

# Small-package Delivery Services in Cambodia

## Highlights

Competitive neutrality (state-owned and private businesses competing on a level playing field) ensures that all enterprises, public or private, domestic or foreign, face the same sets of rules. Ensuring a level playing field between public and private market participants leads therefore to more choice, higher quality and lower prices for consumers and ultimately benefits economic growth and development. This is why it is useful to assess the impact of state-owned enterprises (SOEs) on competition.

The OECD was tasked by the ASEAN Secretariat and the ASEAN Expert Group on Competition, with funding from the ASEAN Economic Reform Programme under the UK Foreign, Commonwealth & Development Office (UK Government), to carry out an independent assessment of the impact of SOEs on competition in the small-package delivery services sector in ASEAN. The results of the assessment can help to promote a level playing field between SOEs and private entities in ASEAN and help detect special rights and privileges granted to SOEs that affect long-term growth and competitiveness. This document presents the main findings from the assessment and the full review is available at [oe.cd/comp-asean](https://oe.cd/comp-asean).

The review is the result of an assessment by the OECD based on an analysis of selected (prioritised) Cambodian legislation, interviews with stakeholders and desk research. The review took place in stages. **Stage 1** served to determine the exact scope of the study. Cambodia Post was identified as the relevant SOE for the purpose of the study, and the main laws and regulations and other SOE-related information were analysed. The OECD team met with government authorities, industry associations and private stakeholders. **Stage 2** screened the relevant legislation to identify potential provisions affecting the level playing field and to understand their rationales and policy objectives. **Stage 3** analysed the special rights, privileges and duties of Cambodia Post in depth. **Stage 4** served to draft the report with non-binding recommendations. The draft review and recommendations were shared and discussed with the relevant public stakeholders.

## SOEs and competitive neutrality

SOEs may enjoy rights or privileges unavailable to private competitors, which could confer undue competitive advantages. These advantages can make market entry or expansion more difficult for (domestic or foreign) private companies and result in a competitive obstacle. At the same time, SOEs may be subject to obligations, which can affect their ability to compete effectively with private companies. Examples of advantages of SOEs or factors that may affect competitive neutrality are:



## E-commerce and small-package delivery services

The COVID-19 pandemic is disrupting global supply chains in unprecedented ways and will have a significant economic impact with GDP contractions in most ASEAN member states, including Cambodia.

However, as result of the COVID-19 outbreak, the use of e-commerce has increased abruptly and sharply. The COVID-19 pandemic will lead to long-term changes, accelerating the shift to e-commerce. Many brick-and-mortar businesses will also evolve offering services beyond retail, including last-mile deliveries.

In Cambodia, the e-commerce sector is growing rapidly and there is a significant potential for further development, which can contribute to the economic growth of the country. E-commerce revenue is projected to reach USD 222 million in 2021 and USD 313 million in 2025, with an annual growth rate of 9% between 2021 and 2025.

The government has put in place legislation and several initiatives to support e-commerce growth, helping for instance SMEs' transition to e-commerce. Despite these initiatives, there are obstacles that affect e-commerce growth rates, such as the high cost of last mile deliveries. Infrastructure investments would also be key to link urban and rural areas and to promote cross-border shipments.

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

In Cambodia, SOEs (also called “public enterprises”) are legal entities with financial autonomy and the mission to enable the country’s economic and social development. Shifting from a planned economy to a market-driven one, the government privatised several SOEs throughout the years. The country had 187 wholly owned SOEs in 1989; by the end of 2000, 160 had been wholly or partially privatised. As of February 2020, 13 SOEs, including 2 joint ventures, remained in Cambodia.

Cambodia Post is a public enterprise that is fully owned by the state. Its mission is to boost the national economy, while transforming its administrative and financial structure in order to modernise the postal services, increasing standards and affordability. Cambodia Post provides small-package delivery services both domestically and internationally.

The sector rapid growth attracted a number of third-party logistics companies in recent years: in February 2020, there were 43 licenced operators active in Cambodia. Some of these companies, as well as other local start-ups, focus on the last mile segment and on deliveries in Phnom Penh. In addition, numerous unlicensed operators account for a large portion of deliveries.

Despite its extensive network, Cambodia Post does not seem to have a strong presence in the domestic market, nor is it considered to be competing closely with global integrators in the segment of international small-package delivery services.

### Key recommendations

1. Clearly define and publicly disclose Cambodia Post’s public-policy objectives. Ensure that Cambodia Post receives adequate compensation for its public-policy objectives and that revenue and costs related to these activities are clearly separated in its accounts.
2. Adopt a competition law to fully benefit from a level playing field and do not exempt SOEs from the scope of the competition law. Explicitly including SOEs when defining the scope of applicability could increase legal certainty in this regard.
3. Ensure independence of the competition authority to avoid any attempt by ministries or other government authorities to influence the competition authority’s decisions to investigate SOEs’ conduct.
4. Apply the same licensing requirements and fees to Cambodia Post and privately owned providers of small-package delivery services. Alternatively, consider simplifying the licensing procedure and reducing costs for privately owned providers.
5. Avoid any tax exemptions on Cambodia Post’s commercial activities.
6. Amend Sub-Decree No. 41 of 6 August 1997 on the Implementation of the General Statute of Public Enterprises (as supplemented by Sub-Decree No. 71 of 22 April 2011), clearly indicating that SOEs’ loans and liabilities are not guaranteed by the state.

**Sources:** Statista; Ministry of Economy and Finance; Ministry of Post and Telecommunications.

## 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.

