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VII. REGULATION OF POSTAL SERVICES

The CRC regulatory and control powers in the postal services sector originate from the Postal Services Act, the Sector Postal Policy and Directives 97/67/EC and 2002/39/EC.

In 2004 the Commission continued its active work on the preparation of secondary legislation with the purpose of providing conditions for the universal postal service on the territory of the whole country, equality of the post operators and conditions for the competition on the post market.

According to the powers granted to it pursuant to Art. 15, Para. 4 of the Postal Services Act, a public consultation was held on the following projects of secondary legislation: methods of proving the deficit from the realization of the universal postal service under economically unprofitable conditions, Methods for determination of the affordability of the price of the universal postal service, Quality norms for the universal postal service and the efficiency of the service (Norms) and a draft for amendment of the Tariff of the fees collectable by CRC in compliance with the Postal Services Act and the Electronic Document and Electronic Signature Act (EDESA). Taking into account the submitted reports on the projects, the Norms were approved by a Resolution of the CRC, and both Methods – by the Council of Ministers' Decree.

With the elaboration of these documents the Commission has fulfilled its obligations on developing the secondary legislation in compliance with the provisions of Article 15, Paragraph 1 of the Postal Services Act. The above mentioned secondary legislation, as well as the Measures of CRC to preserve the privacy of the correspondence determined by a Resolution of the Council of Ministers determined by a Resolution of the Council of Ministers, are published on the Internet site of the CRC in compliance with Article 15, Paragraph 2 of the Postal Services Act. All the secondary legislation is published on the Internet, inclusive of their translation in English.

With the purpose of transparency, publicity and access to the activities of the Commission in the field of the postal services, also the annual report on the activities of CRC in the field of the postal services for 2003, the registers of the operators of Universal postal service and non-universal postal services, as well as the prepared models of application for the issuance of an individual license for rendering the universal postal service or part of it are published on its Internet site as well.

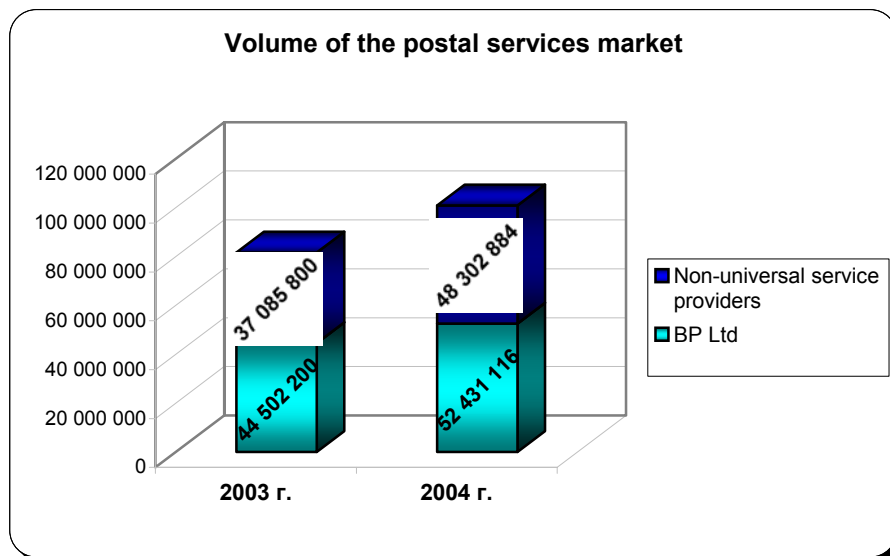
The operation of the Commission aimed simultaneously at the setting up the conditions for further liberalization of the postal market and for protection of the interests of the users.

In this respect the main efforts were made in the field of the control of the determined by CRC Measures for protection the privacy of the correspondence and the requirements of Ordinance No 6 for postal security.

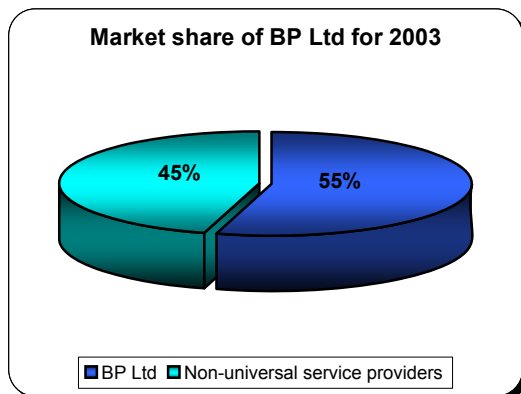
Most of the operators providing postal services, have developed in-house rules for protecting the privacy of the correspondence, by undertaking all the needed organizational and technical actions.

The accepted by CRC Norms on the quality of the universal postal service and the efficiency of serving aim at the guaranteeing such a quality to the consumers which is in compliance with the requirements of the post Directives 97/67/EO and 2002/39/EO of the European Parliament and the Council of the European Union for the provision of postal services to the unified market.

The study of the post market and the development of the competition were also among the significant aspects of the activities of the Commission. Throughout the year an annual analysis was made on the status of the market of the universal and non-universal postal services for 2003, the trends and the long-term perspectives. The analysis was made as an expert assessment on the basis of the supplied data on the activities of BULGARIAN POSTS PLC and almost 60% of the registered operators of non-universal postal services. In 2003 the market of the postal services (universal and non-universal) was assessed as almost 81 588 000 BGN, and the share of the main postal operator BULGARIAN POSTS PLC comprised 54,54% of this market. In 2004 the market of the postal services is assessed as 100 734 000 BGN, which is an increase of 23,47%, and the share of the BULGARIAN POSTS PLC has decreased to 52,04%. The decrease of the share of the main postal operator in spite of the increase in the volumes and the income from the universal postal services, is due to the more intensive growth of the market of the non-universal postal service and the decrease of the participation in it of BULGARIAN POSTS PLC.

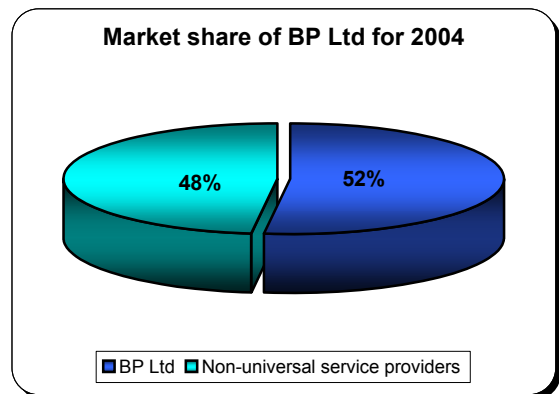


Source: Data submitted to CRC
Fig. 80



Source: Data submitted to CRC
CRC

Fig. 81



Source: Data submitted to

Fig. 82

In connection with the stimulation of the competition in the provision of postal services, a project was elaborated on the changes in the Fee tariff, collected by CRC in compliance with the Postal Services Act and the Electronic Document and Electronic Signature Act. The elaborated project is based on the formation of separate fees for the different kinds of services, and each fee shall be cost-oriented and shall be formed on the basis of the market principles.

Last year CRC continued to fulfill and apply efficient regulatory policy in the area of the postal services, and on some of its regular meetings adopted the following more important resolutions:

- determined measures for protecting the privacy of correspondence;
- adopted a draft version of the Methods of proving the deficit of the universal postal service provision under economically unprofitable conditions;
- adopted a draft version of the Methods for determination of the affordability of the universal postal service price;
- adopted a draft version of an Ordinance on determining the rules for the formation and the application of the prices for the universal postal services;
- determined the Norms for the quality of the universal postal services and the efficiency of serving;
- adopted a report on its activities in the field of the postal services;
- accepted criteria for approving the deficit from the implementation of the universal postal services under economically unfavorable conditions for 2005;

- adopted an expert report on the accounted deficit from the implementation of the universal postal services under economically unprofitable conditions for the third quarter of 2004;
- approved an individual license model for the implementation of a part of the universal postal service – money transfers;
- approved a model of the bar-code of BULGARIAN POSTS PLC for the international registered consignments and the international registered parcels;
- licensed FINANCE ENGINEERING AD for the execution of part of the universal postal service – money transfers;
- coordinated the prices of FINANCE ENGINEERING AD for part of the universal postal service – money transfers;
- gave instructions for the corrections in the General Conditions of the contract with the users of FINANCE ENGINEERING AD;
- registered 5 new operators for the provision of non-universal postal services;
- reflected the changes in the identification data of 7 registered operators;
- deleted the registration for the provision of non-universal postal services by ET “VASSIL VARBANOV”.

In compliance with the provisions of Article 77 Paragraph 3 of the Postal Services Act and item 4.4 of the Individual license for executing universal postal services, issued to BULGARIAN POSTS PLC, the largest part of the resolutions of CRC were connected with the regularly submitted proposals by the operator for approving or registering or deleting of prints from postmarks and office stamps, as well as coordination of changes in the network.

In the reviewed period CRC has approved and registered or deleted 2800 postal prints from office stamps, the opening of 2 and the closing of 10 post stations were coordinated and the closing of 4 post station was rejected in different territorial branches of the operator.

Each decision relating to the eventual changes in the network of BULGARIAN POSTS PLC was discussed in details so that the number and the distribution of the post offices satisfied the needs of the users to the maximum.

In 2004 the role of CRC as a mediator gained importance in the relations among the registered operators, the Main postal operator and the newly licensed operator for part of the universal postal service, as well as that of a kind of guarantor of their equality and of the protection of the interests of the users. The trust in the Commission on the side of the registered operators increased and throughout the year still more of them submitted data about their activities, lodged complaints and asked question to the regulator.

In 2004 there were 10 complaints lodged in the CRC from users and operators, concerning the use and the provision of postal services, and each complaint was inspected by experts of the Commission. The predominating motives are the incorrect provision of the service and entering into the reserved sector.

In connection with the performance of its control functions, CRC conducted 12 inspections in 2004 in 12 territorial departments of the main postal operator and 41 reports were elaborated on the provision of the universal postal service. In the reviewed period 25 operators were inspected, registered for the provision of non-universal postal service and 13 statements were drawn for the establishment of administrative violations.

The experts of the Commission have been keeping track of the activities of the European regulators in the field of the postal services and took part in the international PHARE project “Increasing the capacity of CRC in the field of the post regulation”.

The most significant international forum in the field of the postal services in 2004 was the 23-rd congress of the World post union. It took place in Bucharest from Sept. 15th to October 5th. The chairwoman of CRC Mrs. Gergana Sarbova and representatives of the Commission took active part in it as members of the Bulgarian delegation.

One of the most important resolutions of the congress was the adoption of the Bucharest world post strategy, which in the following four years will be determining for the governments, the post operators and the authorities of the WPU. The strategy includes the following five purposes:

- Universal postal service – increase of the territorial coverage and determining the service in the national legislation of each country - member;
- Quality of the service and efficiency of the post network – applying the world standard;

- High level of knowing the markets and still more complete satisfaction of the increasing needs of the clients;
- Postal reform and steady development – modernization of the structures and increase of the capacity;
- Collaboration and interaction among the interested countries.

Experts of CRC took part in the activities of working groups and plenary sessions of CERP. The presentations and the information shared in these forums, the discussions, the so called round table, the exchange of experience and getting acquainted with the best practices and the realities in the European countries, would be of great significance for the practical solving of problems, which other countries had already had to solve, as well as for the future accession of our country to the European union.

An example of the useful collaboration is the participation of experts of CRC in the work of the technical committee (TC) 80 “Electronic exchange of data in the administration, the trade and the services” of the Bulgarian Standardization Institute. With the purpose of harmonization of the Bulgarian standards with the European and the future accession of Bulgaria to the EU, 4 standards in the field of the postal services were developed as Bulgarian state standards in 2004 and 15 other were approved for application as BSS.

1. Provision of the universal postal service in 2004

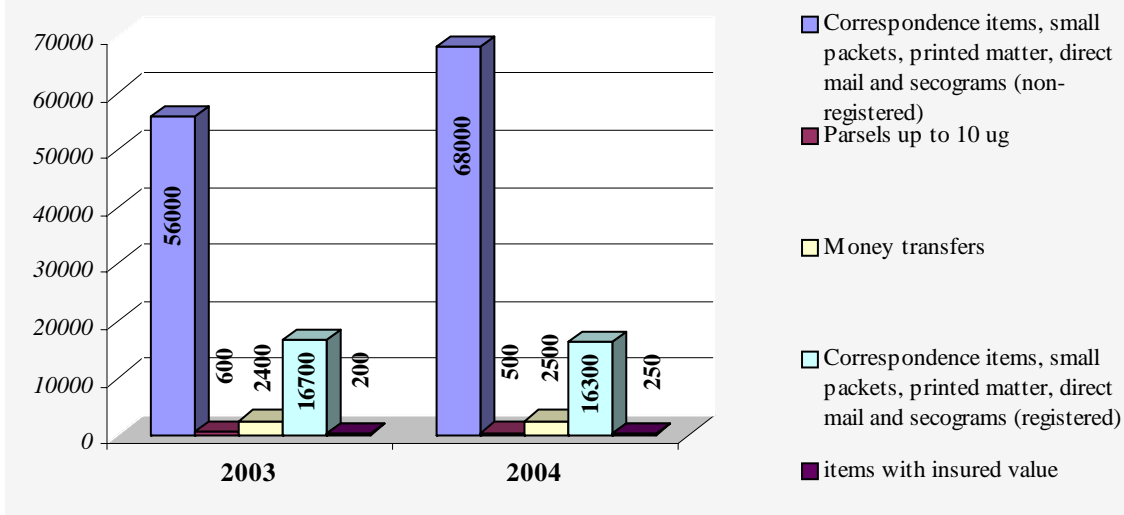
With the changes in the Postal Services Act of 2003 the range of the universal postal service was enlarged with the service “direct postal publicity”, whose real start through the accounting of volumes and revenues was on January 1st, 2004.

In 2004 the universal postal service was provided still by the main post operator, active in the field of the universal postal service – BULGARIAN POSTS PLC. The licensed for providing part of the universal postal service operator FINANCE ENGINEERING AD has not started operation yet and is in the process of building up its network, in compliance with the license conditions.

BULGARIAN POSTS PLC was given the provision of the services from the reserved sector of the universal postal service, established by state monopoly by December 31st, 2005.

Due to the availability of reserved sector and the lack of competition in this postal market segment, the analysis of the provision of universal postal service in 2004 shows an increase in the volume of consignments by 15%, and of the revenues from the services, included in the universal postal service - by 20%. It should be noted that the increase of the revenues was influenced not only by the increased volumes of the consignments, but the new prices (increased) of the services as well, since January 5th, 2004. The non-registered consignments, the printed matter, the direct postal publicity and the small parcels inside the country increased in volume and the revenues from them increased respectively. The registered consignments of the same kinds were slightly reduced in volume but the revenues from these increased due to the increase in the prices. On the other hand, an increased interest was registered towards a new complementary service “declared value”, as a result of which both the volumes and the revenues had increased. The traffic of the parcels had been reduced, but the income had increased as a result of the new prices. The service “money transfers”, despite the competition with the banking sector, marked a slight increase both in volume and revenues, unlike the preceding 2003.

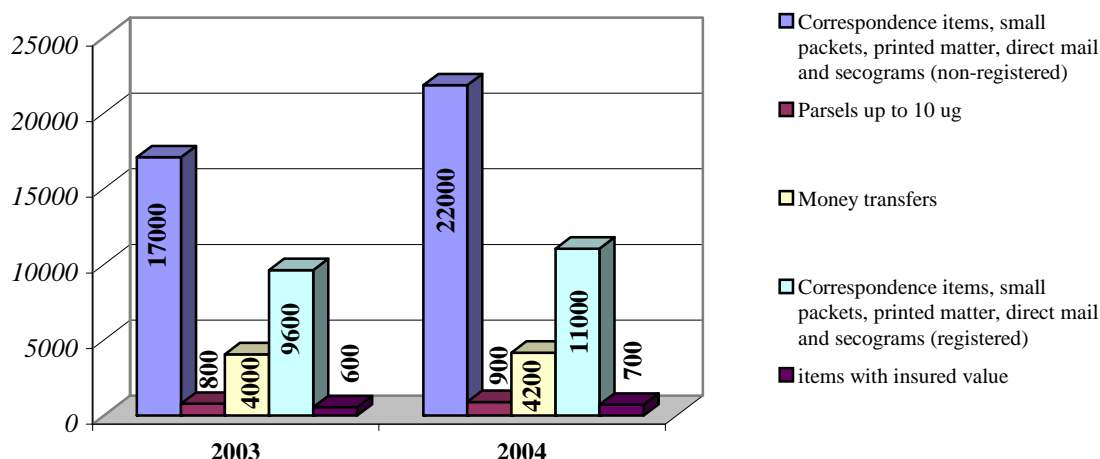
Relative chart of the universal postal service traffic within the country 2003-2004 (x 1000)



Source: Report of the performance of the universal postal service for 2004 by "BULGARIAN POSTS" EAD

Fig. 83

Relative chart of the universal postal service revenues within the country 2003-2004 (x 1000 leva)



Source: Report of the performance of the universal postal service for 2004 by "BULGARIAN POSTS" EAD

Fig. 84

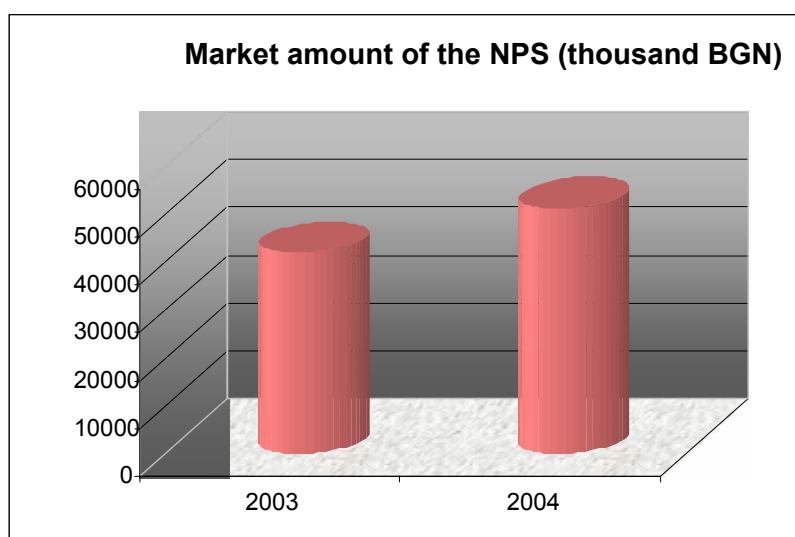
The outgoing consignments for abroad, whose relative amount in the universal postal service is small, despite the variations in the separate kinds of consignments and services, registered a tendency of an increase in both amount and income. The exception were the parcels without a declared value, whose relative amount considerably decreased at a minimum decrease of the income, and the parcels with declared value, whose relative amount was preserved at a considerable increase of the income due to the increased prices. The

incoming international consignments were preserved in amount and so were the trends of a decrease in the amounts and the income, which affected the amount of the deficit.

The main postal operator BULGARIAN POSTS PLC, in compliance with the requirements of its individually issued license, is obligated to provide the universal postal service through its postal network throughout the whole country, including in cases of unfavorable economic conditions, and, in compliance with the provisions of Article 23a, Article 29 and Article 29a of the Postal Services Act, receives compensation from the state budget for the deficit in the provision of the universal postal service under said conditions, proved to CRC and approved by it. After a thorough analysis of the data, submitted in the report of BULGARIAN POSTS PLC, CRC approved the deficit of the main postal operator from the provision of the universal postal service.

2. Provision of non-universal postal services in 2004

In 2004 the non-universal postal services (NPS) continued their development and this postal market sector and preserved the trends to a steady increase and an attractive activity for the potential operators.



Source: Data submitted to CRC

Fig. 85

The progressively increasing number of operators, willing to provide the NPS, determines the expectations of this market as favorable in the long-term aspect. This forecast of the development is being confirmed by the planned investments of the active operators.

In order to answer to the challenges in the changing situation on the market the operators providing NPS are trying to offer new services like “hybrid post”, “mobile post” and “non-addressed delivery”, to improve the quality and stress on the postal security.

The provision of NPS is still more stimulated by the competition, and the courier services and the parcels steadily increase in amount, thus generating increased income¹.

¹ In compliance with article.17paragraph.1 CRC annually elaborates a report on its activities in the field of the postal services