

Laws and Regulations in the Logistics Sector in Singapore

Highlights

Laws and regulations are key instruments to achieve public-policy objectives, such as consumer protection and public health. When they restrict market forces more than necessary or impose unnecessary costs, a comprehensive competition review can help identify restraints and develop alternative, less restrictive policies that still achieve government objectives. More intense competition is linked to increased productivity, growth and other benefits, including lower consumer prices, greater consumer choice, better quality of products and services, and faster adoption of innovation.

The OECD was tasked by the ASEAN Secretariat and the ten ASEAN Member States to carry out an independent competition assessment to identify rules and regulations that may hinder the efficient functioning of markets in the logistics sector. The project was supported by the ASEAN Economic Reform Programme under the UK Foreign, Commonwealth & Development Office (UK Government). The assessment covered the following activities:

- Freight transport (by road, railway and water)
- Freight forwarding
- Warehousing
- Small package delivery services
- Value-added services

This booklet presents the key findings and highlights from this analysis on Singapore. The full results of the analysis are available at oe.cd/comp-asean.

The assessment took place in stages. In **Stage 1**, the OECD undertook a fact-finding mission in Singapore and following discussion with public and private stakeholders identified sector-relevant legislation and policies. **Stage 2** identified 10 potential issues in light of the OECD's Competition Assessment Toolkit. **Stage 3** involved an in-depth analysis of the potential barriers, including assessing the possible competitive harm resulting from these barriers and taking the objectives of policy makers into account. **Stage 4** developed 8 recommendations for provisions found to actually or potentially restrict competition unnecessarily, taking into account the Singaporean context, international experience and relevant economic literature, and consulted the relevant authorities on these recommendations. **Stage 5** finalised the recommendations. The final report including all findings and recommendations was released and uploaded on the OECD website.

Key findings and main recommendations

Singapore has established itself as a global leader in the freight transport sector. The transportation and storage sector represented approximately 4.8% of the overall service industry-related GDP in 2018, increasing by about 5% per year between 2012 and 2018. Worth more than USD 23 billion in 2018, the sector expanded by 0.8% in 2019.

The COVID-19 outbreak led to a contraction of the transportation and storage sector of 8.1% year-on-year, with the air transport segment being the most affected. Similarly, the water transport segment contracted following a reduction in total sea cargo handled.

In 2018, Singapore ranked 7 out of 160 countries in the Logistics Performance Index (LPI) and scored extremely close to the top global and regional performers.

Freight transport and warehousing

As many manufacturing companies have opened supply-chain control offices and distribution centres in Singapore to manage their regional and global chains, so have an increasing number of logistics companies. In 2018, there were 12 865 logistics operators, with the majority active in land transport, followed by operators active in water transport.

Singapore is one of the main global trading hubs, in part thanks to the quality of its port infrastructure. Its liner shipping connections with other countries have improved continually over time and since 2010, Singapore's port container throughput has been constantly increasing to reach 37.2 million TEUs in 2019, an increase of 20% compared to 2016.

Furthermore, Singapore is one of the most developed warehousing markets in the world with steady supply of technologically advanced warehousing space. There is about 117 million sq ft of total warehouse space in Singapore. Multi-storey warehouses are also developing, by offering cost-effective solutions in areas where space is constrained. E-commerce is the major driver of the growth in the logistics sector and also accounts for a large share of the occupied warehouse space in Singapore, followed by manufacturing. Its further development will have additional positive spillover effects on the sector.

Key policy findings and recommendations

1. Singapore's **vehicle quota system** has been successful in optimising traffic flows by controlling the growth of overall vehicle numbers. Although the system limits the number of certificates of entitlement available to register and use a vehicle in Singapore, given its policy objective and the high costs that could stem from traffic congestion, the OECD makes no recommendation.
2. **Piloting services** in Singapore are currently provided by PSA Marine. Taking safety and efficiency concerns into account, authorities should investigate whether there is any private interest in providing pilotage services within the ports. If there is, the OECD recommends creating an appropriate legal framework to allow piloting services to be tendered based on fair and non-discriminatory terms that guarantee competition for the market.
3. Regarding the **possible extension of the Block Exemption Order for Liner Shipping Agreements**, the OECD recommends that any assessment focus on any positive and specific grounds that might justify a re-extension beyond 2021, taking into account several factors including the scope of the exemption compared to the scope of similar provisions in other countries; the impact on legal certainty; its consistency with the general competition policy; and the added value of sector-specific exemptions in addition to general guidelines on competition-law provisions.
4. Warehousing operators have different solutions to **obtaining land**. Leasing contracts are currently sufficiently long and provide extensive rights to recoup investments. Furthermore, given land scarcity in Singapore, the current leasehold system aims to ensure that land allocation is in line with changing socio-economic needs and other governmental policies. In light of these considerations, the OECD makes no recommendation on potentially restrictive provisions in the current legal system for accessing industrial land.

Small package delivery services

USD 2.34 billion

By 2019

The Singaporean courier, express, and parcel market was valued at USD 2.34 billion in 2019, and it is expected to reach USD 3.65 billion by 2025, with a growth rate of 7.72% during the forecast period (2019-2025). Given the development of online shipping portals and e-commerce, demand for parcel and express delivery services is increasing at a significant pace. Today, there are more than 570 post and courier establishments in the city state. Recognising the importance of the logistics industry as a critical enabler of the economy, Singapore has developed a *Logistics Industry Transformation Map* identifying strategies to transport and grow the industry through innovation. The government is investing in new solutions, such as the Locker Alliance to provide consumers with better delivery and a wider range of parcel pick-up options.

Key policy findings and recommendations

1. Regarding the prohibition of any small-package delivery services (SPDS) provider other than SingPost to hold a **master key to access two-way design letter boxes**, in the short term, IMDA should grant equal and non-discriminatory access to letterboxes for all SPDS providers. To do this, IMDA should be granted (and should exercise) the power to regulate wholesale access to letterboxes for SPDS, as proposed in the draft Postal Services (Amendment) Bill. In the longer term, pursuant to Section 16 of the Postal Services Act (Chapter 237A), the OECD recommends developing new specifications or amending the current ones on letter boxes to identify technical solutions that address security concerns, while granting equal access to SPDS providers. Alternatively, IMDA and HDB should assess the feasibility of replacing two-way design letter boxes with alternative designs or complementing them with new technology that would allow access to SPDS providers, while avoiding security issues.
2. The **Locker Alliance** is an innovative policy initiative to facilitate last-mile deliveries and provide greater coverage to consumers and companies, while avoiding the multiplication of underutilised locker sites. Nevertheless, the OECD recommends taking into account any potential risks to competition that it poses. Authorities should carefully assess the advantages and disadvantages of a single-operator model and implement a system where the platform's infrastructure operator is structurally independent from the downstream locker-service providers. In this regard, the OECD supports Singapore's efforts in ensuring structural independence of the company responsible for designing, developing and running the platform. In addition, they should avoid choosing a technology or protocol for data exchange with the platform that favours certain operators over others. Once the network is in place, the competition authority should ensure that the platform operator does not act as a hub for anticompetitive conduct.

Horizontal and regional issues

Singapore has no investment restrictions in most logistics sub-sectors for ASEAN member states. Maritime cargo handling and maritime freight have no limitation specified, while access by foreigners to the operation of storage and warehousing facilities is negotiated in bilateral agreements. This has contributed to a significant flow of FDI into the country. In 2018, water transport and supporting services accounted for 81.8% of FDI directed to transport and storage services.

Furthermore, the country's efficient institutional system and clear regulatory framework with a comprehensive legal database gathering all legislation support the business environment, reduce compliance costs and ease the entry of new players.

Finally, Singapore’s authorities are supporting the development of innovation in the logistics sector through a number of policy initiatives, such as the digitisation of supply chains or innovative cloud-based market platforms for freight transport services. Such innovation will most likely contribute to reducing transportation costs and bringing efficiencies in the logistics sector.

Key policy findings and recommendations

1. Singapore’s **Pro-Enterprise Panel** is an efficient way to ensure that rules and regulations do not hinder businesses and hold back entrepreneurship. By involving both private and public stakeholders, it allows a pro-enterprise culture to spread across the public sector, and favours greater co-operation between different authorities and between them and private entities. Moreover, it provides companies with a one-stop-shop to submit their suggestions on how to create a more pro-business environment, while leaving final decisions to public authorities.
2. A **clear regulatory framework** is essential for competition as it reduces compliance costs and facilitates, among other factors, the entry of new players. Singapore Statutes Online is an easily accessible and comprehensive database of all Singaporean legislation with free public access.
3. Repeal the provision **limiting the number of ASEAN goods-vehicle cross-border permits** (AGVCBP) in order to reduce barriers to entry and transshipment costs at the border. As an alternative, Singapore could regularly assess market needs and demand, and consider increasing the number of licences that can be issued. Both these recommendations would require negotiations between the agreement’s national co-signatories.

Sources: Mordor Intelligence; Singapore Department of Statistics; Infocomm Media Development Authority.

Fostering Competition in ASEAN

Funded by the ASEAN Economic Reform Programme under the UK Foreign, Commonwealth & Development Office (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 member states 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 Singapore” are contributions to the implementation of the ASEAN Competition Action Plan.



Access all reviews and more information on this project at oe.cd/comp-asean