

19 July 2012

Mr. Maksim Sokolov

Chair, APEC Transportation Ministerial Meeting &
Minister of Transport
Russian Federation

Dear Minister Sokolov:

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.

As you prepare for your meeting in St. Petersburg, we would like to draw your attention to a number of issues regarding supply chains that are of critical importance to the private sector.

Connectivity. Increased connectivity among APEC economies through roads, rail, sea, and air will lay the groundwork for the expansion of supply chains and growth in international trade. 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. When upgrading or developing new infrastructure, economies should take advantage of new, highly efficient technologies such as railroad electrification, single window concept, standardized codes for marking and tracking goods, and a wider use of integrated navigation satellite systems. APEC economies will need to leverage the private sector through public-private partnerships (PPPs) to procure capital needed to close the transport infrastructure deficit. To attract the necessary capital, ABAC recommends that APEC work to improve the investment environment through the adoption of strong investment principles and protections such as outlined in ABAC’s Investing for Growth report, including the need for predictable and transparent government procurement processes. Further, ABAC invites APEC economies to collaborate in developing concrete measures to provide conducive environments for infrastructure finance through the Asia-Pacific Infrastructure Partnership (APIP) dialogues with the private sector and multilateral agencies.

Competitiveness. 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. ABAC urges Ministers to review current and new regulatory initiatives with an eye towards the principles of regulatory coherence, including the principles identified by ABAC in 2011: a) encouraging the adoption of international standards to promote supply chain efficiencies and visibility; b) use performance-based regulations; c) adopt trade-friendly regulations; d) address unnecessary costs of regulations; e) promote domestic and cross-border regulatory cooperation; f) utilize regulatory impact assessments; g) use consultation mechanisms; h) enforce regulations in a transparent and equitable manner; and i) explore alternatives to regulations.

ABAC also encourages economies to increase the competitiveness of transport and logistics services through liberalization efforts. Transport and logistics sector liberalization can bring benefits, including lower costs and faster movement of goods and can result in a virtuous cycle whereby international trade is increased and that, in turn, may increase the demand for more transport and logistics services. ABAC further notes the need to take full account of growing opportunities and long-term benefits offered by a wider use of alternative transportation routes between the Asia-Pacific region and the rest of the world, as a result of implementation of national and international transportation infrastructure improvement projects. In particular, significant improvements can be achieved through measures that simplify and expedite customs clearance and the implementation of electronic systems and/or simplified documentation.

Resilience. The earthquakes, floods, wildfires, typhoons and tornadoes and other events that struck APEC economies in 2011 underscore the fact that the Asia-Pacific region is highly prone to disasters. The earthquake and tsunami in Japan and the flooding in Thailand in particular placed in stark relief the ever-present risk of disruptions in the global supply chains that span the APEC region. Businesses can take steps to minimize exposure to the risk of supply chain disruptions caused by disasters through changes in business practices. Meanwhile, there is scope for cooperative efforts between the public and private sectors in disaster preparedness and recovery. With regard to preparedness, ABAC urges economies to establish fora for ongoing dialogue on disaster readiness between public and private sector stakeholders so that critical lines of communication are established prior to event, not after. Further, ABAC believes there is also a clear need for economies to step up the level of emergency preparedness so that they can keep supply chains, and business critical infrastructure, open in times of large-scale disasters using best practices of online technologies.

Reinvestment. Proper maintenance of infrastructure provides numerous benefits to economies. Most tangible are the extension of lifespan and maximization of capacity through the elimination of downtime. Proper maintenance increases returns on the initial capital investment and ensures that the benefits provided by infrastructure are sustained and reliable. Scarce funds for infrastructure maintenance must be maximized through efficient allocation. Here effective frameworks for prioritizing fund allocation to infrastructure elements and the use of public-private partnerships can serve as useful tools for governments.

As a first step in implementing these recommendations, ABAC recommends that APEC conduct a series of feasibility studies to optimize multi-modal transport and relevant infrastructure development plans within APEC economies.

Yours sincerely,



Ziyavudin Magomedov
ABAC Chair 2012