

# Small-package Delivery Services in Viet Nam

## Highlights

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

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

The review is the result of an assessment by the OECD based on an analysis of selected (prioritised) Vietnamese legislation, interviews with stakeholders and desk research. The review took place in stages. **Stage 1** served to determine the exact scope of the study. Vietnam 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 Vietnam 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 Viet Nam, in 2020. However, as result of the COVID-19 outbreak, the use of e-commerce has increased abruptly and sharply. The COVID-19 pandemic will lead to long-term changes, accelerating the shift to e-commerce. Many brick-and-mortar businesses will also evolve offering services beyond retail, including last-mile deliveries.

In Viet Nam, the e-commerce sector is growing rapidly, expecting double-digit growth rates in the next couple of years. Key drivers of this growth are high internet penetration and smartphone adoption, strong financial infrastructure, and good logistical facilities. Important government initiatives that may benefit the e-commerce sector are in place, such as the *Master Plan on E-commerce Development 2016-2020* and the *National E-commerce Development Program 2014-2020*.

As the Vietnamese e-commerce market has seen rapid growth, competition in small-package delivery services has increased in recent years. A number of 3PL companies are active in the market for small-package delivery services.

### E-commerce market value in Viet Nam (2015-2025)



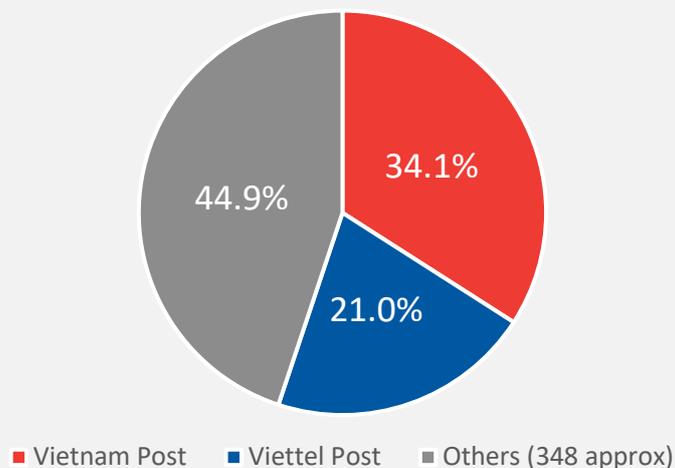
Source: Google, Temasek and Bain & Company, e-Conomy SEA 2020.

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

Viet Nam operates as a socialist market-oriented economy. In this context, the major domestic players have traditionally been SOEs participating in many markets that exhibit oligopolistic characteristics, and playing a key role in Viet Nam's growth, particularly during the 1990s. In recent years, the government has put in place many regulations aiming to reduce the public sector's influence. Indeed the number of wholly owned SOEs declined significantly from 12 000 in 1991 to 780 in 2015. Nevertheless, SOEs still play a key role in ensuring the socialist orientation of the national economy and the state has also retained a virtual monopoly or oligopoly in several sectors, including coal, rubber and plastics, electricity and gas, fertilizers, and water supply.

Two SOEs lead the market for domestic delivery service in Viet Nam: Vietnam Post (with 34% market share by revenue and 44% market share by volume) and Viettel Post (with 21% market share by value and 19.5% market share by volume). By adding the market shares of Vietnam Post's own express mail service (EMS) business (5.8%) and of its joint venture with DHL (7.5%), Vietnam Post's overall activities accounted for over 47% and Vietnam Post and Viettel Post for almost 70% of the total market value. The remaining part of the market is highly fragmented and mainly represented by SMEs with limited capital investment and human-resource capabilities, often acting as agents of Vietnam Post and Viettel Post. For international deliveries, the main players are DHL (through its joint venture with Vietnam Post with an estimated market share of approximately 50%), UPS, and FedEx/TNT.

### Market for domestic delivery services in Viet Nam (2018)



Source: MIC 2019.

Vietnam Post, originally part of the Vietnam Posts and Telecommunications Group (VNPT), is the SOE designated as the public service operator. In 2018, its total revenue was VND 21 000 billion and its postal business (including small-package delivery services) accounted for approximately 40%.

Focusing on e-commerce activities, in addition to 3PL companies, certain e-commerce platforms, such as Lazada, 5giay and Grab, provide their own delivery services. Their capacity is not, however, sufficient to perform all deliveries, so most of these e-commerce businesses are also customers of Vietnam Post and other 3PL companies. Despite the large number of competitors, shipping rates for consumers remain quite high compared to other countries in the region.

Preventing the existence of a level playing field in the Vietnamese small-package delivery services sector are several obstacles that may harm competition, hinder the Vietnamese economy, and stop consumers from benefiting fully from a rapidly developing e-commerce market. Some of these obstacles are linked to or affected by Vietnam Post's dual role of providing public services and competing in the highly competitive market for small-package delivery services.

### Key recommendations

1. Ensure that SOEs, such as Vietnam Post, receive adequate compensation for non-commercial activities for government agencies and other public authorities.
2. Ensure that Vietnam Post complies with separate accounting obligations to avoid over-compensation for its delivery services to government agencies and to avoid cross-subsidisation of its commercial activities with state funds received to perform its public service obligations.
3. Ensure that agencies and line ministries responsible for policies in the small-package delivery services sector perform their functions without (actual or perceived) favour or discrimination between businesses that are state owned or privately owned.
4. Increase the independence of SOEs boards and limit excessive governmental intervention in SOEs management.
5. Adopt a more commercial approach to state ownership by applying harder budget constraints and refraining from providing state guarantees for SOEs' loans.

## Fostering Competition in ASEAN

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

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

This report and the accompanying “OECD Competition Assessment Reviews: Logistics Sector in Viet Nam” are contributions to implementation of the ASEAN Competition Action Plan.

