

Laws and Regulations in the Logistics Sector in Cambodia

Highlights

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

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

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

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

The assessment took place in stages. In **Stage 1**, the OECD undertook a virtual fact-finding mission in Cambodia and prioritised 28 pieces of sector-relevant legislation. **Stage 2** screened this legislation using the OECD's Competition Assessment Toolkit and identified 50 potential barriers. **Stage 3** involved an in-depth analysis of the potential barriers, including assessing the possible competitive harm resulting from these barriers and taking the objectives of policy makers into account. **Stage 4** developed 30 recommendations for provisions found to restrict competition unnecessarily, taking into account the Cambodian context, international experience and relevant economic literature, and consulted the relevant authorities on these recommendations. **Stage 5** finalised the recommendations. The final report including all findings and recommendations was released and uploaded on the OECD website.

Sector	Legislation analysed	Restrictions found	Recommendations
Road freight transport	3	9	3
Maritime freight transport and ports	9	26	17
Freight forwarding and warehousing	7	3	1
Small package delivery services	3	4	3
International agreements	6	8	6
Total	28	50	30

Key findings and main recommendations

In 2019, the transportation and storage market in Cambodia was worth USD 2.1 billion, representing about 8% of the country's economy. In terms of overall logistics performance, Cambodia ranked 98 out of 160 in the World Bank's Global Logistics Performance Index. Despite significant investment and improvements in recent years, Cambodia's transport infrastructure is still inadequate. Similar to other ASEAN Member States, Cambodia is suffering from the socio-economic impact of the COVID-19 outbreak. The pandemic has resulted in the disruption of supply chains and limited the flows of trade and investment. Logistics companies have been impacted by operational constraints (delivery delays, congestion and higher freight rates) and a lower demand in certain sectors.

Freight transport

Road transport is the main mode of transportation in Cambodia, representing around 90% of freight and passenger transport. While water transport represents a smaller proportion of the freight transportation sector in Cambodia, it is an important element for the country's local economy and exports. Cambodia has two international ports - Phnom Penh Autonomous Port (PPAP) and Sihanoukville Autonomous Port (SAP) - as well as inland waterways for freight and passenger traffic. The volume handled by both its international ports recorded solid growth in 2019 where SAP and PPAP registered increases of 17% and 29% respectively from 2018.

Key recommendations

1. **Where competition is limited, limit price regulation to the regulation of maximum prices, not minimum prices for port services.** Maximum prices should be regularly revised to ensure they remain in line with market dynamics and provide the necessary incentives for innovation and investment.
2. **Remove or limit the discretion of the decision maker in the vessel registration process.** If discretion is maintained, publish guidelines on the exercise of this discretion. Ensure applicants have the right to reasons to understand the basis for the decision.

Other logistics sectors and international agreements

Cambodia is experiencing growth in e-commerce. Cambodia's "courier, express and parcel" market was worth USD 39 million and is forecast to reach USD 71 million by 2025, with an annual growth rate of 10% (2019-2025). Cambodia is party to a number of cross border transport agreements.

Key recommendations

1. **Amend legislation to remove any ability to regulate the rates of small package delivery services (SPDS).** The legislation should reflect current practice where there is no price regulation of SPDS and where SPDS providers are free to set their own prices.
2. **Remove quotas on cross-border road transport and replace with a licence system.** The licensing criteria should be clearly defined in the respective international agreement or implementing laws or regulations.

Sources: Mordor Intelligence 2020, ASEANstats 2018 and 2020, ASEAN Macro-economic Database 2020, ASEANstatsDataPortal, World Bank's Worldwide Governance Indicators.

Fostering Competition in ASEAN

Funded by the ASEAN Economic Reform Programme under the UK Foreign, Commonwealth & Development Office (UK Government), Fostering competition in ASEAN is a project that aims at assessing regulatory constraints on competition in the logistics sector in all 10 ASEAN member states identifying regulations that hinder the efficient functioning of markets and creating a non-level playing field for business.

The project runs two parallel components: competition assessment reviews of specific logistics sub-sectors and competitive neutrality reviews of small-package delivery services.

This report and the accompanying "OECD Competitive Neutrality Reviews: Small-Package Delivery Services in Cambodia" are contributions to the implementation of the ASEAN Competition Action Plan.

