



APEC Business Advisory Council

The Office of ABAC Chair 2013



18 July 2013

His Excellency

Mr. Akihiro Ota

Chair, APEC Transportation Ministerial Meeting &
Minister of Land, Infrastructure, Transport & Tourism
Japan

Dear Minister Ota:

The APEC Business Advisory Council (ABAC) is the formal private sector advisory group of the Asia-Pacific Economic Cooperation (APEC) Forum. Representing the business communities of all 21 APEC member economies, ABAC is tasked with supporting the success of APEC by providing private sector insights on how best to achieve APEC's goals, both through APEC's own initiatives, and in dialogue with other international organizations.

ABAC applauds APEC Indonesia's 2013 theme of connectivity and its efforts to improve the region's capacity for infrastructure development, which is a vital requirement for efficient, resilient supply chains and the region's long-term competitiveness. We further support APEC's decision to continue to make this a priority over the next two APEC host years in China and the Philippines. As you prepare for your meeting in Tokyo, Japan, we would like to draw your attention to a number of areas of critical importance to the private sector that will be central to the success of APEC's work in this area.

Promote Transportation Infrastructure and Regional Economic Growth

ABAC is encouraged by APEC's efforts to enhance competitiveness in the region by making it easier, cheaper and faster to conduct trade in goods and services across borders. However, in many economies, the lack of transport infrastructure or the poor condition of existing transport infrastructure is limiting the ability for regions to participate in the global economy. A University of Southern California Marshall School of Business 2011 Report on APEC Supply Chains estimates that improvements in connectivity could save up to US \$1,307 and 5.6 days per container in transportation costs and time between APEC economies. A 2013 report by the World Economic Forum estimates that raising all countries' supply chain performance halfway to global best practices on border administration as well as transportation and communication infrastructure would increase global GDP by approximately US\$2.6 trillion and exports by US\$1.6 trillion. Due to the significant potential economic gains, ABAC sees a greater APEC role in the leadership, governance and oversight of standardization initiatives within supply chains.

Encourage Public-Private Partnerships for Infrastructure Financing

A recent McKinsey study projected that globally \$57 trillion in infrastructure investment will be required over the next two decades and transport infrastructure will comprise a significant portion of this spending. The private sector is an important source of the foreign direct investment (FDI) that is required for infrastructure development. To attract the needed capital and compete globally for FDI, a stable, non-discriminatory and transparent legal, regulatory and investment environment is required to give businesses the certainty and predictability required for long-term, capital intensive investments.

ABAC Indonesia

Mitra Building, 2nd Floor, Jl. Jenderal Gatot Subroto Kav. 21, Jakarta 12930, Indonesia
Tel: (62 21) 2557 9888 ext. 8245 • Fax: (62 21) 2557 9889 • Email: contact@abacindonesia.org

Additionally, expertise and capital from the business community can be harnessed through Public-Private Partnership (PPP). PPP mechanisms can be utilized to create sustainable and attractive infrastructure projects that are funded throughout their lifecycle, including through measures to reinvest in existing assets through proper maintenance. ABAC encourages APEC to further build capacity in PPPs, including through measures that address best practices related to transparency in project design, contracting, division of responsibilities, performance measures, risk apportionment and neutral and objective mechanisms to prevent and resolve disputes. Further, ABAC invites APEC economies to leverage dialogues that include the private sector such as the Asia-Pacific Infrastructure Partnership that facilitate additional capacity building.

To bring the range of issues that affect private sector investment in infrastructure together and encourage further inter-agency dialogue on effective policies, ABAC is developing a unique infrastructure investment checklist that will serve as an important self-assessment tool for economies. We invite APEC Transportation Ministers to build on Indonesia's APEC 2013 theme of connectivity by collaborating with ABAC on the development of the checklist.

Enhance Regulatory Cooperation and Improve Transportation Infrastructure Efficiency

In addition to building new infrastructure assets, economies can enhance the capacity of existing infrastructure by improving the regulatory environment for transport and logistics services. A 2012 study by the Pacific Economic Cooperation Council (PECC) cited lack of transparency in regulations as the most important issue for Asia-Pacific free trade agreements, and lack of transparency in regulatory practices as most serious challenges to doing business in the Asia-Pacific region. For businesses, higher costs of regulatory compliance hinder international competitiveness and complicate the most efficient deployment of economic resources. Transportation Ministers should strengthen public-private cooperation on the development of a regulatory toolkit that focuses on best practices and capacity building to help APEC economies implement effective regulatory design which achieve intended aims at the least cost to businesses and citizens. ABAC also urges Ministers to review current and new regulatory initiatives with an eye towards the principles of regulatory coherence, including the principles identified in ABAC's Strategic Framework for Regulatory Coherence.

Modern supply chains are global; regulators must take into account that components are sourced across the world. Inefficient regulations in just one economy can impact the entire supply chain and impose significant costs to business. In many circumstances, alternatives to prescriptive regulation may achieve an economic, social or environmental objective more effectively and at a lower cost. The consideration of regulatory alternatives therefore is an important issue. Regulation alternatives should be based on administrative simplicity, flexibility, efficiency, certainty and equity. Ministers should also promote regulations that are trade-friendly to ensure that economic actors can manage risk and operate in a pro-competitive environment. The use of effective and efficient regulatory impact assessments should prevent discriminatory or protectionist practices, improve transparency, preclude divergent, conflicting or multiple requirements, as well as decrease costliness of demonstrating compliance.

Strengthen Supply Chain Connectivity

ABAC supports a systematic approach to improving supply chain performance, starting with inventories of policies and best practices that APEC economies should have in place as part of the Supply Chain Connectivity Framework. Efficient cross-border trade must have all parties making smart use of existing product and e-commerce data. Global data standards and interoperability of information systems can play an important role in eliminating supply chain chokepoints.

ABAC urges Transportation Ministers to strengthen multi-modal and logistics capabilities to handle the region's increasing trade levels. Ministers should engage in dialogues between the public and private

sector on sharing multi-modal transport experience, promote a harmonized legal environment for multimodal transport, and increase cooperation between developed and emerging economies. Ministers should also promote capacity building and knowledge growth to improve IT capabilities, transport tracking systems, and warehouse management skills to elevate economies' capabilities to meet current business requirement. Ministers should encourage a dialogue between economies to share advanced logistics operational experience.

We encourage APEC to engage with ABAC and the private sector as a source of expertise on targeted, focused, and economy-specific capacity initiatives aimed at building a supply chain toolkit to help enable economies to meet APEC Leaders' 10% improvement goal by 2015.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Wishnu Wardhana', with a long horizontal stroke extending to the right.

Wishnu Wardhana
ABAC Chair 2013