implementation of strategic plan significant changes can be made in how the State of Illinois is perceived regarding capital investment decisions, this shift in perception will lead to more jobs being created for Illinois citizens. All improvement programs begin with the willingness to ask hard questions, i.e. "What we can do better?" The Rockford Area Economic Development Council thanks the Governor for asking this tough question and being willing to receive the input from the Rockford Area Economic Development Council. As the public input and/or evaluation process moves forward please know that the Rockford Region would welcome a call for additional participation.

Respectfully submitted,

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