



OECD Competitive Neutrality Reviews

SINGAPORE

SMALL-PACKAGE DELIVERY SERVICES



OECD Competitive Neutrality Reviews: Small-Package Delivery Services in Singapore

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Foreword

Southeast Asia, one of the fastest growing regions in the world, has benefited from a broad embrace of economic growth models based on international trade, foreign investment and integration into regional and global value chains. Maintaining this momentum, however, will require certain reforms to strengthen the region's economic and social sustainability. This will include reducing regulatory barriers to competition and market entry to help foster innovation, efficiency and productivity.

The logistics sector plays a significant role in fostering economic development. Apart from its contribution to a country's GDP, a well-developed logistics network has an impact on most economic activities. An efficient logistics system can improve a country's competitiveness, facilitate international trade and enhance its connectivity to better serve consumers and meet the needs of regionally integrated production facilities for reliable delivery of inputs and outputs.

The *OECD Competitive Neutrality Reviews: Small-Package Delivery Services in Singapore*, undertaken within the framework of the ASEAN Competition Action Plan, assesses the impact of state-owned enterprises on competition in Singapore. The analysis focuses on small-package delivery services, a fundamental part of the logistics sector due to their important role in the rapidly growing e-commerce sector. In parallel, the OECD has assessed the impact of regulation on competition in the logistics sector in the *OECD Competition Assessment Reviews: Logistics Sector in Singapore*.

The OECD assessment was conducted in consultation with the Singapore authorities and with local stakeholders, with the support of the ASEAN Secretariat and the UK Foreign, Commonwealth & Development Office (UK Government). The assessment prioritises 13 pieces of legislation and identifies 7 regulatory barriers where changes could be made to foster competition in the small-package delivery services by levelling the playing field between public and private companies. This is especially important for Singapore, where volumes of small packages delivered through the postal network were expected to increase due to projected growth in e-commerce volumes of 12-20% annually over the next five years even before COVID-19.

These structural reforms have become even more pressing as the Singapore economy has been seriously impacted by COVID-19, while remains resilient. These policy recommendations contribute to reforms that can help the Singapore economy resume sustainable growth and job creation, by enhancing competitiveness, encouraging investment and stimulating productivity in the logistics service sector, with knock-on economy-wide effects and benefits for its consumers.

I congratulate the Singapore government, as well as the ASEAN Secretariat and the UK Foreign, Commonwealth & Development Office (UK Government), on their efforts to lift regulatory barriers to competition and to improve the business environment. The OECD looks forward to continuing and broadening its co-operation with ASEAN to support further its reforms to the benefit of its citizens.

Greg Medcraft



Director, OECD Directorate for Financial and Enterprise Affairs

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- Economic Development Board
- Infocomm Media Development Authority
- Ministry of Trade and Industry
- Ministry of Finance
- Singapore Land Authority
- Singapore Post
- Temasek International.

The following stakeholders were also interviewed:

- DHL Express
- Gogovan
- Lazada.

The ASEAN Secretariat and Ms Nimisha Tailor provided valuable inputs.

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Valuable comments throughout the process and on the final report were provided by Antonio Capobianco, Acting Head of the OECD Competition Division, and Hans Christiansen, Senior Economist; Sara Sultan, Policy Analyst; and Chung-a Park, Policy Analyst, all three of the OECD Corporate Affairs Division.

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The information and figures in the report are updated as of December 2020.

The findings in this report are the result of an independent assessment by the OECD based on an analysis of selected (prioritised) Singapore legislation, stakeholder interviews and desk research.

The recommendations are the result of this analysis and are non-binding.

Fostering competition in ASEAN

ASEAN member states have agreed to implement significant reforms towards market liberalisation and elimination of competition distortions as part of the ASEAN Competition Action Plan 2016-2025 (ACAP 2016-2025) which provides strategic goals, initiatives and outcomes to fulfil the competition-related vision of the AEC Blueprint 2025. In order to increase awareness of the benefits and role of competition in ASEAN, the ACAP 2016-2025 provides for an assessment to be conducted on the impact of non-tariff barriers on competition in the markets of ASEAN member states followed by recommendations.

The logistics sector was chosen by the ASEAN Secretariat and ASEAN Expert Group on Competition (AEGC) as it can play a significant role in increasing ASEAN's economic development, and is included in the AEC Blueprint's 12 priority integration sectors. Indeed, efficient logistics can play a significant role in increasing a country's economic development by facilitating international trade and improving its competitiveness. By developing an efficient logistics system, a country can enhance its connectivity to better serve its importers and exporters, and satisfy the needs of regionally integrated production facilities for reliable just-in-time delivery of inputs and outputs.

Against this background, the ASEAN Secretariat, with funding from the ASEAN Economic Reform Programme under the UK Foreign, Commonwealth & Development Office (UK Government), tasked the OECD to assist with the implementation of Initiatives 4.1 and 4.2 of the ACAP 2016-2025. These two initiatives require an assessment of the impact of competition law and policy on the markets of all ten ASEAN member states, both in general (4.1) and with a focus on state-owned enterprises (4.2).

This report contributes to ACAP Outcome 4.2.1 (Impact of state-owned enterprises and government-linked monopolies on competition), building on a competitive neutrality assessment in the small-package delivery services sector.

The current report on Singapore is part of a series of ten similar assessments (one for each ASEAN Member State).

Table of contents

Foreword	3
Acknowledgements	5
Abbreviations and acronyms	9
Executive summary	11
1 Introduction	13
1.1. Scope of the report	13
1.2. COVID-19 and its impact on e-commerce	13
1.3. Report structure	14
2 State-owned enterprises and competition	15
2.1. Introduction	15
2.2. Definition of SOEs	15
2.3. Benefits of competition	16
2.4. SOEs and competitive neutrality	17
3 SOEs' framework and the importance of SOEs in Singapore	21
3.1. Singapore	21
3.2. The scope and importance of SOEs in Singapore	22
3.3. Competition law and SOEs	22
3.4. SOE-specific legislation	23
3.5. Singapore's SOE-related commitments in FTAs	25
4 Small-package delivery services in Singapore	27
4.1. Economic overview of the logistics sector: a focus on small-package delivery services (SPDS)	27
4.2. Competitive landscape of the SPDS sector	30
4.3. Sectoral regulation	32
5 SOEs and their impact on competition in SPDS	35
5.1. SingPost	35
5.2. Assessment of legislation and policies with a potential impact on the level playing field in the SPDS sector	36
References	45
Additional references	49
Notes	53
Annex A. List of reviewed legislation and administrative acts	54

FIGURES

Figure 3.1. Singapore's real GDP growth rate, annual percentage	21
Figure 4.1. Overview of steps in a small-package delivery service	28
Figure 4.2. E-commerce market value in ASEAN, 2015-21	29

BOXES

Box 4.1. Digital evolution and the impact on the SPDS sector	31
Box 4.2. Public Consultation on the Draft Postal Services (Amendment) Bill	32
Box 5.1. The Nationwide Parcel Locker Network	39

Abbreviations and acronyms

3PL	Third-party logistics
ACAP	ASEAN Competition Action Plan
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AEGC	ASEAN Expert Group on Competition
APEC	Asia-Pacific Economic Co-operation
ASC	Authorised service contractor
ASEAN	Association of Southeast Asian Nations
B2B	Business-to-business commerce
B2C	Business-to-consumer commerce
CAGR	Compound annual growth rate
CCCS	Competition and Consumer Commission of Singapore
COPCOMER	Community of Practice for Competition and Economic Regulations
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
FTA	Free-trade agreement
FTZ	Free-trade zone
GIC	Government of Singapore Investment Corporation
GLM	Government-linked monopoly
GLC	Government-linked corporation
HDB	Housing and Development Board
ICT	Information and communications technology
IMDA	Infocomm Media Development Authority
KPI	Key performance indicator
LTA	Land Transport Authority
OSP	Outside service providers
PPL	Public postal licensee
PSO	Postal service operator
PUD	Pick-up and delivery
RCEP	Regional Comprehensive Economic Partnership Agreement
SGD	Singapore dollars
SLA	Singapore Land Authority
SOE	State-owned enterprise
SPDS	Small-package delivery services
TLC	Temasek-linked corporation
UPU	Universal Postal Union
USO	Universal-service obligations

Executive summary

State-owned enterprises and competition

Assessing the impact of SOEs on competition is important because 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. In order to ensure optimal economic outcomes, SOEs should compete against private entities on fair terms, while recognising and taking into account their contribution to socio-economic and policy objectives (OECD, 2015^[1]).

SOEs may enjoy rights or privileges unavailable to private competitors, which give them undue competitive advantage over their rivals, including selective subsidies, explicit or implicit loan guarantees, preferential purchasing, preferential standards, support for unnecessary new capacity, and regulatory or tax favouritism. This may make market entry more difficult for private companies (both domestic and foreign) and can therefore also constitute a competitive obstacle. However, SOEs may be subject to certain duties, such as a requirement to operate (underfinanced) public services or the need to comply with civil-service labour rules, which affect their ability to compete effectively with privately owned competitors.

A level playing field between public and private market participants leads to more choice, higher quality and lower prices for consumers and ultimately benefits economic growth and development. For example, research has shown that the financially disadvantaged often suffer disproportionately from economies with dominant market power (OECD, 2014^[2]). A level playing field also benefits taxpayers as (often limited) public resources can be better allocated to other public services, including pensions, healthcare and social benefits. Finally, research has shown that including gender considerations in competition policy can improve gender equality.¹

SingPost and the small-package delivery services sector in Singapore

Singapore is a founding member of ASEAN. With a population of 5.7 million, Singapore is a country in a unique location on the Strait of Malacca, at the crossroads of the major global trade and shipping routes.

The state has had a key role in Singapore's economic growth with SOEs playing a major role in industrial policy since independence. Singapore's experience with SOEs is closely watched by other countries, both within and outside ASEAN, and its SOE governance model is seen as an example to consider.

The Postal Services Act (Chapter 273A) and subsidiary legislation governs postal services in Singapore. The Infocomm Media Development Authority (IMDA), a statutory body under the Ministry of Communications and Information, is the authority responsible for the administration of the Postal Services Act. Unlike basic letter services, small-package delivery services fall outside the scope of the Postal Services Act, with the market deregulated and open to competition.

SingPost is currently an "associate company" of SingTel, with Temasek (a "global investment company" wholly owned by the Singapore government) deemed as its "controlling shareholder" under the Singapore Exchange Main Board Listing Rules.

A level playing field in the small-package delivery services sector is crucial for further increase competition and fulfilling the sector's potential. Preventing the existence of a level playing field in the sector are some obstacles that may harm competition, and stop consumers from fully benefiting from a rapidly developing e-commerce market; a trend that is accelerated by the COVID-19 pandemic.

While there are different options to improve the level playing field in the small-package delivery services sector, it is important to note that SOEs' rights and duties are often interrelated and should therefore be looked at as a whole. This requires a holistic approach.

Key recommendations

This draft report identifies 7 recommendations that aim to improve the level playing field in Singapore's SPDS sector.

It is important to note that the number of recommendations in this report is neither indicative of the overall restrictiveness of regulation in the logistics sector in the country, nor a good basis for comparisons between countries. First, certain restrictions to competition identified by the OECD are more harmful than others, making comparison between countries difficult and often not particularly meaningful. Second, the number of recommendations depends on several factors including the amount and impact of legislation available and reviewed, as well as the amount and depth of contributions and feedback from domestic stakeholders.

The main recommendations are:

1. CCCS and IMDA should continue and enhance bilateral co-operation in competition-law advocacy or 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 SPDS providers. To do this, IMDA should be granted (and should exercise) the power to regulate wholesale access to letterboxes for small packages, as proposed in the draft Postal Services (Amendment) Bill. Also, in the longer term, IMDA and HDB should assess whether it is feasible to replace 2-way design letterboxes with alternative designs or complement them with new technology. Alternatively, IMDA could develop new specifications or amend current letter-box specifications to identify technical solutions that could 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 USO, does not overcompensate, and takes into account costs for the provision of these services and 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.

1 Introduction

1.1. Scope of the report

State-owned enterprises (SOEs) play a significant role in Singapore as in many other national economies around the world. In order to ensure optimal economic outcomes, SOEs should compete with private entities on a level playing field, while recognising their contribution to socio-economic and policy objectives.

This report assesses the impact of SOEs on competition in Singapore, identifying the key advantages or disadvantages of SOEs when competing with private companies. The analysis focuses on the logistics sector, and more specifically on small-package delivery services. Efficient logistics can play a significant role in increasing a country's economic development by facilitating international trade and improving its competitiveness. Small-package delivery services are a fundamental part of the logistics sector due to their important role in the rapidly growing e-commerce sector.

1.2. COVID-19 and its impact on e-commerce

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 in 2020. Due to COVID-19 and the resulting restrictions to contain the pandemic, ASEAN member states, like many other countries, are facing declines in consumption, investment, and trade, which are having a severe impact on key sectors such as tourism. COVID-19 should not, however, affect the long-term progress of ASEAN, which is being driven by booming middle-class growth. In June 2020, the Asian Development Bank (ADB) revised its estimates for GDP growth with Southeast Asia (ASEAN member states and Timor-Leste) expecting to see GDP contraction of 3.8% in 2020, followed by a rebound of 5.5% in 2021 (ADB, 2020^[3]).

The pandemic has resulted in an abrupt and sharp increase in the use of e-commerce. For instance, it has been reported that in the week of 22 March 2020, weekly downloads for shopping applications in Thailand increased by 60%, while Indonesia, Singapore and Viet Nam each recorded a 10% increase in weekly downloads (OECD, 2020, p. 99^[4]). E-commerce is likely to keep growing as consumers continue to shun physical stores in favour of online shopping solutions (ASEAN, 2020^[5]).

The COVID-19 crisis will lead to long-term changes. It will likely expedite the shift to e-commerce, especially for consumers that were until recently more resistant to online retail channels. Brick-and-mortar businesses will also evolve offering services beyond retail, including last-mile deliveries. Digital transformation is occurring rapidly in ASEAN. For instance, Cambodia, Lao PDR and Myanmar recorded annual growth of approximately 20% in e-commerce users in April 2020 compared to the previous year. In terms of the value of online sales, high annual growth rates (above 15%) were recorded in Indonesia, Thailand, the Philippines and Malaysia. Moreover, COVID-19 is expected to accelerate governments' and businesses' initiatives to provide connectivity to "vulnerable communities", removing barriers for SMEs, and providing easier access to products with better price and quality (World Economic Forum, 2020^[6]).

Notwithstanding these changes, e-commerce deliveries in certain ASEAN member states often remain expensive and unreliable due to barriers to logistics services that affect the development of e-commerce, both domestically and internationally. Lifting such barriers would support the development of e-commerce and provide consumers with more choice and better prices.

Regional co-operation is playing, and will continue to play, a key role in this context. ASEAN has put in place a framework for its COVID-19 response across multiple sectors (United Nations, 2020^[7]). Moreover, the ASEAN Expert Group on Competition (AEGC) released a joint statement in Response to the COVID-19 Pandemic (ASEAN, 2020^[8]). Asia-Pacific Economic Cooperation (APEC) is also taking collective initiatives. In May 2020, the ministers responsible for trade in APEC economies pledged to work together to mitigate COVID-19's impact, and committed (among other considerations) to facilitating the flow of goods across borders, as well as strengthening e-commerce and related services (OECD, 2020, p. 99^[4]).

1.3. Report structure

This report has five chapters. Chapter 1 summarises the content of the report and provides an overview of its key recommendations. Chapter 2 defines state-owned enterprises and the relationship between state-owned enterprises and competition policy. Chapter 3 provides an overview of the economic importance and the legal framework of state-owned enterprises in Singapore. Chapter 4 describes the competitive landscape and the regulation applicable to small-package delivery services in Singapore. Chapter 5 focuses on SingPost, which for the purpose of this report is considered a state-owned enterprise providing SPDS in Singapore, and identifies and assesses legislation and policies with a potential impact on the level playing field in the SPDS sector.

2 State-owned enterprises and competition

2.1. Introduction

SOEs play a significant role in many national economies around the world. Approximately 22% of the world's largest 100 firms are estimated to be effectively under state control, with many of these operating key upstream and downstream activities in international supply chains, such as public utilities, manufacturing, metals and mining, and petroleum (OECD, 2016^[9]).

The role and importance of SOEs differ substantially between regions, countries and sectors. In Southeast Asia, they still represent a major part of many economies, measured by percentage of GDP, employment and fiscal revenues, and remain indispensable players in almost all key sectors, building, maintaining and operating critical infrastructure, delivering critical services, and providing public employment. Their characteristics as publicly owned enterprises allow them to play a critical role in most economies and to contribute to developmental goals that – in practice – often result from other (political or economic) objectives (OECD, 2015^[1]).

In order to ensure optimal economic outcomes, however, SOEs should compete against private entities on level playing fields that nevertheless recognise – to an appropriate and relevant extent – their socio-economic and developmental roles and policy objectives.

Several member states of ASEAN have begun considering SOE reform in view of improving economic outcomes; this has seen differing results. These states could capitalise on the experiences of different OECD countries, including those cited in the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* (2015^[10]).² In OECD countries, SOEs' roles evolved significantly between 1990 and 2010, with large privatisation initiatives throughout the 1990s and early 2000s (OECD, 2009^[11]). At the same time, many governments have sought to rationalise the enterprises they continue to own, subjecting them to the same laws and treatment as private enterprises and professionalising their ownership and governance.

2.2. Definition of SOEs

An SOE is a company entirely or partly owned by the state; it can be organised in different forms and serve a wide range of different functions. Certain countries, including ASEAN member states, use different terms for these entities, including state-owned companies, state-owned entities, state enterprises, publicly owned corporations, government-linked monopolies (GLMs), or government-linked companies.

The OECD's definition of an SOE, as set out in the *OECD Guidelines on Corporate Governance of SOEs*, recognises such diversity and focuses on entities' corporate forms, commercial orientation, and degree of state ownership and control:

any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership, should be considered as an SOE. This includes joint stock companies, limited liability companies and

partnerships limited by shares. Moreover, statutory corporations, with their legal personality established through specific legislation, should be considered as SOEs if their purpose and activities, or parts of their activities, are of a largely economic nature. (OECD, 2015, p. 14^[10])

For the purposes of this report, the following factors are relevant in determining whether an entity is an SOE, and more broadly, in terms of competition policy.

1. Ownership structure

- a. **Enterprise wholly owned by the state.** An enterprise under a nation's laws over which the state exercises full ownership is more than likely to be an SOE. An enterprise's institutional form, such as company limited by shares or partnership, is not generally determinative.
- b. **Enterprise controlled by the state.** An enterprise controlled by the state should ordinarily be considered an SOE. "Control" should be assessed in a substantive way and may require case-by-case assessment. It would normally be established in cases where the state, by directly or indirectly holding a majority of the voting rights in an enterprise, exercises influence over an enterprise's strategic decisions, such as approval of budgets, business plans and major investments, as well as appointment of senior management.³ In countries where the state invests in a wide range of companies through sovereign wealth funds or publicly owned holding companies, the state's control may be indirectly exercised; this may require an assessment. The state can exercise an equivalent degree of control in situations where, for example, an enterprise's by-laws allow the state to appoint the majority of the board of directors or assign a "golden share" that gives veto rights for certain strategic decisions. Not all ownership amounts to control, however. For instance, small equity holdings of less than 10% held by independent asset managers such as public pension funds would not ordinarily amount to control and an enterprise would not be considered an SOE. Similarly, enterprises temporarily controlled by the state in the course of bankruptcy or similar procedures would not ordinarily be SOEs.

2. **Economic nature of activities.** An entity established by law whose purposes or activities are largely economic in nature would be considered an SOE. An economic activity is one that involves offering goods or services in a given market and which could, at least in principle, be carried out by a profit-seeking private operator. Economic activities mostly take place in markets open to competition or where competition could occur, given existent laws and regulations.

2.3. Benefits of competition

There is broad consensus that competition creates significant benefits for consumers. When consumers can choose between different providers of goods or services, firms are forced to compete, innovate more, and be more productive. Consumers benefit from more choice, advanced products and services, higher quality and lower prices. Competition ultimately enhances productivity growth and consumer welfare.

On a macroeconomic level, this productivity growth leads to faster growth for the overall economy. Empirical evidence demonstrates that improving market regulation to make competition work increases productivity in affected markets and ultimately stimulates faster economic growth and job creation. Where binding and significant regulatory restrictions on competition are eliminated, prices may fall by as much as 20% (OECD, 2014^[2]). For instance, when Australia engaged in broad pro-competitive regulatory reforms in the 1990s, its Productivity Commission estimated that these reforms resulted in a GDP increase of at least 2.5%. Importantly, research has shown that competitive restrictions have a disproportionately negative impact on the poor meaning that pro-competition policies, by eliminating cartel-like market conditions, can substantially enhance living standards for the economically disadvantaged or impoverished by reducing prices and increasing real income (Ennis, Gonzaga and Pike, 2017^[12]).

Given these benefits, competition can also play an important role in achieving other government policies, including those promoting consumer protection, entrepreneurship, innovation, investment, corporate governance, equal opportunities, effective public procurement, open trade, growth and competitiveness. Competition benefits are also the reason for governments' liberalisation and deregulation policies, notably in network industries.

That said, sound and effective competition does not always arise naturally: the temptation is strong for economic players to restrict competition to achieve greater profits.

2.4. SOEs and competitive neutrality

SOEs' anti-competitive behaviour can be as harmful as restrictions of competition by private competitors. Governments and competition authorities must recognise the fundamental role of competition law and policy in markets where publicly and privately owned entities are (or could be) competing.

At ASEAN level, the *Economic Community Blueprint 2025* affirms that one of the elements necessary to increasing the region's productivity is to ensure "a level playing for all firms, regardless of ownership". This is also identified as the fundamental goal of competition policy and law.⁴ These principles are also noted in the *2010 ASEAN Regional Guidelines on Competition Policy*, in which the ASEAN Expert Group on Competition (AEGC) stated that: "Competition policy should be an instrument of general application, *i.e.*, applying to all economic sectors and to all businesses engaged in commercial economic activities (production and supply of goods and services), including State-owned enterprises."⁵ This results in no ASEAN competition law giving SOEs a general exemption.

The ultimate objective is to level the playing field between privately owned entities and entities owned by, or linked to, the state, so that no business entity has advantages or disadvantages that result solely from its ownership (OECD, n.d., pp. 62-63_[13]). This principle, broadly known as competitive neutrality, should address distortions of competition caused by the state playing an active role in commercial markets.

The rationale for pursuing competitive neutrality is both economic and political. The main economic rationale is that it enhances allocative efficiency throughout the economy. Where certain agents – whether state-owned or private – are put at an undue disadvantage, goods and services are no longer produced by those who can do it most efficiently. This leads to lower real income and a suboptimal use of scarce resources relative to a baseline scenario, such as inefficient production methods or the non-adoption of new and better technologies (OECD, n.d., p. 39_[14]).

The political rationale is linked to governments' roles as universal regulators in ensuring that economic actors are on a level playing field (in terms of state-owned corporate assets and other market participants), while also ensuring that public-service obligations are being met. Although the political commitment to maintaining a level playing field is generally strong, state-led commercial activities may still damage the competition landscape due to deliberate or unintentional departures from neutral practices (OECD, 2012, p. 9_[15]).

2.4.1. SOEs and departures from competitive neutrality

Governments may take deliberate decisions to depart from competitive neutrality in cases where SOEs may be necessary to correct market failures or to achieve other policy objectives. In other words, governments' choices for non-neutrality include both economic rationales (circumstances where the economic outcome may be made more efficient through intervention), and broader policy rationales (in which case social objectives may justify exceptions to economic efficiency principles) (OECD, 2012_[15]; Capobianco and Christiansen, 2011_[16]).

A common economic rationale is the correction of market failures in specific markets. While the majority of markets may be best served by suppliers pursuing ordinary commercial objectives, certain markets have special characteristics that can lead to “market failures”, in which the ordinary interaction of supply and demand does *not* lead to the most economically efficient outcome. In such identifiable circumstances, an SOE whose operating principles depart from ordinary profit maximisation may achieve the most efficient attainable outcome.

The rationale for correcting market failures is most widely seen in industries with “natural monopoly” characteristics where – due to cost structures – it would not be economically efficient or likely in practice for competitors to operate. This effect is particularly common in network industries and utilities industries, such as segments of the telecommunications and electricity industries, and domestic water supply, where economies of scale and network effects often legitimise the presence of a single provider.

A further economic rationale is that in some markets, “externalities” – wider social benefits or costs not captured in price – associated with a product or service may make the market outcome inefficient, justifying provision of the product or service through an SOE.⁶

Beyond these economic rationales for SOEs, a number of broader policy rationales may also be relevant. First, governments may identify certain basic services that should be accessible to all members of society through a provider with a PSO. Such services typically include: 1) communication services such as postal services and telecommunications; and 2) utilities such as electricity and water distribution. A PSO requires provision of a minimum service to all consumers, often including those in sparsely populated areas where provision is uneconomic; it does not necessarily require the presence of an SOE and instead may be imposed on privately owned operators, with loss-making services compensated through cross-subsidisation from other services or direct government transfers (or both). Governments may decide, however, that it is more effective to achieve the social objective through an SOE rather than a privately owned operator.

Furthermore, governments may have strategic or industrial policy objectives in exercising ownership rights over certain industries. These national interest objectives may include:

1. protecting the viability of sectors that are viewed as being of systemic importance
2. maintaining state ownership of strategic industries (for instance, national defence)
3. supporting nascent or emerging industries that may be seen as strategically important in the future
4. achieving broader developmental goals.

In addition, governments may have fiscal objectives for SOEs, such as ensuring a profit stream from the SOE to the national budget.

Finally, other political objectives may include the support of interest groups, such as public employees. For instance, SOEs remain a major source of employment and can provide better conditions than those in the private sector (OECD, 2017_[17]).⁷

When analysing the level playing field between public and private entities, the socio-economic and developmental role and policy objective of an SOE should be considered.

2.4.2. Key distortions of competition by SOEs

Whether intentional or not, departures from competitive neutrality can result in significant distortions of competition. An SOE’s market competitiveness can be enhanced (or impaired) through government ownership or connections in several ways.⁸

1. **Outright subsidies.** SOEs may receive direct state subsidies – not equally accessible to others – or may benefit from other forms of public financial assistance to sustain their commercial operations, such as favourable tax regimes or exemptions, or in-kind benefits.

2. **Concessionary financing and guarantees.** SOEs may enjoy credit provided directly by governments or through state-controlled financial institutions at below-market interest rates; explicit or implicit state guarantees are also linked to this distortion.
3. **Monopolies and advantages as incumbents.** Governments may entrust SOEs with exclusive or monopoly rights over some activities. This may foreclose access to competitors and enhance SOEs' competitiveness in other markets open to competition, for instance, through cross subsidisation.
4. **Other preferential treatment by the government.** SOEs may not be subject to the same, often costly regulatory regimes as private firms. Examples include exemptions from compliance with disclosure requirements and antitrust enforcement or preference in accessing public procurement.
5. **Lack of structural separation.** SOEs may be entrusted with both commercial and regulatory functions.
6. **Captive equity.** SOEs' equity is generally "locked in", meaning control of an SOE cannot be transferred as easily as in privately owned firms. The absence of any risk of takeover and exemptions from bankruptcy rules can result in distortions in SOE managements' incentives to operate efficiently.

3

SOEs' framework and the importance of SOEs in Singapore

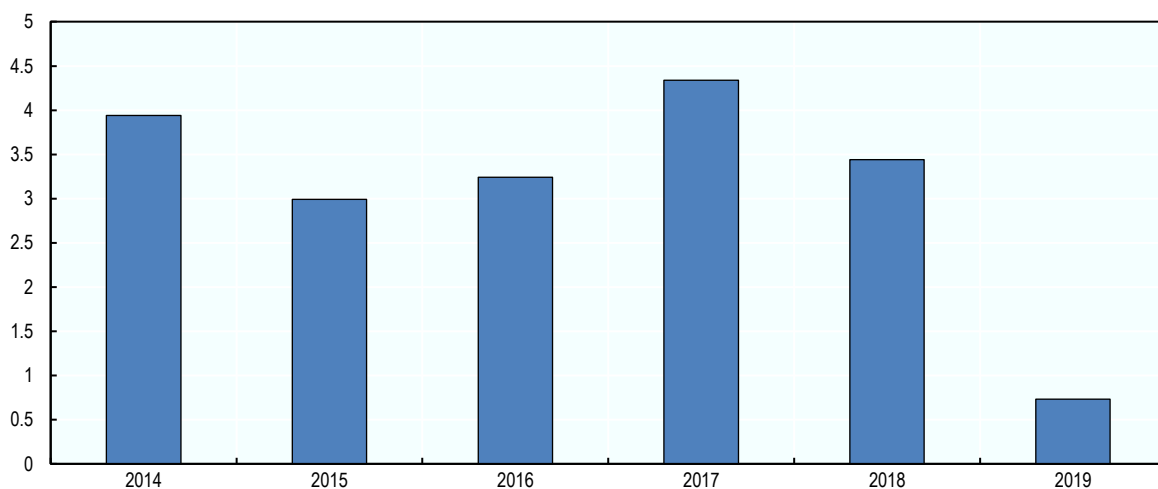
3.1. Singapore

Singapore, a republic with a population of 5.7 million,⁹ is a country in a unique location on the Strait of Malacca, at the crossroads of the major global trade and shipping routes.

In the two decades following its independence in 1965, Singapore rapidly developed from a low-income to a high-income economy. It experienced one of the highest GDP growths in the world, reaching an average yearly rate of 9.2% in the first 25 years.¹⁰ Singapore is now one of the most market-oriented and open economies in the world. It has become a regional and global hub for financial services and oil trading and pricing, as well as biotechnology. It is linked into regional and global value chains, with its main export partners located in the Asia-Pacific region (OECD/ERIA, 2018, p. 398_[18]). Going forward, the government has stressed the need to increase productivity growth and the contribution of Singaporean enterprises to the national economy (OECD/ERIA, 2018, p. 400_[18]).

With a nominal GDP in 2019 of USD 372 billion, Singapore is Southeast Asia's fourth largest economy, after Indonesia, Thailand and the Philippines, and is the 34th largest in the world.¹¹ Singapore GDP growth rate was 3.4% in 2018 and 0.7% in 2019. Due to COVID-19, and in particular its negative effects on supply chains and the travel industry, Singapore's GDP contracted 5.4% in 2020, with predicted growth of 4 to 6% in 2021.¹²

Figure 3.1. Singapore's real GDP growth rate, annual percentage



Source: Asian Development Bank, Asia Regional Integration Center, "Singapore", <https://aric.adb.org/singapore>.

Singapore consistently scores highly on global indices of country competitiveness, business environment and public-sector efficiency (OECD/ERIA, 2018, p. 402^[18]). The country ranked first in the World Economic Forum's 2019 Global Competitiveness Index, one position higher than in 2018 (World Economic Forum, 2019^[19]). Singapore was a founding member of ASEAN in 1967, and is a signatory to APEC and the World Trade Organization.

3.2. The scope and importance of SOEs in Singapore

With no definition of state-owned enterprises in Singaporean legislation, they include companies incorporated as legal entities under the Companies Act (Chapter 50/2006 Revised Edition) that are owned by the Singapore government – either directly or through other government agencies – or by Temasek Holdings (Temasek), a “global investment company” wholly owned by the Singapore government. Companies in which Temasek has significant “control”¹³ or influence are commonly referred to as government-linked corporations (GLCs) or Temasek-linked corporations (TLCs) (OECD, 2016, pp. 22-25^[20]). Many of these companies are publicly listed.

The state has had a key role in Singapore's economic growth with SOEs playing a major role in industrial policy since independence. Although the government retained strong control over the use of savings and capital, it long emphasised the need to ensure SOE competitiveness. This put in place an important operational framework for SOEs. At first, SOEs' targets were focused on jobs. By the mid-1980s, government policy was encouraging SOE regionalisation and, following the 1997 financial crisis, policy objectives widened to push SOE globalisation. These developments led to changes in Temasek, including improved disclosure and transparency (see Section 3.4) (OECD, 2015, p. 42^[1]).

As noted in the OECD report *State-Owned Enterprises in the Development Process* (2015, p. 42^[1]), the evolution of SOE policy in Singapore can be examined through the operation of Temasek. In the 1970s, the government decided to streamline its equity holdings and establish two holding companies: Sheng-Li (made up of defence-related companies) and Temasek. In the process, the government transferred SOE shares at book value to Temasek.

Temasek now owns stakes in a large number of companies, accounting for a high proportion of the Singaporean economy. Since 2004, Temasek has globalised its portfolio (OECD, 2015, p. 42^[1]). As at 31 March 2021, Temasek's net portfolio was worth SGD 306 billion with 24% of its exposure by underlying assets in Singapore, 42% in the rest of Asia, and 34% in the rest of the world. Key sectors in the portfolio include: 1) financial services (23%); 2) telecommunications, media and technology (21%); 3) consumer and real estate (17%); 4) transportation and industrials (16%); and 5) life sciences and agribusiness (7%) (Temasek, 2020^[21]).¹⁴

Singapore's experience with SOEs is closely watched by other countries, both within and outside ASEAN, and its SOE governance model is seen as an example to consider. Singapore's policy on SOEs remains relevant though, as noted in the OECD report *State-Owned Enterprises in the Development Process* (2015, p. 42^[1]), its size and status as a city state make any lessons for other countries rarely directly applicable.

3.3. Competition law and SOEs

Singapore's Competition Act (Chapter 50B) entered into force in 2006. The Competition Commission of Singapore (CCS) was established as a statutory body under the purview of the Ministry of Trade and Industry on 1 January 2005 to administer and enforce the act. On 1 April 2018, CCS was renamed the Competition and Consumer Commission of Singapore (CCCS) and took on the additional function of administering the Consumer Protection (Fair Trading) Act (Chapter 52A).¹⁵

At the time the Competition Act entered into force, some sectors were already under the purview of sectoral regulatory authorities with competition-related powers. These sectors, including postal services, are excluded from the scope of the Competition Act. Nevertheless, CCCS ensures that it regularly engages with various government agencies, including sector regulators with competition powers. Since 2013, the Community of Practice for Competition and Economic Regulations (COPCOMER) operates as an inter-agency platform for CCCS, sectoral regulators and other government agencies to share best practices and experiences on competition and regulatory matters.¹⁶ Moreover, the OECD understands that other government agencies sometimes reach out to CCCS to seek advice on competition matters. Even when it is not consulted, CCCS can still provide advice and highlight competition concerns with regard to specific matters.

CCCS has in the past affirmed that it has “consistently treated state-owned enterprises no differently from privately-owned enterprises for the purpose of enforcing the Competition Act” (OECD, 2018, p. 6_[22]). To date, there have been a few competition enforcement cases concerning SOEs. In 2010, CCCS issued an infringement decision against the SOE SISTIC.com imposing a fine of SGD 989 000 for abusing its dominant position in the market for ticketing services through a series of exclusive agreements.¹⁷ In 2016, CCCS investigated restrictive practices in the supply of lift spare parts in state-owned Housing and Development Board (HDB) estates, which resulted in an SOE, EM Services, proposing commitments to supply lift spare parts to third-party lift-maintenance contractors in Singapore. Following a public consultation, CCCS considered that the commitments fully addressed the competition concerns.¹⁸ Finally, CCCS has reviewed merger-control cases involving SOEs, such as the joint venture between Singapore Airlines and Lufthansa (cleared with commitments in 2016), and the proposed acquisition of Singapore Cruise Centre by SATS Airport Services and SATS-CREUERS Cruise Services, which was withdrawn during the CCCS’s in-depth assessment in 2013.

Section 33(4) of the Competition Act excludes from its scope

any activity carried on by, any agreement entered into or any conduct on the part of ... (a) the government; (b) any statutory body; or any person acting on behalf of the Government or that statutory body, as the case may be, in relation to that activity, agreement or conduct.

This exclusion only applies “when the Government and/or statutory body participates in any market directly in such capacity” (OECD, 2018, p. 3_[22]). In other words, it excludes from the Competition Act the actions of the government, statutory bodies or other persons (including SOEs) who are acting on behalf of the government. According to CCCS, this provision recognises that the role of the Competition Act is to regulate the conduct of market players, and not the policies and actions taken by the government and its statutory bodies.

3.4. SOE-specific legislation

No specific legislation sets a legal framework applicable to SOEs in Singapore. Moreover, no generally applicable rules exist for SOEs performing public functions or providing public services, although sector-specific rules may apply in these instances.

Temasek was incorporated in 1974 under the Companies Act as a company wholly owned by the Singapore Minister for Finance.¹⁹ As mentioned in Section 3.2, upon incorporation, Temasek took ownership of a number of SOEs previously held by state bodies, including a statutory board or ministry, allowing the government to separate regulatory authorities from state ownership in these companies (OECD, 2015, p. 42_[1]). SOEs themselves are incorporated under the Companies Act as legal entities and most are either wholly or partly owned by Temasek. As mentioned in Section 3.2, many of these companies are listed (OECD, 2016, p. 22_[20]). Temasek owns and manages its assets based on commercial principles.

3.4.1. Governance principles

The government established Temasek as a central holding company acting as shareholder in most state majority-owned or wholly owned enterprises. Temasek's investment, divestment and other business decisions are directed by its board and management (OECD, 2016, pp. 27-28^[20]), while its portfolio of companies are overseen by their respective boards and management. An important feature of Temasek's 12-member board is that a majority is made up of non-executive, independent private-sector business leaders (OECD, 2015, p. 53^[1]).

Based on information publicly available on the Ministry of Finance's website, the government and the ministry play "no role in decisions on individual investments" made by Temasek.²⁰ As the company's sole shareholder, the Ministry of Finance has rights similar to those held by shareholders of private commercial companies, such as the right to appoint or remove Temasek's directors and ensure that a competent board is in place to meet its mandate.²¹ The Ministry of Finance also establishes the overall investment mandates and objectives of Temasek and other government investment entities. The government has no representation on Temasek's board and the Minister of Finance is not a Temasek board member. Finally, while Temasek is 100%-owned by Minister of Finance, safeguards are in place against expropriation by the government (OECD, 2015, p. 42^[1]).²²

Furthermore, Article 22C of Singapore's Constitution states Singapore's President's concurrence is required for the appointment, renewal or removal of Temasek's Board members and CEO.²³ The OECD understands that these constitutional provisions safeguard the integrity of the Temasek's Board and CEO in managing state reserves.

According to Temasek, its independent governance framework works because the government has the political will to maintain an arm's-length relationship with Temasek and does not interfere in its commercial decisions. This translates in practice in a so-called principle of "non-intervention", which results from applying general corporate law to public shareholders. As stated by Prime Minister Lee Hsien Loong in January 2020, organisations like Temasek:

*are deliberately created as companies rather than government departments to afford them a greater degree of autonomy; they are insulated from political pressures and bureaucratic interference to give them the space to make sound investment decisions [...] it works not only because [of] the right organisational structure, but because [of] the political will ... and the right culture and values in the Civil Service.*²⁴

3.4.2. Performance, transparency and accountability

Individual SOEs in Singapore are subject to the same disclosure and transparency requirements as privately owned companies. Individual SOEs publish their own reports based on whether they are listed or non-listed, in accordance with appropriate legislation and listing rules (OECD, 2016, pp. 56-57^[20]).

Temasek raises finance on capital markets. It has an AAA credit rating from S&P Global Ratings, and an Aaa from Moody's, and has attained perfect quarterly scores on the Linaburg-Maduell Transparency Index, a measure of openness of government-owned investment funds. Although not a sovereign wealth fund – which in Singapore is GIC – Temasek voluntarily follows the "Santiago Principles", which "promote transparency, good governance, accountability and prudent investment practices" among funds.²⁵ Since 2004, Temasek has further improved its transparency by publishing an annual review with consolidated accounts (OECD, 2015, p. 42^[1]).

Performance evaluations of SOEs in Singapore are conducted by their respective boards (OECD, 2016, p. 30^[20]). The performance evaluation indicators vary according to SOE and Temasek itself. The government does not set key performance indicators (KPIs) for each company and for GIC and Temasek holds the respective boards responsible for long-term risk-adjusted returns.

Temasek ensures that its portfolio companies are overseen by effective boards whose actions are guided by commercial principles. As a result, SOE boards have tended to become more formally independent. Temasek monitors its portfolio companies, and regularly meets the individual boards. For investments with a shareholding below 25%, Temasek takes the same approach, but does not hold regular meetings with the boards (OECD, 2015, p. 42^[1]).

3.4.3. Access to public resources

Singapore's government claims that its SOEs operate on a commercial basis and it does not appear that they have direct or indirect preferential access to capital and public resources. In particular, the OECD has found no evidence that SOEs have had easier access to credit because of their public ownership. In practice, however, SOEs' share price seem to be recognised as a premium over non-SOEs, which can often result in a lower cost of capital; this is perhaps due to investors pricing in what they see as an implicit government guarantee (Ramírez and Tan, 2004^[23]). It has been argued that this may result in a capital market distortion (OECD, 2015, p. 42^[1]).

3.5. Singapore's SOE-related commitments in FTAs

Several free trade agreements (FTAs) contributed to enhance competitive neutrality principles in Singapore. For instance, the 2003 United States-Singapore FTA contemplates transparency provisions, and prohibits direct government influence over SOEs, as well as SOEs' collusion and other anti-competitive activities.²⁶ Moreover, the 2003 Singapore-Australia FTA makes extensive reference to "competitive neutrality" (OECD, 2016, p. 93^[9]). In particular, Chapter 12, Article 4(1) states that:

*the Parties shall take reasonable measures to ensure that governments at all levels do not provide any competitive advantage to any government-owned businesses in their business activities simply because they are government owned.*²⁷

Similar principles are evoked in the 2018 EU-Singapore FTA. In particular, Chapter 11, Article 11.3(4), states that:

Singapore shall ensure that any public undertaking and any undertaking entrusted with special or exclusive rights acts solely in accordance with commercial considerations in its purchase or sale of goods or services, such as with regard to price, quality, availability, marketability, transportation, and other terms and conditions of purchase or sale, and provides non-discriminatory treatment to establishments of the Union, to goods of the Union, and to service suppliers of the Union.

Chapter 17 of the 2018 Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) deals with state-owned enterprises and designed monopolies, introducing rules on non-discriminatory treatment, non-commercial assistance and transparency. With specific regard to Singapore, Annex 17E, paragraph 1, states that:

*Neither Singapore, nor a sovereign wealth fund of Singapore, shall take action to direct or influence decisions of a state-owned enterprise owned or controlled by a sovereign wealth fund of Singapore, including through the exercise of any rights or ownership interests over such state-owned enterprises, except in a manner consistent with this Chapter. However, Singapore, or a sovereign wealth fund of Singapore, may exercise its voting rights in any state-owned enterprise it owns or controls through ownership interests in a manner that is not inconsistent with this Chapter.*²⁸

Annex 17E, paragraph 2, however, provides that rules concerning non-discriminatory treatment and commercial considerations with regard to SOEs (as prescribed under Article 17.4.1) do not "apply with respect to a state-owned enterprise owned or controlled by a sovereign wealth fund of Singapore".

Temasek submitted that Singapore sovereign wealth funds and SOEs are exempted from these obligations because they are commercially oriented and with a good governance model.

Finally, Singapore is a party to the Regional Comprehensive Economic Partnership Agreement (RCEP), signed in November 2020 between ASEAN member states and Australia, China, Japan, New Zealand and Korea. Chapter 13 of the RCEP has the objective to:

promote competition in markets, and enhance economic efficiency and consumer welfare, through the adoption and maintenance of laws and regulations to proscribe anticompetitive activities, and through regional co-operation on the development and implementation of competition laws and regulations.

With regard to competitive neutrality principles, under Article 13.3(5), the parties committed to apply their respective competition laws and regulations to:

all entities engaged in commercial activities, regardless of their ownership. Any exclusion or exemption from the application of each Party's competition laws and regulations, shall be transparent and based on grounds of public policy or public interest.

4 Small-package delivery services in Singapore

4.1. Economic overview of the logistics sector: a focus on small-package delivery services (SPDS)

4.1.1. Competition in the postal sector

Postal services are a form of transportation or communication service for delivering goods and information from one point to another. Postal operators compete with firms offering a variety of delivery or communications services. Postal services differ from other physical delivery services due to the volume and nature of letters and other goods delivered through the postal network, which allows them to take significant advantage of economies of scale and scope in delivery (OECD, 1999^[24]).

In many countries, an incumbent postal operator benefits or has benefited in the past from a monopoly over the handling of certain classes of mail, usually defined as mail items below a certain weight, size, or both. The primary reason for this protection of certain areas from competition is the need to preserve the internal cross-subsidisation used to finance non-commercial public-service obligations. This allows the operator to maintain service quality on unprofitable high-cost or low-volume delivery routes when other concerns, such as the obligation to maintain geographically uniform prices, limit its ability to raise prices (OECD, 1999^[24]).

This type of cross-subsidisation – using revenues from commercial activities for the non-commercial and non-profitable activities – is threatened by increasing competition. When introducing or increasing competition, countries must consider other mechanisms for the provision of any non-commercial services. A variety of competitively neutral methods exist for financing non-commercial obligations (OECD, 1999^[24]).²⁹

For many incumbent postal operators, the often non-regulated or less regulated and commercially attractive activity of delivering small packages to consumers has been one of the main means through which non-commercial activities have been cross-subsidised. Moreover, the drastic decline in the volume of traditional letters and postcards due to electronic communications, as has been observed in many countries around the world, continues to increase the commercial importance of small-package delivery services for incumbent postal operators.³⁰ Combining commercial and non-commercial activities should not, however, provide the incumbent postal operator a competitive advantage in relation to its competitors in an openly competitive market.

4.1.2. Definition of “small package”

There are various definitions of “small package” in the logistics industry. One method is its weight, with the upper limit determined by how much a single person can handle without using any specific equipment. Different market participants use different weight limits,³¹ but a commonly used upper weight limit is 31.5 kilogrammes for a package. A separate category called “parcels” also exists, which is often used to

identify packages with a weight of up to 20 kilogrammes within the framework of the Universal Postal Union (UPU).³²

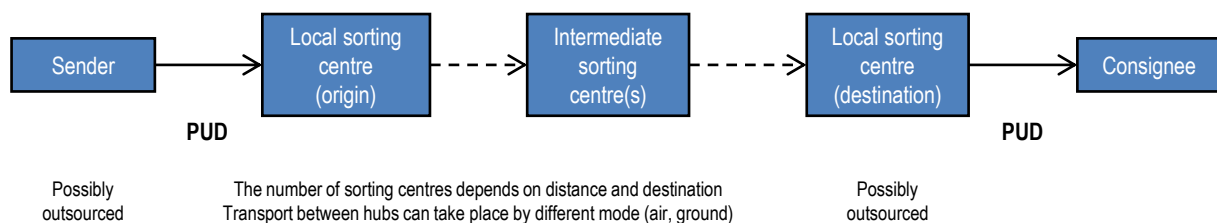
Singaporean legislation has no definition of “small packages”, nor a generally applicable weight limit (ASEAN-Japan Centre, 2018^[25]). Industry practice is to consider small packages as those including merchandise and goods, such as the majority of items that can be purchased online. For postal services, small packages do not exceed two kilogrammes, while packages above this weight limit are considered “parcels”.³³ For SingPost’s own services, items up to two kilogrammes (and within certain size limits) and delivered within three to five days, are classified as “small packets”, while packages above this weight limit (and up to 30 kilogrammes) are considered “parcels”.

4.1.3. SPDS market structure and value chain

The SPDS industry is made up of companies that transport small packages from one location to another. An important feature of this market is that packages are picked up at an origin and delivered to destination. Known as pickup and delivery (PUD), this involves vehicles transporting small packages from senders to consignees, through local centres and final-stage sorting facilities. Another important feature of the industry is the ability to track a shipment at every step of the delivery process.

A package moving from sender to consignee will pass through a varying number of “nodes” before reaching its final destination.³⁴ Small-package delivery is inherently multimodal, using small trucks, cars or messengers for pickup and delivery and other modes of transport such as truck, rail or air for longer distances (Dennis, 2011^[26]).

Figure 4.1. Overview of steps in a small-package delivery service



Source: OECD analysis based on EC merger case COMP/M.6570 – UPS/ TNT Express, 30/1/2013 and William T. Dennis (2011), Parcel and Small Package Delivery Industry.

Different actors are active in the SPDS value chain, roughly split between integrators and non-integrators.³⁵ An integrator has operational control over the SPDS logistical chain from origin to destination (including air transport), so that it can ensure delivery to meet a time commitment. The global integrators are FedEx/TNT, DHL and UPS.

There are several types of non-integrators active in the SPDS value chain.

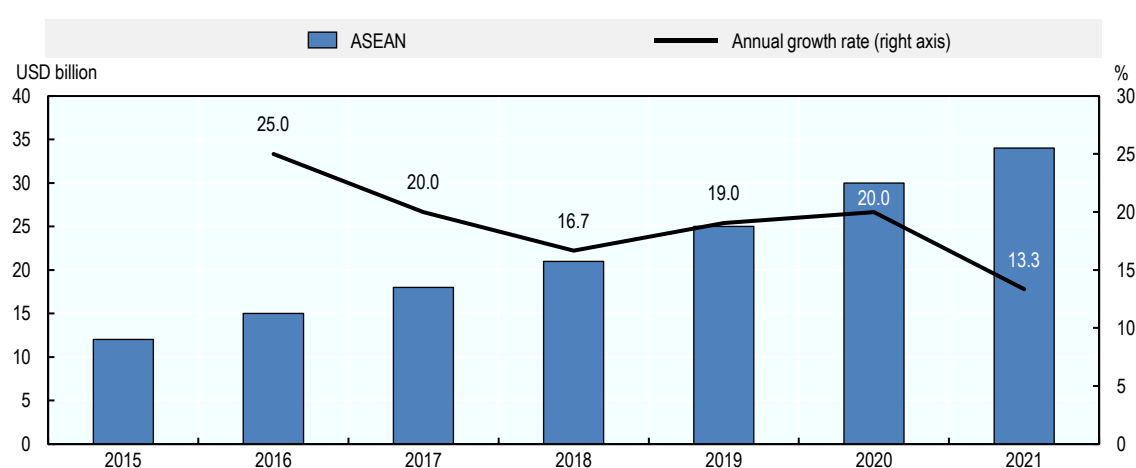
- **Incumbent postal operators.** In many countries, the incumbent domestic postal operator is active in domestic and international small-package delivery. Generally, declining mail volumes have forced these operators to develop new business areas such as logistics, and in particular, SPDS.³⁶
- **Regional, national or local SPDS companies and partner networks.** These are often concentrated in the domestic small-package market. They may form alliances and partner networks to offer wider-ranging SPDS and expand into neighbouring countries.
- **Smaller companies** with a domestic PUD ground service in one or more countries.

Many SPDS operators, both in Europe and ASEAN, offer ancillary services as a means to diversify, including warehousing and value-added services, such as quality-control service, packaging, labelling and tagging.³⁷

4.1.4. E-commerce growth and its impact on the SPDS sector

The advent and rapid growth of e-commerce has contributed to the rapid growth in demand for postal and courier services, which are responsible for the transportation and delivery of the package and some (or all) of the fulfilment activities.³⁸ The e-commerce market in ASEAN remains relatively small compared to other regions of the world (OECD, 2018^[27]), but is expected to have grown at a double-digit pace with a compound annual growth rate of 19% in the period 2015 to 2021 (see Figure 4.2). This may be a conservative estimate, as a 2019 study that covered the six largest markets in the region (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam) reported that the e-commerce market in these six countries was then worth USD 39 billion and predicted that it would grow to USD 153 billion by 2025, at a compound annual growth rate of 39% between 2015 and 2025 (Google, Temasek and Bain & Company, 2019^[28]).³⁹

Figure 4.2. E-commerce market value in ASEAN, 2015-21



Source: OECD (2018), *Economic Outlook for Southeast Asia, China and India 2018 – Update: Promoting Opportunities in E-commerce*, OECD Publishing, Paris, www.dx.doi.org/10.1787/9789264302990-en.

Globally, cross-border e-commerce transactions between businesses (B2B), as well as between businesses and consumers (B2C), have introduced new dynamics to international trade, transforming value chains and requiring logistics companies to change their business models.

In ASEAN, the rapid increase in the scale of e-commerce – and so the concomitant rise in the importance of SPDS – is being driven by multiple factors including: 1) rising levels of the use of information and communications technology (ICT); 2) the development of ICT infrastructure; 3) transportation infrastructure and logistics capabilities; 4) the use of e-commerce payment systems; and 5) the legal and regulatory environment (OECD, 2018, pp. 19-20^[27]). Ensuring a level playing field and stimulating competition plays a crucial role when optimising the legal and regulatory environment.

ASEAN adopted the Work Programme on Electronic Commerce 2017-2025⁴⁰ on 7 September 2017 and ASEAN Economic Ministers signed the ASEAN Agreement on Electronic Commerce on 12 November 2018.⁴¹ Both show that ASEAN has recognised the potential of the digital economy, and the need to develop the region's e-commerce industry by creating a conducive environment for its growth through advancing trade rules and building up greater digital connectivity in the region.

In Singapore, the e-commerce sector is growing rapidly. E-commerce revenue was projected to reach USD 2.401 billion in 2020 and continue to grow with a compound annual growth rate (CAGR) of 10.2% between 2020 and 2024 to reach a projected market value of USD 3.546 billion by 2024.⁴² According to another estimate, the e-commerce market value in Singapore is expected to reach USD 7 billion in 2025 (Google, Temasek and Bain & Company, 2019^[28]). Key drivers of this growth are seen as high internet penetration and smartphone adoption, strong financial infrastructure, and good logistical facilities (Competition and Consumer Commission of Singapore, 2017, p. 25^[29]). The percentage of the population using the Internet has risen steadily in Singapore, reaching 88.95% in 2019.⁴³

Lazada is the largest e-commerce retailer in Singapore; other large e-commerce retailers are Amazon, Shopee, Qoo10 and Zalora. Despite this remarkable growth, in 2017, CCCS (2017, p. 25^[29]) observed that e-commerce adoption rates in Singapore are not as high as Japan or South Korea and that this may be due to the convenience of shopping malls, and the culture of shopping in traditional brick-and-mortar outlets. It also noted that at the time “for nearly half of Singaporeans, the primary reason for not buying online is delivery concerns”, while, according to market participants, e-commerce delivery services remain costly because of insufficient density. In a 2020 CCCS report, *E-Commerce Platforms Market Study* (2020, p. 29^[30]), a number e-commerce platforms indicated that considerable efforts were needed to convert offline consumers into online consumers for reasons including consumers not wanting to wait for delivery. The COVID-19 pandemic may have altered these consumer behaviours: an abrupt and sharp increase in the use of e-commerce has been observed and may lead to long-term changes (see Section 1.2).

The government has put in place legislation and several initiatives to support e-commerce growth. For instance, Singapore adopted the Electronic Transactions Act (Chapter 88/2010), serving as the legal framework for e-commerce and e-payment issues, and the Personal Data Protection Act (No. 26/2012), dealing with consumer data protection in digital transactions (OECD/ERIA, 2018, p. 412^[18]). In April 2017, Singapore launched the SMEs Go Digital programme, co-ordinated by Infocomm Media Development Authority (IMDA), to help SMEs better utilise e-commerce. This initiative includes programmes in partnership with the private sector. For instance, an initiative called 99% SME offers SMEs a free e-marketplace on Lazada’s website, where they can reach a wider range of consumers (OECD/ERIA, 2018, p. 412^[18]). Another initiative is Singapore’s E-Commerce Booster Package, which aims to support local retail businesses to expand their domestic reach, to assist retailers seeking to expand overseas, and to strengthen retailers’ digital marketing capabilities for e-commerce. This programme is currently supporting many brick-and-mortar retailers and enterprises in suburban areas that have been impacted by the COVID-19 pandemic.⁴⁴

4.2. Competitive landscape of the SPDS sector

Located at the centre of the ASEAN region and with a rapidly growing e-commerce market, competition in the SPDS sector has increased in recent years. Many third-party logistics (3PL) companies are active in Singapore, with the last-mile delivery segment being highly fragmented. In 2018, according to the Singapore Department of Statistics, 576 companies with “post and courier” activities were active nationally in a market worth SGD 2 732 million. They represented 4.5% of all establishments in the transport and storage services industry and 8% of its total value. It is worth noting that – according to Singapore Department of Statistics data – the overall profitability of “post and courier” activities declined from 12.4% in 2013 to 6.7% in 2018.⁴⁵

Among ASEAN member states, Singapore represents a high percentage of the value of courier services imports into and exports from ASEAN.⁴⁶ Global integrators DHL, FedEx and UPS moved into the Singapore market in the 2000s. Mainly focusing on the B2B segment, these companies only perform (inbound and outbound) international delivery services (ASEAN-Japan Centre, 2018, pp. 6-7^[25]). The express-mail service (EMS)⁴⁷ of SingPost competes with global integrators for international deliveries.

Focusing on the domestic market and local companies, SingPost was a pioneer in domestic SPDS deliveries. Over the years, as e-commerce has grown, many companies have entered the market in Singapore (ASEAN-Japan Centre, 2018, pp. 6-7^[25]). Among the main players are J&T Express, Ninja Van, Yamato Transport, Qxpress, UrbanFox, and GrabExpress. There are also tech platforms connecting owners of trucks, vans and bikes to businesses or individuals requiring (mainly intra-city) delivery services.

E-commerce retailers mainly perform delivery services through 3PL companies, entering into bilateral agreements through which rates and other terms are negotiated. In addition, certain e-commerce platforms such as Alibaba, Lazada and Zalora have developed their own express delivery services.

Finally, there are no official statistics reporting market-share data. SingPost estimates its market shares at approximately 20% for domestic last mile deliveries⁴⁸ as well as for international deliveries.

Box 4.1. Digital evolution and the impact on the SPDS sector

In recent years, the SPDS sector has seen a rapid change from fairly traditional business models to a sophisticated consumer experience-based industry. These changes are largely driven by technological developments. A four-phase value chain in the recent past – i.e. pick-up, warehousing, transportation and delivery – has expanded to become more consumer-centric by including elements such as marketing, demand generation by e-commerce platforms, payment, just-in-time delivery, shorter distance fulfilment and real-time track and trace options. Many improvements aim at developing next-generation supply chain capabilities building on digital technologies and advanced analytics. Efforts are predominantly focused around improving the last-mile delivery experience – the final phase in the delivery process when the parcel reaches the end-customer – which is often the most expensive and time-consuming step of the fulfilment process. Some trends to improve the last-mile delivery are:

- **Faster fulfilment.** Many SPDS providers offer same-day or on-demand delivery services.
- **Increased visibility.** SPDS providers increasingly provide real-time tracking and tracing, allowing customers to select and modify delivery windows and to communicate directly with drivers.
- **Optimised warehousing.** To reduce costs and delivery time, processes in warehouses such as parcel scanning and sortation systems are optimised by employing artificial intelligence and robotics.
- **New means of transport.** A few market players have introduced new means of transport, such as delivery drones. Other largely employed or future solutions are, for instance, networks of agents (crowdsourcing last-mile delivery), bike/scooter couriers, semiautonomous or autonomous ground vehicles, and droids.

New technologies and digitisation have substantially increased competition in the SPDS sector. E-commerce platforms have increased consumers' expectations and demands, and their exponential growth is continuing to drive fundamental changes in the market. Other players (including start-ups) are emerging, often focussing on specific value chain segments.

Incumbent postal operators have been adapting to these fast changes with varying degrees of success. The adoption of new technologies will be crucial to improve their customer experience. Moreover, the introduction of innovative means of transport for last-mile deliveries may have effects on postal operators' existing models, including implications as to how their physical networks (often representing a strong competitive advantage) will be employed in the future.

Source: (Accenture, 2015^[31]); (Accenture, n.d.^[32]); (McKinsey&Company, 2016^[33]).

4.3. Sectoral regulation

The Postal Services Act (Chapter 273A) and subsidiary legislation governs postal services in Singapore; it was first passed in 1999 and revised in December 2000. The Infocomm Media Development Authority (IMDA), a statutory body under the Ministry of Communications and Information, is the authority responsible for the administration of the Postal Services Act. IMDA takes independent regulatory decisions; under Article 56 of the Postal Services Act, its decisions can be appealed to the Minister of Communications and Information.

Box 4.2. Public Consultation on the Draft Postal Services (Amendment) Bill

On 2 December 2020, the Ministry of Communications and Information and IMDA launched a three-week public consultation to provide feedback on a bill reforming the Postal Services Act. The aim was to ensure that the legislative framework remains relevant and appropriate in the current market situation, taking into account, for instance, the growth of e-commerce deliveries.

The public consultation closed on 23 December 2020. Three individuals and three companies (Ninja Van, SingPost and UPS) submitted responses, providing different views on key regulatory aspects such as the wholesale access for delivery of non-letter items into letterboxes, and the establishment, installation, operation and maintenance of a public parcel locker network (see Box 5.1), with potential overlaps which may exist between this network and the letterbox infrastructure.

Source: www.imda.gov.sg/regulations-and-licensing/Regulations/consultations/Consultation-Papers/2020/Public-Consultation-on-the-Draft-Postal-Services-Amendment-Bill.

Competition for the provision of basic letter services is regulated by the Postal Competition Code 2017,⁴⁹ which is enforced by IMDA. As mentioned in Section 3.3, these services are excluded from the Competition Act, as are merger control powers.

Unlike basic letter services, SPDS fall outside the scope of the Postal Services Act, with the market deregulated and open to competition.⁵⁰ Nevertheless, the OECD understands that IMDA does occasionally engage with SPDS providers, such as when the authority receives complaints about delays or deliveries by SingPost and it facilitates the discussion between complainants and the postal operator. In addition, IMDA regularly monitors SPDS market developments and can request information from market participants on activities not strictly related to regulated services.

4.3.1. Licensing

SingPost's monopolies were lifted for express letter services in 1995 and basic letter services in 2007. Since then, industry players interested in providing domestic and international letter services are required to first obtain a licence from IMDA. Two licensing schemes exist: a class licence for express letter services, and a postal service operator (PSO) licence for basic letter services. A PSO licence holder may be designated as a public postal licensee (PPL), which must then fulfil universal service obligations (USO), which are accompanied with price regulation for basic letter services, service quality, number of offices and letterboxes and international obligations.

IMDA has published guidelines on applications for PSO licences: issued for ten years, they are renewable and subject to an annual fee of 0.4% of the licensee's annual audited gross turnover (with a minimum of SGD 4 000).⁵¹ A PPL is granted for 20 years, is also renewable and subject to an annual fee of 0.4% of the licensee's annual audited gross turnover generated by its regulated business (with a minimum of

SGD 150 000). IMDA also has the power to advise on and issue codes of practice and standards of performance for basic letter services. It also monitors the quality of these services and may issue fines for breaches of PSO conditions⁵² or for inconsistencies with the quality-of-service standards.⁵³

Since 2007, IMDA has issued four PSO licences: to Asendia Singapore; World Marketing Group; DHL eCommerce (Singapore); and SingPost, which is also the designated PPL. Its PPL was renewed for a period of 20 years in 2017.⁵⁴

No licence (or registration with IMDA) is required to provide SPDS in Singapore as the industry is unregulated.

4.3.2. Price regulation

SPDS are not subject to any price regulation. Only basic letter services offered by SingPost – as the PPL – are subject to IMDA price regulation. IMDA ensures that delivery of basic letters (letters up to 500 grammes) remains affordable for consumers. Its general principle is that regulated rates should be based on costs and not result in overcompensation, while allowing for business sustainability. Regulated rates can be revised upon the PPL's request.

Other market participants may use the PPL's network for deliveries at regulated prices and conditions. In practice, at least in the past, consumers as well as e-commerce retailers have used SingPost's services subject to regulated rates not only to deliver letters, but also to deliver small items.

5 SOEs and their impact on competition in SPDS

5.1. SingPost

SingPost's origins date back to Singapore's founding in 1819. Following its 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 (TAS) and the government directly provided postal services in Singapore for a decade. In 1992, the Telecommunication Authority was split into three bodies: a "reconstituted" TAS, a corporatised Singapore Telecommunications (SingTel) and its subsidiary Singapore Post (SingPost). In 2003, SingPost was listed on the Singapore Exchange (SGX-ST).⁵⁵ SingTel is also a listed company.

SingPost is currently an "associate company" of SingTel,⁵⁶ with Temasek deemed as its "controlling shareholder" under the SGX-ST Main Board Listing Rules.⁵⁷ As of 22 May 2020, SingTel is SingPost's main shareholder, holding 22%⁵⁸ and SingTel itself is owned 52.6% by Temasek.⁵⁹ Other stakeholders in SingPost include Alibaba (14.6%), institutional investors (22.1%) and retail investors (41.4%).

While it continues to face fierce competition from other 3PL companies and players with new innovative business models,⁶⁰ SingPost aims "to be a global leader in e-commerce logistics". Its business strategy aims to transform the national postal system into "the national delivery infrastructure and network to move and distribute all goods beyond postal items"; to establish "a global eCommerce Superhub on a Singapore platform"; and to build "a strong B2B2C network to exploit growing demand for integrated supply chains" (SingPost, 2020_[34]).

SingPost operates in Singapore with its core postal business, post-office products and services, courier activities and an investment holding, and internationally, in Australia, principally delivery services and e-commerce logistics solutions; and other regions, including warehousing and logistics deliveries in Japan and Hong Kong, and freight forwarding businesses in Europe and New Zealand (SingPost, 2020, p. 214_[35]).

In the financial year 2019-2020, SingPost's total revenue was approximately SGD 1 403 million, with SGD 848 million (or 65%) generated in Singapore (SingPost, 2020, p. 214_[35]).⁶¹ SingPost's total profit has remained stable for the past two financial years at approximately SGD 100 million.

5.1.1. Mandate

SingPost was granted a first public postal licensee under the Telecommunication Authority of Singapore Act 1992, which, as noted in Section 4.3.1, empowered it to operate postal services with the exclusive privilege of receiving, collecting and delivering letters and postcards until 2007.⁶²

After the full liberalisation of the postal service in 2007, SingPost lost its monopoly rights. It retained its status as the sole designated PPL and, as such, continued to fulfil the universal service obligations, which are accompanied with price regulation, service quality, number of post offices and letterboxes, and

international obligations. SingPost is the UPU Designated Operator in Singapore. Pursuant to Section 2.2 of the Postal Competition Code 2017, IMDA classifies SingPost as the “dominant licensee in all basic letter service markets in Singapore”.

5.1.2. SPDS business

SingPost’s SPDS encompasses both its post and parcel and logistics business segments. The core postal and parcel (up to 30 kilogrammes) delivery business includes domestic post and parcels, international post and parcels, products and services offered in post offices. The logistics segment comprises freight forwarding and e-commerce logistics, which includes front-end e-commerce solutions, warehousing, fulfilment, delivery and other value-added services offered in the Asia Pacific region. SingPost’s e-commerce business can offer end-to-end services for companies that wish to establish or reinforce their online presence (SingPost, 2020, p. 209^[36]).

SingPost’s activities that make up its SPDS include:

- Speedpost,⁶³ a last-mile door-to-door express delivery service in Singapore and to more than 200 international destinations
- vPOST,⁶⁴ an online shopping and shipping services provider
- SP eCommerce,⁶⁵ an e-commerce enabler providing brands and retailers with integrated end-to-end e-commerce solutions
- Quantum Solutions,⁶⁶ offering logistics and fulfilment services to businesses in the Asia Pacific region
- CouriersPlease,⁶⁷ an express parcel-delivery service in Australia.

SingPost performs time-defined and tracked deliveries for items up to 30 kilogrammes in Singapore. SingPost’s deliveries are sometimes outsourced to third parties. SingPost has also established a fully integrated regional eCommerce Logistics Hub.

In 2019-2020, approximately 80% of SingPost’s delivery volume was made up of letters, with SPDS still representing only a small percentage. The company observed that in 2019-2020 (SingPost, 2020, p. 41^[36]):

letter volumes declined at a double-digit percentage again ... while domestic e-commerce volumes continued on a growth trajectory, mainly in the Tracked Package service which SingPost launched in December 2019, which saw strong take-ups from eCommerce platforms. [...] international revenue rose to a record of over S\$500 million on the back of higher cross-border eCommerce related deliveries, which helped offset lower Domestic revenue.

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 (SingPost, 2020^[34]). According to SingPost, being the “lowest cost provider in the industry”, gives it the opportunity to increase its market share (estimated at 20%) in domestic SPDS (SingPost, 2018^[37]).

5.2. Assessment of legislation and policies with a potential impact on the level playing field in the SPDS sector

This section identifies and assesses legislation and policies with potential impact on the level playing field in the SPDS sector and, where appropriate, offers recommendations to address these issues. Each subsection commences by setting out the general principles guiding the assessment; these are largely based on the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* (2015^[10]).

5.2.1. Different regulatory treatment

General principle

Consistent with the rationale for state ownership, the legal and regulatory framework for SOEs undertaking economic activities should ensure a level playing field and fair competition in the marketplace.

According to the government, SOEs in Singapore operate on a commercial basis and as corporate entities, are subject to the same rules as private companies regarding, for instance, transparency and disclosure requirements, taxation and access to public procurement.

SingPost is subject – as are other PSO licensees – to IMDA’s regulatory powers and additional obligations apply to SingPost as the PPL. In recent years, IMDA has undertaken enforcement actions and imposed fines upon SingPost for its failure to comply with the service quality standards: SGD 100 000 in December 2018; SGD 300 000 in March 2019; and SGD 20 000 in March 2020.⁶⁸ IMDA has stated that SingPost did not appeal these decisions and paid the fines. These enforcement actions seem to indicate that SingPost receives no preferential treatment.

Though IMDA’s regulatory regime does not impose any obligations on SingPost’s SDPS for delivery times or service quality, the OECD understands that the authority does play an informal role in processing and “mediating” complaints directed to it by customers of SingPost’s services. There appears, in practice, to be pressure from the public to ensure high service levels from SingPost and its subsidiaries as it is generally seen as a “publicly owned company”. This may result in additional regulatory burdens for SingPost, compared to its competitors in the SPDS market.

The OECD has one recommendation.

1. IMDA should refrain from any actions that may result in practice in extending its monitoring or enforcement powers to SPDS solely offered by SingPost.

Competition laws

As noted in Section 4.3, IMDA has sole competition law powers, including merger control review powers, over basic letter services. Pursuant to Section 2.2 of the Postal Competition Code 2017, the sector-specific competition legislation that applies to the four PSO licensees’ basic letter services, IMDA classifies SingPost as a “dominant licensee in all basic letter service markets in Singapore”. CCCS appears not to have been involved in this assessment, while it should be noted that in cases where an anti-competitive practice concerns activities outside basic letter services of SingPost or the other three PSO licensees, CCCS (and not IMDA) exercises competition law powers.

Globally, countries typically provide for competition-law issues in regulated sectors in three ways: 1) the competition agency has jurisdiction over competition law in regulated sectors; 2) the competition agency and the sectoral regulator have concurrent authority to enforce a single competition law standard and arrangements are put in place for co-operation; or 3) only the sectoral regulator has the competence to enforce competition-related provisions.

Singapore seems to have adopted the third approach, but limited to basic letter services. Operations between basic letter services lines and SPDS already overlap and as e-commerce grows SPDS are becoming increasingly important for providers of basic letter services. This underlines the increased need for a clear attribution of competences should competition concerns arise.

CCCS told the OECD that it is not involved in IMDA's own assessment and that IMDA has the necessary expertise to regulate the sector. At the same time, IMDA noted that it works collaboratively with CCCS on any cross-sectoral competition issues. As mentioned in Section 3.3, an institutional co-operation framework is already in place: since 2013, the Community of Practice for Competition and Economic Regulations (COPCOMER) operates as an inter-agency platform for CCCS, sectoral regulators and other government agencies to share best practices and experience on competition and regulatory matters.

The OECD has one recommendation.

1. CCCS and IMDA should continue and enhance bilateral co-operation in competition-law advocacy or enforcement actions in the SPDS market. In all instances, it should be ensured that the same competition legal tests and standards apply.

Access to letterbox masterdoors

In Singapore, traditional letterboxes in residential buildings are pigeonholes with individual doors placed inside a large structure (or "nest") with a masterdoor (also known as, 2-way design letterboxes).⁶⁹ Users access their own letterboxes by the front, while postal delivery workers access letterboxes using the masterdoor with a key that reveals all pigeonholes. The benefit of having master doors is that even larger items like small parcels can be delivered into individual letterboxes. According to market participants, these letterboxes are present in approximately 80% of buildings in Singapore managed by the Housing and Development Board (HDB).⁷⁰ (In 2018, 81% of the Singapore resident population lived in HDB flats.⁷¹)

Pursuant to Section 9.1 of the Postal Services Operations Code 2017: "All Licensees shall be prohibited from using masterdoor keys or any other methods which allow full access to the pigeonholes of letterboxes, unless permitted to do so by [IMDA]." As the sole PPL, SingPost has exclusive access to the masterdoor keys for these letterboxes.⁷² IMDA's *Guidelines for application for PSO* state that: "PSO licensees will not be issued any letterbox masterdoor keys to HDB letterbox with locked apertures. However, the Authority will facilitate PSO licensees' access to the delivery network of ... [SingPost], at regulated prices, terms and conditions."⁷³

Access to masterdoor keys was raised in 2007 during IMDA's public consultation on the Draft Postal Services (Amendment) Bill and proposed amendments to postal services regulations. At that time, SingPost argued that its exclusive access was essential for ensuring mail security⁷⁴ and IMDA justified the continuation of limited access to such letterboxes on security concerns. In "IDA's Explanatory Memorandum on the Postal Services Regulations", issued on 2 May 2008, IDA – as IMDA was known until 2016 – clarified that it had:

*recommended that all building developers/owners/managing agents hand over the Pigeonhole Masterdoor Keys to SingPost only, in order to ensure that only one postal licensee would be held accountable for the security and integrity of the mail. If only SingPost possesses these Pigeonhole Masterdoor Keys, then it would be clear that other third parties possessing such keys would have obtained it improperly.*⁷⁵

It also stated that the same concerns did not apply to a different – 3-way – design of letterboxes⁷⁶ and, in fact, it did not prohibit:

*any postal licensees from obtaining Aperture Masterdoor Keys from building developers/owners/managing agents. For the purpose of mail delivery, having Aperture Masterdoor Keys would be equivalent to having access to the letterboxes with open apertures. There is minimal threat to mail security or integrity with multiple postal licensees holding Aperture Masterdoor Keys for mail delivery.*⁷⁷

For the 3-way design letterboxes IMDA left the decision of providing multiple licensees with these "Aperture Masterdoor Keys" to building developers/owners/managing agents".⁷⁸

Under Section 16 of the Postal Services Act (Chapter 237A), IMDA may issue or approve any specifications relating to letterboxes, or amend and revoke such specifications. These guidelines are currently developed

by SingPost (as authorised by the IMDA), and it requires developers to submit details of letterbox designs and installation plans. IMDA maintains the power to then approve such specifications and guidelines developed by SingPost.⁷⁹ Under Section 3.8 of IMDA's approved "Letter Box Specifications and Guidelines",⁸⁰ all building developers, owners, managing agents and town councils are encouraged to allow PSOs access to the "Aperture Masterdoor Keys" and the authority has devised a set of recommended practices for these keys.⁸¹ These include a recommendation to consider maintaining a register of key issuance to a requesting PSO.⁸²

The issue of SingPost's exclusive access to masterdoor keys, and in particular for "2-way design" letterboxes, seems to extend beyond PSO licensees and to impact SPDS providers. Approximately 40% of small e-commerce items does fit into these letterboxes, if accessed through the masterdoor, yet due to these access restrictions, SPDS providers are unable to drop off items into the letterboxes, and additional arrangements for last-mile deliveries, such as contacting end-customers, that result in extra costs are required. Indeed, it has been observed that one of the major challenges for last-mile deliveries in Singapore is high delivery-failure rates – reportedly over 15% in 2018.⁸³ Missed deliveries incur extra costs for companies as they must make repeated trips to the same address; SPDS providers say that direct access to letterboxes would reduce their costs and provide better services at lower prices, allowing them, for instance, to deliver at night when there is less traffic. When SPDS providers raised this issue with IMDA in 2019 and stated that package tracking mitigated security risks, the OECD understands that SingPost continued to argue against it. IMDA decided that allowing for access to masterdoors would require heavy investment and a definitive solution has yet to be identified. According to IMDA, while package tracking may help confirm that a package has been delivered to a letterbox, it does not fully address the issue of mail security and integrity as it remains difficult to determine which provider had opened a masterdoor and should be held responsible if previously delivered items are then damaged, replaced or lost.

To reduce delivery costs, SPDS providers without access to the masterdoor keys have frequently outsourced last-mile deliveries of small items to SingPost. For these services, they benefitted from the same regulated rates as applied to mail services. However, as a result of SingPost's new product categorisation introduced in December 2019 (see Section 5.2.2), small items no longer benefit from regulated rates, further increasing delivery costs for SingPost's competitors. With COVID-19 increasing demand for letter-box and contactless doorstep deliveries (SingPost, 2020^[34]), this issue may once again be addressed.

Any future changes to the current system for letterboxes should be assessed in light of the Nationwide Parcel Locker Network (see Box 5.1), which might reduce the competitive advantage SingPost gains from its exclusive access to masterdoor keys and letterboxes.

Box 5.1. The Nationwide Parcel Locker Network

In an attempt to lower delivery costs and increase service density, in recent years certain SPDS providers have established their own locker networks for the drop-off and pick-up of small packages for their own customers. These networks are not open to other SPDS providers or third parties. The costs of establishing and operating locker infrastructure with extensive geographic coverage or in strategic locations remain high, and companies have said that use rates remain low as consumers continue to prefer doorstep deliveries. Uncontrolled growth of underutilised lockers may further affect land scarcity in Singapore.

Federated Lockers Initiative (then re-named Locker Alliance Initiative)

In December 2018, the government launched the Federated Lockers Initiative, led by IMDA in collaboration with the Housing and Development Board (HDB) and the Land Transport Authority (LTA).

It aims to facilitate last-mile delivery of small packages and complement existing postal infrastructure using standardisation and aggregation to lower costs.⁸⁴ The initiative aims to bring together locker operators on a common platform accessible to all SPDS providers. In IMDA's view, lockers can both transform the logistics landscape and address the increasing demand created by e-commerce deliveries. Moreover, deliveries to lockers appear even more necessary due to a lack of driver capacity in Singapore.

The project began with a trial in two pilot areas (two housing estates in Punggol and Bukit Panjang and eight Mass Rapid Transit (MRT) stations), covering approximately 78 000 households in total. Each area, owned by HDB and LTA, was assigned to a different market player after a bidding process. Winning bidders SingPost and Blu were allowed to install the lockers on condition that they granted open access.⁸⁵ During this trial stage, IMDA set a maximum rate of SGD 2 for 2 days. IMDA estimated that these maximum rates were substantially lower than other locker providers' rates, which amounted to approximately 6 SGD for 2 days.⁸⁶ In the trial phase, IMDA also issued a tender to design, develop and operate an interoperability platform. According to IMDA, an independent platform operator maintains "neutrality between the locker operators and logistics service providers to ensure fair and open access to the locker infrastructure".⁸⁷

CCCS supported this initiative and provided competition-related inputs to ensure equal and non-discriminatory access to lockers for all players and address other issues during the pilot phase. It considered, for example, whether having integrated players to manage the lockers would increase the risks of abuse and unfair access. Its official observations have not been made public.

According to the Ministry of Communications and Information, the pilot lockers increased delivery efficiency by 400% by reducing the time needed for each door delivery, with 75% of surveyed users satisfied with the service.⁸⁸ Market participants noted, however, that Singaporeans continue to prefer premium deliveries to their doorstep.

Deployment of a Nationwide Parcel Locker Network

In July 2020, IMDA announced its intention to set up a nationwide network of 1 000 locker stations by the end of 2021. IMDA announced that it will be incorporating Pick Network, a wholly owned subsidiary company, to deploy, own and operate the locker network.⁸⁹

IMDA also suggested extending this initiative to other ASEAN member states, creating a regional network to facilitate interoperability and last-mile deliveries across borders.

Draft Postal Services (Amendment) Bill

In December 2020, the Ministry of Communications and Information and IMDA proposed amendments to the Postal Services Act to expand the scope of IMDA's exclusive privilege to include the installation, ownership, and operation of the network (referred to in the draft bill as the "public parcel locker network") at specified premises. The exclusive privilege does not apply to the conveyance of small packages; it pertains only to the establishment, installation, operation and maintenance of the Nationwide Parcel Locker Network. IMDA would appoint a public parcel locker network operator to establish, install, operate and maintain the network, subject to conditions imposed by IMDA. These included access to and the use of the network, plus pricing and rate charges. In the first instance, the network will be operated by IMDA's wholly owned subsidiary, Pick Network.

Source: IMDA (2019), "Locker Alliance all set to deliver", www.imda.gov.sg/news-and-events/impact-news/2019/02/Locker-Alliance-all-set-to-deliver; "Public Consultation Paper on Draft Postal Services (Amendment) Bill", www.imda.gov.sg/-/media/Imda/Files/News-and-Events/Media-Room/Media-Releases/12/Annex-A--Public-consultation-paper-on-draft-Postal-Services-Amendment-Bill.pdf?la=en, paragraphs 14-19.

In the December 2020 “Public Consultation on Draft Postal Services (Amendment) Bill”, the Ministry of Communications and Information and IMDA proposed clarifying in the Postal Services Act that IMDA can require the provision of delivery of small packages into letterboxes by the PPL, SingPost, and regulate wholesale access to letterboxes, complementing the existing requirement to provide wholesale access for letters delivery into letterboxes at regulated prices. According to the ministry and IMDA, this wholesale access regulation is both necessary and complementary to the introduction of a Nationwide Parcel Locker Network. Lockers will allow the delivery of larger, tracked items, while wholesale access to letterboxes will permit the delivery of small, lower-value items sent without tracking service. The “Public Consultation Paper” states that:

such regulated wholesale access will level the playing field for other logistics service providers and enhance competition in the last-mile delivery services market by extending letter box access for the delivery of non-letter items at regulated terms and conditions.⁹⁰

The OECD has one recommendation.

1. 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. Also, in the longer term, IMDA and HDB should assess whether it is feasible to replace 2-way design letterboxes with alternative designs or complement them with new technology. Alternatively, IMDA could develop new specifications or amend current letter-box specifications to identify technical solutions that could address security concerns.

5.2.2. Public-service obligations

General principles

Where SOEs combine economic activities and public-policy objectives, high standards of transparency and disclosure regarding their cost and revenue structures must be maintained, allowing for an attribution to main activity areas.

In order to maintain a level playing field with private competitors, SOEs need to be adequately compensated for the fulfilment of public-policy objectives, with measures taken to avoid both overcompensation and under-compensation.

Costs related to public-policy objectives can be funded by the state and should be disclosed.

As the sole PPL, SingPost is the only provider subject to universal service obligations (USO) and its basic mail services are subject to price regulation. SingPost receives no compensation or additional funding to support these activities. Neither, according to SingPost, does its PPL status result in it receiving different treatment in its participation in government-funded projects.

The PPL was renewed for a period of 20 years in 2017. At that time, according to IMDA, no other company expressed an interest in such licence.

The OECD understands that while SingPost’s main business interest is today SPDS, its basic mail services remain profitable (although COVID-19 may have had an impact on these services).

Accounting separation

Under Annex 8A of the United States-Singapore Free Trade Agreement, SingPost “is prohibited from using revenues from the provision of services [conveying letters and postcards] to cross subsidize in an anti-competitive manner the price of [its express services]”.⁹¹ Moreover, as the “dominant licensee”, as prescribed in its licence, SingPost must keep separate accounts for its regulated and non-regulated businesses. These accounts are audited and SingPost reports annually to IMDA. In 2010, IMDA issued an accounting separation framework (ASF) prescribing the minimum requirements necessary to provide a structured regulatory reporting framework.⁹²

SingPost has stated that from an operational perspective, there is very little overlap between its regulated and non-regulated businesses. However, at least in the future, SingPost’s widespread postal network and infrastructure could benefit its SPDS activities.

Although SingPost may already comply with its accounting separation requirements in its reporting to IMDA, this principle is not reflected in SingPost’s annual report, where revenues and costs are reported in aggregate form for the whole “post and parcel” business segment.

The OECD has one recommendation.

1. Ensure that accounting separation, distinguishing between regulated and non-regulated business activities, is fully reflected in SingPost’s publicly available reports.

SingPost’s new categorisation of deliveries at regulated rates

For several years e-commerce platforms and SPDS providers have been shipping parcels as “ordinary mail” – in particular, small items of up to two kilogrammes – through SingPost at regulated rates. For instance, e-tailer Lazada estimates that approximately 40 to 45% of its parcels are shipped through SingPost’s postal network. These deliveries were performed by SingPost at much lower regulated rates than commercial SPDS rates. According to IMDA, the regulated rates when applied both to letters and small items were insufficient to cover SingPost’s delivery costs of small items. It added that, in the past, if packages did not fit into letterboxes SingPost’s delivery staff tried to deliver to recipients’ doors in high-rise buildings, further increasing delivery costs.

As a result, SingPost decided to amend the categorisation of its services in 2019 and introduced a new “basic mail” category. This was limited to letters and printed papers weighting up to 500 grammes and replaced the “ordinary mail” category that previously covered any items up to 2 kilogrammes.⁹³ The price change came into effect in December 2019 and had direct implications on the regulated prices of SingPost’s services. IMDA has observed that this new categorisation has ensured that SingPost’s delivery costs are now properly accounted for. So, while SingPost continues to perform last-mile deliveries of items – now called basic packages and tracked packages – for e-commerce platforms and other SPDS providers, and these items can also exceed letter-box size, the company is now charging more than the rates applied for letter delivery for this service.

The OECD has no recommendation.

5.2.3. SOEs governed and managed as an arm of government

General principle

A clear separation between state ownership rights in SOEs and state regulatory functions in a sector is a fundamental prerequisite for ensuring a level playing field and for avoiding competitive distortions.

In Singapore, the government interacts with SOEs at an arm's length basis and does not directly influence or direct SOEs' operations. Looking specifically at SingPost, however, the appointment of SingPost's chairman, CEO and directors requires IMDA's prior written approval and is subject to "such conditions as [IMDA] thinks fit" (Section 24.1 of the PPL licence, implementing Section 26F of the Postal Service Act). According to IMDA, its approval is required as SingPost's board is ultimately responsible for the quality of basic letter services (SingPost, 2020, p. 58^[35]).

IMDA's prior approval requirement applies to all PSO licensees. Section 22.1 of their respective licences prescribes that the licensee:

*shall seek the Authority's written approval at least one (1) month in advance of any change in the appointment of its Chairman, Board of Directors or Chief Executive Officer and shall for this purpose provide the Authority with the details of any such change and any further information requested by the Authority. The Authority may grant its approval subject to such conditions as the Authority thinks fit.*⁹⁴

IMDA's required consent over the appointment of SingPost's Chairman, CEO and directors appears not concern SingPost in its status as a SOE and the exercise of the state ownership rights, but rather relates to IMDA's regulatory powers, which equally apply to all licensees.

The OECD has no recommendation.

5.2.4. Financial advantages

General principles

SOEs' economic activities should face market-consistent conditions regarding access to debt and equity finance. SOEs' relations with all financial institutions, as well as non-financial SOEs, should be based on purely commercial grounds.

SOEs' reliance on state-owned financial institutions may distort their incentive structure and lead to excessive indebtedness and wasted resources. Even when funding is obtained from private lenders and granted on commercial terms, if the creditors assume there is an implicit state guarantee on SOEs' debts, this situation can lead to artificially low funding costs for SOEs and distort the competitive landscape.

The Ministry of Finance claims that the state grants no financial support or offers special treatment to any SOE, including SingPost. Moreover, the President of Singapore must concur with any decision to provide government guarantees.

Although SOEs in Singapore are not offered preferential access to credit, past studies appear to show that the share price of listed GLCs includes a premium, which suggests that investors may price what is believed to be an implicit government guarantee.⁹⁵ There is no further financial evidence to support this and so any "advantage" may simply be investors' perception.

According to its two most recent annual reports, SingPost received government grants for SGD 2.1 million in 2018-2019 and for SGD 8.1 million in 2019-2020. No detailed information on these grants is included in SingPost's 2018-2019 annual report, while the 2019-2020 annual report (SingPost, 2020, p. 138^[35]), in the context of describing the impact of COVID-19, states that:

the Group recorded government grants amounting to SGD 8.1 million (2019: SGD 2.1 million) which is presented against labour and related expenses as such grants are intended to compensate these expenses. Included in the government grants in the current year is SGD 5.2 million which relates to Jobs Support Scheme

(“JSS”) announced by the Singapore Government to provide wage support to employers to help them retain their local employees during this period of economic uncertainty.

The remaining SGD 2.8 million in 2019-2020 appears to cover an “employee share option scheme”. The OECD has no further information as to whether these grants were exclusively granted to SingPost or whether they were equally granted to other enterprises in Singapore, irrespectively of whether they were publicly or privately owned.

The OECD has two recommendations.

1. Ensure that any government grant assigned solely to SingPost and not to any of its competitors is used only to cover its USO, does not overcompensate, and takes into account costs for the provision of these services and any other government financial and non-financial support.
2. Enhance the transparency of SingPost’s annual reports for information concerning government grants and other state financial support.

Land usage

General principle

SOEs’ economic activities should not receive inputs (such as energy, water or land) at prices or conditions more favourable than those available to private competitors.

Land scarcity is a crucial issue in Singapore. To address this issue, the government implemented a planning and incentives system in which the Singapore Land Authority (SLA) sells land to which maintains land title through competitive processes.⁹⁶ There are no differences in the process of transferring land rights to SOEs and private companies. Based on information provided by SLA, SOEs are subject to commercial rates and they are provided no subsidies or special consideration.

In Singapore, land leases for commercial properties are limited to 99 years and, in some instances, to 30 years. SingPost’s 2019-2020 annual report lists 18 leased properties, 10 of which are leased for 99 years. Based on OECD research, these properties seem to mainly relate to post-office buildings (SingPost, 2020, p. 26^[36]). In 2016, SingPost opened its Regional eCommerce Logistics Hub, which was built on a 3.25-hectare plot of land in Tampines LogisPark that is leased from industrial land-development agency JTC Corporation for 30 years.⁹⁷

The OECD has one recommendation.

1. SingPost could consider increasing transparency by indicating in its annual reports from which government agency and under what conditions leasehold properties are held.

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Notes

¹ See, for example, [https://one.oecd.org/document/DAF/COMP/GF\(2018\)4/en/pdf](https://one.oecd.org/document/DAF/COMP/GF(2018)4/en/pdf) and <https://oecdonthellevel.com/2018/03/02/whats-gender-got-to-do-with-competition-policy>.

² In this context, the OECD-Asia Network on Corporate Governance of State-Owned Enterprises provides a forum for the governments of Asian countries and corporate-governance practitioners to share good practice and identify common priorities for strengthening SOEC corporate governance.

³ EU Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No. 139/2004 on the control of concentrations between undertakings (“Merger Regulation”), [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52008XC0416\(08\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52008XC0416(08)), paragraphs 65-73.

⁴ *AEC Blueprint 2025*, www.asean.org/storage/2016/03/AECBP_2025r_FINAL.pdf, paragraphs 25-26. See also *AEC 2025 Consolidated Strategic Action Plan*, <https://asean.org/storage/2012/05/Updated-AEC-2025-CSAP-14-Aug-2018-final.pdf>.

⁵ *ASEAN Regional Guidelines on Competition Policy* (2010), Section 3.1.2, www.icao.int/sustainability/Documents/Compendium_FairCompetition/ASEAN/ASEAN-RegionalGuidelinesonCompetitionPolicy.pdf.

⁶ The provision of education is a broadly accepted example of a service that has a positive externality beyond the immediate recipient of the education. The provision of basic research is also commonly mentioned as potentially being the subject of market failures leading to under-provision.

⁷ This number focuses on full- and majority-owned enterprises. When the analysis is expanded to include minority-owned listed companies, employment share rises considerably in some countries. Moreover, this number is likely to be much higher outside the OECD area.

⁸ For a more elaborate description, see Capobianco and Christiansen (2011_[16]).

⁹ See www.singstat.gov.sg/find-data/search-by-theme/population/population-and-population-structure/latest-data.

¹⁰ See World Bank, “The World Bank in Singapore”, www.worldbank.org/en/country/singapore/overview.

¹¹ See World Bank, “GDP Ranking”, <https://datacatalog.worldbank.org/dataset/gdp-ranking>.

¹² See Ministry of Trade and Industry, “MTI Maintains 2021 GDP Growth Forecast at ‘4.0 to 6.0’”, 15 February 2021, https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2020/Economic-Survey-of-Singapore-2020/PR_AES2020.pdf.

¹³ Under the Singapore Exchange (SGX) Rulebooks, a “controlling shareholder” is “a person who: (a) holds directly or indirectly 15% or more of the total voting rights in the company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company”, <http://rulebook.sgx.com/rulebook/definitions-and-interpretation-0>.

¹⁴ Another investment arm of the Singapore government, GIC (www.gic.com.sg) is a fund established in 1981 to manage Singapore's foreign reserves and achieve long-term returns that preserve and enhance international purchasing power. GIC is a fairly conservative investor, with a globally diversified portfolio spread across various asset classes. Most of its investments are in listed companies, with a smaller component in alternative investments such as private equity and real estate.

¹⁵ See www.cccs.gov.sg/about-cccs.

¹⁶ See www.cccs.gov.sg/approach-cccs/for-government-agencies/community-of-practice.

¹⁷ See www.cccs.gov.sg/public-register-and-consultation/public-consultation-items/abuse-of-dominant-position-by-sisticom-pte-ltd?type=public_register.

¹⁸ See www.cccs.gov.sg/public-register-and-consultation/public-consultation-items/investigation-into-e-m-services.

¹⁹ Under the Singapore Minister for Finance (Incorporation) Act (Chapter 183), the Minister for Finance is a body corporate.

²⁰ See www.ifaq.gov.sg/mof/apps/fcd_faqmain.aspx?FAQ=43693.

²¹ Pursuant to Temasek's constitutive documents, Temasek's board has in the past appointed and removed its own directors.

²² For instance, at the time of a change in government, Temasek's past reserves are frozen and can be distributed to the budget only with the president's authorisation: only current earnings from which dividends are paid are subject to transfer; see also Article 142 of the Constitution.

²³ "Notwithstanding the provisions of the memorandum and articles of association of the company, the appointment or removal of any person as a director or chief executive officer of any Government company to which this Article applies shall not be made unless the President, acting in his discretion, concurs with such appointment or removal".

²⁴ Lee Hsien Loong, speech to the Annual Public Service Leadership Dinner, 17 January 2020, www.pmo.gov.sg/Newsroom/PM-Lee-Hsien-Loong-at-the-2020-Public-Service-Leadership-Dinner.

²⁵ See International Forum of Sovereign Wealth Funds, "Santiago Principles", www.ifswf.org/santiago-principles-landing/santiago-principles.

²⁶ See US-Singapore Free Trade Agreement, Chapter 12, www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/ussfta.

²⁷ See www.enterprisesg.gov.sg/-/media/esg/files/non-financial-assistance/for-companies/free-trade-agreements/Singapore-Australia-FTA/Legal-text/Chapter-12/Chapter-12-Competition-Policy.

²⁸ See "Consolidated TPP Text", www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/tpp-ptp/text-texte/17.aspx?lang=eng. For the purposes of this chapter, Singapore's sovereign wealth funds include GIC and Temasek.

²⁹ One option is raising funds for universal service through charges, such as taxation or a levy, on all postal operators.

³⁰ See, for example, Copenhagen Economics (2018), *Main Developments in the Postal Sector (2013-2016)*, Study for the European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, <https://op.europa.eu/s/nBpK>.

³¹ European Commission Case M.6570 – UPS / TNT Express, paragraphs 36-39, and European Commission Case M.7630 – FEDEX / TNT EXPRESS, paragraphs 78-80.

³² Established in 1874, the Universal Postal Union (UPU) is a specialised agency of the United Nations. With 192 member countries, the UPU is the primary forum for co-operation between postal-sector participants. The UPU helps to ensure a universal network of up-to-date products and services, sets the rules for international mail exchanges, and makes recommendations to stimulate growth in mail, parcel and financial services volumes and improve service quality for customers.

³³ Under Section 2 of the Postal Service Act, “parcel” means “*a postal article which is posted at a post office in Singapore as a parcel ... or is received at a post office in Singapore by parcel post*”.

³⁴ A node is a connection point within a network. See, European Commission Case M.6570 – UPS / TNT Express, paragraph 44.

³⁵ The European Commission defines integrators using five basic characteristics: 1) ownership of or full operational control over all transportation assets, including an air network with scheduled flights, through which a large proportion of the volumes handled by the company is carried; 2) sufficient global geographic coverage; 3) a hub-and-spoke operating model; 4) a proprietary IT network that allows all relevant data to run across one network; 5) a reputation for reliably delivering parcels on time (so-called “end-to-end credibility”).

³⁶ See European Commission Case M.7630 – Fedex / TNT Express, paragraph 28 and further. Several European postal operators had changed their focus from the traditional mail business to small-package, e-commerce-based companies with cross-border presences. Examples include Deutsche Post, Royal Mail, PostNL, Swiss Post, Estonian Post, Correos, Bpost, Österreichische Post and PostNord, which are upgrading or have upgraded their offer in order to meet new demands, especially in the B2C segment.

³⁷ Integrators or larger SPDS operators may outsource certain elements of the value chain to subcontracted outside service providers (OSP), which generally perform pick-up, delivery and certain sorting functions for small-package companies. This is often on a branded basis, so that the customers are unaware that the OSP is a subcontractor. An authorised service contractor (ASC) is typically a small-package company within a particular region – usually a single country – that enters into direct relationships with the customer of its own account in that country. An ASC may also be integrator branded, in which case the vans and drivers usually carry the brand of the integrator on their trucks, paperwork and uniforms, so customers may not realise that the ASC is an independent company.

³⁸ The definition of e-commerce used in this report is that in OECD’s Glossary of Statistical Terms: “An e-commerce transaction is the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. An e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organisations”; <https://stats.oecd.org/glossary/detail.asp?ID=4721>.

³⁹ These predictions may be affected by the COVID-19 pandemic.

⁴⁰ See <https://cil.nus.edu.sg/wp-content/uploads/2019/02/2017-2025-ASEAN-WP-e-Commerce.pdf>.

⁴¹ See <http://agreement.asean.org/media/download/20190306035048.pdf>.

⁴² See www.statista.com/outlook/243/124/ecommerce/singapore.

⁴³ See <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=SG>.

⁴⁴ See www.enterprisesg.gov.sg/industries/type/retail/e-commerce-booster-package.

⁴⁵ See www.singstat.gov.sg/modules/infographics/transport-and-storage.

⁴⁶ “Exports of courier services have been concentrated in Singapore, followed by Malaysia. These two countries account for four fifths of the total of \$14 billion exports of these services from ASEAN. Imports, with a value of \$19 billion, are more concentrated. Singapore and Viet Nam account for nearly 90 per cent of total imports of courier services into ASEAN” (ASEAN-Japan Centre, 2018, p. 8_[25]).

⁴⁷ EMS is an international postal Express Mail Service, for documents and merchandise, offered by UPU postal operators.

⁴⁸ See www.singpost.com/sites/default/files/Minutes_of_26th_AGM.pdf paragraph 7.25; www.singpost.com/sites/default/files/SingPost%20Q1FY1819%20Q%26A%20transcript.pdf.

⁴⁹ Postal Services Act (Chapter 237A), Postal Competition Code 2017, www.imda.gov.sg/-/media/Imda/Files/Inner/PCDG/Consultations/consultation-paper/Control-Of-Designated-Postal-Licensees/Postal-Competition-Code-2017.pdf?la=en. IMDA issued a first Postal Competition Code in 2008.

⁵⁰ See “Parcels”, www.imda.gov.sg/regulations-and-licensing-listing/postal.

⁵¹ See “Guidelines on Submission of Application for Postal Services Operations Licence”, www.imda.gov.sg/~media/imda/files/regulation%20licensing%20and%20consultations/licensing/licenses/psoguide.pdf.

⁵² See “Contraventions of Postal Service Operators Licence Conditions”, www.imda.gov.sg/regulations-and-licensing-listing/competition-management/Enforcement-Decisions/Contraventions-of-Postal-Service-Operators-Licence-Conditions.

⁵³ See “Contraventions of Quality of Service Standards”, www.imda.gov.sg/regulations-and-licensing-listing/competition-management/Enforcement-Decisions/Contraventions-of-Licence-Conditions-Codes-of-Practice-Directions-QOSS/Contraventions-of-Quality-of-Service-Standards.

⁵⁴ See “Licence to Provide Postal Services Granted by the Info-communications Media Development Authority to Singapore Post Limited”, www.imda.gov.sg/-/media/imda/files/regulation-licensing-and-consultations/licensing/licensees/lops/singpostpl.pdf?la=en.

⁵⁵ See www.singpost.com/about-us/corporate-info/our-history.

⁵⁶ See www.singtel.com/about-us/company/our-associates.

⁵⁷ Information provided by Temasek.

⁵⁸ See www.singpost.com/sites/default/files/publications_file/2020/06/Shareholding%20Statistics.pdf.

⁵⁹ See www.singtel.com/about-Us/investor-relations/share-information. The OECD understands that SingPost is not considered an SOE by certain government agencies. However, as it is indirectly controlled by Temasek, it can be deemed an SOE for the purposes of this report. The same conclusion can be reached by looking at the qualification of “government enterprise” under the US-Singapore FTA (see Annex 12A at www.enterprisesg.gov.sg/-/media/esg/files/non-financial-assistance/for-companies/free-trade-agreements/US-Singapore-FTA/Legal-text/Chapter-12/Annex-12A).

⁶⁰ See www.singpost.com/about-us/corporate-info/our-businesses.

⁶¹ In financial year 2018-2019, SingPost’s total revenue amounted to SGD 1 557 million, with approximately SGD 861 million (or 55%) generated in Singapore.

⁶² See www.singpost.com/about-us/corporate-info/our-history.

⁶³ See www.speedpost.com.sg.

⁶⁴ See www.vpost.com/sq/.

⁶⁵ See www.speccommerce.com.

⁶⁶ See www.quantiumsolutions.com.

⁶⁷ See www.couriersplease.com.au.

⁶⁸ “Contraventions of Quality of Service Standards”, www.imda.gov.sg/regulations-and-licensing-listing/competition-management/Enforcement-Decisions/Contraventions-of-Licence-Conditions-Codes-of-Practice-Directions-QOSS/Contraventions-of-Quality-of-Service-Standards.

⁶⁹ IMDA “IDA’s Explanatory Memorandum on the Postal Services Regulations”, www.imda.gov.sg/-/media/Imda/Files/Inner/PCDG/Consultations/20060818_FurtherLibPostalSvc/PSRExMemo.pdf, pp. 6-7.

⁷⁰ HDB is Singapore’s public housing authority and a statutory board under the Ministry of National Development.

⁷¹ See https://data.gov.sg/dataset/estimated-resident-population-living-in-hdb-flats?resource_id=a7d9516f-b193-4f9b-8bbf-9c85a4c9b61b.

⁷² See “Licence to Provide Postal Services Granted by the Info-communications Media Development Authority to Singapore Post Limited”, www.imda.gov.sg/-/media/imda/files/regulation-licensing-and-consultations/licensing/licensees/lops/singpostppl.pdf?la=en. See also Section 14 of the PPL licence: “The Public Postal Licensee shall comply with any codes of practice or guidelines issued by the Authority relating to access to letterboxes and the maintenance and accountability of letter box keys issued to the Public Postal Licensee. The Public Postal Licensee shall not allow any unauthorised person to have access to any letter box keys in its possession”.

⁷³ “Guidelines on Submission of Application for Postal Services Operations Licence”, www.imda.gov.sg/~media/imda/files/regulation%20licensing%20and%20consultations/licensing/licenses/psoguide.pdf?la=en.

⁷⁴ See Singapore Post “Submission to the Ministry of Information, Communications and the Arts (MICA): Public Consultation on Draft Postal Services (Amendment) Bill, Issued on 23 March 2007”, www.mci.gov.sg/mobile/news/media/~media/7EC7CC8303C142EFB6332465B81D9EE5.ashx.

⁷⁵ IMDA “IDA’s Explanatory Memorandum on the Postal Services Regulations”, pp. 6-7.

⁷⁶ There are two types of “3-way” letterboxes: 1) a 3-way front opening with central unlocking mechanism; and 2) a 3-way front/back opening. For more detailed information, see www.imda.gov.sg/-/media/Imda/Files/Regulation-Licensing-and-Consultations/Frameworks-and-Policies/Postal/Letter-Box-Specifications-and-Guidelines/001,-d,-LetterboxGuidelines.pdf?la=en.

⁷⁷ MDA, “IDA’s Explanatory Memorandum on the Postal Services Regulations”, p. 7.

⁷⁸ IMDA, “IDA’s Explanatory Memorandum on the Postal Services Regulations”, pp. 6-7.

⁷⁹ IMDA, “Letter Box Specifications and Guidelines”, www.imda.gov.sg/-/media/Imda/Files/Regulation-Licensing-and-Consultations/Frameworks-and-Policies/Postal/Letter-Box-Specifications-and-Guidelines/001,-d,-LetterboxGuidelines.pdf?la=en.

⁸⁰ IMDA, “Letter Box Specifications and Guidelines”.

⁸¹ IMDA, “Recommended Practices for the Management of Letterbox Aperture Masterdoor Keys” www.imda.gov.sg/-/media/Imda/Files/Regulation-Licensing-and-Consultations/Frameworks-and-Policies/Postal/Letter-Box-Specifications-and-Guidelines/002,-d,-RPMgmtLBApertureMDKeys.pdf?la=en.

⁸² IMDA, “Recommended Practices for the Management of Aperture Letterbox Masterdoor Keys”.

⁸³ Singapore Economic Development Board, “Last mile developments in Singapore”, www.edb.gov.sg/en/news-and-events/insights/innovation/last-mile-developments-in-singapore.html.

⁸⁴ Speech by Tharman Shanmugaratnam, deputy prime minister and co-ordinating minister for economic and social policies, 26 April 2016, www.pmo.gov.sg/Newsroom/dpm-tharman-shanmugaratnam-opening-lf-logistics-regional-distribution-centre-26-april.

⁸⁵ Information on the request for proposals at: www.imda.gov.sg/for-industry/Collaboration-and-Partnership/request-for-proposals-for-the-installation-and-operation-of-federated-lockers.

⁸⁶ See, for instance, Speedpost’s rates for its rent-A-POP service, www.speedpost.com.sg/what-we-offer/POPStation/Rent-A-POP.html.

⁸⁷ See IMDA, “Fact Sheet: Urban Logistics to receive significant boost with Last Mile Delivery via a Federated Lockers Network”, www.imda.gov.sg/-/media/Imda/Files/About/Media-Releases/2018/Factsheet_Federated-Lockers-Overview.pdf.

⁸⁸ Ministry of Communications and Information (2020), “Media Factsheet: Nationwide Parcel Locker Network”, www.mci.gov.sg/-/media/mcicorp/images/budget-workplan/cos-2020/factsheets/nationwide-parcel-locker-network-final.ashx.

⁸⁹ IMDA (3 July 2020), “Formation of Pick to Roll Out Nationwide Parcel Locker Network”, www.imda.gov.sg/news-and-events/Media-Room/Media-Releases/2020/Formation-of-Pick-to-Roll-Out-Nationwide-Parcel-Locker-Network.

⁹⁰ See IMDA “Public Consultation on Draft Postal Services (Amendment) Bill”, www.imda.gov.sg/-/media/Imda/Files/News-and-Events/Media-Room/Media-Releases/12/Annex-A--Public-consultation-paper-on-draft-Postal-Services-Amendment-Bill.pdf?la=en, paragraphs 34-37.

⁹¹ US-Singapore Free Trade Agreement (USSFTA), www.enterprisesg.gov.sg/-/media/esg/files/non-financial-assistance/for-companies/free-trade-agreements/ussfta/legal-text/ussfta_legal_text_30sep2020.pdf?la=en.

⁹² See IMDA “Postal Accounting Separation Framework 2010”, www.imda.gov.sg/regulations-and-licensing-listing/Accounting-Separation-Guidelines.

⁹³ See Singapore Post (30 October 2019), “SingPost introduces new package categories and adjusts postal products to meet eCommerce boom”, www.singpost.com/about-us/news-releases/singpost-introduces-new-package-categories-and-adjusts-postal-products-meet-ecommerce-boom).

⁹⁴ See <https://www.imda.gov.sg/regulations-and-licensing/Licensing/list-of-telecommunication-and-postal-service-licensees/List-of-Postal-Services-Operators>.

⁹⁵ “This paper finds no basis for the argument that GLCs have easier access to credit. Our regression results indicate that GLCs are no more or less liquidity-constrained in their investment decisions than their private sector counterparts. This suggests that GLCs are competing on a level playing field as far as access to financing is concerned. However, we do find that being a GLC is rewarded in financial markets with premium of more than 20 percent. This is after accounting for the fact that GLCs tend to be large (so that they may be able to exercise monopoly power or exploit economies of scale and scope), profitable, and less likely to go bankrupt. This GLC premium has to reflect the market’s perception of the benefits – whether real or illusory – of being linked to the government” (Ramírez and Tan, 2004^[23]).

⁹⁶ See www.sla.gov.sg/state-land-n-property/land-sales-and-lease-management/management-of-land-sales: “SLA appoints URA, HDB and JTC as our Land Sales Agents for the sale of State lands under the Government Land Sales (GLS) and Industrial Government Land Sales (IGLS) Programmes”.

⁹⁷ See Singapore Post (14 October 2014), “SingPost to develop fully integrated eCommerce Logistics Hub in Singapore, the first such modern facility in the region”, www.singpost.com/about-us/news-releases/singpost-develop-fully-integrated-ecommerce-logistics-hub-singapore-first-such-modern-facility-region.

Annex A. List of reviewed legislation and administrative acts

Postal Services Act (Chapter 237A)

Postal Services Regulations (Chapter 237A, Regulation 1)

Postal Services (Class Licence) Regulations 2005

Postal Services (Class Licence) (Amendment) Regulation 2008

Postal Services (Control of Designated Postal Licensees) Regulations 2012

Guidelines on Submission of Application for Postal Services Operations Licence 2019

Guidelines for the Registration of Express Letter Service (Class) Licence 2019

Postal Competition Code 2017

Postal Accounting Separation Framework 2010

Postal Services Operations Code 2017

Postal Services (Composition of Offences) Regulations 2008

QOS Standards for Postal Services

Template Licence to Provide Postal Services

Licence to provide postal services granted by IMDA to Singapore Post Ltd (issued in 1992; renewed in 2017)

Licence to provide postal services granted by IMDA to Asendia Singapore Pte Ltd (2017)

Licence to provide postal services granted by IMDA to DHL Ecommerce (Singapore) Pte Ltd (2019)

Licence to provide postal services granted by IMDA to World Marketing Group Lte Ltd (2018)

Postal Services (Amendment) Bill (Bill No. /2021)

Public Consultation Paper issued by the Ministry of Communications and Information and the Infocomm Media Development Authority on Draft Postal Services (Amendment) Bill (2020)

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, 2020)

European Union-Singapore Free Trade Agreement (2019)

Singapore-Australia Free Trade Agreement (SAFTA, 2003)

United States-Singapore Free Trade Agreement (USSFTA, 2003)

OECD COMPETITIVE NEUTRALITY REVIEWS: SMALL-PACKAGE DELIVERY SERVICES IN SINGAPORE

Efficient logistics can play a significant role in increasing a country's economic development by facilitating international trade and improving its competitiveness. This report focuses on small-package delivery services in the logistics sector and identifies the advantages or disadvantages of state-owned enterprises in this sector when competing with private companies.

This report and the accompanying “OECD Competition Assessment Reviews: Logistics Sector in Singapore” are contributions to an ASEAN-wide project that implements part of the ASEAN Competition Action Plan 2016-2025 and is funded by the ASEAN Economic Reform Programme under the UK Foreign, Commonwealth & Development Office (UK Government). Designed to foster competition in ASEAN, the project involves conducting assessments of regulatory constraints on competition in the logistics services sector in all 10 ASEAN countries to identify regulations that hinder the efficient functioning of markets and create an unlevel playing field for business.

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