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## **X. POSTAL SERVICE REGULATION**

With the adoption of the Act for Amendment and Supplement to the Telecommunications Act, made at the end of 2001 and effective from 5 February 2002 (promulgated in State Gazette No 112/2001), the functions of the state government and regulation of the postal services were differentiated by institutions and all the regulatory functions were transferred from the Ministry of Transport and Communications to Communications Regulation Commission.

The assumption of the regulatory and controlling functions by CRC completed the full harmonization with art. 22 of Directive 97/67/EC with respect to the establishment of an independent national regulatory body for the postal sector.

In 2002 Communications Regulation Commission carried out on a regular basis analyses of the operative information furnished by the main postal operator – Bulgarian Posts – and the courier companies, which provide non-universal postal services under the Postal Services Act.

For the above-mentioned period the CRC members adopted the following important sector-specific decisions:

- Compliance of the general terms and conditions of the contract with users of postal services provided by Bulgarian Posts;
- Ratification of the established postal codes in the network of the licensed postal operator;
- Reaching an agreement on the change of cost of the services included in the universal postal service provided by Bulgarian Posts;
- Adoption of a procedure for registration of operators which perform non-universal postal services aiming at transparency and accessibility of all candidates which wish to be registered with CRC to perform non-universal services and receive certificate thereof;
- Adoption of a procedure for registration of postal stamps used by the basic postal operator;
- Approval of a draft ordinance on postal security requirements.

### **1. PROVISION OF UNIVERSAL POSTAL SERVICE IN YEAR 2002**

In 2002 the universal postal service was provided at 3021 post offices and 158 post agencies and included the following services:

- Receipt, carriage and delivery of domestic and international parcels as follows:
  - correspondence consignments and small parcels up to 2 kg, printed materials up to 5 kg;
  - secograms up to 7 kg;
  - packages up to 10 kg;
- money transfers;
- additional services such as “registered mail” and “declared value”.

#### **1.1 Financial analysis of the performance of the universal postal service in 2002**

The universal postal service provided in 2002 by Bulgarian Posts has the greatest percentage – 37% of the total revenues of the company.

In 2002 the most popular services of the universal postal service are the domestic and international correspondence consignments, printed materials and small packages. These parcels constitute 95.7% of the total volume and 81.7% of the revenues generated by the universal postal service.

#### **1.2 Big clients of the universal postal service provided by Bulgarian Posts**

In comparison with 2001 there is an increase in the revenues gained from big consumers of all kinds of services included in the universal service, excluding the money transfers. A certain reduction of the revenues by 19% was found with them.

The increase of the revenues from big clients, which use the universal service, is due to:

- the attraction of new clients – MobilTel;
- the increase in the consumption of the service by old clients – National Social Security Institute, Bulgarian Telecommunications Company, RAABE Bulgaria, etc.

### **1.3 Factors influencing the amount of the deficit in the provision of the universal service in 2002**

Based on the data of Bulgarian Posts, the deficit in the universal service provided in 2002 amounted to 6,214,000 BGN. As compared to 2001, the amount of the deficit was reduced by 252,000 BGN in 2002. The basic reason for such an insignificant reduction is the change in profit and loss related to incoming and outgoing international parcels.

The factors, which have an influence on the amount of the deficit, are as follows:

- The obligation of Bulgarian Posts to provide the universal postal service on the whole territory of the country, including under unprofitable conditions, does not allow for cost management on a commercial principle.
- The postal services included in the scope of the universal service are provided below their actual cost price. It is very markedly stated with the services with the greatest percentage in the universal service – the registered and unregistered correspondence consignments, printed materials and small packages.
- The macroeconomic conditions in the country are characterized by weak regional market and reduced demand in services provided by private persons.
- The changes in the relations of the incoming and outgoing international correspondence consignments lead to reduction in the international income and increase in costs.

### **1.4 Prospects for development of the universal postal service.**

The analysis of the consumption of the universal postal service in year 2002 gives us a reason to draw the following conclusions with respect to the future development trends:

- increase in the volume of the correspondence consignments as a result of new contracts for delivery of correspondence consignments;
- redistribution of the volumes of correspondence consignments and printed materials by transferring part of them into the volumes of direct postal advertisement after such service is included in the nomenclature of services provided in 2003 by Bulgarian Posts;
- increase in the volumes of small packages and parcels as a result of development of e-commerce and catalogue trade.

## **2. ANALYSIS OF THE MARKET OF NON-UNIVERSAL POSTAL SERVICES**

The non-universal postal services are provided on the Bulgarian territory by 30 registered postal operators. Pursuant to art. 38 of the Postal Services Act, the non-universal postal services include:

- Parcels with weight over 10 kg up to 20 kg;
- Courier services;
- Services under art. 3, item 2 of the Postal Services Act.

The strong competition among the registered operators and the consumers' needs determined a leading role for the courier services on the postal market.

### **2.1. Market analysis of the results achieved by the companies providing non-universal postal services**

In the data provided by the operators of non-universal postal services the segmentation of postal market is determined in comparison with the territory whereon the different companies conduct their business and the percentage of the consumer demand among the individual users and business clients.

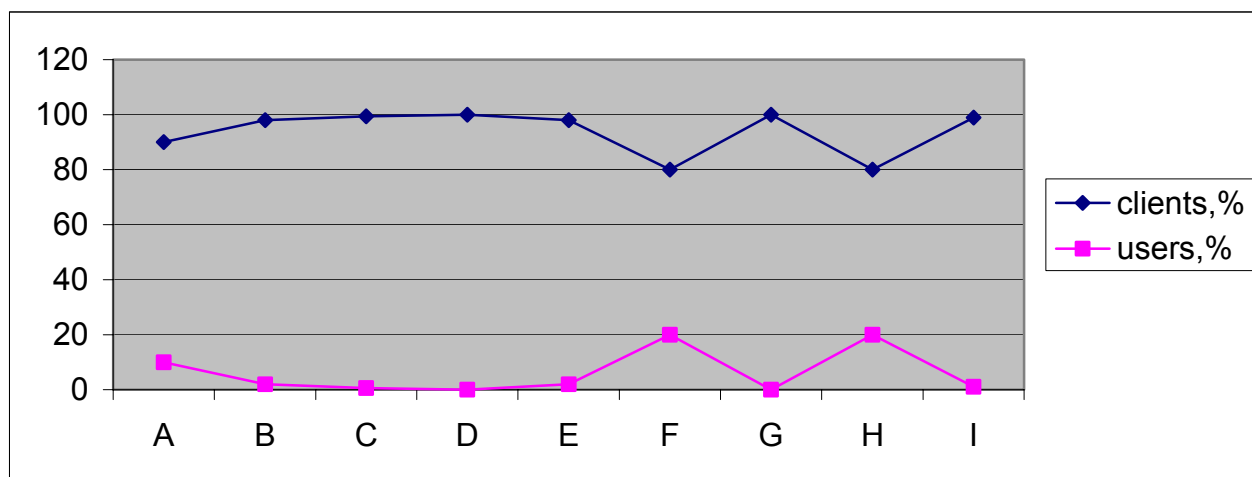
The operators whose registered offices and principal places of business are outside the capital city seek a leadership position on the respective regional postal market and in order to have a full nation-wide coverage they enter into agreements with other operators and as to provide international courier services they use the networks of the leading courier companies which have a larger market coverage based on their price lists.

In big cities such as Sofia, Varna, etc. there is a severe competition in the provision of courier services and a constant redistribution of the market shares. The influence here is exerted by the dynamic development of the provided services, which aims at the maximal satisfaction of the clients' needs.

Some of the companies with major market shares are: DHL International Bulgaria, TNT Express Worldwide Courier, and Bulgarian Posts.

The international parcels constitute a basic volume of the total revenues of the above-mentioned operators.

Figure 53 shows the proportion between the business consumers of courier services and the individual users.



*Source: Communications Regulation Commission*

**Fig. 52**

The chart shows that the business clients have a considerable priority over the individual users. It is the commercial companies and the business organizations that use courier services most often while the individual consumers constitute from 2% to 10% of the whole consumption.

### **2.1.1 Quality of the services provided by operators of non-universal postal services**

According to the information furnished to CRC, a larger part of the operators relate the quality of the postal services to the optimization of the parcel delivery terms and complaint processing. The work is eased to the maximum with respect to the customer service level. Exclusions are the courier companies TNT and DHL, which focus their corporate policy on quality management. Both companies introduced quality management standard ISO 9001:2000 and 9002:1994.

### **2.1.2 Postal security**

The courier companies use their own means of transport. The couriers travel in couples thus ensuring the presence of at least one of them in the vehicle. The parcels received are stored in own special storage facilities in a protected building.

Upon receipt parcels are put to physical examination in the presence of the sender who signs a declaration about the parcel contents. Universally adopted documents are used – bills of lading, statements of receipt and delivery, declaration that the cargo is risk-free according to IATA requirements and Bulgarian air terminals, as well as declarations about the cargo safety and absence of forbidden substances.

With the leading courier companies on the market of postal services, the measures which are undertaken for parcel protection are developed according to the corporate standards of parcel and flight safety based on Regulation 2320/2002 of the European Parliament and the Regulation of the European Council on security of civil aviation and safety requirements for transportation of corporate parcels.

### **3. PROSPECTS FOR DEVELOPMENT OF THE NON-UNIVERSAL POSTAL SERVICES**

#### **3.1. Bulgarian Posts**

As a response of the high requirements of the consumers of courier services, the following measures are taken to enhance their quality in 2003:

- A multi-lateral draft agreement for EMS courier services should be prepared.
- Steps should be taken so that Bulgarian Post becomes a member of the EMS association thereby making it possible to use preferential prices.
- EMS service agreements should be proposed to the postal administrators, which generate an incoming traffic.
- An IPS system should be introduced to trace the parcels.
- New services should be implemented for EMS parcels.
  - “declared value”;
  - parcel insurance:
    - parcels at the expense of receiver;
    - programmed parcels;
- A research should be carried out with respect to supplying incoming traffic to courier companies.
- The number of the post offices and workplaces, which offer courier services, should be increased.
- The courier services offered by Bulgarian Posts should be advertised on a regular basis.

#### **3.2. Private operators providing non-universal postal services**

The pursuit of satisfying the requirements of the consumers of courier services reflects on the improvement of service, quality, parcel security, complaints and last, but not least, maintenance of competitive costs. The achievement of maximum satisfaction of clients is a principal and leading objective.

The introduction of new services and the coverage of a larger area in the country and abroad is another trend with the courier companies.

With reference to Directive 97/67/EC and Directive 2002/39/EC as well as the Postal Sector Policy adopted by the Council of Ministers, some of the operators plan to introduce until the end of 2004 new additional services related to enhancement of customer service quality and more rational use of the possibilities offered by the modern information and communication technologies, in particular:

- Expansion of the possibilities for making a request for visit by a courier and receipt of a parcel thus enabling the clients to do so by e-mail, apart from by a phone call;
- Increasing the amount of the compensations paid to the clients in case of incomplete or inaccurate execution of the courier service agreement;
- Introduction of the service “declared value”;
- Introduction of a system for electronic tracking the parcel movement through the barcode of the bills of lading thus raising the security of postal services;
- Offering the service “hybrid post”;
- Purchase or submission of tender documentation;
- Registering incoming reference numbers with institutions and companies.