

# Small-package Delivery Services in Singapore

## 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 ASEAN Economic Reform Programme under the UK Foreign, Commonwealth & Development Office (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 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 finding 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) Singaporean legislation, interviews with stakeholders and desk research. The review took place in stages. **Stage 1** served to determine the exact scope of the study. Singapore Post (SingPost) was identified as the relevant SOE for the purpose of the study, 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 SingPost 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 SOEs 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 Singapore, in 2020. However, as result of 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.

In Singapore, the e-commerce sector is growing rapidly. Key drivers of this growth are high internet penetration and smartphone adoption, strong financial infrastructure, and good logistical facilities. The government has put in place legislation and several initiatives to support e-commerce growth, helping for instance SMEs and local retail businesses to expand their domestic reach and overseas. Despite this rapid growth, efforts are still needed to convert offline consumers into online consumers as, for instance, some consumers do not want to wait for deliveries of small packages.

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



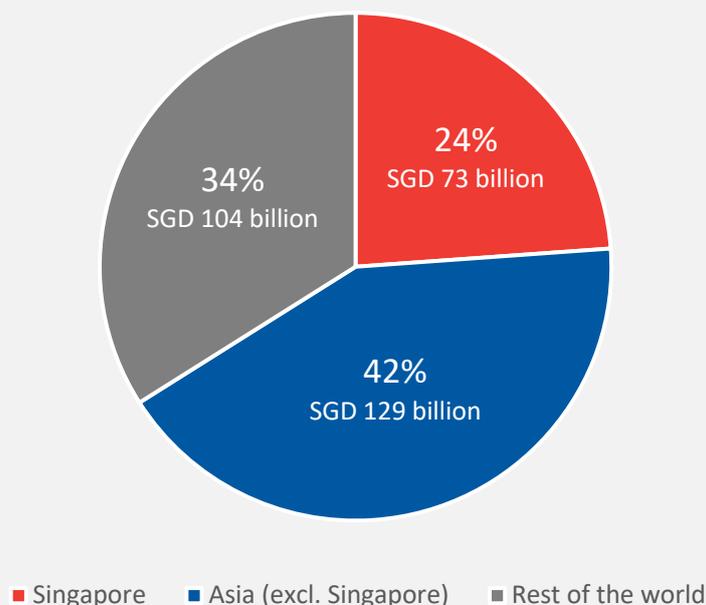
Source: Google, Temasek and Bain & Company, e-Conomy SEA, 2019.

As the Singapore e-commerce market has seen rapid growth, competition in small-package delivery services has increased in recent years. Many third-party logistics companies are active in Singapore, with the last-mile delivery segment being highly fragmented. Ensuring a level playing field in small-package delivery services can further contribute to develop a competitive market and fulfil the sector's potential.

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

The state has had a key role in Singapore's economic growth with SOEs playing a major role in industrial policy since independence. Temasek – a “global investment company” wholly owned by the Singapore government – now owns stakes in a large number of companies, accounting for a high proportion of the Singaporean economy. As at 31 March 2021, Temasek's net portfolio was worth SGD 306 billion. Since 2004, Temasek has also globalised its portfolio.

### Temasek's portfolio by geography (as at 31 March 2021)



Source: Temasek, Overview: Portfolio highlights, 2020.

SingPost's origins date back to Singapore's founding in 1819. Following independence, the Singapore Postal Services Department became a fully autonomous (government) body in 1967. In 1982, the Postal Services Department merged with the then Telecommunication Authority of Singapore and the government directly provided postal services in Singapore for a decade. In 1992, the Telecommunication Authority was split into three bodies, including a corporatised Singapore Telecommunications (SingTel). SingPost is currently an “associate company” of SingTel and it is listed on the Singapore Exchange (SGX-ST).

For decades, SingPost has had the exclusive privilege of receiving, collecting and delivering letters and postcards in Singapore. After the full liberalisation of the postal service in 2007, SingPost lost its monopoly rights. It retained its status as the sole designated public postal licensee (PPL) and, as such, continued to fulfil the universal service and international obligations.

SingPost's small-package delivery services encompass both its post and parcel and logistics business segments. The core postal and parcel (up to 30 kilogrammes) delivery business includes domestic and international deliveries. SingPost's logistics segment comprises front-end e-commerce solutions, warehousing, fulfilment, delivery and other value-added services offered in the Asia Pacific region. The post and parcel business accounted for approximately SGD 765 million of SingPost's total revenue of SGD 1 323 million in 2018-2019 and for approximately SGD 763 million of SGD 1 314 million in 2019-2020.

While it continues to face fierce competition from other players with new innovative business models, according to internal estimates, SingPost maintains a strong presence in Singapore with market shares at approximately 20% for domestic last-mile deliveries as well as for international deliveries.

## Key recommendations

1. The Competition and Consumer Commission of Singapore (CCCS) and the Infocomm Media Development Authority (IMDA) should continue and enhance bilateral co-operation in competition-law advocacy and enforcement actions in the small-package delivery services market. In all instances, it should be ensured that the same competition legal tests and standards apply.
2. IMDA should grant equal and non-discriminatory access to letterboxes for all providers of small-package delivery services. To do this, IMDA should be granted (and should exercise) the power to regulate wholesale access to letterboxes for small packages.

Also, in the longer term, it should be assessed whether it is feasible to replace 2-way design letterboxes (those with individual access plus a masterdoor) with alternative designs or complement them with new technology, to avoid SingPost having sole access to the masterdoor. Alternatively, IMDA could develop new specifications or amend current letterbox specifications to identify technical solutions that address security concerns.

3. Ensure that any government grant assigned solely to SingPost (and not to any of its competitors) is used only to cover SingPost's universal service obligations, does not overcompensate, and takes into account costs for the provision of these services as well as any other government financial and non-financial support.
4. SingPost could consider increasing transparency by indicating in its annual reports from which government agency and under what conditions leasehold properties are held.

## 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 Competition Assessment Reviews: Logistics Sector in Singapore” are contributions to implementation of the ASEAN Competition Action Plan.

