



# Annual Report 2019

## ANALYSIS OF THE POSTAL SERVICES MARKET

COMMUNICATIONS REGULATION COMMISSION

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

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**for 2019**

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

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## Introduction

The Communications Regulation Commission (CRC, the Commission) is a specialised regulatory body engaged in the implementation of postal policy in the Republic of Bulgaria, which pursues a certain strategic objective in the area: to ensure sustainable competitive development in the postal market by applying best regulatory practices. As a body entrusted with the task of ensuring a competitive postal environment, protecting the interests of users of postal services, regulation and control in the sector, in 2019, the Commission launched discussions with the leading postal operators on the problems and challenges of the delivery of items, introduction to the European Regulation on the delivery of items generated by e-commerce<sup>1</sup>, interaction and dialogue in developing the internal regulatory framework since the last amendment and supplement to the Postal Services Act (PSA).

The Commission is directly involved in the work, analysis and observations on the postal market at European and global level as a participant in international organisations related to the provision of postal services (European Regulators Group for Postal Services (ERGP) and the Universal Postal Union) and follows the development trends in the sector.

The postal market in our country follows the dynamic trends of European and global markets, which are driven by global digitalisation.

The technological progress observed in recent years has enabled Bulgarian postal operators to develop innovative business models, leading to significantly better results for postal users.

The development of new business, software and infrastructure projects in the sector is driven by the development of e-commerce and the efforts of postal operators to increase their market share in this promising segment by offering flexible solutions for both consumers and e-shops.

Over the past year, CRC continued its work to ensure a competitive environment for the development of postal services, with a 6.4% year-on-year increase in the number of postal operators as at 31.12.2019. Two new individual licenses for the provision of services within the scope of the universal postal service and four new licenses for the provision of postal money orders were issued. There are 14 operators registered for the provision of non-universal postal services (non-UPS) under Article 38, points 1-3 of the Postal Services Act (PSA). The total number of postal operators was 184 in 2019.

In implementation of its powers, the Commission worked in close cooperation with all stakeholders and institutions, as it issued 526 opinions on consumer complaints, some of them in cooperation with the Commission for Consumer Protection. Forty-eight penal decrees were issued, mainly for non-compliance with the postal security requirements.

In view of its obligation to bring the secondary regulations it has issued in compliance with the latest amendments to the PSA, the Commission launched, in the second half of 2019, a procedure to issue and amend the relevant secondary legislations.

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

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<sup>1</sup> Regulation of the European Parliament and of the Council on cross-border parcel delivery services (EU) 2018/644 - <https://eur-lex.europa.eu/legal-content/BG/TXT/PDF/?uri=CELEX:32018R0644&from=EN>

## I. POSTAL MARKET IN THE REPUBLIC OF BULGARIA

### 1. Market players

#### Methodological notes

The information presented is based on data received by 22.05.2020 by CRC from 68% of the operators registered as at 31.12.2019.

In the summation of rounded amounts and percentages, rounding-related differences may occur due to the use of standard calculation functions of the electronic tables and graphs.

The relative shares are presented rounded to one decimal place. As a result of the rounding, the sum of the relative units may exceed or may be less than 100%.

The information provided on the total number of postal operators providing services in a given market segment is not the sum of licenses and certificates issued as presented in Table 1. Where a company provides more than one of the listed services, it is accounted for only once in the total number of operators.

In accordance with the provisions of the PSA, postal services are provided based on authorisation (licensing) and notification regimes.

The provision of the universal postal service (UPS) throughout the territory of the Republic of Bulgaria and of services within the scope of UPS, as well as the provision of the postal money order service (PMO), is carried out on the basis of individual licenses issued by the Commission. Non-UPS as per Article 38, points 1-3 PSA are subject to a notification regime. At the end of 2019, the total number of postal operators reached 184. They are presented by services in Table 1 below.

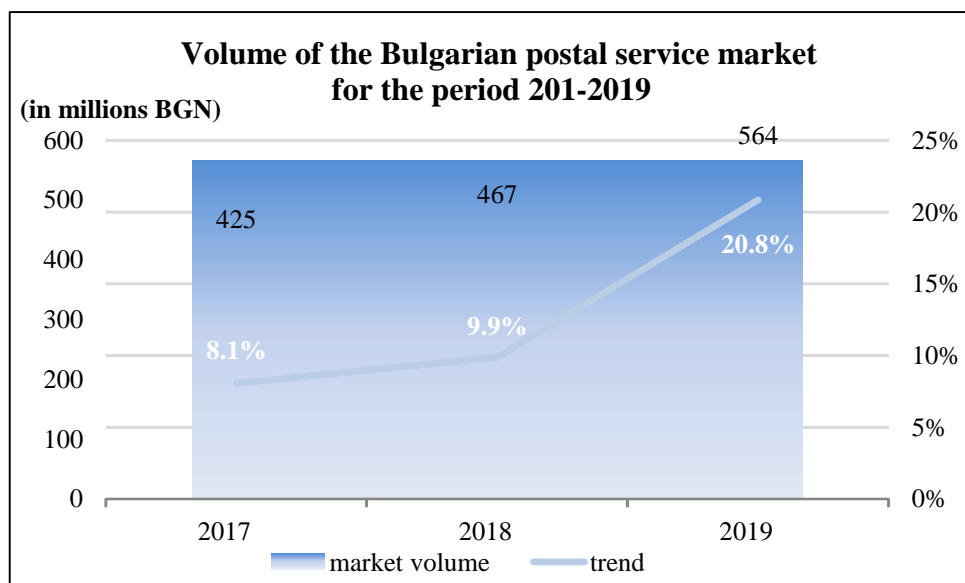
**Table 1**

<b>Licenses and certificates issued under the PSA</b>	<b>Number of operators licensed/registered in 2019</b>
Licenses for UPS and services within the scope of UPS	13
Licenses for postal money orders	29
Entered in the Register of operators providing non-universal postal services	170

*Source: Data submitted to CRC*

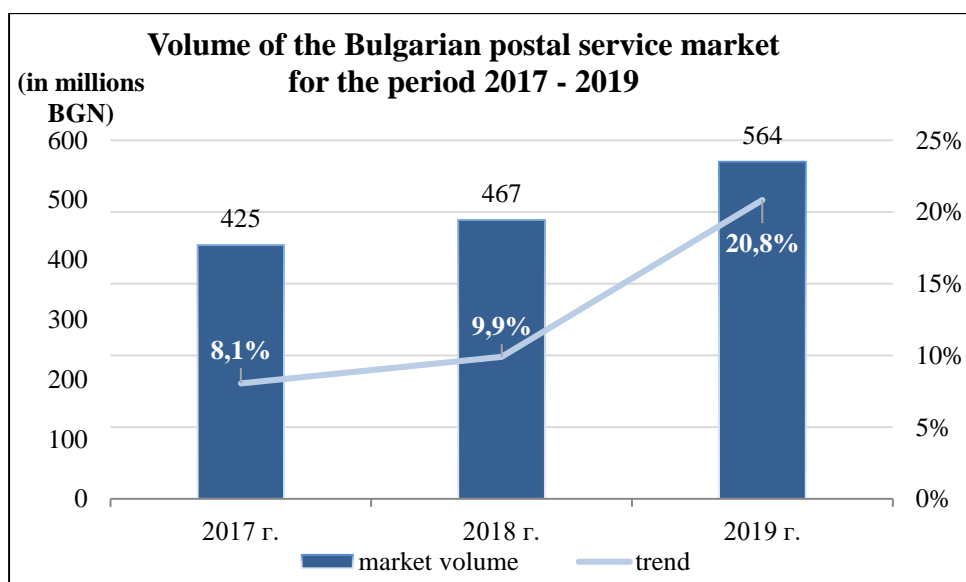
### 2. Volume and structure of the Bulgarian postal market

The postal market is dynamic and growing. The market volume, measured by the revenue from the provision of postal services indicator, is increasing each year. In 2019, revenue from postal services totalled BGN 564 million, registering a growth of 21% versus 2018.



**Figure 1**

*Source: Data submitted to CRC*



The data on the volume of the postal market in 2019 were derived from the information received from 68% of the licensed and registered operators who effectively provided postal services during the year.

For analysis purposes, the postal market was divided into two main segments: UPS and non-UPS. The universal postal service, awarded for provision by Bulgarian Posts EAD (BP)<sup>2</sup> by virtue of the PSA, and the services within the scope of UPS, form the UPS market segment. Postal money orders, courier services, direct mail advertising and the hybrid mail<sup>3</sup> services form the non-universal postal services (non-UPS) market segment.

**Table 2**

Postal services	Revenue (in millions BGN)		
	2017	2018	2019
1. Universal postal service and services within the scope of UPS	89.3	105.4	87.2
2. Non-universal postal services	335.4	361.4	476.7
<b>TOTAL</b>	424.7	466.8	563.9

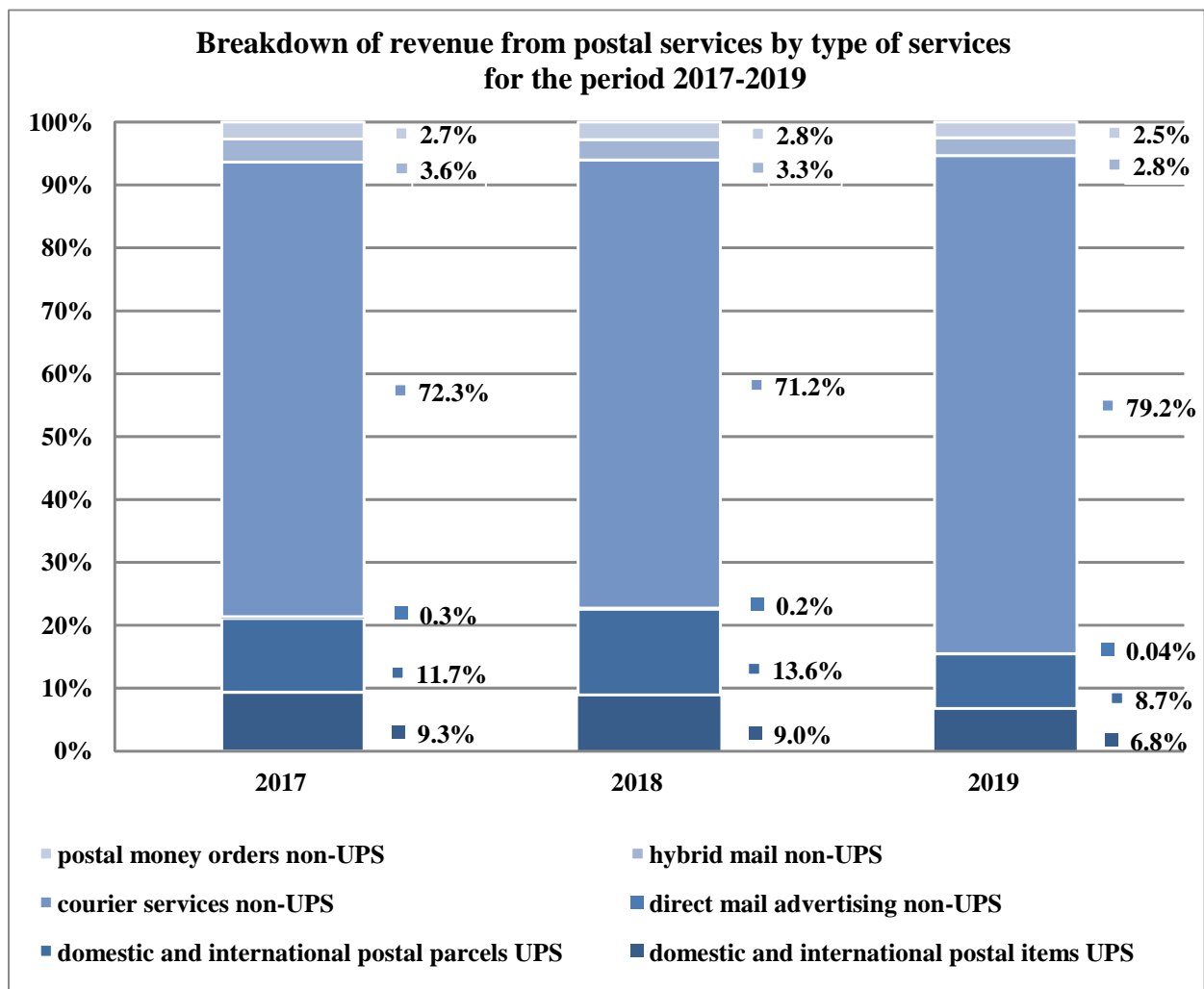
*Source: Data submitted to CRC*

The total revenue generated from the services in the UPS segment in 2019 decreased by 17% compared to 2018 and amounted to BGN 87 million. In the non-UPS segment, there was a significant increase in revenue of 32%, and its amount reached BGN 477 million. Based on data submitted by the licensed operators providing services within the scope of UPS, the drop in the UPS revenue is due to a change in consumer attitudes, who, in the past year, consumed more courier services at the expense of traditional postal services. Also, in 2019, the majority of items generated from e-commerce were delivered as courier services.

In 2019, the total volume of the postal market was mainly constituted by revenue from courier services, the relative share of which reached nearly 79.2% of the total revenue generated (Figure 2). Over a one-year period, there has been an increase in revenue from courier services, both in absolute (34.3%) and relative terms (8 percentage points), compared to 2018. Although revenue from domestic and international postal parcels was down by 23.2% in absolute terms and by 4.9 percentage points in relative terms compared to 2018, their share of the total market volume remained second. Revenue from both domestic and international postal items within the scope of UPS decreases year-on-year, as its relative share in the total market volume registered a decline of 2.2 percentage points compared to 2018. Over a one-year period, revenue from hybrid mail and PMO services rose in absolute terms by 4.9% and 8.4%, respectively, but its relative share in the total market volume was down by 0.4 and 0.3 percentage points, respectively. Compared to 2018, a reduction in absolute (78.4%) and relative terms (0.2 percentage points) was also observed in the revenue generated from the direct mail advertising service.

<sup>2</sup> Pursuant to Article 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>3</sup> The service is defined in Article 3, point 2 of the PSA.



**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 2019, the volume of postal services market, measured by the number of items indicator, amounted to 248 million items, registering a growth of nearly 25.5% on a one-year basis. The growth in the number of items is due to a significant increase in the number of courier items consumed in the country - up by 62.4% compared to 2018.



Table 3 presents the dynamics in the number of traffic volumes in both segments (UPS and non-UPS) for the last three years.

**Table 3**

Number of postal services	Number (million pcs)		
	2017	2018	2019
Postal items UPS	42.2	41.7	36.1
incl. domestic and international letter mail UPS	30.3	26.7	24.6
incl. domestic and international postal parcels UPS	11.9	15.0	11.5
direct mail advertising non-UPS	5.4	4.1	3.1
courier services non-UPS	60.8	57.0	94.0
hybrid mail non-UPS	71.1	76.6	96.0
postal money orders non-UPS	13.6	17.8	18.4
Total	<b>193.0</b>	<b>197.2</b>	<b>247.5</b>

*Source: Data submitted to CRC*

The following changes in the number of items were observed in 2019, by services:

- ✓ Following the trend of previous years, the highest growth rate of 64.9% was observed in the courier services. The main reason for this trend is the intensive development of electronic communication in every aspect;
- ✓ An increase of 25.3% in the number realised was registered by the hybrid mail service;
- ✓ The postal money order service rose insignificantly by 3.4%;
- ✓ A significant drop in the number of domestic and international postal parcels was observed, up by nearly 23.8%;
- ✓ A 7.8% drop in the number of letter mail compared to the previous year was registered, due to the irreversible downward trend in the number of services in the UPS segment and, in particular, items of correspondence, both nationally and globally.

### **3. Market shares**

In 2019, the downward trend in the market share of the incumbent operator continued, as it reached 10% of the total market, calculated based on revenue from all postal services. The company retained the amount of its revenue in absolute terms in 2019, compared to the previous reporting year, but with a view to the outpacing growth in the revenue of the other operators, BP continued to lose its position on the market. The most significant is the loss of BP's position in the services provided in the context of increased competition, those in the non-UPS segment, where the company's share has been below 3% in recent years.

Table 4 presents the dynamics in the market shares of the incumbent operator and its two main competitors on the market, forming a total of 2/3 of the postal market in the country over the last three years.

**Table 4**

Operators	Market share (based on revenue)		
	2017	2018	2019
Econt Express EOOD	32.8%	31.0%	32.5%
Speedy AD	17.2%	25.6%	24.1%
Bulgarian Posts EAD	13.0%	12.3%	10.0%
All others	37.0%	31.1%	33.4%

*Source: Data submitted to CRC*

A more detailed information, by types of services, is presented in the relevant sections of the report.

## II. PROVISION OF NON-UPS

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

As at 31.12.2019, the operators providing services under Article 38, points 1-3 of the PSA, were 170, of which 72 were active during the period under consideration.

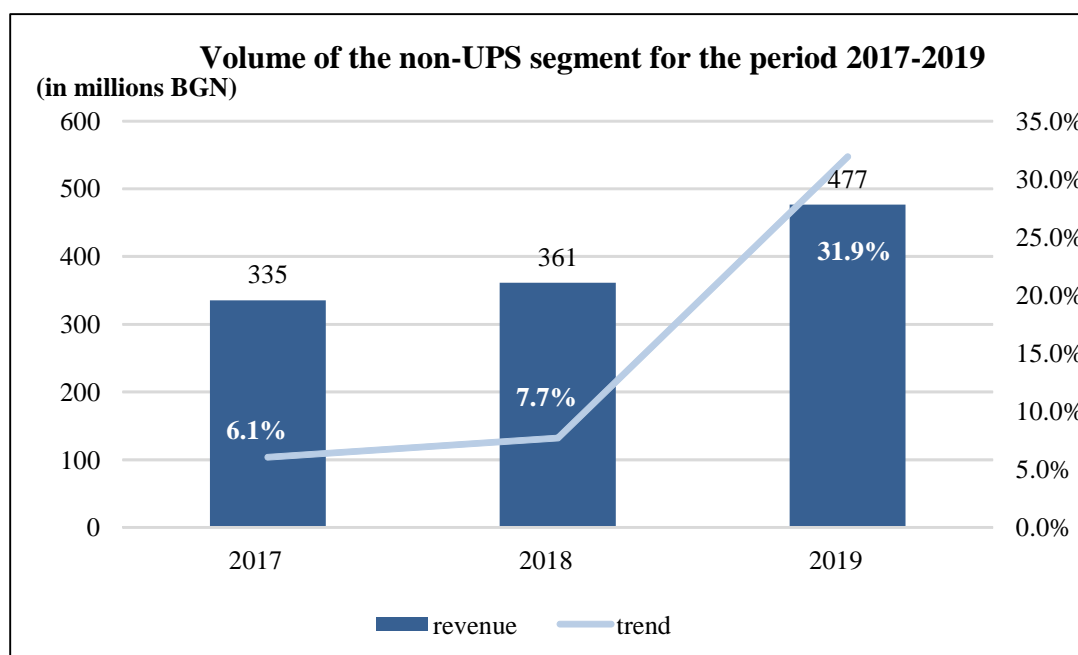
The operators that provided the hybrid mail service in the past year were M&BM Express OOD, BP, Evropat 2000 AD, Tip Top Courier AD, Star Post OOD, and Kolbis International Transfer AD.

In 2019, as in 2018, the direct mail advertising service was provided by BP, M&BM Express OOD and Pro Logistic EOOD.

As it was already mentioned, in 2019, CRC issued four new individual licenses for the provision of PMO<sup>4</sup> - to Postabil EOOD, Maristo 2009 EOOD, Arie EOOD, and GT Logistics OOD. With the above newly licensed undertakings, the number of postal operators licensed to provide PMO reached 29. Of them, in 2019, activity was carried out by 16 postal operators: BP, Econt Express EOOD, Speedy AD, Tip Top Courier AD, Evropat 2000 AD, Factor I.N. AD, Easypay AD, Toyota Tixim EOOD, Intercapital Group AD, Rapido Express & Logistics OOD, Express Pay EOOD, M&BM Express OOD, Leo Express EOOD, Transpress OOD, Unimasters Logistics SCS EOOD, and Postabil EOOD.

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

In 2019, the volume of the non-UPS market segment, measured by the revenue from the provision of non-UPS indicator, amounted to BGN 477 million, with an increase of 32% compared to 2018 (Figure 3).



**Figure 3**

*Source: Data submitted to CRC*

The figures presented in Figure 3 show that revenue growth was higher in 2019 than in the two previous years, mainly due to the increase, in absolute terms, of revenue from domestic courier services (by 33%), international courier services (by 38%) and PMO (by 8%) compared to 2018.

<sup>4</sup> Pursuant to Article 39, p. 3 of the PSA.

Information on the structure of revenue from non-UPS by services for the period 2017-2019 is presented in Table 5.

**Table 5**

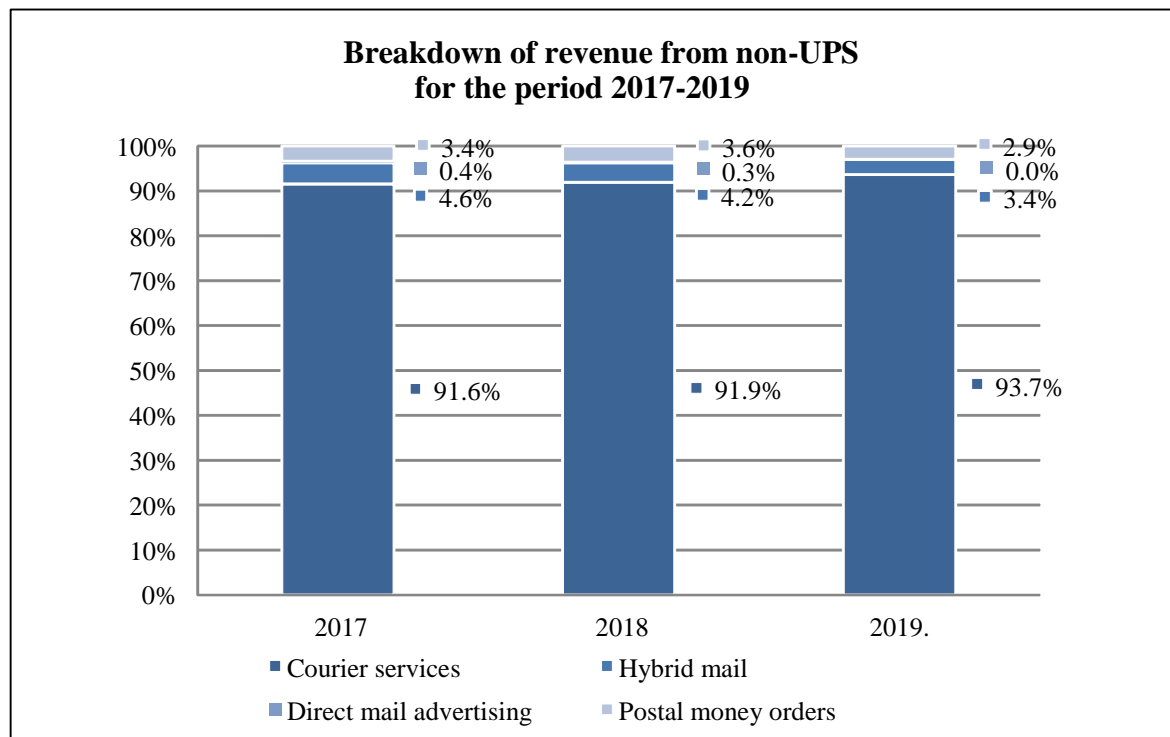
non-UPS	Revenue (in millions BGN)		
	2017	2018	2019
1. Courier services	307.1	332.2	446.5
1.1. Domestic courier services	232.6	244.2	325.1
1.2. International courier services	74.5	88.1	121.4
2. Hybrid mail	15.5	15.2	16.0
3. Direct mail	1.4	0.9	0.2
4. Postal money orders	11.4	13.0	14.1
<b>TOTAL</b>	<b>335.4</b>	<b>361.4</b>	<b>476.7</b>

*Source: Data submitted to CRC*

Compared to the year before, the following changes in the revenue from the non-UPS segment were observed in 2019:

- ✓ Revenue from domestic courier services rose by 34.4%;
- ✓ Revenue from postal money orders increased by 8.4%;
- ✓ Revenue from hybrid mail was up by 4.9%;
- ✓ Revenue from direct mail advertising dropped by 78.4%.

Figure 4 presents the dynamics in the relative shares of revenue from services forming the non-UPS segment for the period 2017-2019.

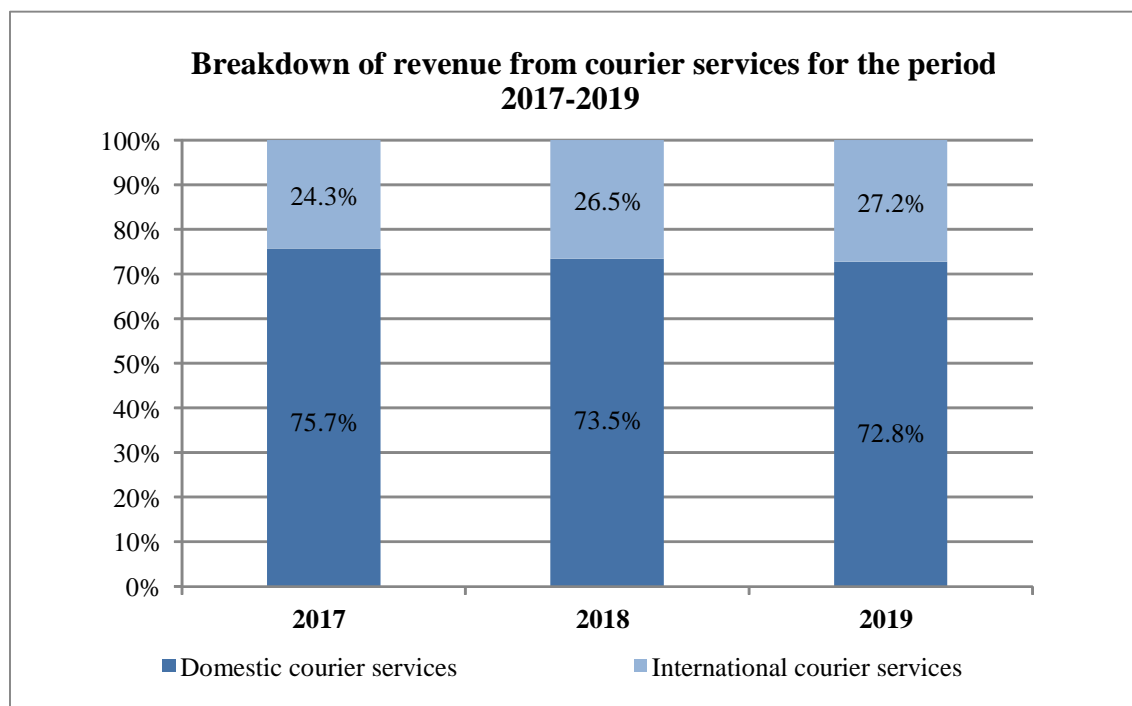


**Figure 4**

*Source: Data submitted to CRC*

As is evident from the data in Figure 4, the structure of revenue in the segment remained relatively unchanged for the three-year period under review. In 2019, as in the previous two years, revenue in the non-UPS segment was mainly made up of revenue from courier services. In 2019, compared to 2018, this figure increased, both in absolute terms (by 34.4%) and in relative terms (by 1.8 percentage points).

Figure 5 displays data regarding the structure of revenue from courier services for the period 2017-2019.



**Figure 5**

*Source: Data submitted to CRC*

The Figure clearly shows that, for the period under consideration, the amount of revenue from courier services was mainly formed by domestic courier services. Revenue from domestic courier services increased by 33.1% compared to 2018. Over a one-year period, the international courier items registered an increase in absolute terms (by 37.9%) and in relative terms (by nearly 1 percentage point). 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 international e-commerce grew by 87.4% in 2019 compared to 2018.

In 2019, revenue from the hybrid mail service occupied a share of 3.4 % in the total revenue from non-UPS which, compared to 2018, dropped insignificantly (by less than 1 percentage point).

Despite the observed increase in absolute terms of the revenue from of the PMO service (by 8.4%) compared to 2018, its relative share of the total revenue from non-UPS remained almost unchanged over one year. According to the data summarised by CRC, revenue reported from PMO in 2019 amounted to BGN 14.1 million, occupying a share of nearly 2.9% of the revenue in the non-UPS segment.

Over the past year, revenue from the direct mail advertising service held an insignificant share of 0.04% of the total revenue from non-UPS. Year-on-year, revenue generated from this service dropped by 78% in absolute terms, 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 activities and products through the unaddressed delivery<sup>5</sup> service as well as through on-line advertising.

In 2019, the total number of processed items and services in the non-UPS segment was 211 million, up by 36% since 2018. Information on the number of items and services in the non-UPS market segment for the period 2017-2019 is presented in Table 6.

**Table 6**

non-UPS	Number of items and services (million pcs.)		
	2017	2018	2019
1. Courier services	60.8	57.0	94.0
1.1. Domestic courier services	58.3	53.8	87.6
1.2. International courier services	2.4	3.2	6.4
2. Hybrid mail	71.1	76.6	96.0
3. Direct mail	5.4	4.1	3.1
4. Postal money orders	13.6	17.8	18.4
<b>TOTAL</b>	<b>150.9</b>	<b>155.5</b>	<b>211.5</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 2019:

<sup>5</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.

✓ The number of courier items, in absolute terms, increased by 62.4% for domestic and by 108.1% for international items. According to operators' data<sup>6</sup>, apart from the development of e-commerce, the growth in courier services can be explained by consumers' preferences to use more courier services last year. The inclusion of VAT in the final price of UPS services in 2019 has, according to the operators, brought the prices of traditional postal services close to those for courier services that are preferred by consumers because of their wider range of additional services and flexibility in delivery.

✓ The number of hybrid mail items registered a growth of 25.3% which is related to the conclusion of new contracts for performance of this service;

✓ The number of carried items representing direct mail advertising dropped significantly by 24.5% which confirmed the negative development trend in this service;

✓ Postal money orders registered a growth of 3.4% which is due to the higher number of cash-on-delivery PMO in on-line shopping.

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

Table 7 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 7**

Operators in the non-UPS segment	Market share (based on revenue)		
	2017	2018	2019
Econt Express EOOD	27.6%	23.6%	29.8%
Speedy AD	21.6%	33.2%	29.3%
DHL Express Bulgaria EOOD	14.3%	9.0%	7.5%
Bulgarian Posts EAD	2.8%	1.6%	2.8%
All others	33.7%	32.7%	30.5%

*Source: Data submitted to CRC*

Although the share of BP in the segment increased by 1.2 percentage points in 2019, it remained below 3%. At the same time, the three operators with the largest market shares in 2019 accounted for 66.6% of this market segment.

As regards the PMO service, in 2019, the highest share (55%) in the revenue was held by Econt Express EOOD, followed by BP (21%), and Speedy AD (17%). The remaining market share (7%) in the revenue from PMO was made up by the other operators that were active during the year. The revenue of BP from the provision of PMO was down in absolute terms by 12.3%, which also resulted in reduction in its relative share of the total revenue from PMO (by 4.8 percentage points). Over a one-year period, it was mainly Speedy AD that reported an increase in absolute terms (by 97.8%) in revenue from PMO.

<sup>6</sup>The two largest postal operators, Speedy AD and Econt Express EOOD

CRC's regulatory intervention as regards the services under Article 38, points 1, 2 and 3 of the PSA, is directed to 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, Para.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>7</sup> The values of both indicators (HHI – 1,925 and CR3 – 66.6%) in 2019 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 directed to complying with the license requirements in terms of postal security, consumer rights' protection and control over compliance with the obligations arising from the Measures Against Money Laundering Act (MAMLA). The service is provided in a poorly competitive environment with high level of concentration (the HHI value was 3,784 and that of CR3 was 92.9%).

#### **4. Development of technologies in the provision of postal services**

The growth of e-commerce stimulates the application of various business solutions by postal operators to meet consumer requirements at European level.

##### **4.1. Combination of services**

The use of digital technologies in the delivery of postal parcels is driven by the mobility of consumers who want lower prices, greater convenience in purchasing goods, trouble-free receipt and return of goods. These requirements encourage postal operators to apply combinations of technologies and strategies. Most operators use data analysis to help them react quickly to and predict their customers' future needs. The key drivers in this area are mobile technology and IT solutions.

On the Bulgarian postal market, the models used in this field involve the application of some of the following services:

- Possibility to determine the period of delivery to the customer;
- Same day delivery;
- Flexible discount policy for the preparation of a large number of shipments;
- Review, test and select service;
- Management of shipments;
- On-line courier order;
- Tariff calculator;
- Weekend service, etc.

A key factor in realising the available potential of the leading postal companies in Bulgaria is to offer the most cost-effective logistics solutions for customers compared to other transport alternatives.

##### **4.2. Delivery options**

The decisions taken in this regard come down to dynamic route optimisation, faster and flexible delivery. The main problems are that delivery "to the customer's door" is the most

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<sup>7</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.



expensive element of the supply chain. A significantly more cost-effective way for postal operators is to transport parcels to an access point of the respective company.

On the other hand, consumers want to have more control over the entire delivery process, which includes real-time tracking, the possibility of re-routing, and sometimes delivery on the same day.

A good solution in this respect are the so-called "automated postal stations" or "parcel lockers", which allow users 24/7 access to their shipments, and enable them to both send and receive items.

In our country, only two companies offer services through automated postal stations - Speedy AD, which have 62 stations, and Econt Express EOOD with 39 stations.

In a competitive work environment, postal operators must focus on the recipient, taking into account three factors: control of delivery, flexible solutions for access points, and delivery times.

#### **4.3. Improvement of postal services**

Postal operators have been trying to improve their services using a variety of solutions ranging from the simplest and well-known SMS notification to automated software solutions.

SMS notification is a quick way for consumers to be informed when and where they will be able to receive their shipment or to be informed that their shipment has reached its recipient. Today, this notification is a little outdated and is increasingly being replaced by mobile applications or automated applications on postal operators' websites.

Most postal operators in Bulgaria (e.g., Speedy AD, Econt Express EOOD, Bulgarian Posts EAD, DHL Express Bulgaria EOOD, TNT Bulgaria EOOD) have put in practice notification to customers by SMS, Viber or an e-mail, informing them about the courier who will deliver the item, shipment number, delivery day, delivery time range and/or access point from which the item may be picked up, while others place a sticker at the recipient's address informing them that there is a shipment in the operator's postal office.

Some of the leading postal companies on the Bulgarian market offer their customers the opportunity to provide a feedback on the quality of service received by completing a short survey and sending it as a message.

#### **4.4. Tracking of items**

E-commerce encourages postal operators to invest in infrastructure and tracking software to meet consumer needs and increase their market share. The software developers aim to enable users to trace their shipment from the moment it is placed in the letterbox or hand it over to the access point of the postal operator concerned. These applications are also actively used by e-shops themselves, giving them information on whether the ordered goods have reached their customers, which is extremely useful both for the quality of service and for facilitating the complaint resolution process.

Postal operators with well-established market positions on the Bulgarian market not only offer the shipment tracking service on their websites by entering the waybill number, but also offer a number of other techniques to facilitate consumers and e-traders.

For example, TNT Bulgaria EOOD offers a database service with the names and addresses of the clients of a business, and Tip Top Courier AD offers the address database update service, which allows for a more organised and simplified process of sending a large number of shipments from a given counterparty.

Postal operators working with e-shops have created dedicated software interfaces on their websites, with detailed instructions to e-traders for integration between the operator and the trader. These interfaces may be used to automatically generate waybills, manage shipments, generate e-mails for shipment sent and/or delivered, create and prepare shipments in advance, print labels, etc. (E-Econt, my Speedy, my TNT open).

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

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

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

- acceptance, carrying and delivery of internal and international items; items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg; items for blind and partially sighted persons up to 7 kg; domestic and international postal parcels up to 20 kg;
- additional “registered” and “declared value” services.

In the Public Register<sup>8</sup> of Operators are registered postal operators licensed to perform the services under Art. 39, points 1 and 2<sup>9</sup> of the PSA. As at 31.12.2019, a total of 13 UPS providers were entered in this Register, with 7 of them actually providing the service during the year:<sup>10</sup>

**Table 8**

Licensed providers		Services provided
1	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
2	Econt Express EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
3	Tip-Top Courier AD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
4	M&BM Express OOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
5	Star Post OOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
6	Terra Post Services EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
7	Speedy AD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
8	Fasto Courier EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
9	Tavex EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1), points 2 and 4 PSA*
10	Toyota Tixim EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
11	A1 Trade EOOD	services within the scope of UPS pursuant to Art. 36b(1),a in connection with Art. 34(1), points 1 and 4 PSA**
12	Arii EOOD	acceptance, transport and delivery of postal parcels and services pursuant to Art. 34 (1) PSA
13	GT Logistics OOD	acceptance, transport and delivery of postal parcels and services pursuant to Art. 34(1) 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>8</sup>[http://crc.bg:8080/ords/f?p=923:210:1436129754163835::NO::P210\\_ADV,P210\\_REGION\\_CONTROL,P210\\_X:0.0\\_1](http://crc.bg:8080/ords/f?p=923:210:1436129754163835::NO::P210_ADV,P210_REGION_CONTROL,P210_X:0.0_1)

<sup>9</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.

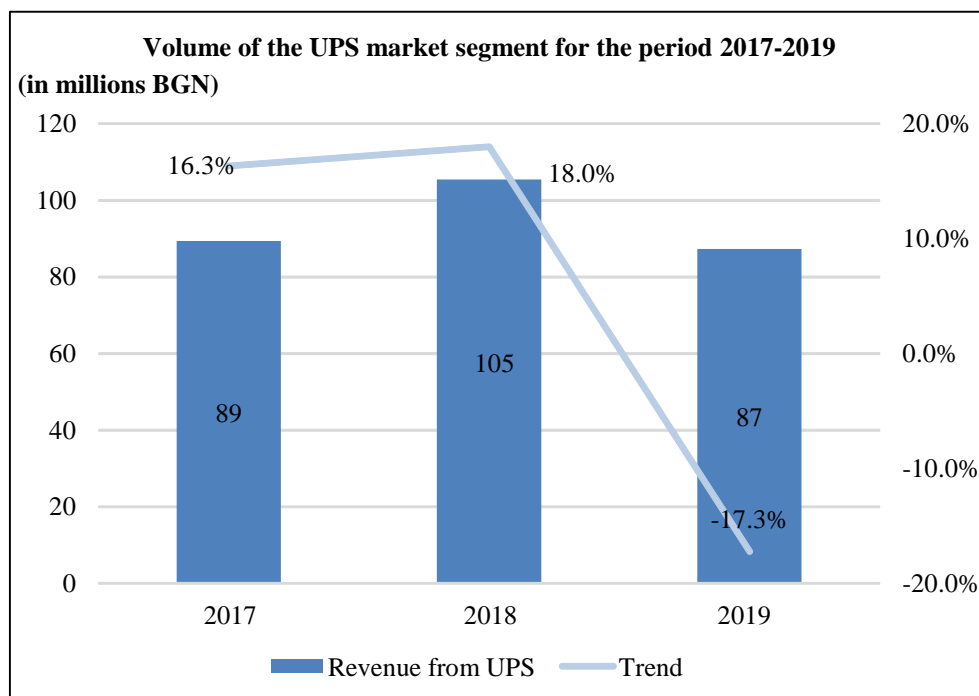
<sup>10</sup> Terra Post Services EOOD, Toyota Tixim EOOD, Fasto Courier EOOD, A1 Trade EOOD, Arii EOOD, and GT Logistics OOD declared that they have not operated in 2019 in accordance with the individual licenses issued to them.

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 postal services included within the scope of UPS. Postal operators licensed by CRC offer services within the scope of UPS to the consumers voluntarily and on their commercial initiative, as Art. 32 and Art. 33, as well as the rules under Art. 66 of the PSA, do not apply to their provision.

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

In 2019, the volume of the non-UPS market segment amounted to BGN 87 million, with a decline of 17.3% compared to 2018.

The figure below shows the dynamics in revenue from services included in the segment over a three-year period.



**Figure 6**

*Source: Data submitted to CRC*

The decline of revenue in the UPS segment compared to 2018 is mainly due to the reported fall in UPS consumption by Econt Express EOOD and Speedy AD. In their annual reports for 2019, they indicated that the inclusion of VAT<sup>11</sup> in the final price of UPS services has made their prices equal to those of courier services. As a result, a decrease in the consumption of UPS services over courier services was recorded.

<sup>11</sup> Both within the meaning of Directive 97/67/EC and within the meaning of the PSA, the only supplier eligible for VAT exemption is Bulgarian Posts EAD. The obligation to provide UPS is imposed by §70 of the draft amendment and supplement to the PSA (prom. SG, no. 102 of 2010, in effect from 30.12.2010), as the recent amendments introduced to the PSA to distinguish more clearly the categories of postal service providers do not change this (SG, no. 53 of 2019). The decision to exempt the UPS from VAT was made at European level by Directive 2006/112/EC.

**Table 9**

UPS	Revenue (in millions BGN)		
	2017	2018	2019
<b>Domestic postal items from UPS</b>	<b>62.4</b>	<b>77.8</b>	<b>59.7</b>
1. Items of correspondence up to 2 kg	15.5	17.3	13.6
2. Small packets up to 2 kg	0.2	0.1	1.1
3. Printed matters up to 5 kg	0.4	0.4	0.1
4. Items for blind and partially sighted persons up to 7 kg	0.0	0.0	0.0
5. Postal parcels up to 20 kg	46.3	60.0	44.9
<b>International postal items from UPS</b>	<b>26.9</b>	<b>27.6</b>	<b>27.5</b>
1. Priority and non-priority postal items	23.4	24.0	23.5
2. International postal parcels up to 31.5 kg	3.5	3.6	3.9
<b>TOTAL</b>	<b>89.3</b>	<b>105.4</b>	<b>87.2</b>

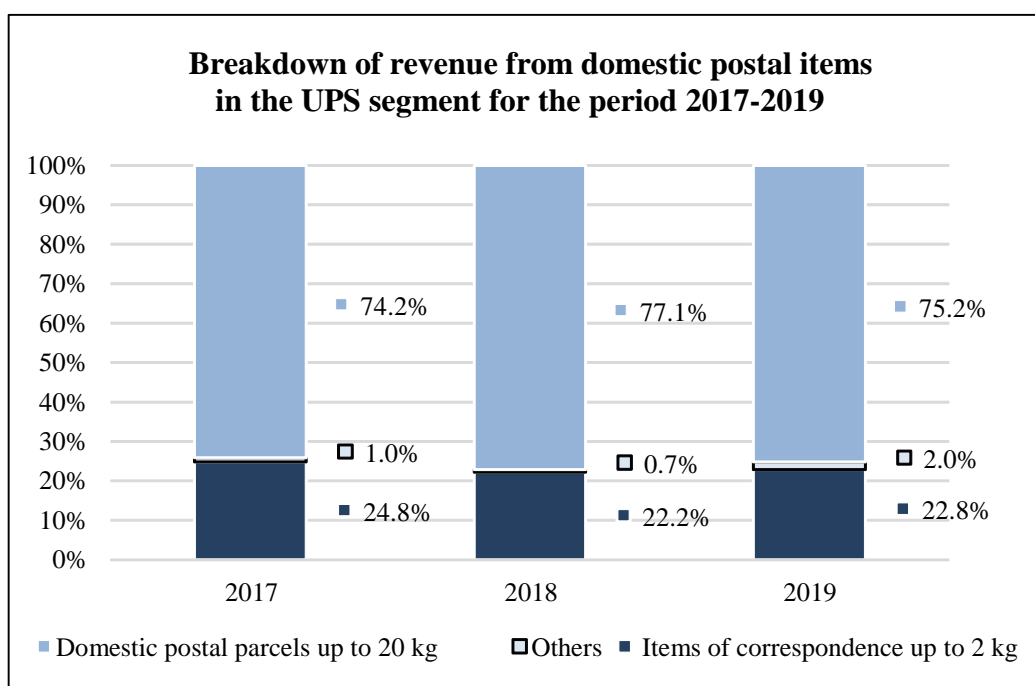
*Source: Data submitted to CRC*

Compared to the year before, the following changes in the revenue from services provided in the UPS market segment were observed in 2019:

- ✓ A growth (approximately 8 times) was recorded in the revenue from domestic small packets up to 2 kg. The rise is due both to the increased consumer demand for these items and to the change in their prices.
- ✓ A growth of 8.7% was observed in the revenue from international postal parcels up to 31.5 kg as a result of increased consumer demand;
- ✓ A fall of 25.1% in the revenue from domestic postal parcels up to 20 kg due to lower revenue generated from these services by the alternative UPS postal operators as a result of their substitution by courier services;
- ✓ A fall in the revenue from printed matters up to 5 kg (a significant reduction of around 80%) due to a lack of consumer demand;
- ✓ A 21.1% reduction in the revenue from items of correspondence up to 2 kg, related to the reduced consumption of this type of service and its replacement by electronic communications services. The revenue from priority and non-priority international postal items dropped insignificantly by 1.8 % compared to 2018.

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

Figure 7 below presents the structure of revenue generated by types of postal items within the domestic UPS market segment for the period 2017-2019.



**Figure 7**

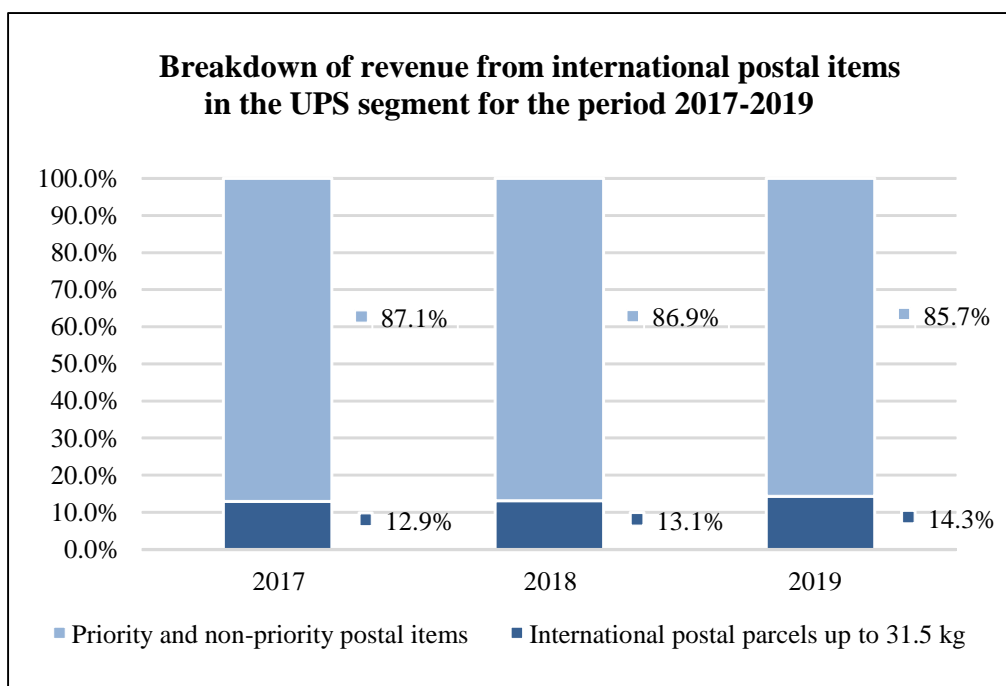
*Source: Data submitted to CRC*

The figure shows that the structure of the segment remained relatively constant over the period in question. Despite the slight decline in relative terms (nearly 2 percentage points), the share of revenue from postal parcels retained its leading position at 75.2%. The second place is held by items of correspondence up to 2 kg, which account for 22.8 % of the total revenue in the segment.

A slight increase in relative terms (by 1.3 percentage points) was observed in the group of services shown in the "Others" section, which includes: small packets up to 2 kg, printed matters up to 7 kg, and items for blind and partially sighted persons up to 7 kg. The growth is due to the increased consumption of small packets up to 2 kg.

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

The Figure below displays the breakdown of revenue generated from international postal items in the UPS segment for the period 2017 - 2019.

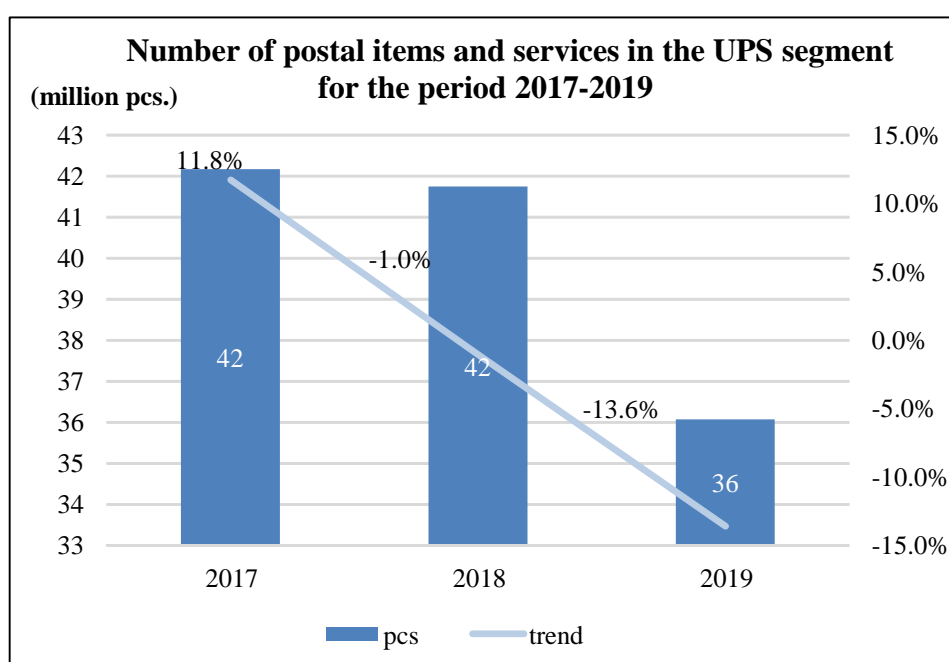


**Figure 8**

*Source: Data submitted to CRC*

As is evident from Figure 8, for the period 2017-2019, the ratio between the share of international priority and non-priority postal items and postal parcels up to 31.5 kg remained relatively steady. 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 85.7% in 2019. 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.

In 2019, the volume of the UPS market segment, expressed by the “number of items” indicator, amounted to 36 million pcs, registering a decline of 13.6% compared to 2018 (Figure 9).



**Figure 9**

*Source: Data submitted to CRC*

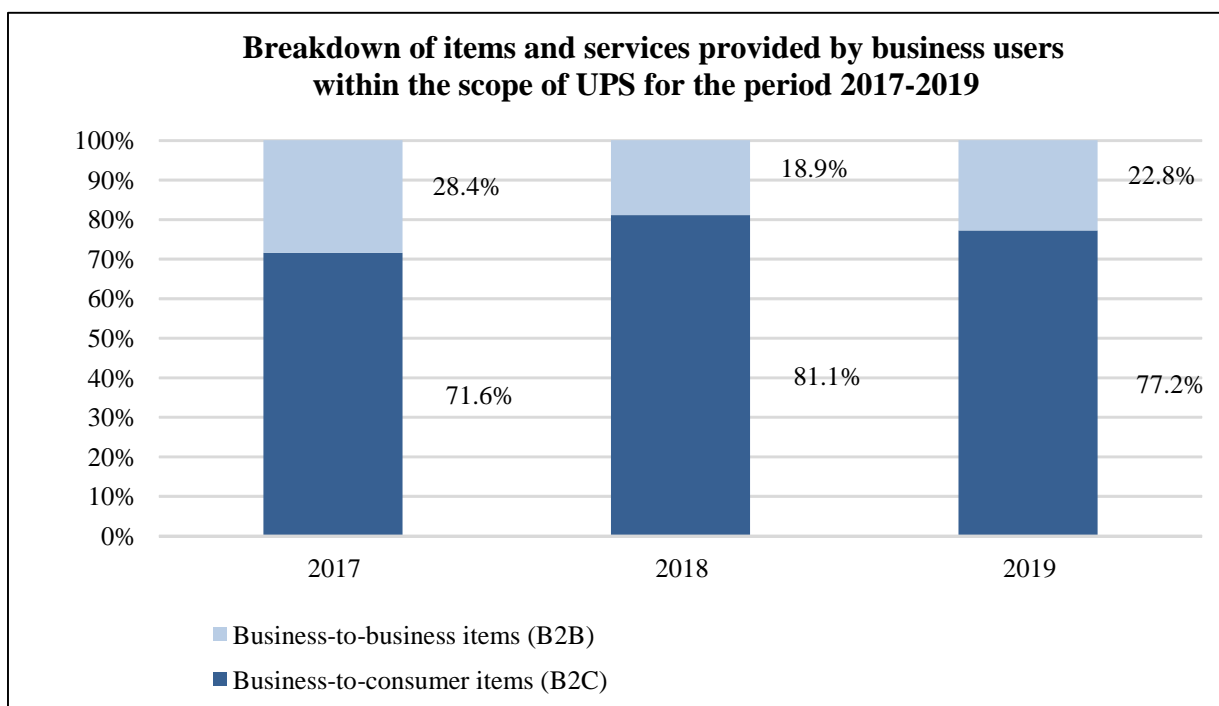
The decline in the number of parcels sent in the segment compared to 2018 is due to the reduced consumption of the “domestic postal parcels up to 20 kg” service provided by alternative licensed postal operators.

In 2019, compared to 2018, the number of postal parcels up to 20 kg decreased in absolute terms by 23.9%, down to 11.4 million, of which 210 thousand pcs were reported by BP.

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

In recent years, 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 10 shows the breakdown of items sent by business users in the UPS segment.



**Figure 10**

*Source: Data submitted to CRC*

As is shown in the figure, in the 2017-2019 period, the relative share of B2C services provided remained higher than the share of services provided by business users and targeted at other business users. According to data submitted by the licensed operators, in 2019, the number of e-traders to which they provided UPS services remained relatively steady. For the most part, e-traders' products were directed to private customers.

Based on the data submitted to CRC, in 2019, 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 up to 2 kg, small packets up to 2 kg, postal parcels up to 20 kg, 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 EOOD 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 EOOD 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 up to 2 kg.

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

In 2019, as in the previous two years, the main competitors in the UPS market segment were BP and Econt Express EOOD.

**Table 10**

Operators in the UPS segment	Market share (based on revenue)		
	2017	2018	2019
Econt Express EOOD	48.6%	53.1%	48.5%
Bulgarian Posts EAD	46.8%	40.2%	48.1%
M&BM Express OOD	1.8%	2.1%	1.5%
Speedy AD	2.5%	4.0%	1.4%
All others	0.3%	0.5%	0.5%

*Source: Data submitted to CRC*

As shown in the table, unlike the previous two years, in 2019, compared to 2018, the market share of the UPS segment increased to reach 48.5%. The increase in relative terms was by 7.9 percentage points. As a result, for 2019, there was an equalisation of the market positions of the two main competitors in the segment.

The market share of M&BM Express OOD shows a slight decrease, and the share of Speedy AD fell in relative terms by 2.6 percentage points over a one-year period.

BP continued to be a leader in the UPS segment: it reported 90% of all revenue generated in the country from items of correspondence up to 2 kg; 99% of all revenue from small packets up to 2 kg; and 97% of all revenue from printed matters up to 7 kg. In addition, nearly 98% of the revenue from international postal items were formed by the incumbent operator BP.

Econt Express EOOD held the largest share in the provision of domestic postal parcels up to 20 kg - 93.8% of all revenue reported from this service for the country.

The competition assessment in 2019, calculated through the HHI index and the concentration ratio (HHI - 4,671 and CR3 – 98.0%), defined the UPS market segment as poorly competitive with high level of concentration. To calculate the CR3 value, the market shares of the first three operators were used.

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

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

##### 5.1. Provision of UPS on the entire territory of the country

According to the imposed obligation, UPS is ensured by the incumbent operator BP 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>12</sup> (List).

To inspect the fulfilment of the obligation to provide UPS on every working day, “at least five days a week”, as well as for “at least one collection” of postal items on every working day, in 2019, the control bodies of CRC carried out inspections in a certain sample<sup>13</sup> of 52 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.

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, Para.1, point12 of the PSA. The number and location of access points are determined based on Standards<sup>14</sup> in order to match the users’ needs in terms of number and density.

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

As at 31.12.2019, based on data submitted by the operator, the number of the company's post offices was 2,978. Of them, 638 were located in urban areas, and 2,340 were located in rural areas. Out of the post offices in rural areas, 269 were located in settlements with population of less than 150 residents, 1,313 were in settlements with population of over 150 and below 800 residents, and 758 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.

There are 4,625 letterboxes for collection of unregistered items of correspondence in use. For the country, the average population serviced by one post office is 1,602 residents.

The postal network of BP remains the largest and covers the territory of the whole country. 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.

During the reporting period, proposals from BP were submitted for changes to the List of settlements and settlement formations located in difficult-to-access areas (the List). As a result, CRC has taken decisions to endorse the adding of 15 settlements to the List and to coordinate amendments to the List consisting of a change in the number of working days in which the UPS is made available in 37 settlements.

In 2019, BP submitted to CRC proposals to change the number and location of access points to its postal network. As a result, CRC issued decisions approving the closure of the following post offices: 2041 Kostenets Villas, 8124 Burgas Mineral Baths, 8104 Neftohim Burgas, Exchange Post Office at the Customs Office 1250 Sofia, 1540 Sofia, 2671 Bobov dol, and 8901 Nova Zagora.

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 continued to update its postal network. In this regard, CRC, in a draft<sup>15</sup> decree amending and supplementing the standards for determining the density of points access to the postal network of the incumbent postal operator,

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<sup>12</sup> The List was adopted by CRC Decision No 606/23.06.2011

<sup>13</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 2018.

<sup>14</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

<sup>15</sup> With Decree No 15 of 09.01.2020, CRC adopted a draft decree amending and supplementing the standards for determining the density of access points to the postal network of the operator obligated to perform the universal postal service, so as to meet the consumer needs in terms of number and density.

provides for a requirement for the postal operator to draw up a three-year strategy, containing a plan of the access points to its postal network. The draft strategy will be put to public consultation in advance and will also be placed in a visible spot at the post offices concerned; the postal operator will inform the users and the mayors of the municipalities where the post offices concerned are located about the planned changes.

## **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.<sup>16</sup> 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.

Article 6 of Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services requires national regulatory authorities to carry out an annual evaluation, in line with the principles of Article 12 of the Postal Directive, of cross-border single piece parcel tariffs that are subject to the obligation to perform UPS.

In application of Article 6 of the Regulation, CRC assessed for the first time in 2019 whether the prices of BP for six services<sup>17</sup> (a 500 g registered letter; a 1 kg registered letter; a 2 kg registered letter; a 1 kg postal parcel; a 2 kg postal parcel and a 5 kg postal parcel) are unreasonably high.

For the purposes of the assessment, the elements defined in Article 6(2) of the Regulation were analysed.

The conclusion of the assessment is that the prices quoted for the six services cover each of the elements referred to in Article 6, Para.2 of the Regulation and CRC has no reason to believe that they are unreasonably high. Subject to the requirements of the Regulation, the Commission's assessment was sent to the EC in a timely manner.

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>18</sup> the Methodology for determination of the affordability of the universal postal service price<sup>19</sup> and Article 66, Para.2 of the PSA.

In the past year, the Commission has actively supported the work of the inter-departmental working group<sup>20</sup> set up with the task of preparing a draft amendment and supplement to the PSA. Proposals aimed at simplifying the requirements of Article 66, Para.2 of the PSA were given in the part concerning the UPS price formation by CRC. The Commission proposals were included in the draft amendment and supplement to the PSA (prom. SG, no. 53 of 5 July 2019).

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<sup>16</sup> Directive 97/67/EC

<sup>17</sup> The services have been designated for assessment by CRC in the EC's PARCEL application

<sup>18</sup> Prom. SG, no. 70 of 9 September 2011

<sup>19</sup> Prom. SG, no. 70 of 9 September 2011

<sup>20</sup> With representatives of the Ministry of Transport, Information Technology and Communications (MTITC), CRC and BP

Following the amendment to the PSA, BP submitted to CRC a proposal pursuant to which the prices of the following UPS services were changed: domestic and international priority/non-priority letter mail, P, G and E<sup>21</sup> format, and additional universal service international “registered mail”.

### **5.3. Assessment for the presence of unfair financial burden incurred by the provision of the universal postal service**

The UPS is provided by the incumbent operator under conditions that are different from the normal commercial ones. Since it is a service of economic interest, Article 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 2019, BP submitted to CRC an application for compensation of the net cost and the unfair financial burden of providing the service in 2018, in accordance with the provision of Article 29a of the PSA. The amount of the requested compensation for the provision of UPS in 2018 grew by 5.5% compared to that for 2017, which, according to BP, is due to an increase in the net costs resulting from an increase in the costs for personnel, maintenance of the company's outdated stock of buildings and vehicle fleet.

In compliance with its powers under Article 29a. Para.4 and Para.5 of the PSA, CRC conducted a procedure for the award<sup>22</sup> of a public procurement with subject: “Inspection of the implementation of the cost allocation system of Bulgarian Posts EAD and audit of the submitted documents related to the calculation of net costs from the provision of the universal postal service for 2018”. Based on the factual findings from the performed audit, CRC adopted the following decisions:

- Decision No 368 of 10.10.2019 on coordination of the results obtained from the cost allocation system by types of services of BP;
- Decision No 367 of 10.10.2019 concerning the total amount of net costs incurred by the provision of the universal postal service and the presence of unfair financial burden for BP for the provision of UPS in 2018.

According to the auditor's assessment, the total amount of net costs for the provision of UPS for 2018, after adjustment by the cash equivalent of the intangible benefits and the incentives for cost efficiency, amounted to BGN 24,781 thousand.

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

On the basis of the audit report and the analysis carried out, CRC set the net costs of performing UPS in 2018 at BGN 24,781, which represent an unfair financial burden from the universal service provision for 2018. In compliance with Article 29a, Para7, the Commission extended to the Minister of Transport, Information Technology and Communications a proposal to include the amount of compensation for the unfair financial burden in the draft Law on the State Budget of the Republic of Bulgaria for 2020.

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 2019, 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

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<sup>21</sup> The formats are defined in Article 17.5 of the Universal Postal Convention

<sup>22</sup> The implementation of the public procurement was awarded by CRC to KPMG Audit OOD – by Contract No 03-08-24/17.06.2019.

within which the auditor's recommendations will be fulfilled in implementation of the System and in calculating the net costs for 2019. In reply, the operator committed to fulfil the given recommendations by carrying out an analysis of the opportunity for their application in the calculation of the net costs for the provision of UPS for 2019.

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

In accordance with the provisions of Art. 15, Para.1, point7 of the PSA, CRC conducted a procedure for selection of a contractor to a public procurement with subject: 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 2019. Due to the lack of tender bids, by its Decision No 427 of 19.10.2018, CRC terminated the public procurement award procedure, and the fulfilment of the UPS quality targets and the efficiency of service were not measured by an independent organisation in 2019.

On 19.04.2019, an expert-level meeting was held between representatives of BP, CRC and PricewaterhouseCoopers Bulgaria EOOD<sup>23</sup> to discuss the results of the measurement of UPS quality and service efficiency in 2018. As a result, in a letter addressed to BP, CRC requested that steps be taken to carry out an analysis to discuss and take into account the recommendations set out in the letter as well as any other relevant actions to improve the UPS quality results and service efficiency.

In response, BP indicated that the following actions would be taken:

- ✓ Organisation of inspections on the frequency of letterbox collection;
- ✓ Organisation and control will be introduced to the exchange and sorting centres and the processing units to ensure the timely dispatch of postal items;
- ✓ Inspections will be carried out in post offices on the timely processing and sorting for delivery of the items received. A working group was set up in the BP's head office in order to carry out effective inspections on the timely processing and dispatch of parcels and delivery of invitations on the day of receipt at the post office.

CRC, through its control bodies, has carried out an inspection on the implementation of the above actions (Statement of Findings No C-AM-126/04.12.2019), which found the following:

- ✓ Reports of inspections carried out on the frequency of collection of postal items from letterboxes were presented - 10 pcs. Collection of postal items from letterboxes takes place on schedules approved by the Heads of the district post offices and the directors of the regional offices; the inspection of letterboxes in district capital cities is carried out by specialised software, in accordance with a dedicated Instructions for organisation of the work with System for control of the collection of unregistered items of correspondence from BP's letterboxes;

- ✓ An organisation has been established to document the remaining unprocessed mail;
- ✓ Technological inspections are carried out in the Company's divisions by the Internal Control Directorate of BP;

- ✓ BP's business plan for 2020 envisages a public procurement with subject: "Development and implementation of an 'end-to-end transit time measurement system' for single piece postal items within the Bulgarian Posts EAD network and automated control of letterbox collections".

#### **Measurements performed within the European Union – the UNEX system.**

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 2019, the system covered in its measurements postal operators obliged to provide UPS from all EU member states. 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

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<sup>23</sup> PricewaterhouseCoopers Bulgaria EOOD is a contractor under Contract No 3-08-80/15.12.2017 for measurement of the fulfilment of UPS quality targets in 2018.

carried out in line with the requirements of Standard EN 13850:2012. The so obtained results are official for all operators from the EU member states and serve as a basis for estimates between them. They are accessible at the following address: <https://www.ipc.be/services/operational-performance-services/unex/results>.

## 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 on the postal security requirements<sup>24</sup> (Ordinance No 6) specifies the actions that must be taken by postal operators concerning:

- security and protection of postal items and cash from outsiders 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, postal seals and date stamps, postage forms and documents, etc.;
- prevention of money laundering and terrorist financing.

By Ordinance No 6, the competent state authorities<sup>25</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>26</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). According to the standard set forth in Article 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 2019, a total of 32 AOAs<sup>27</sup> were drawn up for violations found concerning non-compliance with Art. 10, Para.2 and Para.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 Article 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 postal items. The above rules are agreed with the competent authorities of the Ministry of Interior (MoI) and SANS.

In the questionnaires on the provision of postal services, the leading courier companies and operators licensed to perform services within the scope of UPS have specified the preventive measures that they take most often in order to prevent the admission of forbidden objects and substances into the postal network. The measures are: carrying out of technical inspection of domestic postal items and cargo using their own technical devices and software or under contract

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<sup>24</sup> Prom. SG, no. 90 of 15.11.2011, amended and supplemented, SG, no. 78 of 4 October 2019

<sup>25</sup> Article 22 of Ordinance No 6

<sup>26</sup> In accordance with the terms and conditions of the issued individual license, and with relation to Article 102 and §6 of the Transitional and Final Provisions of the MAMLA.

<sup>27</sup> Administrative offence act



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.

The most common objects and substances that operators forbid to be placed in the postal items are: narcotic substances, weapons and ammunition; precursors and their analogues; 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 2019, 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 200 inspections, of which:

- 111 inspections in connection with tips submitted to CRC, most of them being over undelivered postal items or over problems in the delivery;
- 66 inspections of BP, of which:
  - 52 inspections related to compliance with the obligation to provide UPS on all working days of the week (Article 33 of the PSA), as well as for "at least one collection" and "one delivery" of postal items on every working day, with the exception of settlements that meet the difficult-to-access criteria, from access points to the BP network - no violations were detected during the inspections;
  - 14 inspections for compliance with Ordinance No 6 on the postal security requirements in post offices (POs) of BP - 32 AOAs were drawn up for violations found concerning non-compliance with Article 10, Para2 and Para.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.
- 10 inspections of Star Post OOD and one inspection at an office of M&BM Express OOD on the provision of services within the scope of UPS - 3 AOAs were drawn up for violations found.
- 13 inspections of postal operators who have not submitted any activity report for 2018 to CRC - 7 AOAs was drawn up for ascertained violations.

In 2019, 3 AOAs were drawn up against BP for non-fulfilment of the UPS quality targets and service efficiency.

Forty-eight penal decrees (PDs) were issued for breaches of the postal legislation controlled by CRC. By reviewing the issued PDs, it may be concluded that 90% of them (42 PDs) were issued with regard to ascertained violations of the postal security requirements pursuant to Ordinance No 6 of 01.11.2011 on 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). With the exception of two PDs (against Evropat 2000 AD), the postal security breaches were committed by BP. The remaining PDs were issued as follows: two PDs against Star Post OOD, one for sending items without date stamps or other information about the date, the other for violating the confidentiality of correspondence, one PD against M&BM Express OOD

for failure to ensure unequal treatment of the consumers (natural and legal persons) of postal services within the scope of UPS, when accepting postal items, one PD against BP for non-delivery of a postal item to its recipient (delivered to a third party without legal basis) and two PDs against BP for violation of the UPS quality targets and service efficiency.

In the reporting period, CRC passed judgements by two decisions on formal requests for the Commission's opinion on a rejected complaint under Article 86(4), in connection with Article 15(1)(17) of the PSA:

**Decision No 51/24.01.2019** on a complaint filed against Speedy AD.

A shipment from England was sent and lost. No additional services were requested, including "Declared value". A compensation under the General Terms & Conditions (GTC) was determined for lost item and the price paid for the service was reimbursed. The complainant claims the damage actually suffered (the value of the item contained in the shipment) as well as non-material damage. With its abovementioned decision, CRC ruled that Speedy AD had calculated the compensation under its GTS and the PSA, and it had reimbursed the price of the service paid. The payment of compensation, according to the operator's GTC, does not preclude the possibility of seeking compensation under the general procedure.

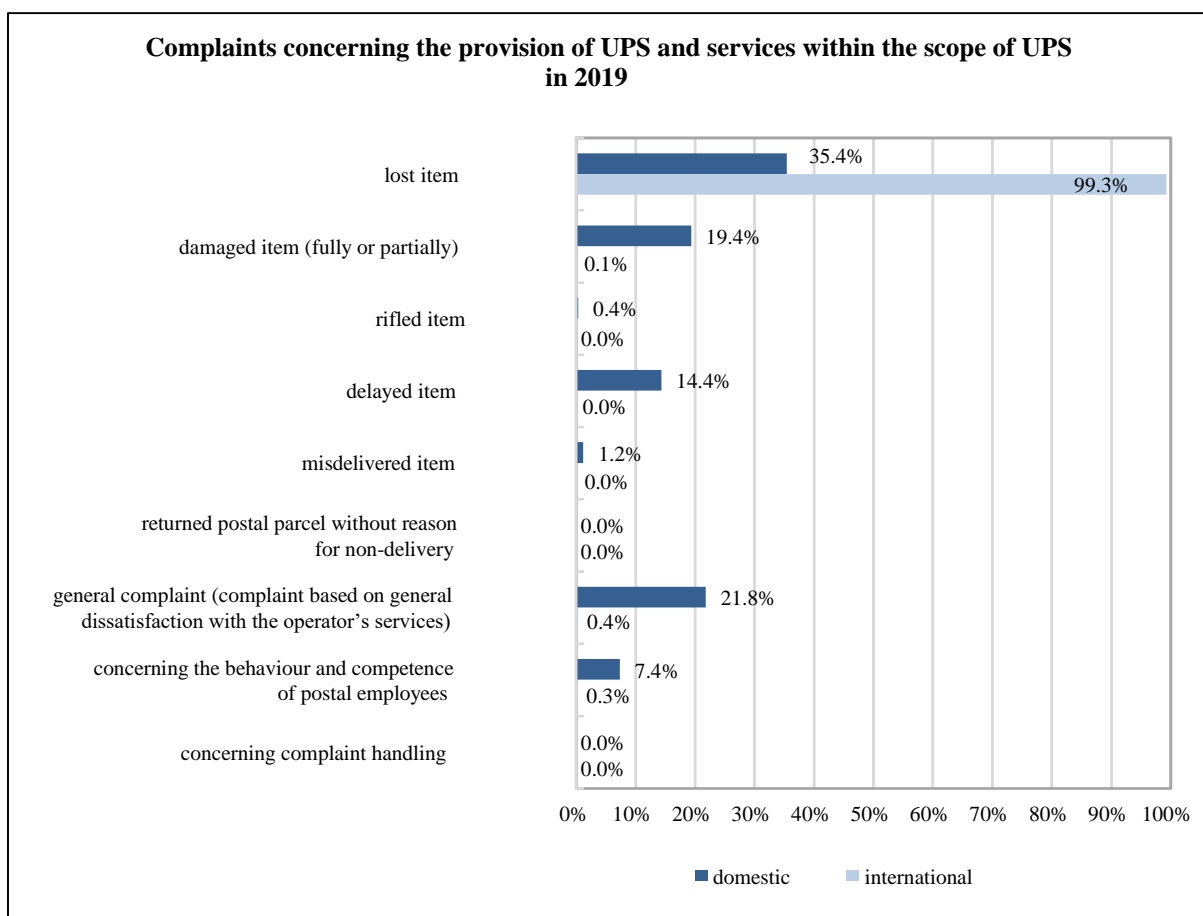
**Decision No 67/07.02.2019** on a complaint filed against Speedy AD.

The subject matter of the dispute is the complaint filed against Speedy AD relating to the absence of specific information on the delivery of an international postal item sent by the complainant. CRC ruled that Speedy AD should reconsider the complaint by making the necessary arrangements to locate the item. Following the ruling, Speedy AD informed CRC that it would pay the appropriate compensation to the complainant and, if it locates the item, would deliver it according to the instructions given by the said person.

According to data obtained from the annual questionnaires on postal operators' activities, a total of 60,141 complaints were submitted in 2019, representing an increase of 29.5% compared to 2018. The number of complaints found to be justified was 25,587, up by 3.7% compared to 2018.

In 2019, 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 41,821 complaints over postal items were submitted, of which 16,143 were found to be justified. Over a one-year period, the total number of submitted complaints rose by 47.8%, and the number of justified complaints grew by 32%.

The figure below presents data on the number and breakdown of justified complaints concerning domestic and international items according to their cause, for 2019.



**Figure 11**

*Source: Data submitted to CRC*

In 2019, as in 2018, tips 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 located by the foreign postal administrations. Subsequently, these administrations consented to the payment of compensations to the recipients. The share of such complaints was 35.4% for domestic and 99.3% for international items.

The number of complaints considered justified in 2019, compared to 2018, was up by 32%. Over a one-year period, the number of complaints settled by payment of compensation increased by 46.3%, which also resulted in a more than doubled increase in the amount of compensations paid (BGN 732 thousand).

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, registered a decrease compared to 2018. Also, the number of complaints over general dissatisfaction with the operator's services decreased by 83.5%, and the number of complaints over the behaviour and competence of postal employees dropped by 41.2%.

In 2019, as in 2018, the highest number of complaints filed over domestic items was reported by Econt Express EOOD and BP.



In 2019, 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.

CRC carefully monitors and analyses the trends in the dynamics and causes of tips submitted against postal operators, as well as the reasons for filing complaints.

In 2019, the Commission considered a total of 526 tips submitted by postal services users. Detailed information about the tips submitted against postal operators, by months, is presented in the table below.

The total number of tips increased by 29.6% compared to 2018, which could be explained by the steady increase in on-line sales of goods and the possibilities to conclude distance contracts for using different services. Out of a total of 526 complaints submitted to CRC concerning various postal services, 228 were found to be justified.

**Table 11**

Month	Number of complaints filed, by operators				
	Speedy AD	BP	Econt Express EOOD	Other operators	Total
<b>1</b>	30	9	12	8	59
<b>2</b>	73	14	7	16	110
<b>3</b>	21	9	1	6	37
<b>4</b>	19	9	11	2	41
<b>5</b>	7	2	0	6	15
<b>6</b>	13	11	4	4	32
<b>7</b>	19	4	4	1	28
<b>8</b>	25	5	5	10	45
<b>9</b>	16	5	1	1	23
<b>10</b>	23	13	1	6	43
<b>11</b>	48	9	3	3	63
<b>12</b>	18	5	1	6	30
<b>Total</b>	<b>312</b>	<b>95</b>	<b>50</b>	<b>69</b>	<b>526</b>

*Source: Data submitted to CRC*

The analysis of handled complaints shows that around 70% of them concerned late delivery of postal items. They are followed by about 20% related to undelivered and lost items. The remaining tips were related to damaged items, while a small portion concerned various issues related to improper charging, quality of users' service, etc.

In 2019, some 59.3% of the tips 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 would 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 tips and complaints and inspections performed in connection with such complaints in the past year, CRC, in order to protect the interests of users, extended 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, which were adopted by the legislator.

## CONCLUSION

In its postal activities, CRC will continue to be guided by its strategic objective in the area: to ensure sustainable competitive development in the postal market by applying best regulatory practices.

In the past year, CRC launched meetings and discussions between the leading postal operators and the regulator. The problems identified outlined the Commission's action lines for close cooperation and dialogue on current issues in the sector. The ongoing dialogue with stakeholders in the sector will promote the cooperation between the business and the regulator toward the postal market development and will help increase the consumer satisfaction with postal services.

CRC will also continue its cooperation with all national and European bodies involved in the provision of postal services: the Commission for Consumer Protection, the Ministry of Transport, Information Technology and Communications, consumer and trade organisations, the Universal Postal Union, ERGP, etc.

The present report outlined the following main conclusions and trends in the development of the postal market in recent years:

1. The e-commerce growth is a main drive for the development of the postal services market;
2. The postal market will continue to develop dynamically;
3. There is a transition from the traditional model of a “sender-oriented” postal market to a “recipient-oriented” postal market.
4. 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);
5. Increased competition and year-on-year increase in the number of postal operators.

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

- Lower market share of the incumbent postal operator BP;
- 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;
- 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 items, e.g. offering the most favourable logistic solutions to clients.
- Enhanced role of postal operators in emergency situations in providing vital services to consumers;
- Increased investments in the creation of software interfaces to connect postal operators with e-traders;
- Reduction in the volumes and revenue in the UPS segment;
- A growth in the number and revenue from the postal money orders service.