

**A N N U A L R E P O R T**

**of**

**THE COMMUNICATIONS REGULATION  
COMMISSION**

**for 2018**

***ANALYSIS OF THE POSTAL SERVICES MARKET***

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# I. POSTAL MARKET IN THE REPUBLIC OF BULGARIA

## 1. Introduction

The Annual Report of the Communications Regulation Commission (CRC, the Commission) in the field of postal services for 2018 was prepared in compliance with the provision of Art. 17 of the Postal Services Act (PSA). The report contains information on the state and development of postal services as well as summarised information on the market in the Republic of Bulgaria in the previous year. It reviews the fulfilment of the universal postal service (UPS) quality targets, service efficiency, ensuring postal security, the control activity carried out for user protection, as well as the development of postal services.

The document was presented to the National Assembly, the President of the Republic of Bulgaria and the Council of Ministers.

In 2018, CRC worked to ensure a competitive environment for postal services development and, as of 31.12.2018, the number of licensed postal operators, including the incumbent undertaking Bulgarian Posts EAD (BP/incumbent operator), amounted to 28. One new individual license for the provision of services within the scope of UPS and three new licenses for the provision of postal money orders (PMO) were issued. The number of undertakings registered for the provision of non-universal postal services (non-UPS) under Art. 38, points 1-3<sup>1</sup> of the PSA in 2018 amounted to 160<sup>2</sup>, of which 14 are newly registered. In 2018, the total number of postal operators reached 173, growing by 2.4% compared to the year before.

In implementation of CRC Decision No 50 of 24.01.2019, a total of 131<sup>3</sup> of the undertakings registered and licensed as of 31.12.2018 have submitted to the Commission an annual activity report for 2018 (the share of undertakings having submitted reports makes up 76% of the total number).

**Table 1**

<b>Licenses and certificates issued under the PSA</b>	<b>Number of operators licensed/ registered by the end of 2018</b>
Licenses for UPS and services within the scope of UPS	11
Licenses for postal money orders	25
Entered in the Register of operators providing non-universal postal services	160

*Source: Data submitted to CRC*

For yet another year, in order to guarantee the provision of quality postal services, CRC assigned an independent organisation with the task to measure the end-to-end transit time for single domestic priority and non-priority mail and postal parcels within the network of the incumbent operator BP. The measurement results are presented in this report.

<sup>1</sup> Non-universal postal services under Art. 38, points 1 - 3 include: acceptance, transport and delivery of direct mail advertising, services under Art. 3, point 2, and courier services.

<sup>2</sup> Excluding the number of operators licensed for the provision of postal money orders.

<sup>3</sup>The data is based on the information submitted to CRC as of 17.06.2019.

In implementation of its powers, the Commission worked in close cooperation with all stakeholders and institutions, as it issued 406 opinions on consumer complaints, some of them in cooperation with the Commission for Consumer Protection (CCP).

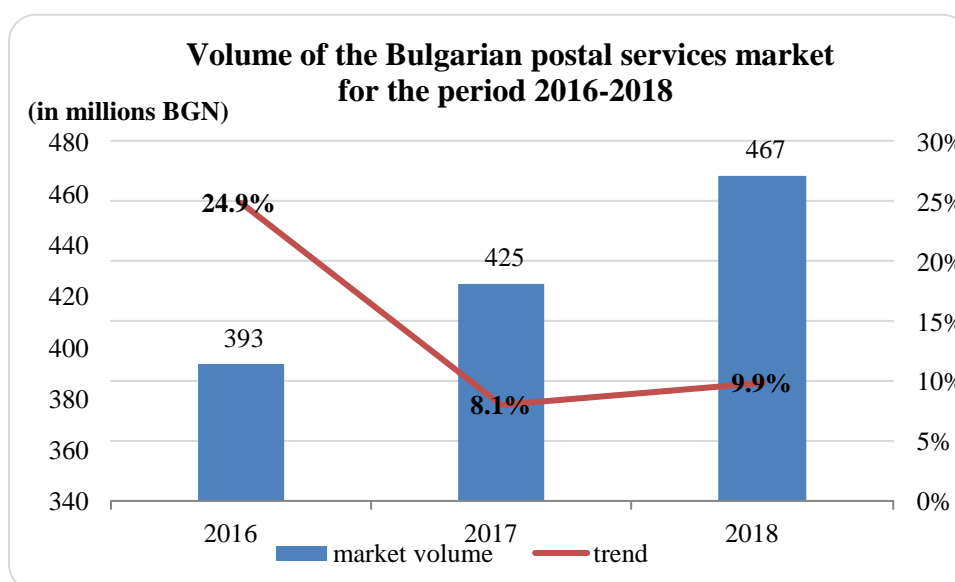
CRC experts also took part in the interdepartmental working group on the amendment of and supplement to the PSA to identify the changed needs of postal services users, to guarantee the provision of quality and accessible postal services, and to ensure an effective competitive environment.

As regards international cooperation, CRC continued its participation in the work of the European Regulators Group for Postal Services (ERGP), as the Commission took part in the development of the Group's 2019 working programme and in the working subgroups.

This report contains information both on CRC's activity in the area of postal services and on the development of postal market in Bulgaria.

## 2. Volume and structure of the Bulgarian postal market

The Bulgarian postal services market is characterised by an upward trend. In 2018, revenue from postal services amounted to BGN 467 million, registering a growth of 10% versus 2017.



**Figure 1**

*Source: Data submitted to CRC*

For analysis purposes, the postal market was divided into two main segments: UPS and non-UPS. The universal postal service, awarded for provision by the incumbent operator<sup>4</sup> by virtue of the Postal Services Act (PSA), and the services within the scope of UPS form the UPS market segment. Postal money orders, courier services and the service known as hybrid mail<sup>5</sup> form the non-universal postal services (non-UPS) market segment.

<sup>4</sup> Pursuant to Art. 24 of the PSA and the special provision of §70 of the Transitional and Final Provisions of the draft amendment and supplement to the PSA.

<sup>5</sup> The service is defined in Art. 3, p. 2 of the PSA.

**Table 2**

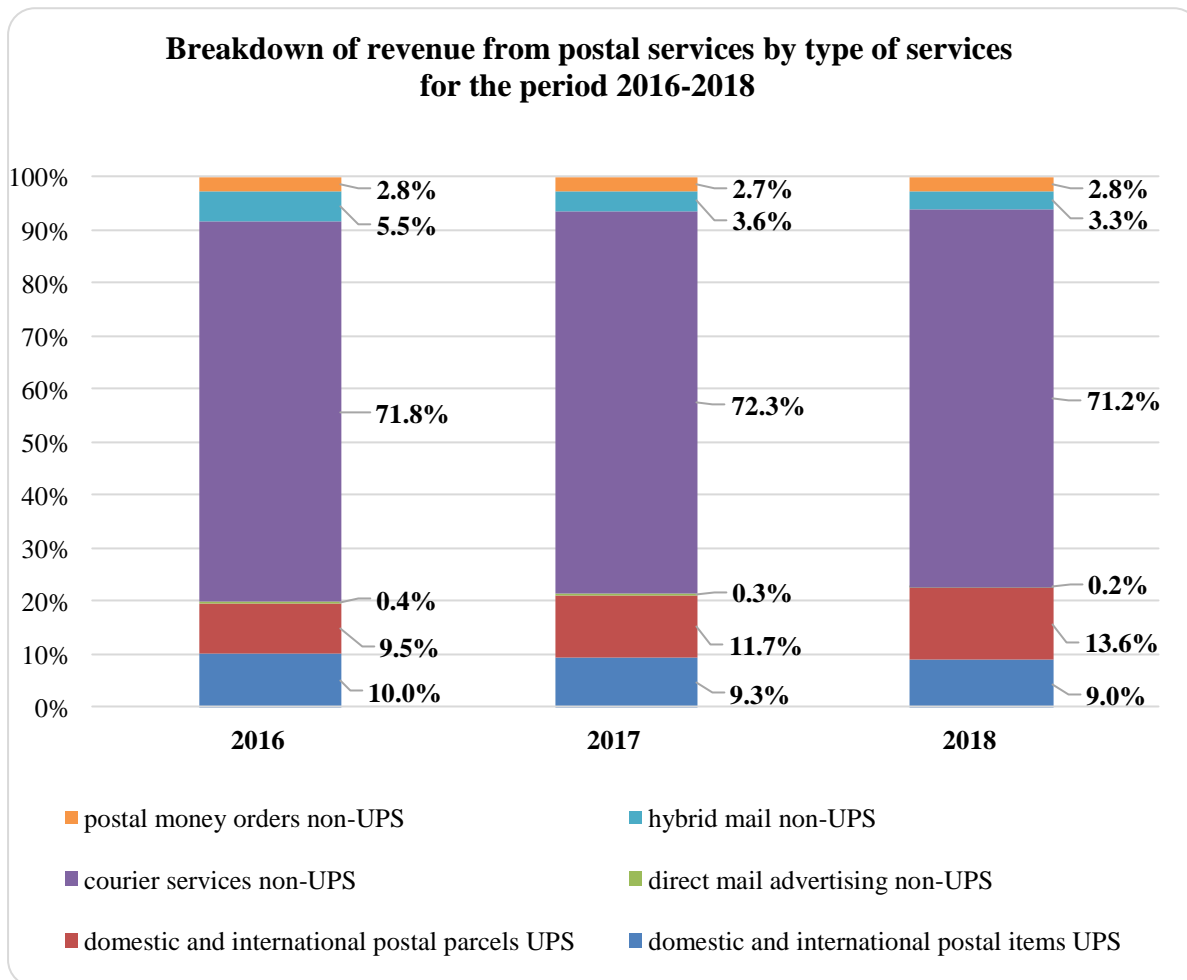
Postal services	Revenue (in millions BGN)		
	2016	2017	2018
1. Universal postal service and services within the scope of UPS	76.803	89.325	105.390
2. Non-universal postal services	316.278	335.415	361.378
<b>TOTAL</b>	393.081	424.740	466.768

*Source: Data submitted to CRC*

In 2018, revenue generated from the UPS segment services totalled BGN 105 million, up by 18% versus 2017, while the increase of revenue in the non-UPS segment was significantly lower - by 7.7%. The reduced growth in revenue from non-UPS is, according to licensed operators, due to the transition of items within the scope of courier services to the more economic option - ordinary parcels. To meet the growing needs of consumers, operators licensed to provide services within the scope of UPS raised the quality, expanded and complemented the services from the UPS segment against the background of a relatively steady budget.

In light of the decreasing significance of traditional postal services and the consumer orientation towards their electronic alternatives, an increase in the share of revenue from the UPS segment in the total revenue for 2018 by nearly two percentage points was observed year-on-year. This increase is determined by the growing number of parcels shipped as a result of the e-commerce development.

In terms of revenue from services, the structure of postal market (Figure 2) is formed mainly by revenue from courier services with a relative share of over two thirds of the generated revenue, followed by revenue from parcels and revenue from postal items. In 2018, as compared to the year before, the share of revenue from parcels grew by 1.9 percentage points, making up for the decline in revenue from postal items. As is evident from the chart in Figure 2, the remaining services retained their shares relatively unchanged.



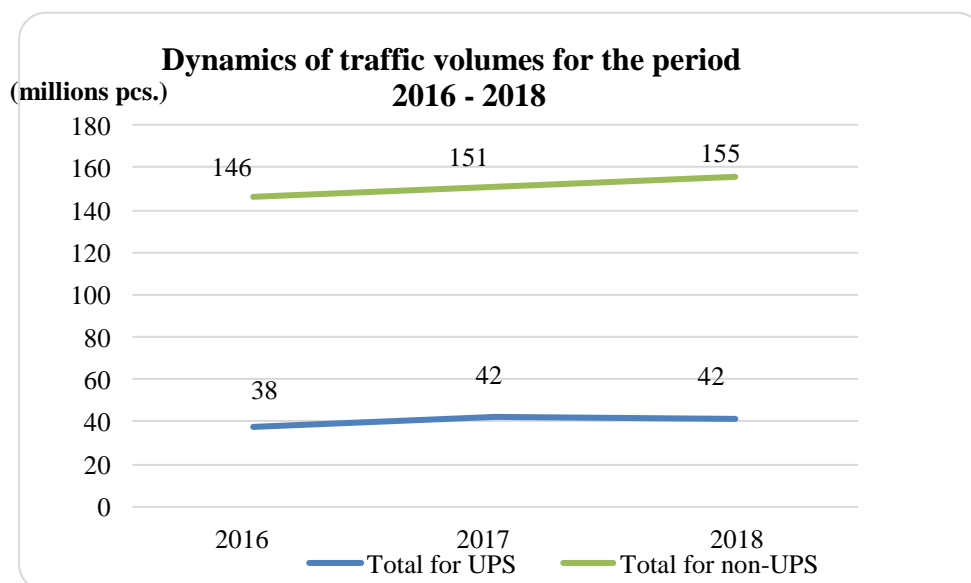
**Figure 2**

*Note:*

\* The domestic and international postal items group includes domestic and international items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg

**Source:** Data submitted to CRC

In 2018, the volume of postal services market measured by the number of realised services indicator amounted to 197 million items, registering a growth of nearly 2.2% on a one-year basis. Figure 3 presents the dynamics in the number of traffic volumes in both segments (UPS and non-UPS) for the last three years.



**Figure 3**

*Source: Data submitted to CRC*

### 3. Market shares

In 2018, the downward trend in the market share of the incumbent operator continued, as the value reported during the year reached 12% of the total market calculated based on revenue from all postal services. Although, in absolute value, there was a nearly 5% increase of the company's revenue in 2018 compared to the previous reporting year, as a result of the outpacing growth in the revenue of the other operators, BP continued to lose its position on the market. Table 3 presents the dynamics in the market shares of the incumbent operator and its five main competitors in the last three years.

**Table 3**

Operators	Market share (based on revenue)		
	2016 г.	2017 г.	2018 г.
"Econt Express" OOD	27.5%	32.8%	31.0%
"Speedy" AD	17.5%	17.2%	25.6%
"Bulgarian post" EAD	13.8%	13.0%	12.3%
"M&BM Express" OOD	5.6%	4.5%	3.9%
"Star Post" OOD	1.3%	0.8%	0.8%
"Tip Top Courier" AD	0.9%	1.0%	0.7%
All others	33.5%	30.9%	25.8%

*Source: Data submitted to CRC*

## II. PROVISION OF NON-UPS

### 1. Players in the non-UPS market segment

As of 31.12.2018, of the 172 registered postal operators that have announced their intention to provide services within the scope of non-UPS actually provided non-UPS, while 57 operators declared that they did not carry out any activity during the reporting period.

In 2018, the number of operators providing courier services was 160, of them 36 operators provided international courier services (by four more than in 2017).

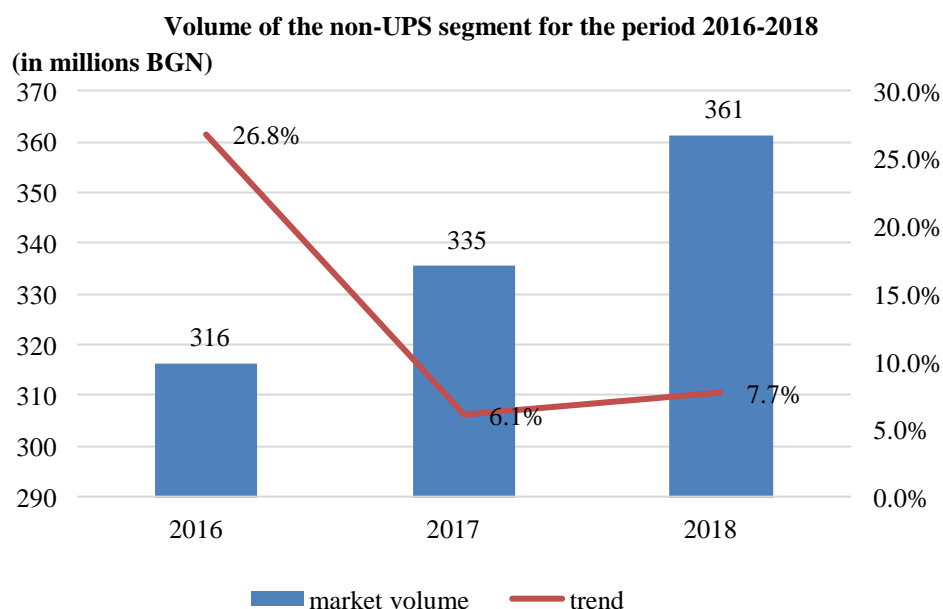
The operators that provided the hybrid mail service in the past year were M&BM Express OOD, BP, Evropat 2000 AD, Tip Top Courier AD, Star Post OOD and Kolbis International Transfer AD - by two more than in 2017.

In 2018, as in 2017, the direct mail advertising service was provided by BP, M&BM Express OOD and Pro Logistic EOOD.

As it was already mentioned, in 2018, CRC issued three individual licenses for the provision of PMO<sup>6</sup> - to Unimasters Logistics SCS EOOD, Transpress OOD and Vesipay EOOD. With the above newly licensed undertakings, the number of postal operators licensed to provide PMO reached 25. Of them, in 2018, activity was carried out by 15 postal operators: BP, Econt Express OOD, Speedy AD, Tip Top Courier AD, Evropat 2000 AD, Factor I.N. AD, Easy pay AD, Toyota Tixim EOOD, Intercapital Group AD, Rapido Express & Logistics OOD, Express Pay EOOD, M&BM Express OOD, Fintech Services EAD, Transpress OOD and Unimasters Logistics SCS EOOD.

### 2. Volume and structure of the non-UPS market segment

In 2018, revenue from non-UPS amounted to BGN 361 million, growing by nearly 8% compared to 2017 (Figure 4). The total revenue from the non-UPS segment, as presented in this report, also includes revenue from the postal money orders service which, pursuant to Art. 38, p. 4 of the PSA, is a non-universal postal service. To achieve comparability of the information presented, the data of revenue from non-UPS and the total number of services provided for 2016 and 2017 have been recalculated.



**Figure 4**

*Source: Data submitted to CRC*

<sup>6</sup> Pursuant to Art. 39, p. 3 of the PSA.



As is evident from the data presented in Figure 4, in the period 2016-2018, revenue from non-UPS grew evenly, as the increase was mainly due to the higher revenue from courier services (up by 17.7% for the three-year period under review).

Information on the structure of revenue from non-UPS by services for the period 2016-2018 is presented in Table 4.

**Table 4**

**Breakdown of the non-UPS market segment for the period 2016-2018**

non-UPS	Revenue (in millions BGN)		
	2016	2017	2018
1. Courier services	282.353	307.088	332.226
1.1. Domestic courier services	208.896	232.557	244.163
1.2. International courier services	73.457	74.531	88.063
2. Hybrid mail	21.433	15.500	15.240
3. Direct mail advertising	1.407	1.382	0.940
4. Postal money orders	11.084	11.446	12.972
<b>TOTAL</b>	<b>316.278</b>	<b>335.415</b>	<b>361.378</b>

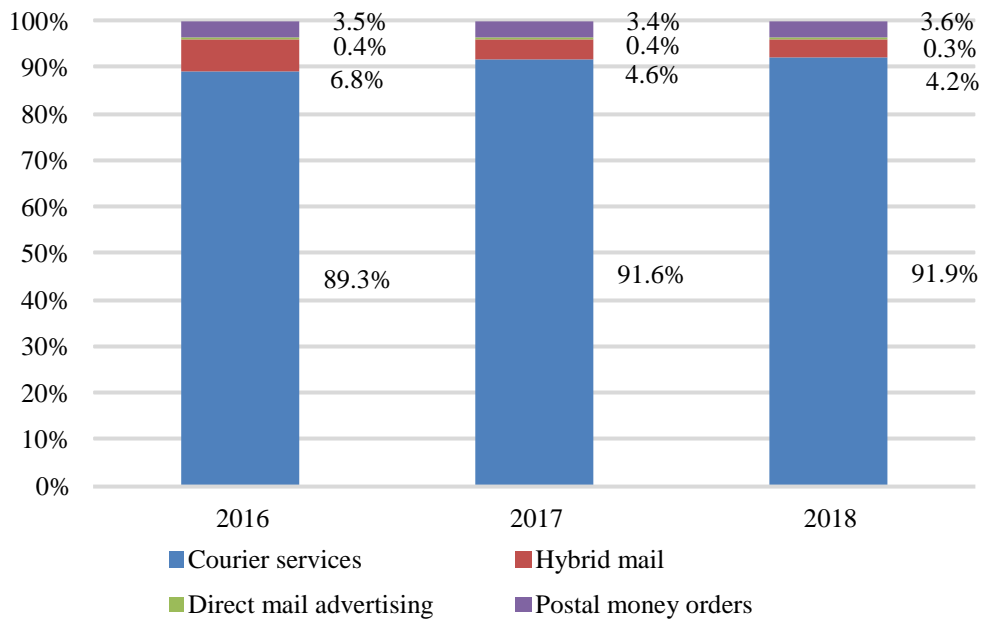
*Source: Data submitted to CRC*

Compared to the year before, the following changes in the revenue from non-UPS were observed in 2018:

- ✓ A growth was reported in revenue from courier services and postal money orders (by 8.1% and 13.3%, respectively);
- ✓ A drop in revenue from hybrid mail (down by 1.7%) and in revenue from direct mail advertising, where a significant decrease was observed (by 32.0%).

Figure 5 presents the dynamics in the relative shares of revenue from services forming the non-UPS segment for the period 2016-2018.

**Breakdown of revenue from non-UPS  
for the period 2016-2018**

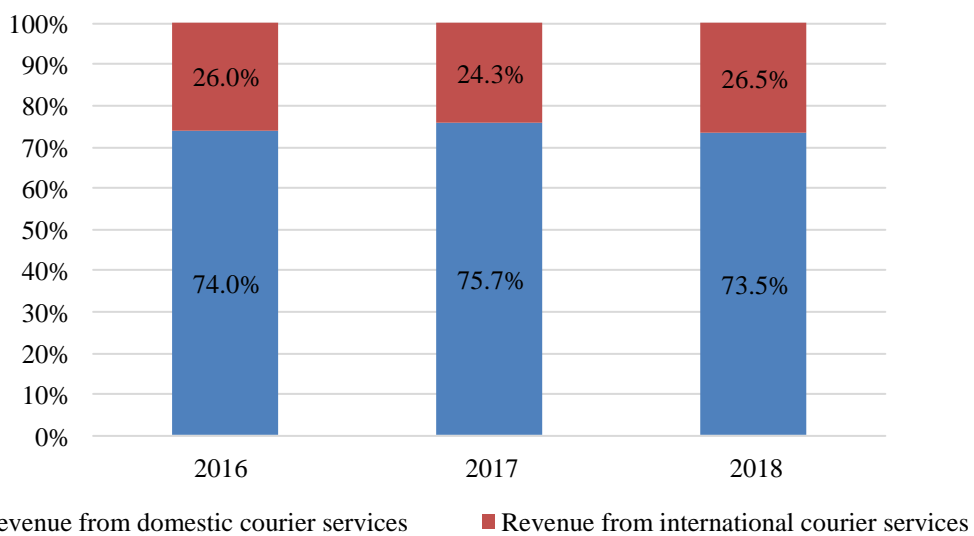


**Figure 5**

*Source: Data submitted to CRC*

As is evident from the data displayed in Figure 5, the structure of the segment remained unchanged for the three-year period under review. In 2018, as in the previous two years, the non-UPS segment was mainly determined by revenue from courier services - 92% of the revenue in the segment were formed by courier services, with a significant part of them (73.5%) making up the domestic courier services.

**Breakdown of revenue from courier services for the period  
2016 - 2018**



**Figure 6**

*Source: Data submitted to CRC*

For a one-year period, revenue from domestic courier services rose by 5%. Revenue from international courier items held a share of 26.5% in the total revenue from courier services, up by 18.2% in absolute value since 2017. On-line shopping continued to be the main driver for courier services development. According to the data submitted by the postal operators, revenue from delivery of items generated from e-commerce (both domestic and international) grew by 54% in 2018 versus 2017.

In 2018, revenue from the hybrid mail service occupied a share of 4.2% in the total revenue from non-UPS which, compared to 2017, remained almost at the same level. In contrast to the outlined trend towards a steady decrease of revenue from this service, for a one-year period, there was a slowdown reported in this rate (while the decline was 28% in 2017 versus 2016, it was only 2% in 2018 compared to the previous year). In addition, the emergence of new operators providing the service can be a positive sign for the future development of hybrid mail.

Over the past year, revenue from the direct mail advertising service held an insignificant share of 0.3% of the total revenue from non-UPS. Year-on-year, revenue generated from this service dropped by 32%, following the trend of the last three years. The negative trend in the development of this service is to a certain extent due to the preferences of the business to advertise its products and services through the unaddressed delivery<sup>7</sup> service through which, in practice, advertising of a given product reaches a great number of users at significantly lower costs. Compared to 2017, in 2018, revenue from unaddressed delivery grew by 11%.

According to the data summarised by CRC, revenue reported from the postal money orders service in 2018 amounted to BGN 12.9 million, occupying a share of nearly 4% of the revenue in the non-UPS segment. The growth in revenue from PMO is mainly due to the increased consumption of the cash-on-delivery service in on-line shopping.

In 2018, the total number of processed items and services in the non-UPS segment was 155 million, up by 3% since 2017. Information on the number of items and services in the non-UPS market segment for the period 2016-2018 is presented in Table 5.

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<sup>7</sup> Unaddressed delivery is not a postal service within the meaning of the PSA - it is a delivery of a large number of advertising brochures which are not addressed to particular recipients. Revenue from unaddressed delivery is not included in the volume of postal services market.

**Table 5****Number of items by types of services from the non-UPS segment for the period 2016-2018**

non-UPS	Number of items and services (millions pcs.)		
	2016	2017	2018
1. Courier services	47.633	60.752	56.974
1.1. Domestic courier services	45.572	58.31	53.796
1.2. International courier services	2.06	2.442	3.178
2. Hybrid mail	82.829	71.061	76.612
3. Direct mail advertising	5.175	5.435	4.14
4. Postal money orders	10.185	13.613	17.774
<b>TOTAL</b>	<b>145.823</b>	<b>150.861</b>	<b>155.499</b>

*Source:* Data submitted to CRC

Compared to the year before, the following changes in the number of items and services within the scope of non-UPS were observed in 2018:

✓ The number of accepted, carried and delivered domestic courier items dropped by 7.7% which may be related to a change in the price conditions, the consolidation of courier items and delivery of items weighing over 31.5 kg;

✓ The number of international courier items rose by 25.8% which is related to the e-commerce development and the year-on-year increase in the number of operators providing this service;

✓ The number of hybrid mail items registered a growth of 7.8% which is again due to the higher number of operators providing this service;

✓ The number of carried items representing direct mail advertising dropped significantly by 23.8% which confirmed the negative development trend in this service;

✓ Postal money orders registered a growth of 30.6% which is due to the higher number of cash-on-delivery PMO.

### **3. Market shares and state of competition in the non-UPS market segment**

Table 6 below presents the market shares of the leading operators holding the greatest relative share in the non-UPS segment (except for the PMO service), of BP and all other operators.

**Table 6**

Operators in the non-UPS segment	Market share (based on revenue)		
	2016	2017	2018
Speedy AD	22.0%	21.6%	33.2%
Econt Express OOD	22.9%	27.6%	23.6%
DHL Express Bulgaria EOOD	9.5%	14.3%	9.0%
TNT Bulgaria EOOD	10.7%	2.8%	6.3%
Rapido Express & Logistics OOD	4.8%	5.6%	4.6%
Bulgarian Posts EAD	2.8%	2.8%	1.6%
All others	23.2%	20.0%	21.8%

*Source: Data submitted to CRC*

In 2018, the share of BP remained insignificant - about 1.6%, down by over 1 percentage point compared to the year before. Simultaneously, the five operators holding the greatest market shares made up 76.6% of this market segment, as their share grew by 4.8 percentage points over a one-year period.

As regards the PMO service, the highest share of 58% in the revenue was held by Econt Express OOD. Even though BP ranked second with 25% of the revenue from the provision of PMO, the downward trend in the market share in this service of the incumbent operator continued. Compared to 2017, the registered decline in the market share of BP was 8 percentage points, at the expense of the growing shares of its main competitors, Econt Express OOD and Speedy AD. The remaining market share of 6.8% in the revenue from PMO was made up by the other operators that were active during the year.

CRC's intervention in the non-UPS market segment is reduced to as required by the PSA. As regards the services under Art. 38, points 1, 2 and 3 of the PSA, the regulatory intervention is focused on compliance with the requirements for postal security, secrecy of correspondence and consumer rights' protection. Regulatory barriers to entering the market segment, with the exception of the PMO service, are minimal, as evidenced by the year-on-year increase in the number of postal operators that have declared their intention to operate in this segment. Non-UPS are provided in a competitive environment on level playing field and their prices are formed in accordance with the demand and supply of services (Article 65 (1) of the PSA).

The foregoing finds expression in the state of competition in the non-UPS market segment (with the exception of the PMO service), measured by calculating the HHI index and the concentration ratio (CR).<sup>8</sup> The values of both indicators (HHI – 1799 and CR5 – 76%) in 2018 define the non-UPS market segment as comparatively competitive with an average to moderate concentration. To calculate the CR5 value, the market shares of the first five operators were used.

The PMO service is provided after the issue of a license, as the regulatory intervention is focused on compliance with the license requirements in terms of postal security, consumer rights' protection and control over compliance with the obligations arising from the Measures

<sup>8</sup> HHI (Herfindahl-Hirschman Index) - measurer of the market concentration; CR5 - (CR - Concentration Ratio) - indicator for concentration that characterises not the whole market but only the position of the biggest players.

Against Money Laundering Act (MAMLA). The service is provided in a poorly competitive environment with high level of concentration (the HHI value was 4223, and that of CR3 was 93.2%).

### III. PROVISION OF UPS AND SERVICES WITHIN THE SCOPE OF UPS

#### 1. Scope and players in the UPS market segment

Pursuant to Art. 34(1) of the PSA, UPS includes the following postal services:

- acceptance, transport and delivery of domestic and international items; items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg, and secogrammes up to 7 kg;
- acceptance, transport and delivery of domestic and international postal parcels up to 20 kg;
- additional “registered” and “declared value” services.

The Public Register<sup>9</sup> of Operators includes postal operators licensed to perform the services under Art. 39, points 1 and 2<sup>10</sup> of the PSA. As of 31.12.2018, a total of 11 UPS providers were entered in this Register, with 7 of them actually providing the service<sup>11</sup>:

**Table 7**

Licensed providers	Services provided
Bulgarian Posts EAD	obligation to provide all services within the scope of UPS on the entire territory of the country pursuant to Art. 34(1) PSA
Econt Express OOD	services within the scope of UPS pursuant to Art. 34(1) PSA
Tip-Top Courier AD	services within the scope of UPS pursuant to Art. 34(1) PSA
M&BM Express OOD	services within the scope of UPS pursuant to Art. 34(1) PSA
Star Post OOD	services within the scope of UPS pursuant to Art. 34(1) PSA
Terra Post Services EOOD	services within the scope of UPS pursuant to Art. 34(1) PSA
Speedy AD	services within the scope of UPS pursuant to Art. 34(1) PSA
Fasto Courier EOOD	services within the scope of UPS pursuant to Art. 34(1) PSA
Tavex EOOD	services pursuant to Art. 34(1), points 2 and 4 PSA*
Toyota-Tixim EOOD	services within the scope of UPS pursuant to Art. 34(1) PSA
A1 Trade EOOD	services pursuant to Art. 34(1), points 1 and 4 PSA**

*Note:*

\* Acceptance, transport and delivery of domestic and international postal parcels up to 20 kg and the additional “registered” and “declared value” services;

\*\* Acceptance, transport and delivery of domestic and international items; items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg; secogrammes up to 7 kg, and the additional “registered” and “declared value” services.

<sup>9</sup>[http://erc.bg:8080/ords/f?p=923:210:1436129754163835::NO::P210\\_ADV,P210\\_REGION\\_CONTROL,P210\\_X:0,0,1](http://erc.bg:8080/ords/f?p=923:210:1436129754163835::NO::P210_ADV,P210_REGION_CONTROL,P210_X:0,0,1)

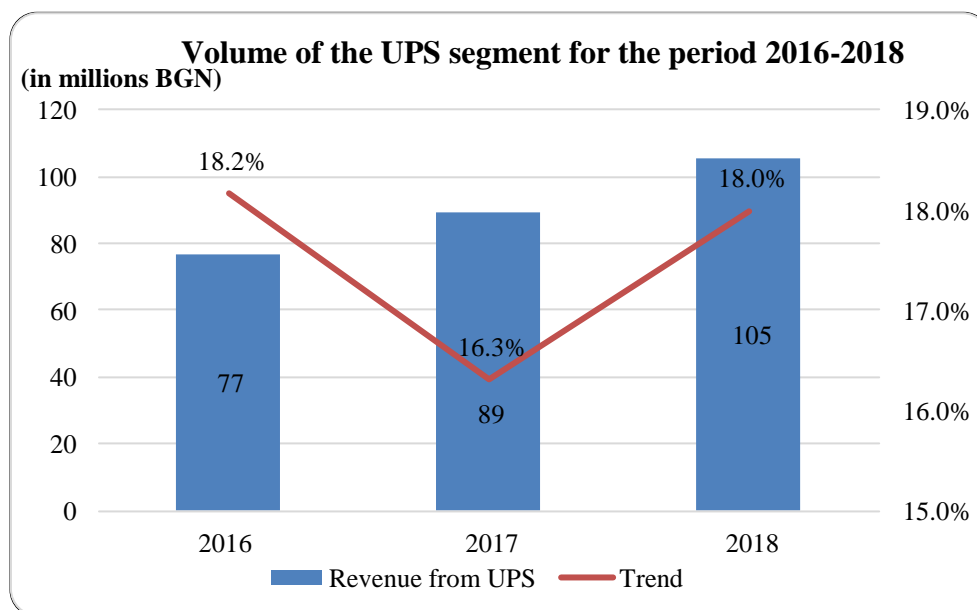
<sup>10</sup> An individual license within the meaning of the PSA is an individual administrative deed issued: for the performance of UPS on the entire territory of the country by an operator assigned with the obligation to perform this service; for the performance of services included in the scope of UPS.

<sup>11</sup> Terra Post Services EOOD, Toyota Tixim EOOD, Fasto Courier EOOD and A1 Trade EOOD declared that they have not operated in 2018 in accordance with the individual licenses issued to them.

Unlike BP which, by a special provision of the PSA (Art. 24 of the PSA and §70 of the Transitional and Final Provisions of the draft amendment and supplement to the PSA), has been assigned with the obligation to perform UPS, the companies presented in the table are licensed to provide all or some of the services included within the scope of UPS, defined by type and weight limits in Art. 34 of the PSA. Postal operators licensed by CRC offer services within the scope of UPS to the consumers voluntarily and on their commercial initiative.

## 2. Volume and structure of the UPS market segment

Revenue generated from services within the UPS segment amounted to BGN 105 million, up by 18% versus 2017. It is evident from the figure below that a steady growth rate was observed in revenue from this segment for the said period.



*Source: Data submitted to CRC*

The increase of this revenue is mainly due to the growth in postal parcels that have comparatively higher prices than the prices of other services in the segment. In addition, some of the providers declared that they provided certain services within the scope of UPS at new higher prices in 2018, compared to 2017.

Table 8 below presents the breakdown of the UPS market segment.



Table 8

### Breakdown of the UPS market segment for the period 2016-2018

UPS	Revenue (in millions BGN)		
	2016	2017	2018
<b>Domestic postal items from UPS</b>	<b>49.756</b>	<b>62.406</b>	<b>77.788</b>
1. Items of correspondence up to 2 kg	14.949	15.476	17.268
2. Small packets up to 2 kg	0.248	0.206	0.13
3. Printed matters up to 5 kg	0.519	0.440	0.399
4. Secogrammes up to 7 kg	0.000	0.000	0.001
5. Postal parcels up to 20 kg	34.040	46.283	59.992
<b>International postal items from UPS</b>	<b>27.047</b>	<b>26.919</b>	<b>27.603</b>
1. Priority and non-priority postal items	23.758	23.436	23.986
2. International postal parcels up to 31.5 kg	3.289	3.483	3.617
<b>TOTAL</b>	<b>76.803</b>	<b>89.325</b>	<b>105.390</b>

*Source: Data submitted to CRC*

Compared to the year before, the following changes in the revenue from the UPS market segment were observed in 2018:

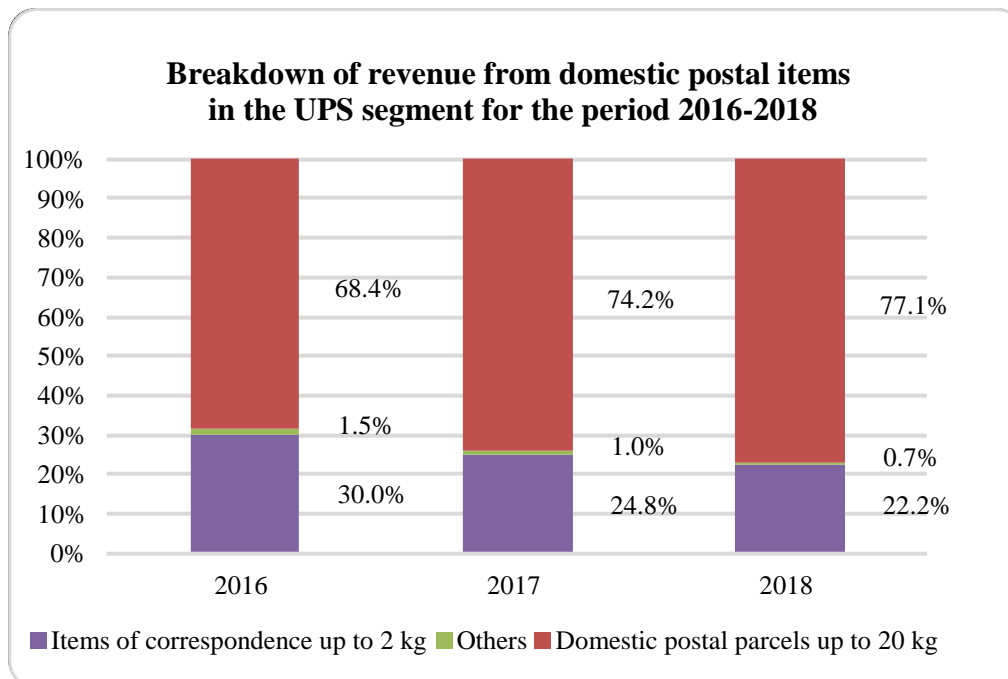
✓ A growth was registered in revenue from the following domestic postal items - items of correspondence up to 2 kg, postal parcels up to 20 kg (by 11.6% and 29.6%, respectively). A growth was also observed in the revenue from international postal items - by 2.3% of priority and non-priority items, and by 3.9% of postal parcels up to 31.5 kg;

✓ A drop in revenue from printed matters up to 5 kg (down by 9.4%) and in revenue from small packets up to 2 kg, where a significant decrease was observed (by 38%).

Considering the destination of services provided within the scope of UPS, the data below present information about the breakdown of revenue from the provision of domestic and international UPS.

#### *2.1. Breakdown of revenue from domestic postal items*

Figure 8 below presents the structure of revenue generated by types of items and services within the domestic UPS market segment for the period 2016-2018.



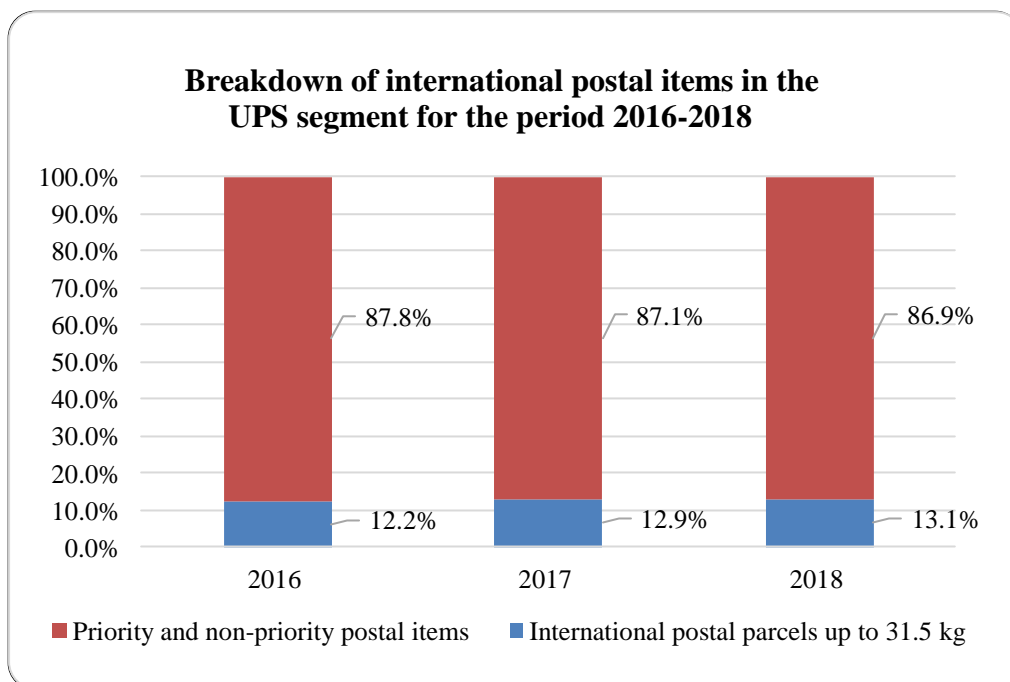
*Source: Data submitted to CRC*

The figure above clearly shows that the two services occupying the largest shares in revenue from this segment for the said period were postal parcels up to 20 kg and items of correspondence up to 2 kg. The trend towards increase of revenue from postal parcels up to 20 kg continued, at the expense of the dropping share of domestic items of correspondence up to 2 kg and of items displayed in the “Others”<sup>12</sup> section of the figure. This trend was caused by the changed consumer demand related to the increased interest in e-commerce in the recent years.

## *2.2. Breakdown of revenue from international postal items*

The figure below presents the breakdown of revenue generated from international postal items in the UPS segment for the period 2016-2018. Traditionally, the share of international priority and non-priority postal items is higher than that of international postal parcels up to 31.5 kg, making up nearly 87% in 2018. The increased consumption of international priority and non-priority items is mainly due to the lower prices of these services compared to the prices of postal parcels up to 31.5 kg.

<sup>12</sup>Small packets up to 2 kg, printed matters up to 7 kg, and secogrammes up to 7 kg.



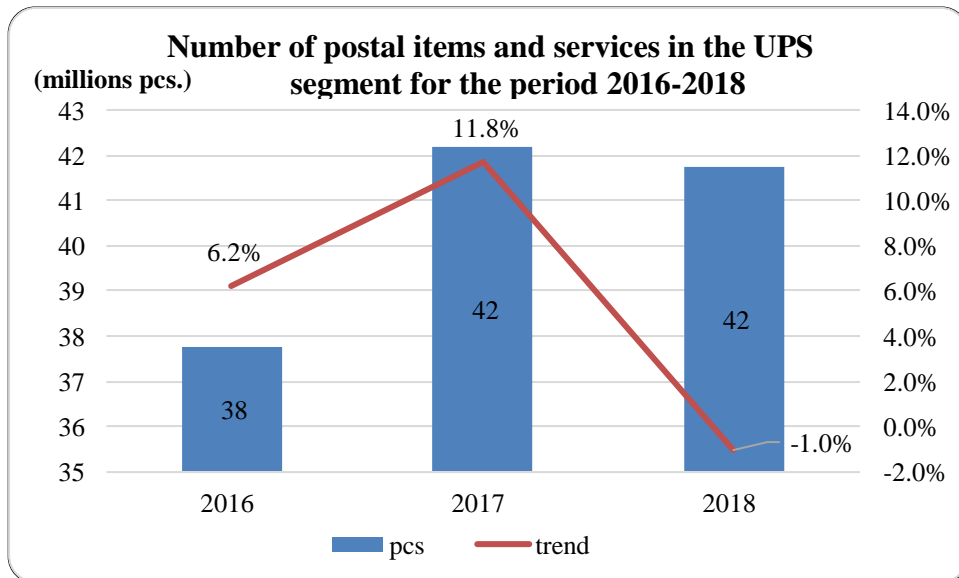
**Figure 9**

*Source: Data submitted to CRC*

As it is evident from Figure 9, for the period 2016-2018, the ratio between the share of international priority and non-priority postal items and postal parcels up to 31.5 kg remained relatively steady.

Nearly 99% of all revenue from the international UPS segment were reported by the incumbent operator BP. The operator obliged to fulfil the acts of the Universal Postal Union (UPU) is BP (Art. 27 of the PSA), therefore it has the opportunity to exchange postal items with all the 192 member states of UPU.

In 2018, the total number of domestic and international items and services realised in the UPS market segment was 42 million pcs (Figure 10). Compared to the previous year 2017, no change in the reached levels was observed. The reported increased volumes of domestic postal parcels compensated the decreased volumes of domestic items of correspondence, small packets and printed matters which have a higher relative weight.



**Figure 10**

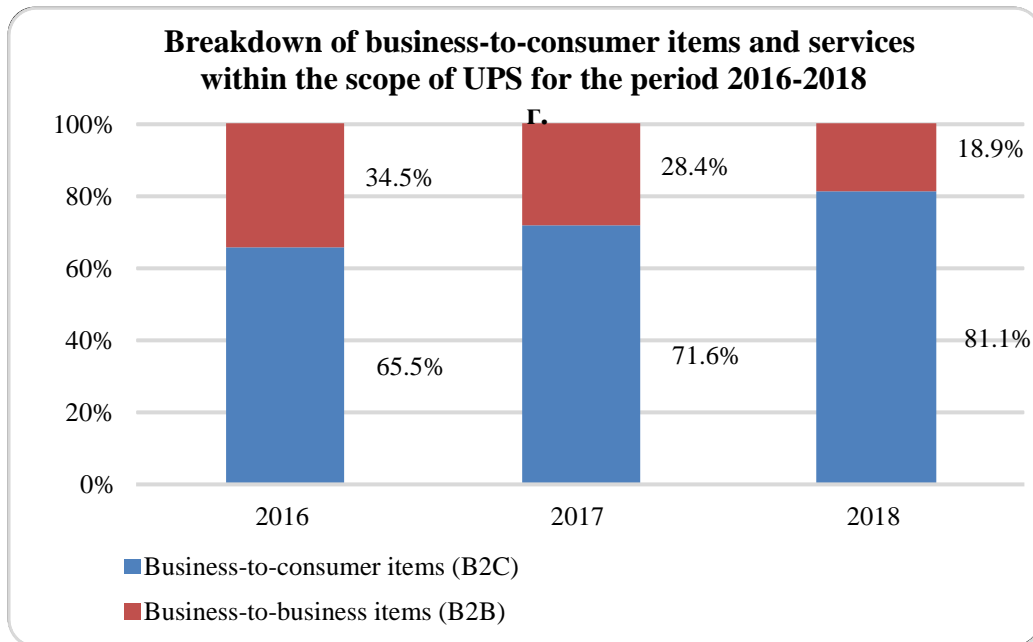
*Source: Data submitted to CRC*

Of all items and services provided in the UPS segment, nearly 90% of the total volume were intended for the domestic postal market, and the remaining 10% were held by the volumes of outgoing international UPS items and services.

### 3. Users of services in the UPS segment

With the development of e-commerce, business-to-consumer services (B2C) have been gaining greater weight, at the expense of business-to-business (B2B) services.

Figure 11 shows the structure of items sent by business users in the UPS segment.



**Figure 11**

*Source: Data submitted to CRC*

As is evident from the figure, the share of B2C services provided continued to grow in the period 2016-2018, at the expense of the decreasing share of B2B services. Over a one-year period, it rose by 9.5 percentage points due to the fact that postal operators have serviced a higher number of on-line traders whose products were intended mainly for individual customers.

Based on the data submitted to CRC, in 2018, the quantities of postal parcels in the UPS segment, provided from BP to consumers, were as follows: 70% share of B2C services against 30% share of B2B. Most often, the individual consumers of the incumbent operator used unregistered items of correspondence, small packets with or without declared value, while the business consumers of UPS services used domestic and international unregistered and registered items of correspondence up to 50 g without priority and registered items with advice of delivery.

For the same period, the services performed by Econt Express OOD and M&BM Express OOD were used by business and individual consumers in the following ratio: B2C – 93% against B2B – 7% and 100% B2C, respectively. The services provided by Econt Express OOD in the B2C segment were mainly postal parcels up to 20 kg with and without declared value, while M&BM Express OOD provided mainly items of correspondence.

#### 4. Market shares and competition in the UPS market segment

As in the preceding two years, the main competitors in the UPS market segment in 2018 were BP and Econt Express OOD.

**Table 9**

Operators in the UPS segment	Market share (based on revenue)		
	2016	2017	2018
Econt Express OOD	42.3%	48.6%	53.1%
Bulgarian Posts EAD	52.8%	46.8%	40.2%
Speedy AD	1.5%	2.5%	4.0%
M&BM Express OOD	2.9%	1.8%	2.1%
All others	0.5%	0.3%	0.5%

*Source: Data submitted to CRC*

As is evident from the table, the market share of the incumbent operator in the UPS segment in 2018 continued to drop, reaching 40%. Compared to 2017, the registered decline was nearly 7 percentage points. In 2018, Econt Express OOD continued to hold a share of 53% despite the obligation assigned to BP to provide UPS on the entire territory of the country pursuant to the PSA. M&BM Express OOD retained a relatively unchanged market share, while the share of Speedy AD was up from 2.5% in 2017 to 4% in 2018. Irrespective of its weakened market positions, BP continued to be a leader in some of the services in the UPS segment. The operator generated 83% of all revenue reported from domestic items of correspondence up to 2 kg; 98% of all revenue from small packets; 97% of all revenue from printed matters. In addition, nearly 99% of the revenue from international postal items were reported by the incumbent operator BP. Econt Express OOD held the largest share in the provision of domestic postal parcels up to 20 kg - 93% of the revenue reported from this service for the country.

The competition assessment in 2018, calculated through the HHI index and the concentration ratio (HHI - 5567 and CR4 – 99.5%), defined the UPS market segment as poorly competitive with high level of concentration. To calculate the CR4 value, the market shares of the first four operators were used - BP, Econt Express OOD, M&BM Express OOD and Speedy AD.

## **5. Analysis of the state of UPS according to the PSA requirements**

The present analysis covers some of the basic requirements that characterise UPS: ensuring sufficient density of the points of access to the postal network and provision of countrywide UPS, affordability of its prices and compensating the unfair burden from the imposed obligation with a view to ensuring conditions for the provision of UPS.

### **5.1. Ensuring sufficient density of the points of access to the postal network and provision of countrywide UPS**

According to the imposed obligation, the incumbent operator BP ensures the provision of UPS every working day, at least 5 days a week, and provides for at least one collection of postal items on every working day from the access points and one delivery to recipients. The PSA allows for exceptions from the frequency of delivery and collection of postal items which is determined by CRC through the List of settlements that meet the difficult-to-access criteria<sup>13</sup> (List).

To inspect the fulfilment of the obligation to provide UPS every working day, “at least five days a week”, as well as for “at least one collection” of postal items every working day, in 2018, the control bodies of CRC carried out inspections in a sample<sup>14</sup> of 61 post offices of BP throughout the country concerning the compliance with the obligation to provide UPS.

The performed inspections showed that UPS were provided five days a week and that the company performed at least one collection and one delivery of postal items a day. In all inspected post offices, there was at least one letterbox for collection of unregistered items of correspondence, with the times for collection of items indicated on the letterbox.

In the Bulgarian legislation, the requirements for the number and location (density) of the points of access to the postal network of the incumbent operator are regulated in Art. 33 in connection with Art. 15(1)(12) of the PSA. The number and location of access points are determined based on Standards<sup>15</sup> in order to match the users’ needs in terms of number and density.

BP, in its capacity as incumbent postal operator, provides UPS by ensuring access to the countrywide postal network to all users.

As of 31.12.2018, based on data submitted by the operator, the number of the company's post offices was 2,980. Of them, 639 were located in urban areas, and 2,341 were located in rural areas. Out of the post offices in rural areas, 270 were located in settlements with population of less than 150 residents, 1,302 were in settlements with population of over 150 and below 800 residents, and 769 were in settlements with population over 800 residents.

Apart from post offices, postal services in settlements in the country are also provided through postal agencies and inter-settlement postmen. The number of settlements serviced in any of the above manners totalled 5,174.

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<sup>13</sup> The List was adopted by CRC Decision No 606/23.06.2011

<sup>14</sup> The sample includes 3rd, 4th and 5th category post offices from the BP network in accordance with the information provided by the operator in the application for compensation of the unfair market burden from the provision of UPS in 2017.

<sup>15</sup> Standards for determining the density of the points of access to the postal network of the operator obligated to perform the universal postal service

**Table 10****Postal network density**

<b>Indicator</b>	<b>Value</b>
Population serviced by 1 post office	2,563 pcs.
Population serviced by 1 post office in urban areas	8,811 pcs.
Population serviced by 1 post office in rural areas	858 pcs.
Territory serviced by 1 post office	37 km <sup>2</sup>

*Source: Data submitted to CRC*

There are 4,713 letterboxes for collection of unregistered items of correspondence in use. For the country, the average population serviced by one post office is 1,641 residents.

The postal network of BP continued to be the largest and to cover the entire territory of the county; meanwhile, it has not been restructured since the beginning of the postal market liberalisation which leads to high costs for its maintenance. In its reports, CRC has repeatedly pointed out that the imposed obligation to provide UPS does not necessarily suggest the presence of a stationary post office, and the incumbent operator may use alternative forms of service (mobile post offices, postal agencies, desks). The procedure according to which an operating post office may be replaced by an alternative form of service is regulated in the Standards for determining the density of the points of access to the postal network. Nevertheless, in 2018, BP did not submit to CRC any proposals or notifications to change the number and location of access points to its postal network.

In the conditions of a lasting decline in the consumption of UPS and depopulation of areas in the country, it is necessary that the incumbent operator took actions to optimise the postal network. To this end, BP should develop a comprehensive concept for optimisation of its postal network, analysing the development of social and economic conditions, the change in the attitudes of consumers, and the development of the infrastructure for delivery of items of the BP's competitors (introduction of "parcel lockers" or "automatic post stations", introduction of new elements with the aim of improving the delivery of parcels, for example: renewal of sorting centres, development of tracking systems, transport optimisation, etc.). Considering the sensitivity of the issue of post offices closure and its social and political effect, it is necessary that the restructuring of the network be carried out in the conditions of publicity and transparency by finding the balance between the implementation of the imposed obligation to provide the service on the entire territory of the country, and the optimisation of the network maintenance costs. BP should hold a public discussion of the concept for optimisation of its postal network before its implementation, with the purpose of receiving a feedback from users and stakeholders in the postal sector.

## **5.2. Price affordability of postal services within the scope of UPS**

At European level, the requirements for the pricing of services within the scope of UPS are defined in Article 12 of the Postal Directive. According to this Directive, the prices of services within the scope of UPS should meet the following principles:

- prices must be affordable and must be such that all users, irrespective of their geographic location and in view of the specific national conditions, have access to the services provided. Member states may maintain or introduce the provision of a free postal service to be used by blind and partially sighted persons;

- prices must be cost-oriented and give incentives for an efficient universal service provision;
- whenever necessary, for considerations of public interest, member states may decide that a uniform tariff be applied throughout their national territory and/or cross-border for services provided at tariff for single items and other postal items. The application of a uniform tariff does not exclude the right of the universal service provider(s) to conclude individual price agreements with users;
- prices must be transparent and non-discriminatory.

According to the current legislation, only the prices of the incumbent operator are subject to regulation by CRC, in view of their affordability. They are formed and applied pursuant to the requirements of the Ordinance on determination of rules for formation and application of the prices of the universal postal service,<sup>16</sup> the Methodology for determination of the affordability of the universal postal service price<sup>17</sup> and Art. 66(2) of the PSA.

At the same time, the prices of postal operators licensed to provide services within the scope of UPS are not subject to regulation. Pursuant to Art. 65 (4) of the PSA, postal operators providing services within the scope of UPS and operators providing non-UPS submit their prices to CRC for information purposes only, within 10 days prior to the effective date of the said prices.

In 2018, BP did not submit a proposal to change the UPS prices to CRC.

### **5.3. Assessment for the presence of unfair financial burden incurred by the provision of the universal postal service and preparation of a proposal for the amount of compensation**

UPS is a service of general economic interest. With a view to the fact that UPS is provided by the incumbent operator under conditions that differ from the usual commercial ones, Art. 29 of the PSA sets forth that BP be compensated from the state budget when the obligation to provide UPS incurs net costs and represents an unfair financial burden for the operator.

In accordance with the provisions of Art. 29a of the PSA, in 2018 (as was the case in the previous years 2016 and 2017), BP submitted an application to CRC for compensation of the net costs and the unfair financial burden from the provision of the service in 2017. In 2017, as compared to 2016, the amount of the compensation increased by 5%, which, according to BP, is due to higher net costs for network maintenance and increased staff costs. As is evident from Section II of this report, BP's presence in the non-UPS market segment has remained symbolic in the last several years, therefore revenue generated in the segment does not contribute to reducing the financial burden from the provision of UPS.

In compliance with its powers under Art. 29a, Para 3, and Art. 29b, Para 5 of the PSA, CRC conducted a procedure for the award<sup>18</sup> of a public procurement with subject: "Inspecting the implementation of the costs allocation system of Bulgarian Posts EAD and auditing the submitted documents related to the calculation of net costs from the provision of the universal postal service for 2017". Based on the factual findings from the performed audit, CRC adopted the following decisions:

- Decision No 387 of 13.09.2018 on coordination of the results obtained from the cost allocation system by types of services of BP;

<sup>16</sup> Prom. SG, no. 70 of 9 September 2011

<sup>17</sup> Prom. SG, no. 70 of 9 September 2011

<sup>18</sup> The implementation of the public procurement was awarded by CRC to KPMG Bulgaria OOD – by Contract No 03-08-20/01.06.2018.



- Decision No 388 of 13.09.2018 concerning the presence of unfair financial burden from the provision of the universal postal service and determination of the amount of compensation due to BP for the provision of UPS in 2017.

According to the auditor's assessment, the net costs for the provision of UPS for 2017, before reporting the intangible benefits and the incentives for cost efficiency, amounted to BGN 23,078 thousand. After adjustment by the cash equivalent of the intangible benefits (in the amount of BGN 1,419 thousand) and by the cash equivalent of the incentives for cost efficiency (in the amount of BGN 210 thousand), the total amount of net costs was BGN 21,449 thousand.

The report on factual findings from the performed audit was published in compliance with the trade secret requirements on the CRC's website, in Section "Areas of Regulation" - Posts.

Based on the assessment for the presence and amount of unfair financial burden from the provision of UPS for 2017, CRC set the compensation due to BP at BGN 21,449 thousand. In compliance with Art. 15(1)(16), the Commission extended a proposal to the Minister of Finance to include the set amount of compensation in the draft Law on the State Budget of the Republic of Bulgaria for 2018.

With a view to optimising the inspection procedure relating to the implementation of the cost allocation system and the amount of net costs for the provision of UPS for 2018, CRC sent to BP letters containing the recommendations given in the course of the audit as well as instructions for the operator to submit to the Commission an opinion on the recommendations given, together with clarifications concerning the measures to be taken by BP and the respective time limits within which the auditor's recommendations will be fulfilled in implementation of the System and in calculating the net costs for 2018. In its reply, the operator committed to take particular measures and to fulfil the individual recommendations within certain time limits, the result of which will be reviewed in the course of auditing the submitted documents relating to the calculation of the net costs for the provision of UPS for 2018.

A public meeting of CRC was held on 11.05.2018 to consider a report concerning the issues on the postal services market that relate to BP. During the meeting, the matters discussed concerned the size of the BP's network, the cost allocation system applied by the operator, the fulfilment of the quality targets for UPS and service efficiency, the fulfilment of the postal security requirements, the compliance with the General Rules for delivery of postal items and postal parcels, etc. The reasons for the growth of the amount of net costs for the provision of UPS for the period 2015-2017, such as the increased staff and network maintenance costs of BP, were analysed. In addition, the data on the company's financial results for the period 2015-2017 were reviewed; according to them, the market-based services (non-UPS) and other commercial activities (OCA) have been provided at a loss after 2015.

In this regard, during the meeting, CRC extended questions to BP which the company should analyse and provide a feedback, the more important of them being:

- Are there any set measures or an adopted recovery plan for the company, including in terms of the number of its staff, which should be taken into account when determining the amount of the unfair burden for 2017?
- With a view to the sensitivity of the matter concerning the post offices closure and its social and political effect, what are the intentions of BP in terms of optimising the network of the incumbent postal operator?
- Will a comprehensive concept be developed for optimisation of the incumbent operator's postal network?
- What are the views of BP on the alternative forms of service in settlements with less than 800 residents and on mobile post offices, in particular?

Based on the information provided in the reply of BP, it may be summarised that the operator has made organisational and structural changes and has optimised the administrative staff, as the economic effect of these changes is expected to be reported in the financial result for 2018. The company would rather analyse the possibility for an alternative form of service through franchising in the settlements with less than 800 residents than through a mobile post office.

## IV. FULFILMENT OF UPS QUALITY TARGETS AND SERVICE EFFICIENCY

In accordance with the provisions of Art. 15(1)(7) of the PSA, in 2018, CRC conducted a procedure and selected the contractor<sup>19</sup> of a public procurement with subject: “Measuring the end-to-end transit time for single domestic priority and non-priority mail and postal parcels within the network of the operator obliged to provide the universal postal service in 2018.” The results from the measurement of the quality targets<sup>20</sup> fulfilment in terms of transit time for postal items (standards) are presented in the tables below.

### 1. Transit time for domestic unregistered priority mail

With quality target for the transit time for domestic unregistered priority postal items for D+1 - not less than 80% of postal items and D+2 - not less than 95% of postal items, at an annual basis (2018), the results from the measurement were 49% and 73.8%, respectively.

**Table 11**

End-to-end transit time	Service quality targets	Results	Results	Results
		2016	2017	2018
D+1	Not less than <b>80%</b> of the postal items	<b>59.7%</b>	<b>53.1%</b>	<b>49.0%</b>
D+2	Not less than <b>95%</b> of the postal items	<b>86.1%</b>	<b>79.2%</b>	<b>73.8%</b>

*Source: Data submitted to CRC*

As is evident from the data, over a three-year period, a downward trend was observed in the quality in terms of transit time for domestic priority postal items. Compared to 2017, the results measured in 2018 registered another drop for both indicators D+1 and D+2 - by about 4 and 5 percentage points, respectively.

### 2. Transit time for domestic unregistered non-priority mail

In 2016, the transit time for domestic unregistered non-priority mail was not measured by an external organisation, which is why the table below contains results for the last two years only.

<sup>19</sup> PricewaterhouseCoopers Bulgaria EOOD

<sup>20</sup> Quality targets for the universal postal service and service efficiency, prom. SG, no. 64 of 19 August 2011

**Table 12**

End-to-end transit time	Service quality targets	Results 2016	Results 2017	Results 2018
D+2	Not less than <b>80%</b> of the postal items		82.7%	80.5%
D+3	Not less than <b>95%</b> of the postal items		92.4%	91.6%

*Note:* For 2016, the transit time for domestic unregistered non-priority mail was not measured by an external organisation, which is why no data are presented in the table for that year

*Source:* Data submitted to CRC

The data in the table show that the D+2 indicator for domestic non-priority items was reached, although a decline of nearly two percentage points was observed in its fulfilment over a one-year period. In 2018, compared to 2017, a decline was also observed in the fulfilment of the D+3 indicator by less than one percentage point, as it was not reached for both periods.

### 3. Transit time for domestic postal parcels

The results from the measurement of the end-to-end transit time for postal parcels are presented in the table below.

**Table 13**

End-to-end transit time	Service quality targets	Results 2016	Results 2017	Results 2018
D+1	Not less than <b>80%</b> of postal parcels	53.2%	52.9%	41.5%
D+2	Not less than <b>95%</b> of postal parcels	92.0%	85.0%	79.4%

*Source:* Data submitted to CRC

The reported results for the end-to-end transit time for postal parcels for 2018 did not meet the set quality target for the service. Compared to the previous year 2017, a significant decline was observed in the fulfilment of the D+1 indicator by about 11 percentage points, while the drop in the D+2 indicator was by nearly 6 percentage points. The data in the table show that a downward trend in the fulfilment of both targets was observed over a three-year period.

The results from the performed measurement of the end-to-end transit time for single domestic priority and non-priority mail and postal parcels within the network of the operator obliged to provide the universal postal service in 2018, with the exception of the D+2 indicator for non-priority items, show a general non-fulfilment of the UPS quality targets in 2018. In this regard, in fulfilment of its powers, CRC took the following measures:

✓ In the framework of the measurement, three expert-level meetings were held with the participation of representatives of PricewaterhouseCoopers Bulgaria EOOD and BP during which the interim quarterly results were presented and discussed.

✓ Once the measurement was completed, BP was made acquainted with the final results for the entire year 2018 and with the recommendations of PwC. A request was sent to the operator to provide information about the actions that will be taken with regard to the deteriorated quality of postal services. Following the submission of the required information by BP, the fulfilment of the set goals will be inspected by authorised employees of CRC in 2019.

✓ In accordance with its powers under Art. 105b of the PSA, CRC took administrative penal actions.

The end-to-end transit time for international priority items is measured using the UNEX system of the International Post Corporation (IPC) which was joined by BP in the beginning of 2008. In 2018, the system covered in its measurements postal operators obliged to provide UPS from 32 countries: the 28 EU member states as well as Iceland, Norway, Serbia and Switzerland. It was organised according to the provision of Directive 97/67/EC concerning independent measurement of the end-to-end transit time, and measurements were carried out in line with the requirements of Standard EN 13850:2012. The so obtained results are official for all operators and serve as a basis for estimates between them. They are accessible at the following address: <https://www.ipc.be/news-portal/general-news/2019/03/18/12/52/ipc-publishes-the-unex-cen-module-results-for-2018>

## V. ENSURING POSTAL SECURITY

The PSA regulates the general requirements related to ensuring the postal security as well as the sanctions for their violation. A secondary regulation (Ordinance No 6) on the postal security requirements<sup>21</sup> (Ordinance No 6) specifies the actions that must be taken by postal operators concerning:

- security and protection of postal items and cash from outside persons and employees of the postal operators themselves; keeping the secrecy of correspondence; protection of users' personal data;
- violation of the safety of their staff, buildings and property;
- prevention of the conveyance as postal items of forbidden and dangerous goods, objects and substances;
- prevention of the use of forged or out-of-date postage stamps, postal products with a printed impression for prepaid universal postal service, postage stamps and date stamps, postage forms and documents, etc.;
- prevention of money laundering and terrorist financing.

By the Ordinance, the competent state authorities<sup>22</sup>, including CRC, are obliged to control the compliance and application of the postal security requirements. With a view to the foregoing, CRC provides only the information of its competence.

Postal operators licensed for the provision of the PMO service are obliged<sup>23</sup> to prepare internal rules for control and prevention of money laundering, which are approved by the Chairperson of the State Agency for National Security (SANS). CRC, in its capacity as a supervisory body for the implementation of the Measures Against Money Laundering Act (MAMLA), carried out 23 inspections of operators licensed to provide the PMO service in 2018. In general, no violations of the requirements of the MAMLA and the Measures Against Terrorist Financing Act (MATFA) were found. It was established that, as at the date of inspection, one operator had not provided the developed internal rules for money laundering control to SANS for approval. SANS was informed of the case.

According to the standard set forth in Art. 10 of the Ordinance, postal operators should designate the postal offices where they would equip with video surveillance special desks for acceptance of valuable items and for performance of cash operations. The designated post offices must be equipped with a physical protection system. The fulfilment of the above obligations is subject to comprehensive inspections. In the course of inspections carried out by CRC to different postal operators in 2018, a total of 48 AOAs<sup>24</sup> were drawn up for violations found concerning non-compliance with Art. 10, Para 2 and 3 of Ordinance No 6, namely lack of recording technical device for video surveillance of the access to desks and/or lack of physical protection equipment in desks intended for acceptance of valuable items or performance of cash operations.

With reference to the provision of Art. 13, point 4 of Ordinance No 6, postal operators develop internal rules of conduct for their staff in case of suspected weapons, ammunitions, pyrotechnics, explosives, flammable or other dangerous substances and objects contained in

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<sup>21</sup> Prom. SG, no. 90 of 15.11.2011

<sup>22</sup> Art. 22 of the Ordinance

<sup>23</sup> In accordance with the terms and conditions of the issued individual license, in fulfilment of Art. 8 of Ordinance No. 5 and with relation to Art. 102 and §6 of the Transitional and Final Provisions of the MAMLA.

<sup>24</sup> Administrative offence act

postal items. The above rules are agreed with the competent authorities of the Ministry of Interior (MoI) and SANS.

Based on data provided in the questionnaires on the provision of postal services, filled in by the leading courier companies and operators licensed for the performance of services within the scope of UPS, the preventive measures that they take most often in order to prevent the admission of forbidden objects and substances into the postal network are: carrying out of technical inspection of domestic postal items and cargo using their own technical devices and software or under contract with other postal operators; placing of information about forbidden objects and substances in a prominent place in post offices; conducting monthly instructions for employees in post offices: preparing and introducing rules of conduct for the staff in case of established or suspected forbidden content of an item; introducing strict measures to control the access to warehouses and offices via permanent video surveillance, signing contracts with licensed private security companies for all offices and warehouses, performing physical inspection of the items by the employees who accept them, preparing daily risk analysis by employees from the security departments, etc. One of the big courier companies has stated that it maintains a status of regulated agent to the Directorate General Civil Aviation Administration, status of approved economic operator (Customs Agency) and a TAPA Class A Certification.

The most common objects and substances that operators forbid to be placed in the postal items are: narcotic substances, precursors and their analogues; weapons and ammunition; excise goods without excise stamps; tobacco; goods infringing intellectual property rights (replicas of trademarks). In all cases, postal operators notify the MoI and/or the customs authorities.

## VI. CONTROL ACTIVITY AND CONSUMER PROTECTION

In 2018, in performance of the legal obligation to monitor the compliance with regulations related to postal services, the requirements for performance of UPS, the conditions for implementation of the issued individual licenses and obligations of operators performing non-UPS, CRC officials authorised under Art. 95 of the PSA carried out a total of 354 inspections, of which:

- 61 inspections of BP regarding compliance with the obligation (Art. 33 of the PSA) to provide UPS;
- 101 inspections in connection with received complaints, the predominant part of them being over undelivered postal items or over problems in the delivery;
- 44 inspections in post offices (POs) of BP and 102 inspections in POs of other leading postal operators concerning the observance of Ordinance No 6;
- 23 inspections of operators licensed to perform postal money orders in connection with Art. 3a, Para 1-2 of the MAMLA and Art. 9a of the MATFA;
- 23 inspections of postal operators who have not submitted any activity report for 2017 to CRC.

In 2018, a total of 78 AOA's were drawn up, the majority of which being for failure to comply with Art. 10, Para 2 and Para 3 of Ordinance No 6.

In 2018, the total number of cases of engaged administrative and criminal liability was 59 penal decrees (PDs).

By reviewing the PDs, it may be concluded that most violations concerned the postal security requirements (*lack of video surveillance and/or physical protection of the cash desks for acceptance of valuable items and for performance of cash operations*). The majority of these violations were committed by BP and, with very few exceptions, by other postal operators. Other offences were related to non-provision of information on the obligation to submit an annual report by the operators or failure to provide the information requested by CRC.

CRC has two specific powers in order to protect the interests of the postal services users under Art. 15, Para 1, point 5 of the PSA - coordination of the General Terms & Conditions of the contracts signed with postal services users (GTC) of the relevant postal operator (Art. 15, Para 1, point 18, in connection with Art. 21, Para 6 of the PSA) and adoption of opinions on disputes between users and postal operators on complaints filed in connection with the provision of postal services (Art. 15, Para 1, point 17, in connection with Art. 86, Para 4 of the PSA).

In 2018, CRC coordinated a total of 34 GTC (for services within the scope of UPS and non-UPS) - new or amended, of which 10 were finally approved. The Commission accepted that 24 GTC are in compliance with the PSA and they were sent for approval to CCP. Under Art. 148, Para 2 of the Consumer Protection Act (CPA), when a regulation provides for a government authority to approve the general terms and conditions of contracts with users and their subsequent amendments, they should be sent to CCP for an opinion on the existence of unfair clauses. The government authority must approve the general terms and conditions of contracts with users only if CCP approves the presented general terms and conditions and after judging that they do not contain unfair clauses within the meaning of the CPA. Apart from this, this hypothesis of the CPA does not set forth a deadline for CCP to pass a judgement on the GTC presented. To date, CCP has not yet approved these 24 GTC and therefore they were not agreed by CRC. In the past year, CRC returned a total of 5 GTC to the postal operators for revision and has not yet received the drafts revised according to its instructions.



In 2018, CRC passed judgements by 5 decisions on formal requests for the Commission's opinion on a rejected complaint under Art. 86, Para 4, in connection with Art. 15, Para 1, point 17 of the PSA, as follows:

**Decision No 99/08.03.2018** on a complaint filed against Speedy AD with relation to delayed delivery of postal items sent by the complainant and the amount of compensation paid by the postal operator in this regard. CRC accepted that Speedy AD has complied with the provisions of Art. 85, Para 1, point 3 of the PSA and point 74 of GTC, as it has also fulfilled its obligation under Art. 86, Para 3 of the PSA and point 59.6 of GTC. The Bulgarian court is competent to rule on the difference exceeding the amount of compensations paid to the complainant as well as on their claims for lost benefits in a certain amount, in accordance with the presented evidence. Nevertheless, CRC has instructed the parties that they should make all necessary efforts to settle their relations in a voluntary manner prior to referring the dispute to court.

**Decision No 107/15.03.2018** on a complaint over difference between the item sent and received. Due to the specifics of the case, it was impossible to establish whether the complainant's assertions were justified or not. CRC ruled that it does not find the complaint to be justified since there are no evidence in support of the complainant's assertions.

**Decision No 187/17.05.2018** on a complaint filed against BP for non-delivery of a registered item of correspondence (letter). CRC found that, on the grounds of Art. 85, Para 1, p. 3 and Para 4 of the PSA and p. 60, letter "g", second hypothesis of the general terms and conditions of BP, the complainant has the right to seek compensation pursuant to the civil legislation in the amount of the price paid for the service for non-observance of the time limits for delivery of domestic registered postal items. The Commission has further stated that the complainant also has the right provided for in Art. 92, Para 1, second sentence of the Law on Obligations and Contracts to seek compensation on general grounds for actually incurred damages, bigger than the agreed.

**Decision No 196/25.03.2018** on a complaint over partially respected complaint over damaged item. The CRC's opinion is that the compensation has been determined pursuant to the operator's GTC. This, however, does not preclude the right of the complainant to seek their rights according to the general procedure, since it has been obliged to take due care of the cargo.

**Decision No 357/23.08.2018** concerning interpretation of the provisions of the Universal Postal Convention and the Rules of delivery of postal parcels with relation to the compensation payment procedure in case of undelivered international item.

In 2018, according to data obtained from the annual questionnaires of the incumbent operator and of operators providing services within the scope of UPS, a total of 28,303 complaints were submitted, of which 12,280 justified. For a one-year period, the total number of submitted complaints rose by 44%. The table below presents data on the number and breakdown of justified complaints concerning domestic and international items according to their cause, for 2017 and 2018.

Table 14

Breakdown of justified complaints according to their cause	Number of complaints filed against BP and operators licensed to provide services within the scope of UPS					
	2017		2018		Trend (2018 /2017)	
	domestic	international	domestic	international	domestic	international
<b>Complaints filed (total), including:</b>	<b>936</b>	<b>7,818</b>	<b>4,094</b>	<b>8,134</b>		
for lost item	97	7,787	750	8,085		
for delayed item	178	8	661	2		
for damaged item or with missing content (fully or partially), or rifled item	205	15	625	10		
for misdelivered item	45	0	93	0		=
for returned postal parcel without reason for non-delivery	4	0	0	36		
general complaints (complaints based on a general dissatisfaction with the operator's services)	364	8	1,761	1		
concerning the behaviour and competence of postal employees	18	0	204	0		=
concerning complaint handling	25	0	0	0		=
<b>Complaints settled with payment of compensation</b>	2017		2018		Trend (2018/2017)	
	pcs.	BGN	pcs.	BGN	pcs.	BGN
	7,644	605,961	6,597	271,540		

*Source: Data submitted to CRC*

The number of complaints considered justified in 2018, compared to 2017, was up by 40%. Over a one-year period, the number of complaints settled by payment of compensation decreased, and the amount of paid compensations was down by 55%.

In 2018, as in 2017, complaints holding the greatest relative share in the total number of complaints are those that refer to lost items. These are mainly lost international items sent through the BP network. According to the operator's data, these are items forwarded by BP, which could not be localised by the foreign postal administrations. Subsequently, these administrations consented to the payment of compensations to the recipients. The share of these complaints in the total number of justified complaints in 2018, versus 2017, dropped by 18 percentage points. According to the information provided by the licensed postal operators, the number of complaints concerning delay in delivery, damaged (totally or partially) or misdelivered items, and returned postal parcels increased compared to 2017. The number of complaints due to general dissatisfaction with the services of the operator rose nearly five times.









It is noteworthy that the number of complaints concerning the behaviour and competence of postal employees increased 11 times. In 2018, as in 2017, the highest number of complaints filed over domestic items was reported by Econt Express OOD and BP.

A positive fact is that, in 2018, licensed postal operators did not report any complaints concerning the introduced processing procedure which indicates that users have been given opportunity to declare their dissatisfaction with the postal services provided.

According to data obtained from the annual questionnaires of operators licensed to perform the PMO service and registered to provide non-UPS, in 2018, the total number of filed complaints was 18,133, up by 74% since 2017. The number of complaints considered justified in the past year was 12,040, increasing twofold over a one-year period. The number of complaints settled with payment of compensation increased, while the amount of compensations paid remained nearly unchanged compared to 2017.

The table below presents the breakdown of justified complaints according to their cause, in 2017 and 2018.

**Table 15**

Breakdown of justified complaints according to their cause	Number of complaints filed against operators licensed to perform the PMO service and registered for the provision of non-UPS					
	2017		2018		(2018/2017)	
Complaints filed (total), including:	6,037		12,040			
for damaged item	2,016		3,630			
for lost item	635		2,248			
for rifled item	68		79			
for delayed item	1,926		4,140			
general complaints (complaints based on a general dissatisfaction with the operator's services)	1,373		1,572			
concerning the behaviour and competence of postal employees			346			
concerning complaint handling			10			
concerning postal money orders	19		15			
Complaints settled with payment of compensation	2017		2018		Trend (2018/2017)	
	pcs.	BGN	pcs.	BG	pcs.	BGN
	4,397	746,080	5,734	746,719		

*Source: Data submitted to CRC*

The data in the table above show that, year-on-year, the number of complaints filed for all causes increased, with the highest number of complaints filed over delayed items in 2018. In

the past year, complaints filed against operators providing non-UPS were additionally broken down to include complaints over general dissatisfaction with the operator's services, the behaviour and competence of postal employees, and complaint handling. The additional information obtained from the operators showed that nearly 16% of the total number of justified complaints concerned users' dissatisfaction with the operator's services or the behaviour and competence of postal employees.

The trend towards decrease in the number of justified complaints over PMO, as observed in the previous year, continued in 2018 as well. Among the main causes of complaints were orders paid with delay and general dissatisfaction with the services.

CRC carefully monitors and analyses the trends in the dynamics and causes of complaints filed against postal operators. In 2018, the Commission considered a total of 406 complaints and tips submitted by postal services users. Detailed information about the complaints filed against postal operators, by months, is presented in the table below.

**Table 16**

Month	Number of complaints filed, by operators					
	Speedy AD	BP	Econt Express OOD	Star Post OOD	other operators	Total
1	20	8	7	2	8	45
2	27	16	9	0	8	60
3	25	13	1	2	7	48
4	11	5	0	0	7	23
5	10	5	3	2	4	24
6	3	4	4	0	3	14
7	17	6	5	2	2	32
8	15	3	3	2	6	29
9	13	9	4	0	2	28
10	18	6	3	0	1	28
11	29	4	2	1	4	40
12	22	5	2	0	6	35
<b>Total</b>	<b>210</b>	<b>84</b>	<b>43</b>	<b>11</b>	<b>58</b>	<b>406</b>

Of the total number of considered complaints and tips, it was established that:

- for UPS were 84 pcs, while for services within the scope of UPS and non-UPS were 310 pcs.
- a total of 228 pcs were considered justified (respected complaint).
- based on the analysis of complaints, it was established that nearly 70% of the complaints were over delayed delivery of postal items. The next place was occupied by undelivered and lost items, making up about 20%. About 5% were related to damaged items, while the remaining part concerned various issues related to improper charging, quality of users' service, etc.

In 2018, some 52% of the complaints submitted to CRC were against Speedy AD. In this regard, meetings with the operator were initiated and, as a result, Speedy AD presented to CRC measures which it will undertake in order to increase: the customers' satisfaction relating to costs for contacting the operator by phone, accessibility of the complaint filing procedure and delivery of items from on-line shops.

In parallel to the analysis of submitted complaints and inspections performed in connection with such complaints in the past year, CRC, in order to protect the interests of users, drew up proposals to include new powers of the Commission to the PSA with the aim of coordinating GTC and developing rules of acceptance, transport and delivery of postal items, as well as other powers of CRC.

## VII. CONCLUSION

Digitisation and the use of electronic messages in our daily life over the past years has put traditional postal services to the test in a global scale. The communication preferred by users is mainly carried out electronically through the use of various web-based messages as a faster and cheaper analogue of communication through items of correspondence. On the other hand, digitisation was the drive to creating a new niche for postal operators to take advantage of the rapidly growing e-commerce.

The need for introducing new postal services to meet the changed consumer demand has led to restructuring of the business models and concepts for development of the postal sector.

An increasing number of postal operators are investing in software and infrastructure to meet the needs of e-traders and to be maximum flexible towards their clients.

The rapid growth of e-commerce has caused EC to adopt Regulation (EU) 2018/644 on cross-border parcel delivery services. The main objective of the Regulation is to improve cross-border parcel delivery services to end-users, small businesses, including those in sparsely populated areas. It ensures transparency and affordability in terms of prices and time for delivery, consideration of complaints, payment of compensations, and offers a return policy for on-line purchases.

As a body responsible for regulation, control and implementation of the law in the sphere of postal services, CRC participates actively in a dialogue with stakeholders, on-line traders, postal operators and consumer organisations. The goal is to timely find working solutions to any difficulties arising in the sector.

The conclusions made and the focusing on problematic points formulated the lines of work of CRC jointly with other institutions, such as the Commission for Consumer Protection, the Ministry of Transport, Information Technology and Communications, consumer organisations and other competent bodies related to the provision of postal services and consumer rights' protection.

Creating conditions to encourage competition, developing the sector, and ensuring equal access of users to postal services would be impossible without the close cooperation with the national and European bodies in the field of postal services. To achieve correspondence with the changes occurring in the sector at a European and national level, the Postal Services Act is about to be amended and supplemented.

The analysis made in the report outlines the main trends in the development of the postal market in the recent years.

1. The e-commerce growth is a main drive for the development of the postal services market;
2. There is a transition from the traditional model of a “sender-oriented” postal market to a “recipient-oriented” postal market.
3. A decline in the consumption of traditional postal services (acceptance, transport and delivery of items of correspondence up to 2 kg, small packets up to 2 kg, and printed matters up to 5 kg);
4. A growth in the consumption of domestic and international parcels;
5. Increased competition and year-on-year decrease in the market share of the incumbent postal operator.

Based on the outlined trends, we may derive the following prospects for development of the postal market for a one-year period:

- An increase in the number of participants in the postal market - in the courier services segment and in the provision of the postal money orders service;

- An increase in the number of generated international incoming and outgoing parcels, which will also be related to a growth in the networks of postal operators through the signing of contracts for access to the networks of other operators in neighbouring countries;
- A growth in the number and revenue from items generated through e-commerce, especially in the B2C segment;
- Development of the infrastructure of postal operators and services offered by them, with the aim of improving the delivery of postal parcels, e.g.: renewal of sorting centres, development of tracking systems, and transport optimisation. Deployment of new technology by the operators, improvement of the software for acceptance and processing of items, and application of innovations;
- A decrease in the number of traditional postal services;
- A growth in the number and revenue from the postal money orders service.