

13 August 2015

Hon. Joseph Emilio Abaya

Chair, APEC Transportation Ministerial Meeting
Secretary of Transportation and Communications
Republic of the Philippines

Dear Secretary Abaya:

ABAC members believe that one of the region's highest priorities contributing to productivity, efficiency and competitive success is to build a highly efficient regional transport infrastructure. As such, we commend APEC for introducing clear aspirational targets for the development of our physical transport infrastructure in the recently endorsed APEC Connectivity Blueprint.

At the same time, ABAC believes that a strong and efficient physical transport infrastructure must rely not just on physical road or rail building, or airport and port development, but on strengthening all three pillars of connectivity (physical, institutional, and people-to-people). We believe convenience, efficiency, security, durability, safety, and sustainability are all fundamental to determining the quality of transport. ABAC advocates a comprehensive approach to developing seamless, high quality transport, and to that end, we urge Ministers consistently to consider all three pillars of connectivity when building the transport plans of the future. Without regionally coherent and consistently applied regulations, without regionally developed and consistently applied practice standards and without strong coordination between the governments of the region, physical construction and connection of infrastructure will not be enough to realize high quality, seamless transport between APEC economies.

High costs, but big rewards

The value and direct benefits of high quality physical infrastructure cannot be underestimated. But nor can the financial and logistical challenge of developing necessary infrastructure. 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.

Budget limitations for infrastructure development are a serious issue throughout the region, and cannot be allowed to result in low quality, cheaply built infrastructure that ends up costing more in the long-term. ABAC appreciates that APEC is considering not only the initial cost of procurement, but also the maintenance and operation costs, along with long-term durability, safety, and environmental factors.

The value of embracing the private sector

The private sector – both local and international – is an important source of the investment that is required for infrastructure development. To attract the needed capital and compete globally for investment, 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.

Additionally, expertise and capital from the business community should be harnessed through public-private partnerships (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 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 take advantage of dialogues that include the private sector such as the Asia-Pacific Infrastructure Partnership (APIP) that facilitate additional capacity building.

The value of an infrastructure investment checklist

To bring the range of issues that affect private sector investment in infrastructure together and encourage further interagency dialogue on effective policies, ABAC has developed a unique infrastructure investment checklist that has served as an important self-assessment tool for economies. Twelve governments have now completed the Checklist and provided the business community with useful feedback that will inform future discussions.

We invite Transportation Ministers to reinforce APEC's mission of promoting connectivity by encouraging their governments to better understand the private sector's needs by reviewing frameworks such as the Checklist and engaging in partnerships with ABAC.

ABAC welcomes the development of the Investment Experts Group's recently published *Guidebook on Public-Private Partnerships Frameworks in the APEC Region*. The Guidebook is complimentary to the Checklist and used together provides a valuable tool to advance robust infrastructure investment in the APEC region.

Improving maritime connectivity

We note that Transportation Ministers in their 2013 ministerial statement recognized that improved practices in maritime trade can connect major Asia-Pacific centers in an efficient, resilient, secure and more economically viable manner. Given the consideration of the transformation and development in maritime trade taking place worldwide, ABAC applauds the initiative taken by the APEC Transportation Working Group (TPTWG) to conduct an analytical study and to develop a set of policy recommendations regarding strengthening maritime connectivity.

ABAC would like to be an active partner to TPTWG as the analytical study progresses, providing business sector feedback based on industry expertise. Ultimately, strengthening maritime connectivity will promote mutually beneficial economic development as well as identify priority areas for cooperation, ranging from maritime cooperation to finance, security, environmental protection and people-to-people exchanges.

Strong supply chain connectivity

Rapid infrastructure developments and improvements can confidently be expected to stimulate economic growth, increase productivity, and promote trade connectivity in the Asia-Pacific region. Advances in transportation would shrink time and distance barriers, allowing goods and people to move quickly and efficiently.

According to a WTO report, if trade costs along a supply chain fall by 10%, trade volumes could potentially increase by 20%. Transportation policies should work to minimize transportation costs, in line with the APEC Leaders' goal of a 10% improvement in the reduction of time, cost, and uncertainty of moving goods and services throughout the region. ABAC supports a systematic approach to

improving supply chain performance, including deeper exploration of supply chain impediments; for example global data standards and interoperability of information systems can play an important role in eliminating supply chain chokepoints.

Private sector support in capacity building

ABAC applauds the APEC Women in Transportation initiative and the development of a data framework which benchmarks conditions for women in the sector and will ultimately provide recommendations and showcase best practices for enhancing women's participation in transportation throughout the Asia-Pacific region.

In addition to existing and highly effective dialogues like those provided by APIP, ABAC urges Transportation Ministers to strengthen public-private dialogues to help promote capacity building and knowledge growth to improve information technology capabilities, transport tracking systems, and warehouse management skills to elevate economies' capabilities to meet current business requirements. 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 economies meet the APEC Leaders' 10% improvement goal by the end of this year.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Doris Ho", with a horizontal line underneath.

Doris Ho

ABAC Chair 2015