Highlights from the competition neutrality review of small-package delivery services in Thailand

Competitive neutrality (state-owned and private businesses competing on a level playing field) ensures that all enterprises, public or private, domestic or foreign, face the same sets of rules. Ensuring a level playing field between public and private market participants leads therefore to more choice, higher quality and lower prices for consumers and ultimately benefits economic growth and development. This is why it is useful to assess the impact of SOEs on competition.

The OECD was asked by the ASEAN Secretariat and the ASEAN Expert Group on Competition, with funding from the UK Prosperity Fund (UK Government), to carry out an independent assessment of the impact of state-owned enterprises (SOEs) on competition in the small-package delivery services sector in ASEAN. The results of the assessment can help to promote a level playing field between SOEs and private entities in ASEAN and help detect unjustified special rights and privileges granted to SOEs that affect long-term growth and competitiveness. This document presents the highlights and main finding from the assessment and the full review is available at oe.cd/comp-asean.

The review is the result of an independent assessment by the OECD based on an analysis of selected (prioritised) Thai legislation, interviews with stakeholders and desk research. The review took place in stages. Stage 1 served to determine the exact scope of the study. Thailand Post was identified as the relevant SOE, and the main laws and regulations and other SOE-related information were analysed. The OECD team met with government authorities, industry associations and private stakeholders. Stage 2 screened the relevant legislation to identify potential provisions affecting the level playing field and to understand their rationales and policy objectives. Stage 3 analysed the special rights, privileges and duties of the Thailand Post in depth. Stage 4 served to draft the report with policy recommendations. The draft was shared with the relevant public stakeholders.
SOEs and competitive neutrality

SOEs may enjoy rights or privileges unavailable to private competitors, which could confer undue competitive advantages. These advantages can make market entry or expansion more difficult for (domestic or foreign) private companies and result in a competitive obstacle. At the same time, SOEs may be subject to obligations, which can affect their ability to compete effectively with private companies. Examples of advantages of state-owned enterprises or factors that may affect competitive neutrality are:

1. **Financial treatment**
   - Outright subsidies
   - State financing and guarantees

2. **Asymmetrical regulation**
   - Monopoly rights and incumbency advantages
   - Other preferential treatment by the government

3. **Corporate governance**
   - No separation between regulatory and commercial functions
   - Exemption from takeover and bankruptcy rules

E-commerce and small-package delivery services

The COVID-19 pandemic is disrupting global supply chains in unprecedented ways and will have a significant economic impact with forecasted GDP contractions in most ASEAN member states, including Thailand, in 2020. However, due to the COVID-19 outbreak, and like in other countries around the world, the use of e-commerce has increased abruptly and sharply, accelerating already existing trends. The COVID-19 pandemic will lead to long-term changes, expediting the shift to e-commerce, which provides easier access to more products with better price and quality. Brick-and-mortar businesses will also evolve offering services beyond retail, including last-mile deliveries.

Thailand has placed significant importance on e-commerce as one of the key areas that would benefit from the development of trade and investment, as noted in its Twelfth National Economic and Social Development Plan (2017-2021). As a result, Thailand has been investing in this sector to attract foreign investments and to incentivise the creation of e-commerce platforms’ logistics hubs. As Thailand’s e-commerce market has seen rapid growth, competition in small package delivery services has increased in recent years. Thailand is now seen as a leading regional centre for e-commerce logistics, with a number of third-party logistics companies, including both local and regional players, active in the country. However, the market for small package delivery services remains concentrated. A level playing field in small package delivery services is crucial for developing a competitive market and fulfilling the sector’s potential.
SOEs and the sector for small-package delivery services

SOEs play an important role in the Thai economy, including in the delivery industry.

As in other countries, the state has been active in the postal sector in Thailand for many years. Established in 1883 as the Department of Mail, Thailand Post’s postal business was initially part of the Ministry of Transport. Thailand Post is now a limited liability company, wholly owned by the state with the Ministry of Finance exercising ownership rights and the Ministry of Digital Economy and Society supervising its management and implementing its mandate.

Thailand Post also holds a legal monopoly in the segment of letters and postcards, while it competes with private businesses in the related small-package delivery services market.

Despite increased competition in the small-package delivery services, Thailand Post seems to remain the largest player in the domestic market, in particular in the B2C segment with a market share of approximately 60%.

Source: State Enterprise Policy Office (SEPO)
KEY RECOMMENDATIONS

1. **Clarify the boundaries of Thailand Post's monopoly** to exclude express mail and parcels/small-package delivery services. In the alternative, lift Thailand Post’s monopoly on letters and parcels.

2. **Adequately compensate Thailand Post for its public service obligations**. Regulated prices for services under legal monopoly should reflect Thailand Post’s actual costs, and be based on separate and transparent accounting criteria that take into account any cross-subsidisation or other subsidies to Thailand Post.

3. **Separate the state’s ownership function and regulatory functions** of Thailand Post.

4. **Transfer the regulatory functions** on services under legal monopoly from Thailand Post to the sectoral regulator as these functions conflict with Thailand Post’s role as commercial player.

5. **Refrain from electing an excessive number of directors from within state bodies.** Whilst a certain level of government’s oversight over Thailand Post is legitimate it should be limited.

6. Thailand Post’s and other SOEs’ commercial activities (including small-package delivery services) should be subject to competition laws.

7. **Rental rates** charged by the Ministry of Finance to Thailand Post and other incorporated SOEs to use crown land and public property should reflect current market conditions.

8. Amend legislation to ensure that the state offers loans and guarantees to SOEs, including Thailand Post, at arm's length and at market conditions.

9. **Repeal the exemption** granted to SOEs from the signboard tax.

10. Amend legislation to **ensure that Thailand Post is subject to tolls on express highways** managed by EXAT.

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Fostering competition in ASEAN

Funded by the UK Prosperity Fund (UK Government), **Fostering competition in ASEAN** is a project that aims to implement part of the ASEAN Competition Action Plan and assess regulatory constraints on competition in the logistics sector in all 10 ASEAN countries identifying regulations that hinder the efficient functioning of markets and create an unlevel playing field for business.

The project runs two parallel components: **competition assessment reviews** of specific logistics sub-sectors and **competitive neutrality reviews** of small-package delivery services.

This report and the accompanying “OECD Competitive Assessment Reviews: Logistics sector in Thailand” are contributions to this project.

Access all reviews and more information on this project at [oe.cd/comp-asean](http://oe.cd/comp-asean).