Positioning Western New York as an International Trade Gateway

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Connecting the Region to the World:

Creating an International Trade Gateway As a

Strategic Economic Development Priority for Western New York

The Strategic Work Plan of the Bi-National Logistics Work Group, Regional Economic Development Council

Enterprises create wealth and jobs when they compete in a global marketplace. Strategic geographic location is important, but even then, businesses can't reach foreign markets unless they are securely connected to the transportation networks that serve them. At the same time, firms that produce goods and services for export are the dynamo that drives any regional economy. That means connecting firms in innovative export industries to powerful trade, logistics, and distribution capacities is key to fostering regional economic growth.

Industry leaders in the Western New York region believe making these connections should take the form of an International Trade Gateway. More than just a logistics hub, the International Trade Gateway will integrate regional logistics industry strengths – strategic geographic location within New York State and on the continent, transportation assets and a "soft" infrastructure of logistics experts and cross-border professionals – into a broader economic development strategy that emphasizes growth in innovative industry clusters.

The Bi-National Logistics Work Group of the Regional Economic Development Council will lead development of the International Trade Gateway initiative and implement it through these seven strategies:

1. **Organize.** Reconstitute the Work Group to include balanced participation by key leadership from the public, private and academic sectors as the next step to build capacity, research, plan, advocate and act on behalf of the industry. Work Group leadership will:

    - Represent the private, public and academic sectors;
    - Work with public sector representatives and private sector industry leaders to explore funding options for capacity-building;
    - Engage stakeholders to develop a finely honed strategic plan, with vision, mission, objectives, goals and tactics;
    - Adopt a policy of short-term turnaround (e.g., 75-day) for strategic plan delivery.

2. **Connect.** Leverage the region's geographic location and invest in the region's transportation infrastructure – primarily highway and rail – to strengthen its connections with global markets and enhance the value of our naturally advantageous location. Work Group leadership will:

    - Collaborate with REDC leadership to 1) identify funding through the CFA process for targeted road and rail improvements; and 2) identify incentives associated with road and rail transportation asset investment;
    - Identify key site selection and consulting firms with an interest in the Greater Golden Horseshoe market, as well as those with interest in strengthened Port of NY/NJ connections, to communicate the new International Trade Gateway vision and mission;
    - Identify a short list of corporate targets, and communicate directly to them about the region's new International Trade Gateway initiative; and
    - Reach out to Transhub Ontario to identify mutual interests for attracting logistics industry investment.

3. **Target.** Taking the concept of a logistics hub one step further, Work Group leadership will forge partnerships between the logistics industry and firms in innovative export-oriented industry clusters to create the International Trade Gateway, creating jobs in both the transportation and distribution sector and the export sectors served. Regional leadership has an opportunity to integrate key geographic and transportation assets into broader economic development initiatives to encourage exports and recruit new business to the region in innovative industry clusters. Work Group leadership will:

    - Identify innovative industries, clusters and/or projects that can be strengthened using logistics as a foundational element;
    - Integrate the region's geographic and transportation assets into economic development recruitment in these industries to generate exports;
    - Integrate the region's geographic and transportation assets in the innovative industries and transformational strategies that come out of the "Buffalo Billion" strategic planning process; and
    - Once identified, create "state-of-the-art" industrial parks, with warehousing and freight forwarding operations for these identified innovative industries.

4. **Tell the Story.** Develop the business case and value proposition for investment in an International Trade Gateway and communicate it consistently to prospective investors. Work Group leadership will:

    - Partner with regional entities to provide the needed resources and marketing information related to the International Trade Gateway;
    - Partner with regional entities in marketing and promotional events to tailor a consistent International Trade Gateway message;

- Inform REDC stakeholders on the International Trade Gateway initiative to brainstorm on synergies that cut across industry sectors and leverage these synergies to generate exports; and
- Develop relationships with other inland and ocean based ports to promote coordination and cooperation.

5. **Build Human Capital.** Collaborate with higher education to attract and retain young adults (24-35 years) to the region with high-quality jobs – in logistics or innovative export industry sectors – created as a result of the International Trade Gateway. Work Group leadership will:

   - Identify programs and degrees related to the International Trade Gateway, such as logistics certificate specializations offered at Niagara University and/or international trade concentrations at the University at Buffalo;
   - Collaborate with interested higher education institutions to help align core requirements and curricula in appropriate subjects that align with the International Trade Gateway initiative;
   - Project International Trade Gateway job growth and future hiring needs; and
   - Offer internships to strengthen links between higher education and the International Trade Gateway that will boost student retention.

6. **Create the Enabling Environment.** Work with regional, state and federal officials to create the regulatory environment needed to advance and ultimately finance International Trade Gateway projects from multiple private and public sources. Work Group leadership will:

   - Identify transportation-related federal and state incentives to strengthen activity related to the International Trade Gateway;
   - Identify incentives that strengthen transformational or innovative industry clusters or initiatives;
   - Promote legislation that creates a regulatory atmosphere supportive of transformation initiatives;
   - Investigate federal funding options with WNY delegation for inland port security funding, like that pursued in Kansas City; and
   - Provide input to federal officials on Beyond the Border Action Plan and the Regulatory Cooperation Council elements that will strengthen the bi-national regional economy.

7. **Collaborate.** Provide leadership, in conjunction with others, to plan and implement a New York-Ontario summit to strengthen cross-border synergies that leverage mutual interests in the bi-national region's strategic location as an international port of entry and inland hub, and incentivize investment in innovative bi-national industry clusters. Work Group leadership will:

- Collaborate with relevant interests to set the stage for a New York-Ontario summit; and
- Provide recommendations to the governor and premier for strengthening the International Trade Gateway in a way that provides state-wide and provincial benefits.

Appendix A

Western New York Regional Economic Development Council
Synthesis of Results from the March 28, 2012 Facilitated Session

Introduction

In 2011 New York State Governor Andrew Cuomo established a new approach to job creation and economic growth by creating 10 economic development councils in regions throughout the state. The Western New York Regional Economic Development Council (REDC) encompasses five counties (Erie, Niagara, Cattaraugus, Chautauqua and Allegany) and comprises leadership drawn from the public, private, non-profit and academic sectors. It is organized into myriad work groups representative of the region's strongest economic sectors, one of which involves bi-national interests.

Known presently as the Bi-national Logistics Work Group and comprising a broad array of stakeholders with bi-national or international interests, these experts met throughout the fall of 2011. Stakeholders from the tourism, education, economic development and logistics industries, among others, participated in these sessions. Work Group discussions were geared toward identifying regional economic drivers related to these broad interests; developing strategies to capitalize on identified drivers; and identifying priority projects and performance metrics for inclusion in the region's strategic plan. At the end of this process, developing the region as a primary international hub for transportation, logistics and distribution emerged as the key Work Group strategy, with leveraging the international border location and enhancing multi-modal capabilities serving as cornerstones.

With a desire to achieve consensus on a region-wide approach to develop a logistics hub, Work Group leadership convened a fourth session on March 28, 2012 (the March 28th Session). The purpose of this event was to achieve consensus on necessary next steps that will strengthen the region's logistics industry. To get the broad buy-in necessary to move ahead, Work Group leadership reached beyond its membership and invited public, private and academic logistics and trade industry experts who may not have participated in the fall 2011 process. Forty-nine (49) logistics and trade representatives attended.

This session was facilitated by the University at Buffalo Regional Institute and The Urban Design Project (the UB Team). Participants used clicker technology to 1) weigh in on a situational analysis of the trade and logistics industry in WNY and determine whether the region is ready to move forward; 2) select the most appropriate concept for this region's logistics activity; 3) prioritize investment by transportation mode (road, air, maritime and rail); and 4) select an organizational model suited to this region as a means to build capacity and move forward. These results were compiled and analyzed. In addition, stakeholder comments were recorded and synthesized.

This appendix synthesizes background research, best practices research and interviews with trade and logistics leadership in other regions, as well as session results.

Stakeholder Composition: Who Was In the Room

- **Demographics**: The audience was primarily composed of middle-aged, white men. Eighty-seven percent of the audience was male; 38 percent of the audience was between the ages of 45-54, with another 25 percent in the 55-64 age cohort. Ninety-eight percent of the audience identified as white, with the remaining two percent identifying as Asian-Pacific Islander.

- **Sector**: A majority of participants (57 percent) were drawn from the private sector, with most (41 percent) of these participants involved with small businesses (less than 499 employees). Remaining audience composition is broken down as follows: government represented 22 percent; non-profits represented 12 percent; and academics represented two percent. Six percent of the audience responded "other."

- **Industry Segment**: When asked to identify themselves by industry segment (transportation carriers, freight forwarders, warehousing and storage, manufacturers, lawyers, insurers, bankers, customs brokers, logistics consultants, economic development officials, 3PLs, or other), at first blush economic development officials, comprising 14 percent of participants, were best represented. However, participants who responded "other" (40 percent) because they are engaged in two industry segments (e.g., warehousing and freight forwarding) can be described as 3PLs –firms that provide multiple integrated or bundled logistics services for use by customers. Among the services 3PLs provide together are transportation, warehousing, cross-docking, inventory management, packaging and freight forwarding.[1] Although the results suggest ten percent of participants identified as 3PLs, these participants actually comprised approximately 50 percent of the audience at the facilitated session when added to the "other" category. Remaining audience composition is broken down as follows: transportation carriers and logistics consultants each comprised eight percent of the audience; warehousing and storage professionals and manufacturers each comprised six percent of the audience; lawyers, insurers and bankers comprised four percent; and customs brokers comprised two percent. The remaining stakeholders identified as "other" were representatives from the region's international bridges.

[1] Council of Supply Chain Management Professionals (pulled from Web site 2012).

Building Consensus on the Knowledge Foundation

Establishing a knowledge baseline is required in order for stakeholders to strategically determine next steps for strengthening the regional logistics and trade industry. The UB Team gathered and synthesized information related to this industry, with staff reaching out to fifteen regional stakeholders and reviewing myriad reports, data points and studies. The most comprehensive regional logistics industry report was conducted for the Greater Buffalo Niagara Regional Transportation Council by Wilbur Smith Associates in 2010 (the GBNRTC Freight Study). This report actually is an extensive set of studies that examined challenges and opportunities in the regional logistics industry.

Collectively, these reports reveal the following strengths for the Buffalo Niagara logistics industry:

- **Population**: The greater metropolitan bi-national region represents the third largest urban concentration in North America, with a population of approximately 9 million.[2] This situates the region well in terms of proximity to major sources of production and consumption.
- **Hard Infrastructure**: Infrastructure includes four Class 1 railroads (Canadian National, Canadian Pacific, CSX Transportation and Norfolk Southern), two Class 1 railroad mainlines (CSX Chicago Line and the NS Southern Tier) and numerous short line railroads, an extensive interstate highway system, two airports (Buffalo Niagara International Airport and Niagara Falls International Airport) and numerous marine ports.
- **Soft Infrastructure**: The region has significant "soft" trade infrastructure including customs brokers, lawyers, insurers, bankers, freight forwarders, logistics firms and government agencies.
- **Location**: The region serves as a key gateway between Canada and the United States, with several high volume border crossings that provide the benefit of one region serving two nations. This locational advantage is seen as an opportunity to promote light manufacturing and assembly since companies can ship components, instead of finished products, here for assembly, which adds value to goods heading to and from Canada, as well as other international locations.
- **Connections**: The region has good east-west connectivity, particularly to the Port of NY/NJ, Ohio, Indiana, Chicago and markets beyond. In addition, the Toronto region does not have any direct connections to the Port of NY/NJ.
- **Mode**: The majority of freight tonnage carried to, from, across and within the Greater Buffalo-Niagara region is carried by truck, with rail having the second largest share. Overall freight tonnage is expected to more than double by 2035.

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[2] This data point is taken from the GBNRTC Freight Study. Our bi-national region generally ranks between third to fifth in terms of North American urban concentration, depending on how it is configured. In the GBNRTC Freight Study, the metropolitan region was configured to include Toronto, Hamilton, Niagara Falls, Buffalo, Rochester and Syracuse.

- **Commodities**: Commodities that account for the largest shares of truck traffic include secondary traffic, food products, clay, glass and stone, and primary metal products. Coal is the highest volume commodity shipped by rail into the region.
- **Freight Flow Origin**: Freight from the New York-New Jersey-Long Island region constitutes 34 percent of all regional inbound and outbound tonnage. Seventeen percent of the region's truck traffic moves across the region to or from Canada.
- **Cross-Border Commodity Composition**: Manufactured goods constitute the majority of the region's imports (47 percent) and exports (50 percent), with export specializations in footwear/headgear, textiles, plastics/rubbers, vegetable products, and stone/glass.

Additionally, these reports suggest specific regional weaknesses associated with establishing a logistics center in the region:

- **Lack of a Container Pool:** The absence of a container pool results in an imbalance of inbound and outbound freight. When containers are not available within a given area, they must be relocated from areas where they are available, adding cost and time.
- **Inbound and Outbound Freight Imbalance:** Generally, more intermodal freight flows into the region than flows out, which tends to raise the cost of truck drayage to and from the region, impacting the region's ability to serve as a distribution hub for the Toronto market.
- **Competing Corridors:** An ideal logistics hub location should be situated on both a heavy rail corridor and a heavy trucking corridor. This is consistent with the truck mantra "freight moves freight." Carriers are more likely to find backhauls and charge lower rates on well-balanced, dense freight corridors. These truck rates and the density of their facilities and services will in turn influence the desirability of a location from the standpoint of shippers. In terms of truck traffic, the I-90 corridor within New York State competes with the I-80 corridor within Pennsylvania, but carries less than 58 percent of the truck traffic of I-80. In addition, Ohio-based logistics centers have some advantages over the Greater Buffalo-Niagara region. Areas such as Cleveland are at a comparative advantage by being situated on a denser freight corridor. Ohio locations can also effectively serve the Toronto area market. A driver based in Cleveland, OH can drive to Toronto and return to Cleveland before his hours of service are exhausted.
- **Tolls:** The cost of tolls to motor carriers within the region is a disincentive.
- **Border Congestion Post-9-11:** The international borders in the Niagara region pose challenges for U.S. and Canadian freight carriers due to unpredictable wait times, inconsistent training for customs officers and processing inconsistencies. These inefficiencies pose a risk to the bridges' customer base, resulting in added costs.

Notwithstanding these weaknesses, the GBNRTC Freight Study suggests that the region is well-positioned for success in establishing a logistics hub because of four keys to success: 1) a location near existing or future sources of consumption or production; 2) efficient access to multiple modes of transportation; 3) an ability to locate within the NS and CSX railroad network; and 4) an optimal location within the intermodal network.

When presented with a "30,000 foot view" of this situational analysis, the overwhelming majority of participants (68 percent) believed that this baseline knowledge is an accurate depiction of the regional logistics industry, with 10 percent finding it "accurate and complete" and 58 percent finding it "mostly accurate and complete." Eight-four percent of participants responded that the region is ready to move forward, with half (42 percent) responding that we should conduct more research as we move ahead. One participant noted that although the region boasts significant strengths and assets, he questioned why it underperforms relative to other locations.

For those who found the situational analysis to have "significant gaps and inaccuracies" (27 percent) and the region "not ready" to move forward (13 percent), participants suggested that although we know a lot about what flows through here, we don't have as good a grasp on what originates and terminates here. Also, key information such as counts and location of warehousing and distribution centers, "soft infrastructure" (lawyers, bankers, insurers), free trade zone location, brownfield sites, and education programs related to the logistics industry is not centralized, which makes telling the regional logistics story difficult. Some stakeholders noted that assets such as the Welland Canal and Canadian airports (Hamilton International Airport and Pearson) are missing from the situational analysis, revealing the broader point that a bi-national logistics industry study has not been conducted. One participant mentioned the need to create a knowledge base on workforce development related to the logistics industry. Others mentioned that while the region has strong east-west connections, the region must not lose sight of the importance of strong north-south connections, like Route 219, to strengthen linkages to the Toronto metropolitan area and leverage access to Canadian ports such as Halifax, which are becoming more important as global shipping patterns shift. Representatives from the international bridges questioned the finding that tolls are a disadvantage, as regional rates are cheaper when compared to ports such as Detroit. Finally, some regional stakeholders believed that in order to move forward, we need to have performance metrics in place to benchmark and document progress.

The Fundamentals: Building Consensus on Concept, Mode Investment Priorities and Capacity

Three strategic planning sessions were held in 2009, 2010 and 2011 that touch directly or indirectly on establishing a logistics hub in Buffalo Niagara, each of which resulted in identifiable strategic objectives. A synthesis of these session results reveals the following strategic priorities:

- Build capacity to move from concept to action
- Invest in transportation infrastructure
- Invest in assets (warehousing, light manufacturing, technology, intermodal yard)
- Market and brand the region as a logistics hub
- Create links with education institutions for workforce development
- Push on regulatory reform, particularly related to the tax regime
- Convene an Ontario-New York summit

Each of these priorities is important, as reflected by the experience of logistics hubs located throughout the world. Indeed, the most successful hubs incorporate and address each of these elements as critical to success and growth.

Three of these priorities, however, emerge as fundamental. First, given that infrastructure is the foundation upon which asset investment, marketing, workforce development and regulatory reform are either targeted toward or built upon, reaching consensus on priority modes for investment is important. Second, the question of "who" consistently came up in the stakeholder sessions – who will take the region from concept to action? Third, speaking of concept, UB Team research revealed that regional stakeholders often referred to the concept of a logistics hub in varying ways: some called it a "hub," while others used terms such as "TDL" and "trade gateway." As a result, the facilitated session focused on building consensus on concept, mode and capacity. This being said, several stakeholders at the March 28th session disagreed with this starting point: they did not view infrastructure investments as a crucial first-step, rather, according to these participants, other initiatives such as marketing and communications are a higher priority. Relatedly, some participants believed that several initiatives already identified in the fall 2011 REDC plan should be addressed in this session, such as specific airport projects. According to some, the region seems to be moving backward, not forward, with regard to creating a logistics hub.

Building Consensus on the Concept

Using an appropriate concept that captures regional industry strengths and delivers consistent messaging to market regional strengths to the world is critical to honing a strategy. There exists a number of different ways to describe logistics and trade activity, with regions across the world using a variety of concepts. Following are five variations of the logistics hub concept presented at the session:

- **Logistics Hub.** A logistics hub is an integrated center for transshipment, storage, collection and distribution of goods. A hub provides multi-modal transportation, warehousing and processing space, and professional support for customs, finance and brokerage services. It is a convergence point of rail lines, truck routes, water shipping routes and air transport modes and facilities.
- **Inland Port.** A site located away from traditional land, air and coastal borders, an inland port, such as Columbus, facilitates and processes international trade through strategic investments in multimodal transportation assets and by promoting value-added services as goods move through the supply chain.
- **TDL Hub.** A Transportation Distribution and Logistics (TDL) Hub is similar to a more generic logistics hub, but as developed in Detroit and Indianapolis, with an added emphasis on workforce development, education, and training to ensure the strength of industry clusters served.
- **SmartPort.** As developed in Kansas City, the "SmartPort" concept integrates a "Trade Data Exchange" to promote supply chain visibility with electronic processing of customs documents and foreign trade zone, warehouse space, and intermodal connections to achieve a competitive edge.

- **International Trade Gateway.** Similar to TDL concept (including workforce development, training, education) except it encompasses a broader set of functions and services, such as soft infrastructure and the ability to strengthen exports in key innovative industries. For Buffalo Niagara this concept also references the region's potential as an international port of entry and an inland port destination for goods arriving at the Port of New York and New Jersey.

In addition, given the region's geographic location on an international border, an important consideration is whether the hub is bi-national. A bi-national hub could include representation and input from Ontario, or the region could work with Ontario as strategic partners. Either way, using a bi-national frame would offer a unique marketing opportunity to the region. On the other hand, Ontarian representation might position Ontario assets over Buffalo Niagara assets. In addition, no bi-national logistics study has been done.

For a clear majority of participants (60 percent), the most appropriate concept for the Buffalo Niagara region is an International Trade Gateway, although 21 percent thought that taking the best attributes from each concept was proper. Six percent of stakeholders voted for the logistics hub concept, with another six percent voting for the TDL concept. Two percent of participants voted for a SmartPort, with two percent desiring another concept and another two percent voting that these were all different names that mean the same thing. Also, a clear majority (64 percent) suggested that the International Trade Gateway should be Buffalo-Niagara based, with leadership forging strategic partnerships with Ontarian interests to leverage the border location and Toronto market access. Those who shared this perspective commented that, from a political standpoint, it makes more sense to coordinate first, and then move toward deeper collaboration, because a misstep could push progress off for years. According to 36 percent of participants, however, a regional logistics hub should be bi-national, incorporating representatives from Ontario into decisions and actions. According to these participants, "we should start from where we want to be" because Ontario is "where all the growth is."

After discussion, participants re-voted on the hub concept at the end of the session with similar results. An International Trade Gateway still dominated preferences, with 61 percent of the vote. This was followed by 24 percent of participants voting to take the best attributes from each, nine percent for a TDL hub, four percent for a logistic hub and two percent for a SmartPort.

Building Consensus and Prioritizing Modes for Investment

The GBNRTC Freight Study set forth specific recommendations for mode (road, air, sea and rail), which served as the starting point for building consensus and prioritizing mode investment in a smart, effective way so that the region receives maximum benefit from the REDC funding process:

- When asked to identify the "most important" road investments identified by the GBNRTC Freight Study – bridge maintenance and/or expanded capacity; strengthen highway capacity, i.e., better connections, access, new bypasses; create a regional routing system for commercial carriers to avoid congested areas; or focus on the international border crossings

– 71 percent of participants ranked investments in international crossings as most important. Strengthening highway capacity and creating a regional routing system were ranked next important, weighing in equally with 11 percent each. Four percent of participants voted for bridge maintenance, with the remaining two percent voting "I don't know."

- When asked to identify the "most important" air transport investments identified in the GBNRTC Freight Study – retain FedEx, UPS and DHL and ensure they are satisfied with local market conditions; improve the Buffalo Niagara International Airport (BNIA) to be attractive for new services; focus on regional and national regular users of air cargo, i.e. medical devices, pharmaceuticals and auto; and reposition the Niagara Falls International Airport (NFIA) with a new anchor tenant, an "overhead cargo" niche, or role as "industry airport" – 40 percent of respondents ranked repositioning the NFIA as the most important investment, followed by retaining FedEx, UPS and DHL (21 percent), improving BNIA (17 percent) and focus on regular air cargo users (13 percent). Six percent of participants responded, "I don't know." In discussing these results, participants noted that the Hamilton International Airport and NFIA are becoming increasingly competitive and wondered how to leverage strengths of each to benefit both facilities. Participants also wondered if shippers can get to Hamilton, why can't they get to NFIA.

- When asked to identify the "most important" maritime investment identified by the GBNRTC Freight Study – expand short-sea shipping alternatives; expand port capacities, such as Somerset; or improve the Erie Canal – 29 percent of participants voted to expand port capacities. Twenty-three percent of participants responded "I don't know," followed by 21 percent of participants voting to expand short-sea shipping alternatives. Fifteen percent of participants did not think that any of these investments was important. As one participant noted, the region is a "truck environment," with roads first, rail second and air transport third but far ahead of maritime as a mode of transportation. Six percent of participants voted for expanding the Erie Canal (one participant commented that expanding short-sea shipping would include the Erie Canal) and another six percent voting for "other" maritime infrastructure investment.

- When asked to identify the "most important" rail investment identified by the GBNRTC Freight Study – invest in an intermodal yard; invest in rail track upgrades and connectors; or replace or upgrade rail bridges – 54 percent of participants voted to invest in an intermodal yard, with 33 percent voting to invest in rail track upgrades, six percent stating "I don't know" and another four percent voting for other investment. Notwithstanding the majority of participants voting for intermodal yard investment, some participants questioned whether this was necessary, given that the region has intermodal yards that are underused. Also noted was potential regarding cargo coming into the Port of NY/NJ that makes its way here via rail.

After this discussion, participants were then asked to identify the "most important" mode for investment – road, air, maritime, rail or technology. Fifty-five percent of participants voted for road as the most important mode investment, followed by 19 percent for rail, 13 percent for air, zero percent for maritime, six percent for technology, four percent for "other" and two percent voting "I don't know." One participant was surprised by the relatively lower ranking for air transport, given that we are on the northern border and know how to clear customs quicker than typically occurs at an inland airport. Other participants noted that although the dominant mode of transportation currently is road, changes in fuel prices as well as global logistics patterns will provide more opportunities in the ship to rail modes. After discussion, participants re-voted on prioritizing modes at the end of the session. Forty-three percent of participants ranked road investment as most important (representing a 12 percent decrease), followed by 36 percent for rail (double the original vote), 15 percent for air (a two percent decrease), two percent for technology and four percent for "other."

Building Consensus on Organizational Capacity

Research from other sites indicates that capacity-building is critical in order to move ahead. The UB Team conducted best practices research on regional logistics hubs in Detroit, Kansas City, Columbus and Hamilton, with focus on governance and capacity (staff and funding).

A review of this literature suggests the following three main models for logistics hubs:

Predominantly Public. This model, illustrated by the Port Authority of NY/NJ, is a government-created, owned, operated and governed organization. The governor of each state appoints six members of the agency's Board of Commissioners, subject to state senate approval. Commissioners serve as public officials without pay for overlapping six-year terms. The governors retain the right to veto the actions of the commissioners from the respective state. Board meetings are public. An executive director, appointed by the Board of Commissioners, is responsible for managing the operation of the Port Authority in a manner consistent with the agency's policies, as established by the board. In this kind of model, private sector representation is not material. There is a dedicated source of revenue, from government budgets, taxes or fees. This kind of entity has the ability to tax, the ability to design incentives or use incentives designed by government owners and the ability to bond.

Predominantly Private Sector: This model is illustrated by Transhub Ontario, an organization that promotes Hamilton/Burlington/Niagara and southern Ontario as a hub for the movement of goods. It is a membership-based, economic development corporation that includes economic development entities but has predominant private-sector representation (logistic service suppliers, manufacturers and suppliers to the logistic industry). Full-time staff is small, with a president and business development manager. Revenue is based on membership fees, with varying member designations: Board-level ($10,000 per year); member-level ($5,000 per year); partner-level ($2,500 per year); ambassador- level (non-profits) ($1,300 per year); youth professional-level ($200); and student-level member ($55). There are also affiliate members.

Public-Private-Academic Sectors: Both Columbus and Kansas City illustrate public-private-academic partnerships with regard to logistics hubs. Columbus industry stakeholders from all sectors formed the Columbus Region Logistics Council in 2008, which has an executive director and is affiliated with the chamber of commerce. The Kansas City SmartPort was established in 2001 through private-public-and academic collaboration. Staff for the Kansas City SmartPort includes a president and marketing specialist. The funding formulas differ in these public-private-academic examples. For example, the Columbus model includes philanthropic support, which makes sense because it is part of a broader, region-wide economic development initiative. Kansas City does not include philanthropic support, but has a membership-level model (board, pinnacle, gold, other) similar to Transhub.

In addition to this research, members of the UB Team attended a logistics event in Detroit, Michigan and conducted phone interviews with hub leadership in Detroit and Lansing. Detroit offers a good case study in capacity-building for a logistics hub, as it is in the process of doing so – just a few steps ahead of Buffalo Niagara. Interviews with key personnel there suggest that, given the breadth and depth of expertise necessary to creating a logistics hub, no one sector can do it alone. Additionally, leadership has to be committed, collaborative and visionary. Leaders in Detroit also revealed details about their funding model, which involves a 50 percent state investment matched by a 50 percent private sector investment (for a total of $800,000 over two years). This interview suggested that a longer-time frame for funding stability (3-5 years) is preferable. They also indicated that staff is modest, with one director and a part-time administrative assistant. Finally, interviews suggested that good information that informs and justifies strategic decisions ("I use these studies every day to justify decisions and action-steps"), as well as stakeholder engagement and buy-in, are critical components of success.

When presented with these models, 64 percent of stakeholders voted for public-private-academic collaboration in moving forward, with 26 percent voting for a predominantly private sector model, nine percent for a predominantly public sector model and two percent voting for an different entity.

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[3] Data and information also were gathered from a number of Web sites too numerous to list. In addition, information from the Erie-Mohawk Corridor effort also was reviewed, however, a report is not due out until mid-2012.