

# Small-package Delivery Services in Indonesia

## Highlights

Competitive neutrality (state-owned and private businesses competing on a level playing field) ensures that 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 tasked by the ASEAN Secretariat and the ASEAN Expert Group on Competition, with funding from the ASEAN Economic Reform Programme under the UK Foreign, Commonwealth & Development Office (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 special rights and privileges granted to SOEs that affect long-term growth and competitiveness. This document presents the highlights and main findings from the assessment and the full review is available at [oe.cd/comp-asean](https://oe.cd/comp-asean).

The review is the result of an assessment by the OECD based on an analysis of selected (prioritised) Indonesian legislation, interviews with stakeholders and desk research. The review took place in stages. **Stage 1** served to determine the exact scope of the study. PT Pos Indonesia (Pos Indonesia) 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 Pos Indonesia 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 advantages of state-owned enterprises or 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 and will have a significant economic impact with GDP contractions in most ASEAN member states, including Indonesia, 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.

Indonesia has placed significant importance on e-commerce by identifying it as one of the backbones of the national economy with high economic potential. In 2019, with a value of USD 21 billion, Indonesia had the largest and fastest growing e-commerce market in ASEAN. From 2015 to 2019, Indonesia's e-commerce market grew by 88% a year and it is expected to reach USD 82 billion by 2025 – with an annual growth rate of 48% between 2019 and 2025.

### E-commerce market value in Indonesia (2015-2025)



Source: Google, Temasek and Bain & Company, e-Economy SEA, 2019.

As the Indonesian e-commerce market has seen rapid growth, the small-package delivery services market has been among the most competitive in the region. Market participants consider prices charged to end customers among the lowest in ASEAN, with some e-commerce platforms even offering free deliveries.

## SOEs and the sector for small-package delivery services

SOEs play an important role in the Indonesian economy, including in delivery services. In 2019, Indonesia had 114 SOEs with a combined asset value of IDR 8 725 trillion, representing more than 50% of the country's GDP.



Source: Ministry of State-Owned Enterprises (2019). Performance report 2019.

As in other countries, the state has been active in the postal sector in Indonesia for many years. The incumbent postal operator, Pos Indonesia, was established in 1746 as a post office in Jakarta and is now a limited liability company wholly owned by the government.

Although Pos Indonesia performs the public service obligation (PSO) to deliver letters and parcels, including small packages, throughout Indonesia, its monopoly on the delivery of documents and packages below two kilogrammes was lifted in 2009. As such, the legislative framework allows any SPDS provider to offer these services, provided it meets certain requirements.

In 2019, there were over 600 licensed operators active in Indonesia, with the largest players being JNE, TIKI, J&T Express, and Pos Indonesia. Pos Indonesia maintains one of the largest networks in the country and operates both non-express (postal) services and express (courier) services.

## Key recommendations

1. Ensure that Pos Indonesia receives adequate compensation for its non-commercial activities for government agencies and other public authorities.
2. Ensure that SOEs with public service obligations, such as Pos Indonesia, comply with the accounting separation and reporting requirements to prevent commercial services being cross-subsidised by funds designated for public service obligations.
3. Ensure that SOE public procurement follows a competitive process and limits the scope of preferential agreements.
4. Consider to mandate Kominfo to organise a public consultation or call for expression of interest to inquire whether private companies have an interest in executing the PSO. This could be a first step for developing a tender for the PSO.
5. Ensure that SOE boards are sufficient autonomous and competent and that direct appointments by the Minister are limited to certain circumstances. For this, (i) reinforce the “fit-and-proper” test to mitigate the risk of political appointees for commissioners and directors; and (ii) ensure that the assessment of this test is conducted by an independent entity.

**Note:** The formulation of this report and the field interviews to gather relevant data/information related to this study, were conducted in 2019, prior to the issuance of Law Number 11 Year 2020 (the Omnibus Law on Job Creation). The Omnibus Law 2020 has significantly changed the regulatory landscape in Indonesia with the objective to attract more investment and increase the ease of doing business. These changes have not been reflected in the report.

## 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 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 the Indonesia” are contributions to implementation of the ASEAN Competition Action Plan.



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