

Small-package Delivery Services in Brunei Darussalam

Highlights

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 state-owned enterprises (SOEs) on competition.

The OECD was tasked 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 SOEs on competition in the small-package delivery services sector in ASEAN. The results of the assessment can help promoting a level playing field between SOEs and private entities in ASEAN and detecting special rights and privileges granted to SOEs that affect long-term growth and competitiveness. This document presents the main findings from the assessment. The full review is available at oe.cd/comp-asean.

The review is the result of an assessment by the OECD based on an analysis of selected (prioritised) Brunei Darussalam legislation, interviews with stakeholders and desk research. The review took place in stages. **Stage 1** served to determine the exact scope of the study. The Brunei Postal Services Department (BPSD) under the Ministry of Transport and Infocommunications (MTIC) was identified as the relevant SOE, and the main laws and regulations as well as 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 BPSD in depth. **Stage 4** served to draft the report with non-binding recommendations. The draft review and recommendations were shared and discussed 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 factors that may affect competitive neutrality are:



E-commerce and small-package delivery services

The COVID-19 pandemic is disrupting global supply chains in unprecedented ways, leading to slower GDP growth in some ASEAN member states, including Brunei Darussalam, in 2020.

However, due to the COVID-19 outbreak, the use of e-commerce has increased abruptly and sharply. The COVID-19 pandemic will lead to long-term changes, accelerating the shift to e-commerce. Many brick-and-mortar businesses will also evolve offering services beyond retail, including last-mile deliveries.

Brunei Darussalam has very high internet and social media penetration rates, and the use of e-commerce is slowly growing. Many small businesses in Brunei Darussalam market their products through popular social media platforms. Payments are mainly based on cash-on-delivery, while several SMEs have been adopting online payment solutions.

SOEs and the sector for small-package delivery services

SOEs, and more generally the public sector, play an important role in the Brunei economy. Brunei Darussalam's SOEs are active in a number of key sectors such as oil and gas, telecommunications, transport, and energy generation/distribution, either in the form of State wholly-owned companies or in joint ventures.

BPSD is active in the small-package delivery services sector. Although it is currently a ministerial department, there is a plan to corporatise BPSD by 2021. The decreasing volume of traditional letters and postcards in Brunei Darussalam has increased the commercial importance of small-package delivery services for BPSD. While the number of letters and postcards handled by BPSD dropped from approximately 8.9 million in 2004 to 6.6 million in 2018, small packages handled by BPSD increased from approximately 25 000 to 268 000 in the same period.

A key challenge for logistics (including for the small-package delivery services sector) in Brunei Darussalam is the lack of sufficient volumes. Nevertheless, a number of third-party logistics companies, including both local and international players are active in the small-package delivery services market, competing with BPSD.

Key recommendations

1. BSPD should be adequately compensated for both its public-service obligations and Franking Privilege services.
2. Should the benefits exceed the costs, implement BDSP's corporatisation plan and establish an identifiably separate entity with its own accounts and management.
3. BSPD should not exercise at the same time regulatory functions and commercial activities. Pending BSPD corporatisation, strict safeguards should be introduced within MTIC to avoid the involvement of officials managing BSPD's commercial activities in MTIC regulatory initiatives and decisions.
4. Once corporatised, assuming that BSPD will remain a SOE, separate the State's ownership function and the State's regulatory functions that may influence the conditions for BSPD (and its private competitors) to operate and effectively compete on the market.
5. BSPD should exercise its commercial discretion as to rates applied to its services, including small-package delivery services, competing with private players.
6. The scope of Section 10(4) of Competition Order 2015 should be clarified to exclude from this exemption commercial activities carried out by BSPD in competition, or potential competition, with other market participants.

Fostering Competition in ASEAN

Funded by the UK Prosperity Fund (UK Government), **Fostering competition in ASEAN** is a project that aims at assessing regulatory constraints on competition in the logistics sector in all 10 ASEAN countries identifying regulations that hinder the efficient functioning of markets and creating a non-level 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 Neutrality Reviews: Small-Package Delivery Services in Brunei Darussalam" are contributions to implementation of the ASEAN Competition Action Plan.

