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

OF

THE COMMUNICATIONS REGULATION COMMISSION FOR 2010

ANALYSIS OF THE POSTAL SERVICES MARKET FOR 2010

Market Regulation Directorate

Department of Postal Services Regulation

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INTRODUCTION

The Act on Amendment and Supplement of the Postal Service Act (AAS of PSA) introduced to the Bulgarian legislation the provisions of Directive 2008/6/EC of the European Parliament and the Council of 20 February 2008 amending Directive 97/67/EC on common I rules for the development of the internal market of Community postal services and the improvement of quality of service. The new legal provisions effective as of 3 November 2009 have lead to the establishment of a postal sector regulatory framework harmonized with the one of a Community level, including postal services guarantee measures and further opening of the market to competition with the purpose to create an internal postal services market.

The legal framework's completion and improvement by means of sublegislative regulations, compliance of existing regulations with the amended regulatory basis, and implementation of the amended legal provisions were among the main priorities of the work of the Communications Regulation Commission (CRC) in 2010.

With the purpose of executing the above priorities, by order of the Minister of Transport, Information Technologies and Communications an interdepartmental working group was created, including experts from CRC, assigned with the task to prepare a draft Legislative AAS of PSA concerning the funding of the universal postal service after the removal of the reserved sector as of 1 January 2011. The Amendment and Supplement of the Postal Service Act was adopted and enforced as of 30.12.2010.

By decisions of CRC, following a public discussion, amendments have been adopted to the following regulatory documents:

- General rules of delivery conditions for postal items and parcels;
- Standard quality levels for the universal postal service and service efficiency;
- Criteria for difficult-to-access regions and settlements within them;
- 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 correspond in number and density to users' needs;
- Tariff of fees collected by the Communications Regulation Commission pursuant to the Postal Services Act and the Electronic Document and Electronic Signature Act;
- System for formation of postal codes for the networks of the postal operator obligated to perform the universal postal service and postal operators performing services included in the scope of the universal postal service;
- Procedure for the order and terms for coordination of a system for cost allocation of the operator obliged to provide universal postal service

- Drafts have been prepared about:

- Amendment and supplement of an Ordinance for determination of rules for pricing the universal postal service and the enforcement of its prices;
- Amendment and supplement of the Method for determination of the affordability of the price of the universal postal service;
- Ordinance for the rules for provision of access to the network of the post operator, obliged to provide the universal postal service and to set the rules for formation of the prices of the provision of access;
- Procedure for the content, way of cost allocation, and terms for coordination of the system for cost allocation of the operator obliged to provide universal postal service.

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The following documents have been prepared and uploaded on the CRC's website: standard licenses for performing postal services, included in the scope of the universal postal service on the territory of the Republic of Bulgaria or a part thereof, and for performing postal money orders on the territory of the Republic of Bulgaria or a part thereof; application form for issuance of individual license for performing postal services, included in the scope of the universal postal service and/or for performing postal money orders; notification forms for performing non-universal postal services and a certificate of entry in the public registry; 15 individual licenses and 81 certificates for performing non-universal postal services have been reissued.

At a European level, the most important event in the postal sector in 2010 was the establishment of the European Regulators Group for Post[1] (the Group). The aim of the Group, comprising the national regulatory authorities in the field of postal services, represented by their heads, is to advise and assist the European Commission on any matter related to postal services, as to the development of the internal market for postal services and as to the consistent

[1] The European Regulators Group for Post was established by Decision of the European Commission on 10 August 2010.

application in all Member States of the regulatory framework for postal services. The Group's president is Ms. Joëlle Toledano – commissioner at the French regulator ARCEP. The head of CRC, Dr. Veselin Bozhkov, took part in the first plenary meeting held in Brussels on 1 December 2010.

At an international level, CRC took part in the plenary meeting of the European Committee for Postal Regulation (CERP), in a meeting with experts from the European Commission, and in a meeting of the Postal Directive Committee. Within its participation in the work of project team "Cost Accounting and Price Regulation" at CERP, a presentation titled "Building of a New Regulatory Framework" was delivered.

Another important international activity was the CRC's participation in a twinning project in partnership with Deputy Direction on Postal System of the Ministry of Transport and Public Works of Spain on subject "The role of CRC in the context of a liberalized postal market". In the course of the project, the efficiency of the institutional framework in the field of postal regulation and control in both countries has been reviewed and evaluated. A review has been made of the existing and support has been obtained for development of new sublegislative regulations related to the implementation of the CRC's regulatory and monitoring functions, and documentation has been provided covering legal and economic aspects of postal regulation.

I. State of the Bulgarian postal market

1. Legal and regulatory framework

CRC carries out annual analyses of the state of the Bulgarian postal market which, in accordance with PSA, in 2010 includes the following postal services:

in the scope of the universal postal service (UPS):
- ✓ acceptance, transport, and delivery of domestic and international postal items, as follows: items of correspondence (incl. postcards) up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg; and secograms up to 7 kg;
- ✓ acceptance, transport, and delivery of domestic and international postal parcels up to 20 kg;
- ✓ additional “registered mail” and “declared value” services.

Correspondence items, small packages, printed matters, and secograms may be “priority” and „non-priority”.

in the scope of the non-universal postal services (NPS):
- ✓ courier services;
- ✓ acceptance of messages submitted in a physical or electronic form by the sender, transmitting them by electronic communications means, and delivery of these messages to the addressee as postal items (the so called hybrid mail);
- ✓ postal money orders.

Postal services are provided in two regimes – licensing and notification. In accordance with the amendments introduced in 2009 to Art. 39 of PSA, three types of individual licenses are issued: for performing UPS on the entire territory of the Republic of Bulgaria by an operator assigned with the obligation to perform UPS pursuant to PSA; for performing services included in the scope of UPS; for performing the “postal money orders” service. Therefore, licensed and registered postal operators exercise their activity on the Bulgarian postal market, and there are three types of postal operators’ licenses:

- ➢ for performing UPS on the entire territory of the country – the operator assigned by law with the obligation to perform UPS, for a 15-year period commencing on 30.12.2010, is “Bulgarian Posts” Plc.. The obligation to perform UPS includes providing the service, within the specified working hours and with a quality meeting the requirements set forth in Art. 15, Para 1, item 7 of PSA, at affordable prices and accessibility to each user on the territory of the country, regardless of his geographical location. The designated operator guarantees the provision of UPS during all working days, at least 5 days a week, except for settlements located in difficult-to-access areas. The provision of UPS includes at least one collection of postal items each working day from the access points and one delivery to recipients within the terms prescribed by law. The number and location (density) of access points take into account the needs of users, except for settlements located in difficult-to-access areas;
- ➢ for performing services within the scope of UPS – licensed operators are “Econt Express” OOD, “Tip-Top Courier” AD., “M&BM Express” OOD, “Star Post” OOD, and “Terra Post Services” EOOD;
- ➢ for performing the “postal money orders” service – there are 11 licensed postal operators.

The “hybrid mail” and courier services are provided under a notification regime. Operators performing these services are entered in a special registry after filing a notification with CRC.

By the end of 2010, the total number of licensed and registered postal operators reached 96, as 10 new operators ware registered for performing NPS, as compared to 2009. In 2010, CRC issued 2 new individual licenses – for performing services within the scope of UPS and the “postal money orders” service.

2. Volume of the Bulgarian postal market

In the past year, the total number of provided items and services reached 204 million., which marked a decrease by approximately 2% for a one-year period.

In 2010, the volume of the entire Bulgarian postal market estimated on the basis of gained revenue from the provision all postal services (domestic and international outgoing), was nearly BGN 237 million. This expert evaluation was based on data provided by 85% of all licensed and registered postal operators for the period ending on 31.12.2010. As compared to 2009, in 2010 the total amount of revenue from postal services increased by 5%. Figure 1 displays data of revenue from performing postal services which form the volume of the market for the period 2006-2010.

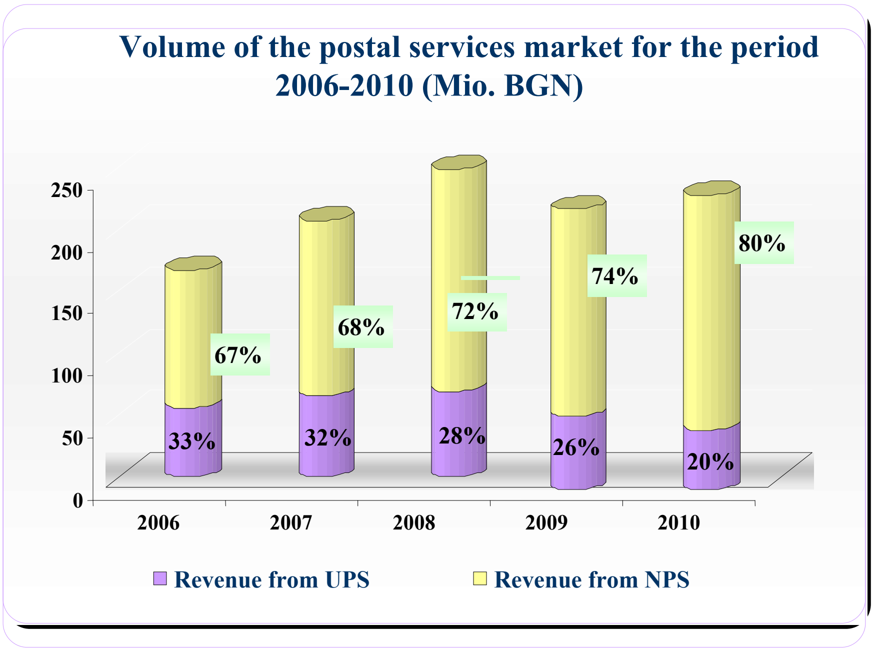


Fig. 1 Source: Data submitted to CRC

The data displayed in Fig. 1 clearly show that since 2006 the volume of the postal market has been formed mainly by revenue from NPS, and the change in the market volume has been mainly determined by revenue from courier services. The trend for annual growth of the relative share of the NPS revenue of the total amount of revenue from postal services is to a great extent following the main patterns observed in the provision of different postal services. The demand for traditional postal services is constantly decreasing, unlike the new services based on internet technologies, such as hybrid mail, virtual deliveries network, digital mailbox, etc. At the same time, UPS is assigned and performed at regulated prices, and the price affordability requirement restricts the increase in UPS revenue which in 2010 was formed mainly by the designated operator.

On their part, NPS are provided in conditions of stronger competition whose prices are formed on a supply-and-demand basis. Registered operators, taking into account the users' attitudes, strive to offer diverse and quality services which has lead to an increase in the volume of this postal market segment.

2.1 Structure and revenue from the Bulgarian postal market

The breakdown of the revenue from postal services for the period 2008-2010 remained almost unchanged. The data are provided in Fig. 2.

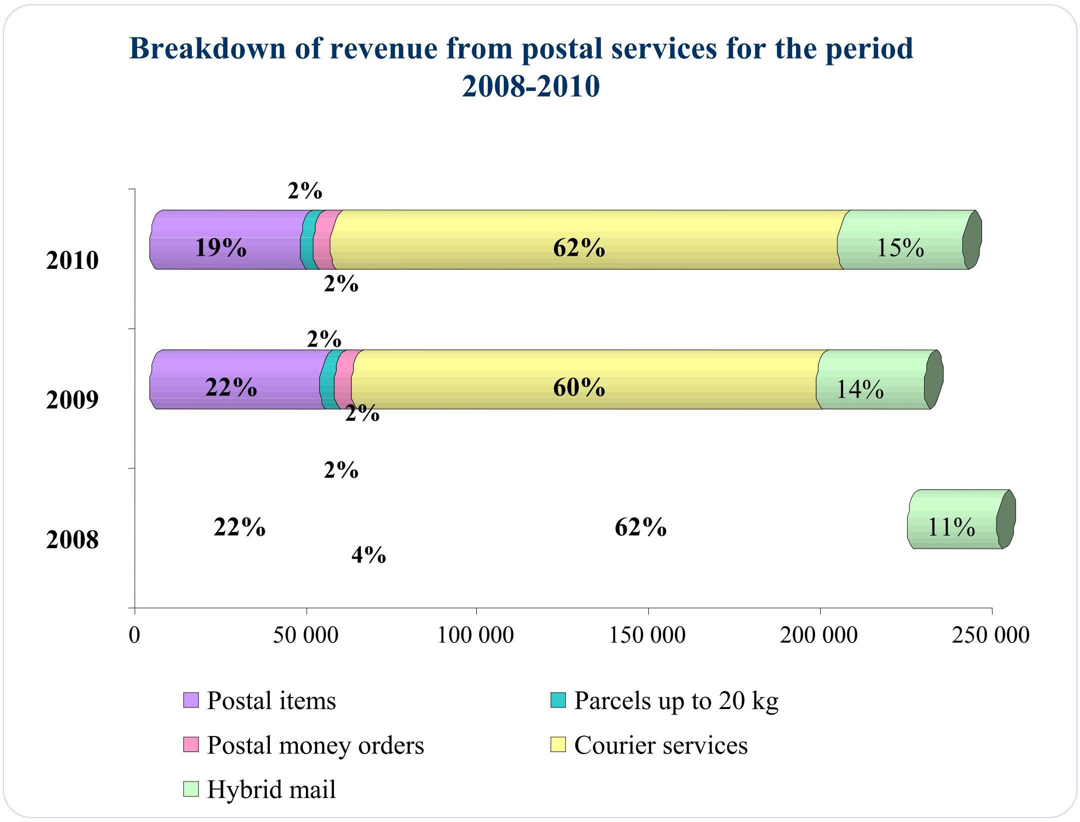


Fig. 2 Source: Data submitted to CRC

The data displayed in Fig. 2 show that for the period under review revenue from the provision of courier services (domestic and international outgoing) form approximately 60% of the total amount of revenue from postal services. Their relative share of the postal market volume has increased as compared to 2009 by 2 percentage points. In 2010, compared to 2009, the consumption of these services increased. The growth in the revenue and in the number of submitted items is observed to be respectively by 9% and 13%

The "Postal items" group (domestic and international outgoing) occupies the second place in the structure of the Bulgarian postal market. During the period under review, a trend has been observed for reduction in the consumption of the most common service of this group, namely " items of correspondence up to 2 kg", by nearly 15% per year. The revenue from provision of items of correspondence up to 2 kg forms annually over 80% of the entire group revenue, and respectively determines its development. As a result, the relative share of revenue from provision of postal items of the postal market volume dropped in 2010, when compared to 2009, by 3 percentage points, thus reaching 19%.

In 2010, revenue from performing the "hybrid mail" service made up 15% of the postal market volume. During the period under review, a trend has been observed for an increased consumption of the service, however, the relative share of the service in the total amount of revenue from postal services increased by an insignificant rate. The reason lies with the service's nature, which on the one hand allows business users to save time and money, and on the other – to reach a large number of their clients. In 2010, compared to 2009, the relative share of revenue from this service of the postal market volume grew by 1 percentage point.

In 2010, the revenue from the service "postal parcels up to 20 kg" hardly constitutes 2% of the total amount of revenue from postal services. No development is observed in this service in comparison with 2009, and in the past year it was actually provided only by "Bulgarian Posts" Plc.

The relative share of revenue from performing the "postal money orders" service of the total amount of revenue from postal services remained unchanged in 2010, as compared to 2009.

Fig. 3 displays the breakdown of revenue generated by postal operators in 2010

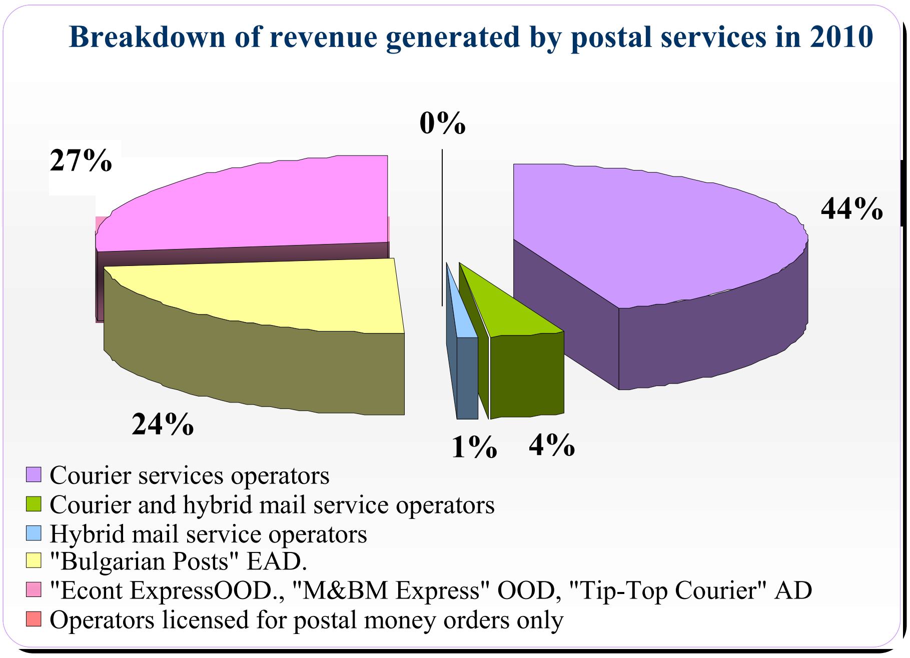


Fig. 3 Source: Data submitted to CRC

In the past year, revenue generated by operators performing courier services only retained the largest relative share of the postal market volume, and compared to 2009, in 2010 their relative share of the postal market volume increased by 1 percentage point. The relative share of revenue of operators performing courier and “hybrid mail” services simultaneously grew by 2 percentage points in 2010, compared to 2009.

The market share of “Bulgarian Posts” Plc. in 2010 dropped by 4 percentage points, as compared to the figures from 2009, and the revenue earned by the operator forms 24% of the entire postal market. In 2010, “Bulgarian Posts” Plc. holds 96% of the total amount of revenue from UPS, and the relative share of this revenue increased by 1 percentage point, as compared to 2009. The operator’s relative share of revenue from NPS of the total amount of revenue from NPS remained unchanged, which to a great extent led to a decline in its market share of the entire postal market for 2010.

The operators "Econt Express" OOD. "M&BM Express" OOD, "Tip-Top Courier" AD which are licensed to perform services within the scope of UPS and which also provide NPS, in 2010 formed 27% of the postal market share. The relative share of these operators of the total amount of revenue from postal services grew by 2 percentage points for a one-year period. This growth is due to the fact that the three operators reported increase in revenue earned from the provision of NPS, while their share of the total amount of revenue from UPS remains practically unchanged.

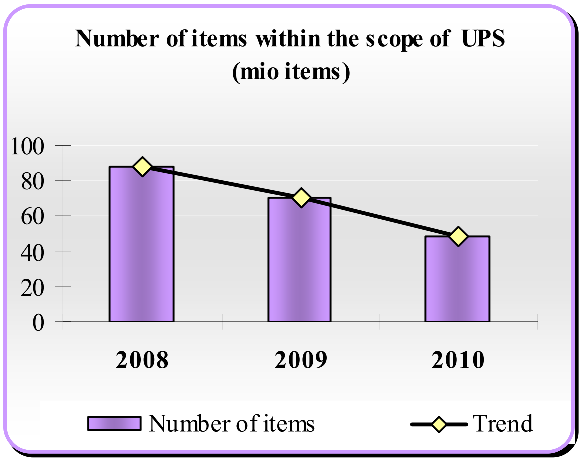
II. State of the UPS

1. Number of items and revenue from the performance of UPS

In 2010, according to the reporting data provided, services within the scope of UPS were performed by “Bulgarian Posts” Plc., "Econt Express" OOD, "Tip-Top Courier" AD and "M&BM Express" OOD. “Star Post” OOD has not yet started its activity under the individual license issued in 2009 for performing services within the scope of UPS. At the end of 2010, another license was issued for performing all services within the scope of UPS to “Terra Post Services” Ltd.

The total number of domestic and international items and services within the scope of UPS is approximately 54 million, and generated revenue - nearly BGN 47 million. Compared to 2009, a reduction was observed by 23 % in the number and by 12 % in the reported revenue from performing services within the scope of UPS. The reported revenue from UPS made up 20 % of all revenue gained on the postal market, of which 96 % were formed by “Bulgarian Posts” Plc.

Fig. 4 and 5 display data regarding the number of submitted items and revenue earned from performing UPS for the period 2008-2010.



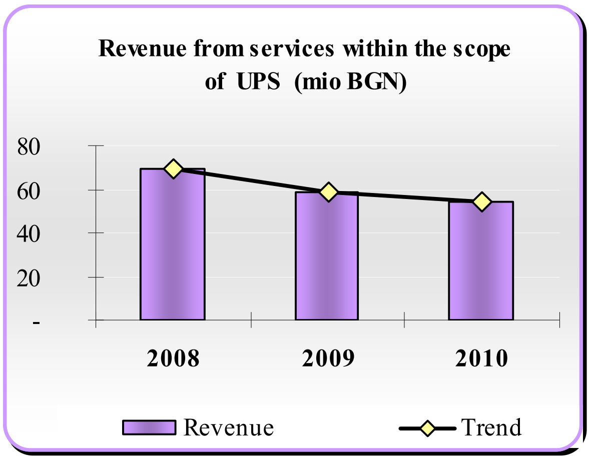


Fig. 4 Source: Data submitted to CRC

Fig. 5 Source: Data submitted to CRC

The data displayed in Fig. 4 and Fig. 5 reveal a downward trend in consumption of services within the scope of UPS as a whole. One of the reasons for the reduced number of items within the scope of UPS is the change in the consumption of UPS by big users that lead to a trend of redirection of this group of users towards using the “hybrid mail” service.

2. Domestic services within the scope of UPS

The number of submitted postal items and parcels up to 20 kg for the country is 50 million, and the amount of revenue gained – BGN 36 million . In accordance with the trend towards an overall decline in the number of items and earned revenue from the provision of the UPS, this segment also registered a drop in reported items and revenue for a one-year period. Items decreased by 22 % and revenue - by 17 %.

The operator obligated to perform UPS provides domestic postal items which are classified in terms of the speed of processing and delivery of items (“priority items” and “non-priority items”) and on the basis of their contents (items of correspondence, incl. postcards, small packages, printed matters, and secograms). In 2010, priority items hardly formed 0.6 % of the total amount of domestic postal items.

The additional services “registered” and “declared value” are provided along with the the postal items. In 2010, domestic registered items occupy a share of about 25 % of the total amount and 43 % of the revenue from domestic UPS. When compared to the preceding reporting period, no change is observed neither in the number nor in the revenue earned from this service.

The service “declared value” occupies a share of 0.2 % of the total number of domestic UPS, and the revenue generated from this service forms 0.1 % of the revenue from domestic UPS .

The share of submitted domestic postal parcels up to 20 kg with declared-value constitutes 1.5 % of all postal parcels.

Fig. 6 displays data regarding revenue from the provision of postal items and postal parcels up to 20 kg for the period 2009-2010.

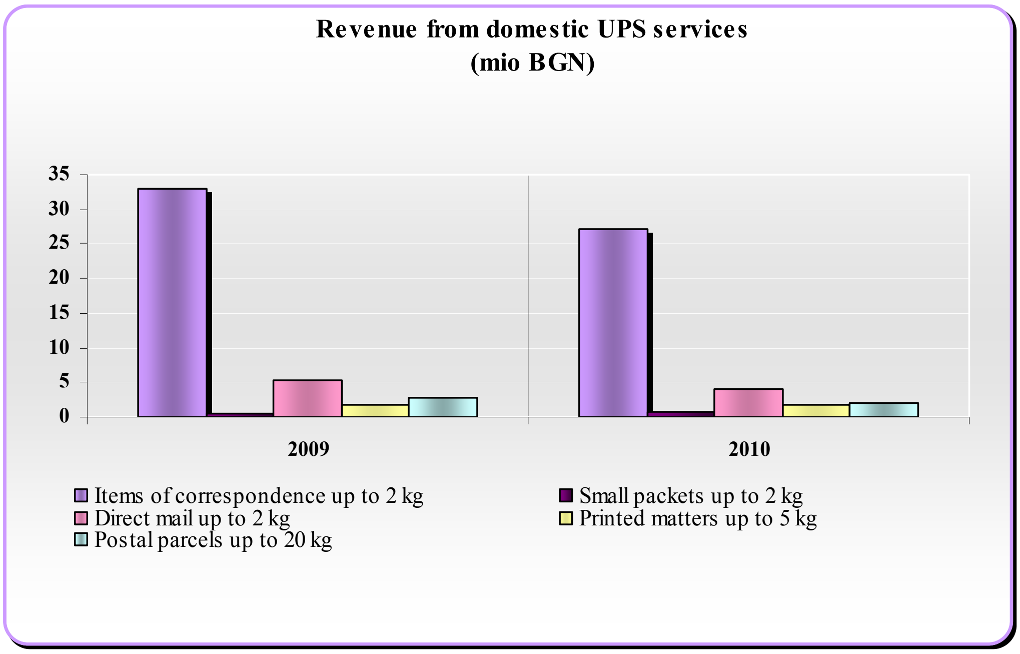


Fig. 6 Source: Data submitted to CRC

Revenue earned from providing domestic items of correspondence up to 2 kg and postal parcels up to 20 kg has the greatest share – 75 % of total revenue from UPS. The greatest share of revenue from these services belongs to items of correspondence - 77 %, the relative share of the revenues from direct mail, postal parcels and printed matters of the is respectively -12 %, 6 % and 5 %

3. International outgoing services within the scope of UPS

In 2010, the total number of international **outgoing** services within the scope of UPS is approximately 3 million, and the revenue gained from these services amounts to BGN 12 million, as these figures and revenue were generated mostly by "Bulgarian Posts" Plc. Compared to 2009, there is an increase in the number of accepted postal items for abroad by nearly 2 % and a revenue growth by 11 %..

Revenue from provided international outgoing services during the reporting period represents 25% of all revenue from UPS.

Fig. 7 displays data regarding the revenue from international outgoing postal items and postal parcels up to 31.5 kg for the period 2009-2010.

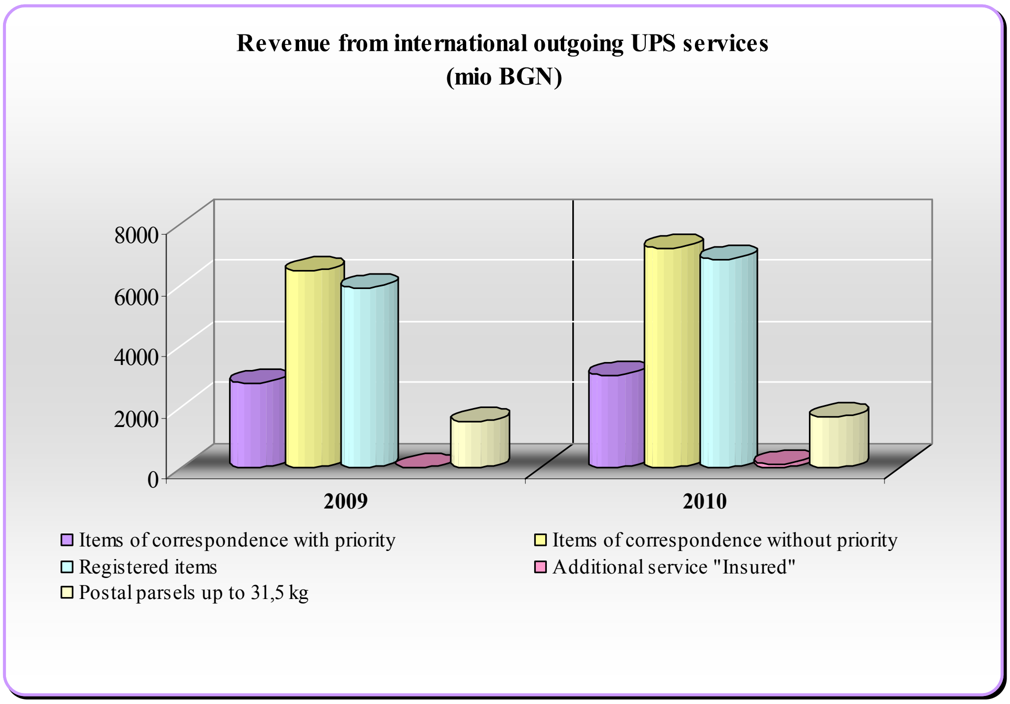


Fig. 7 Source: Data submitted to CRC

The international ougoing UPS services performed by “Bulgarian Posts” Plc. are classified based on the speed of item processing and delivery. Items subdivide into priority items (items transported in the fastest possible way by air or by road with priority) and non-priority items – items for which the sender has chosen a lower price for a longer delivery period. Reported priority and non-priority items retain the number and revenue of the preceding year.

In 2010, the share of international outgoing registered postal items is about 26 %, and revenue earned from them forms a share of 57 % of total revenue from international outgoing UPS. Compared to 2009, an increase is observed in the revenue from international outgoing registered postal items by 16%.

Declared-value items constitute 0.3 % of the total amount of submitted items and form 0.1 % of the revenue gained from the provision of international outgoing items in 2010.

In 2010, a growth was registered by 7 % in the number of items and by 10.6 % in the revenue from international postal parcels, in comparison with 2009.

4. Users of services included in the scope of UPS

The UPS provided by “Bulgarian Posts” Plc. was used mostly by business users – respectively 53% of the total number of provided postal items are submitted by business users, and 47 % by individual users. For “M&BM Express” Ltd. this proportion is 75 % to 25 %, and for “Tip-Top Courier” AD - 77 % to 23% respectively.

Fig. 8 shows the consumption of services within the scope of UPS (domestic and international outgoing) by clients of the designated operator “Bulgarian Posts” Plc.

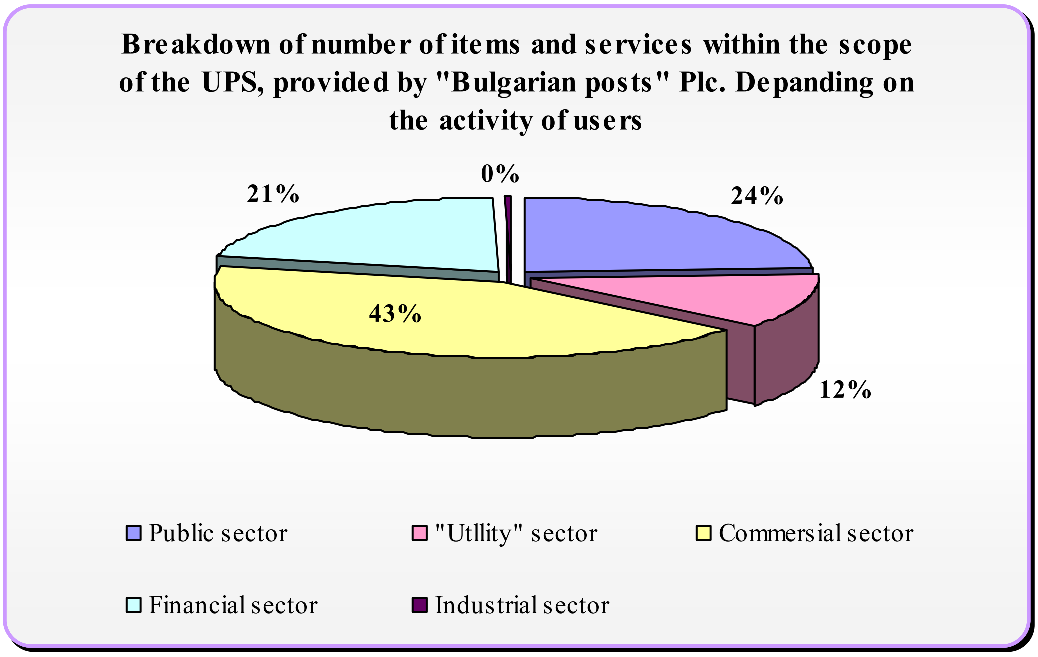


Fig. 8 Source: Data submitted to CRC

Users are provisionally grouped according to their line of business. According to data provided by the postal operator, with highest consumption of the services within the scope of UPS are users from the commercial sector - 43 %. This sector includes companies dealing with catalogue trade, direct marketing, publishing houses and other traders. The services most often used by these clients were “non-priority direct mail” and non-priority registered and unregistered items of correspondence.

Users from the public sector - ministries, municipalities, etc., occupy a share of 24%, followed by financial companies with 21 %.

Companies provided utility services (operators from the telecommunication sector, electric power companies, water supply and sewerage, heating power companies, etc.) occupy 12 % of the total number of services within the scope of UPS.

5. Financial result from UPS provided in 2010

5.1 Financial result from UPS provided by "Bulgarian Posts" Plc. in 2010

In 2010, "Bulgarian Posts" Plc. reported a negative financial result from the provision of UPS on the territory of the country, in the amount of BGN 2.67 million, which comprises BGN 45.85 million revenue and BGN 48.52 million expenses. Adjusted with the positive balance of financial estimates with foreign postal administrations, the final result from performance of the universal postal service for the reporting year was positive, in the amount of BGN 0.207 million. In 2009 and 2010, the universal postal services on the territory of the country were provided at a loss compensated by the positive difference in international estimates with foreign postal administrations.

The financial result from performance of services within the scope of the reserved sector (correspondence items up to 50 g) had a substantial influence on the total financial result from UPS. Items from the reserved sector formed 67.11% of the total number of items, 57.83% of the revenue, and 65.29% of the expenses for all UPS services.

In 2010, the provision of domestic correspondence items up to 50 g reported a loss to the amount of BGN 5.161 million, which, adjusted with the positive balance of estimates under international payments with foreign administrations in the amount of BGN 1.306 million, formed a negative financial result in the amount of BGN 3.85 million.

In 2010, as compared with 2009, the loss from the provision of services from the reserved sector grew by BGN 3.156 million, which caused an increase in the loss from the provision of UPS services by BGN 1.307 million for a one-year period.

5.2. Financial result from services within the scope of UPS provided by the other operators

In 2010, the operators "Tip Top Courier" EAD and "M&BM Express" OOD generated a positive financial result from the provision of services within the scope of UPS. According to data provided by "Econt Express" OOD, expenses made exceeded revenue earned which is due to a shrink in the volumes of services provided and retention of constant expenses.

With the exception of "M&BM Express" OOD, all operators report a decline in the use of services and reduction of revenue earned from services within the scope of UPS in 2010, as compared with 2009.

5.3. Factors which have influenced the financial result from provision of UPS by "Bulgarian Posts" Plc.

- ✓ In 2010, the number of provided postal items and services of UPS decreased by 23%, as compared to the preceding year. The main reasons for that, as stated by the operator, are:
  - o Decrease in the number of items submitted by big clients;
  - o Taking "postal money orders" out from the scope of UPS.
- ✓ The number of items delivered in the reserved sectors of UPS in 2010 decreased by 16% in comparison with the preceding year;
- ✓ Revenue from the provision of UPS in 2010, as compared with 2009, dropped by 18%. As for the separate services, substantial increase was observed in the group of correspondence items up to 50 g (with declared value) by 70%, and registered items - by 4%;
- ✓ In 2010, revenue from items in the reserved sector of UPS dropped by 14% since 2009;
- ✓ Expenses on provision of the universal postal service in 2010, as compared with 2009, decreased by 16%. According to the operator's data, this is mainly due to:
  - o Reduction of the total expenses on activity by 10%, as a result of the anti-crisis measures taken;
  - o Taking money orders out of the scope of UPS;
  - o Decrease of the relative share of expenses on UPS on the territory of the country of the total expenses from 38% in 2009 to 36% in 2010.
- ✓ In 2010, the operator reported a negative financial result to the amount of BGN 2.89 million from provision of services in the group of "Correspondence items and small packages up to 2 kg, printed matters up to 5 kg, secograms up to 7 kg, international items with and without priority, unregistered", which makes up 75 % of the total number of items and 45.6% of the total revenue from UPS. This group includes items delivered under contracts concluded with big clients – trade companies, state enterprises, banks and financial institutions, etc.;

- ✓ During the reporting period, the company reported a positive financial result from the provision of services in the group of registered items whose share was 24% of the total number of rendered services and 46% of the total revenue from UPS;
- ✓ The balance of financial estimates of UPS was positive, in the amount of 2.87 mil. BGN, including BGN 1.306 million in the reserved sector.

5.4. Cost-effectiveness of UPS

The cost-effectiveness of UPS provided in 2010 was assessed by comparing the cost-effectiveness ratios of revenue and expenses with the relevant ratios for 2009. The assessment was carried out based on data provided by „Bulgarian Posts" EAD, with a view to the obligation assigned to the company and its market share. Results show that in 2010 UPS was provided less cost-effectively than the preceding year. Expenses for each BGN of revenue from the provision of UPS increased by 3.32 %, and the cost-effectiveness of each BGN of expenses dropped by 3.21 %. Compared to 2009, in 2010 an improvement was observed in the cost-effectiveness of domestic and international registered items. Reported expenses for each BGN of revenue decreased by 5.54%, and the cost-effectiveness of each BGN of expenses grew by 5.87 %.

In 2010, services within the scope of the reserved sector of UPS were provided less cost-effectively, when compared with 2009. Expenses for each BGN of revenue from prevision of items up to 50 g increased by 12.15 %, and the cost-effectiveness of each BGN of revenue fell by 10.83 %.

III. State of non-universal postal services (NPS)

1. State of the courier services and the "hybrid mail" service

The courier services and the "hybrid mail" service are provided on a supply-and-demand basis, in conditions of competition, as operators are fully oriented towards the client and the market.

In 2010, the number of registered postal operators providing courier services and "hybrid mail" service reached 90, of whom 43 provided courier services only, 9 provided courier services and hybrid mail, 2 provided hybrid mail only, and 38 declared that they have not been active during the past year. The number of operators who have not been active in 2010 has increased, as compared to 2009. Compared to the preceding year, the number of operators providing international courier services grew by 5 in 2010.

The total number of processed postal items for the period under review was 147.8 million items, as it has increased by 9%, when compared to 2009. For the period under review, the items sent by courier services and hybrid mail make up 13% and 87 % respectively of the total amount of items.

Fig. 9 displays data regarding the revenue from performing courier services and "hybrid mail" service for the period 2006-2010.

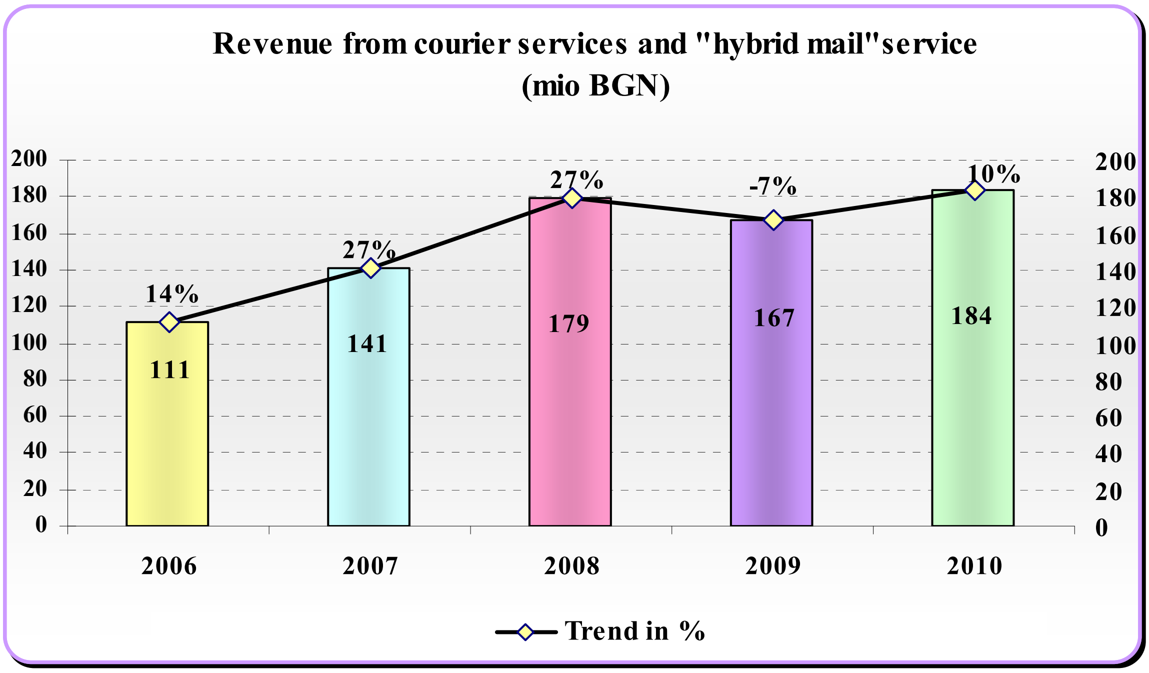


Fig. 9 Source: Data submitted to CRC

The above data shows that the revenue from performing both services amounts to BGN 184 milion. BGN, which represents a growth by 10%, compared with 2009. They make up 77% of the postal service market. Courier services form 80%, and hybrid mail - 20% of the total amount of revenue generated for both services. In the past year, this proportion remained unchanged, as compared with 2009.

2. Distribution of revenue from provision of courier services and "hybrid mail" service

In 2010, the greatest market shares of registered operators providing courier services and "hybrid mail" service, according to data submitted to CRC, are held by: [2]

1. "Bulgarian Posts" Plc.	**6.** "In Time" OOD	**11.** "Speedy" AD
2. "D&D Express" OOD.	**7.** "Interlogistics Courier" OOD	**12.**"Star Post" EOOD.
3. "DHL Bulgaria" EOOD	**8.** "Leo Express" EOOD	**13.** "Tip Top Courier" AD
4. "Evropat – 2 000" AD	**9.** "M&BM Express" OOD	**14.** "TNT Bulgaria" EOOD.
5. "Econt Express" OOD.	**10.** "City Express" OOD	**15.** "Flying Cargo Bulgaria" OOD.

In 2010, the above operators formed over 93% of revenue earned for both services. The operator who managed to increase its market share in 2010 and rank among the first fifteen operators providing courier services and "hybrid mail" service, is "Evropat – 2000" AD.

3. Development of the courier services

In the past year, the total number of submitted courier items was 19.5 milion. In 2010, as compared to 2009, the total number of courier items increased by 13%.

In 2010, revenue from courier services amounts to BGN 148 milion., which is an increase by 9% for a one-year period. Fig. 10 displays data regarding the breakdown of revenue from performing courier services for the period 2008-2010.

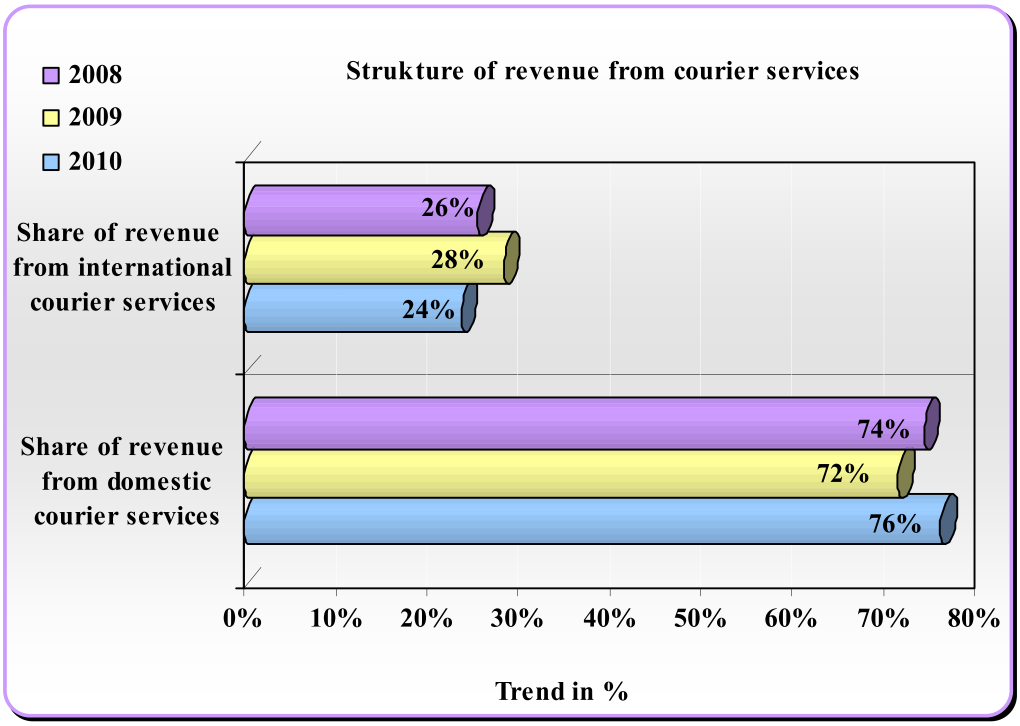


Fig. 10 Source: Data submitted to CRC

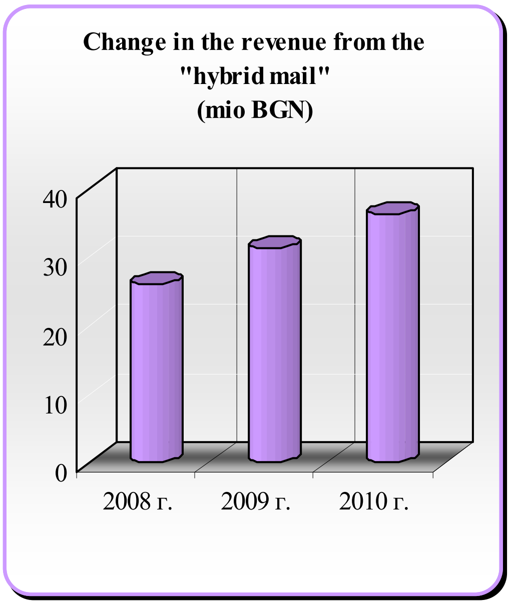
[2] The operators are listed in alphabetical order, and not by the size of their market share.

The revenue from domestic courier services which makes up 76% of the total amount of revenue from courier services increased when compared to 2009 by 16%, and their share grew by 4 percentage points. International outgoing courier services constitute 24% of the total amount of revenue from courier services, and their share dropped by 4 percentage point, as compared to the preceding year. In 2010, as compared to 2009, revenue from outgoing courier services fell by 9 %.

4. Development of the “hybrid mail” service

In the past year of 2010, revenue from the “hybrid mail” service amounts to BGN 36 milion.

Fig. 11 displays data regarding revenue and number of items from the provision of “hybrid mail” service for the period 2008-2010.



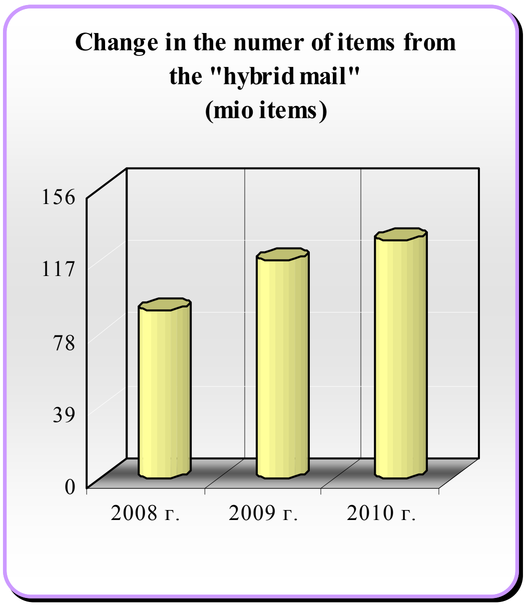


Fig. 11 Source: Data submitted to CRC

As compared to 2009, revenue from “hybrid mail” grew by 16%. During the reporting period, it was generated by 9 operators, of whom 7 provided courier services as well – these are "BSP" OOD., “Bulgarian Posts” Plc., “Evropat – 2 000” AD, “M&BM Express” OOD, “M&BM” OOD, “Star Post” OOD, “Tip Top Courier” AD. The relatively smaller amount of revenue from this service compared with the big number of items is due to the fact that it is provided at much lower prices than the remaining postal services. The generated number of items in 2010 is 128 milion., which represents a growth by 9%, as compared to 2009. The “hybrid mail” service is developed and offered mostly by Bulgarian operators.

In 2010, this relatively new service continued to develop and is yet to expand its potential. The main advantages of the services are:

- ✓ Time saving;
- ✓ Lower transit costs than traditional mail;
- ✓ High quality of service.

Essentially, hybrid mail represents electronic data transmission, transformation of the data into postal items, and delivery of those items to the recipients. The latest version of the hybrid mail application enables individual users to send messages from their personal computers to the nearest printing center and accordingly the messages are sent to the recipient as postal items, neutralizing the environmental impact from transport of physical mail at long distances.

The innovative service called “hybrid mail”/”hybrid”, was introduced by “Deutsche Post”. With this service, users send letters via the Internet to a post office branch, where they are printed, placed in an envelope, and delivered to offices or private addresses by traditional postmen. This service is also available in a fully electronic version, as letters are delivered as paid e-mail.

5. State of the “postal money orders” service in 2010

In the reporting period, according to data submitted by all of the ten operators licensed to perform the “postal money orders” service, activity has been performed by “Bulgarian Posts” Plc., “Econt Express” ODD, “Tip-Top Courier” AD, “Factor I.N.” AD and “Finance Engineering” AD. The rest five operators, including “EasyPay” AD, report that they have not provided the service.

In 2010, one more license was issued for performing the “postal money orders” service to “Terra Post Services” EOOD. Thus, at the end of 2010, the number of all operators licensed to perform the “postal money orders” service was 11.

Despite that as of 03.11.2009 the service was taken out of the scope of UPS and is feely provided, in the conditions of a totally liberalized non-regulated market, in 2010, as compared to 2009, no significant change was observed neither in the number of money orders performed nor in revenue generated. In the past year, the total number of money orders performed was about 2 mil., and revenue earned from them was approximately 5 mil. BGN.

Depending on the terms for provision of the service, postal money orders can be divided in two types: ordinary and express. Most licensed postal operators of the service have declared that they perform the service from several hours to two days. Concrete terms are included in the General conditions of the contract with users.

According to data provided by “Bulgarian Posts” Plc. for 2010, the breakdown of orders according to their type is as follows: ordinary - 60.4% and express - 30.6 %.

Fig. 12 contains data regarding the revenue from performing the service for the period 2008-2010.

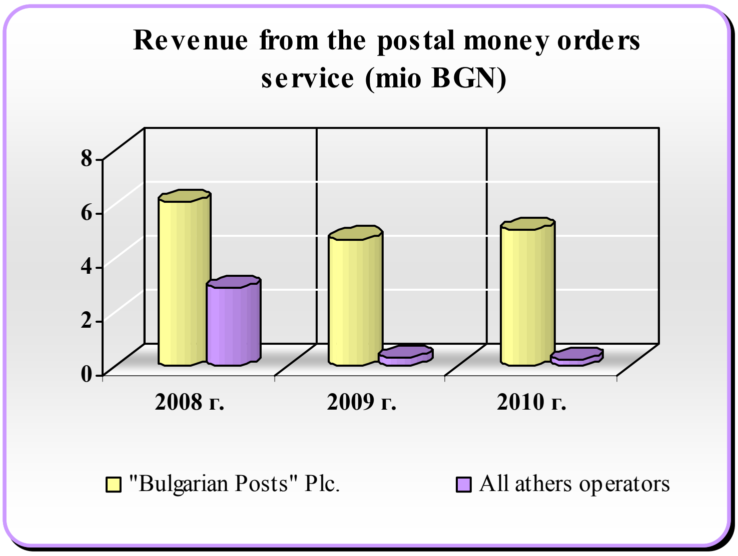


Fig. 12 Source: Data submitted to CRC

“Bulgarian Posts” Plc. formed 96 % of the total reported revenue from performing the “postal money orders” service, and the remaining 4 % revenue is divided between “Econt Express” OOD, “Tip Top Courier” AD, “Factor I. N.” AD and “Finance Engineering” AD.

Since 2009, “Bulgarian Posts” Plc. reported a growth in its revenue from postal money orders by 2.1%. The postal operator changed the technology of providing express money orders in 2010, while no significant change is observed in the reported revenue and number of postal money orders performed by “Tip Top Courier” AD, “Factor I. N.” AD and “Finance Engineering” AD. In 2010, “EasyPay” AD reported zero results from performing the “postal money orders” service.

Postal operators, who performed the service in 2010, stated that the weak expansion of the market is due to the continuing financial crisis and the big number of postal operators licensed for the performance of this service.

IV. State of the competition in the Bulgarian postal market

1. Indicators for assessment of the state of competition in the Bulgarian postal market

Pursuant to the provisions of Art. 17, Para 1, item 4 of PSA, CRC carries out annual analyses of the state of the competition in performing the different postal services.

In assessing the level of competition on the national postal market in 2010, CRC took into account the following indicators (also used during the last three years):

- ✓ Existing barriers to entering the market;
- ✓ Change in revenue from UPS and NPS;
- ✓ Change in the number of players on the market;
- ✓ Size of the market share of the different players;
- ✓ Degree of market concentration.

The barriers to entering the market represent factors that impede or complicate the entry of potential enterprises to the relevant market and their ability to successfully compete with enterprises already operating on it. On the whole, in accordance with the principles of competition law, the existing barriers, which potential players on the market face (in this particular case - postal operators), may be provisionally divided into two large groups:

- ✓ Economic barriers – structural and strategic.
  - o Structural barriers stem from the specific structure and state of the relevant market in terms of technology, costs, volume and nature of the product, supply and demand. These barriers include: initial costs, economy of scale, transit costs, etc.;
  - o Strategic barriers arise as a result of the actions and behaviour of the existing players in the industry. These barriers include various types of agreements on delivery of raw materials and intermediate products, and on the products' supply on the market.
- ✓ Legal and administrative barriers, such as licensing systems, price regulation, subsidies, grants and other provisions.

Pursuant to the principles of competition law, the concentration degree is measured by the Herfindahl-Hirschman Index (HHI), and the concentration ratio (CR). The HHI value is calculated based on the sum of the squared market share of the market players, while the CR value shows the shares of the largest players. According to the values of both indices, the market may be defined as: normal competitive market with low level of concentration, relatively competitive market with average level of concentration, and less competitive market with higher level of concentration.

2. State of competition between providers of services included in the scope of UPS

2010 was the last year during which "Bulgarian Posts" Plc. made use of the advantage granted by the established state monopoly over the reserved sector of UPS. From the start of 2011, the incumbent postal operator shall compete in this segment with the other licensed postal operators on an equal footing.

In 2010, with the purpose of harmonization with the provisions of PSA, in force as of 03.11.2009, State Gazette, issue 87, licenses of postal operators were reissued for performing services within the scope of UPS and licenses for performing the "postal money orders" service.

The change in licenses eliminated some of the legislative barriers, according to which these postal operators were obliged to build and maintain a network on the entire territory of the country, to perform UPS at affordable and agreed with CRC prices, to provide the service at least five days a week, and to ensure at least one delivery and one collection of items per day. The removal of these licensing obligations provided a better environment for the development of competition in this market segment. Regardless of these actions, there is still no change in the UPS market towards competition strengthening, when compared to the preceding two years (2008 and 2009).

In 2010, "Bulgarian Posts" Plc. occupies a market share of 96 % of the total amount of revenue from services within the scope of the universal postal service. The share of revenue by different types of services is as follows: correspondence items – 97 %, direct mail – 98 %, small packages – 93 %, printed matters – 59 %, and postal parcels – 99 %.

"Econt Express" OOD, "Tip Top Courier" AD and "M&BM Express OOD hardly made up the remaining 4 %. In 2010, the calculated value of CR4 ratio is 100.55 %. This ratio level defines the market of the universal postal service as low competitive with a high level of concentration.

3. State of competition between providers of non-universal postal services

3.1. State of competition between providers of courier services and "hybrid mail" service

For the last five years, from 2006 until 2010, the number of registered operators to perform both services grew from 59 to 90. In 2010, this market segment remained cost-effective, comparatively competitive, with an average to moderate concentration. The concentration was measured by the Herfindahl-Hirschman Index, as its value in 2010 was 1074, calculated on the basis of data provided by 83% of registered postal operators at the end of 2010. The CR5 ratio with a value of 66 % also proves relatively average level of concentration with a comparatively competitive market. For the last three years, the five operators with the largest revenue from performing courier services and "hybrid mail" service formed between 7 % and 20 % of the market shares.

In 2010, as compared with 2009, an increase of concentration was observed in the performance of courier services and "hybrid mail" service. In comparison with courier services, the "hybrid mail" service was characterized by a much higher degree of concentration.

In conditions of competition, the main structural and strategic barriers, which potential players in this market segment face, are related to the actions of established postal operators. Already prominent courier companies and providers of the "hybrid mail" service, well-known to users (recognizable brand), have postal network constructed on the entire territory of the country, offer a wide range of additional services and annually make up over 90% of the revenue from courier services and the "hybrid mail" service. These companies offer domestic and international courier services at attractive prices and of high quality, which is related to entering into contracts with each other and realizing economies of scope and scale. However, the above barriers which potential players face may not be defined as impassable to entering the postal services market.

From a legal point of view, potential operators of courier services and "hybrid mail" service do not face significant obstacles, since they are performed based on a notification regime, and do not entail requirements for construction of postal network on the entire territory of the country, coordination of prices, etc.

3.2. State of competition between providers of "postal money orders" service

Data reported by operators show that "Bulgarian Posts" Plc. remains an inarguable leader in the performance of the "postal money orders" service during the period under review. The operator forms 96 % of the total amount of revenue. The remaining players constitute 4 % of the revenue, and the biggest share among them is held by "Econt Express" OOD.

In 2010, with the purpose of harmonization with the changes in PSA, all licenses for performing the "postal money orders" service were reissued. As it was already mentioned, the reissuance of licenses facilitated licensing conditions by the removal of obligations such as coordination of the service price, coverage of the entire territory of the country, etc. The changes are expected to have a favourable influence on the development of the postal money orders market when the financial crisis ends.

V. Information related to CRC's regulatory and monitoring functions

1. Report on CRC's monitoring activity

In 2010, authorized CRC officials carried out scheduled inspections and inspections based on received letters and signals in performance of the legal obligation to monitor the compliance with the requirements of performance of UPS, the state monopoly established on a reserved sector of UPS, the conditions for implementation of the issued individual licenses and the obligations of operators performing NPS.

The postal operator obligated to perform the universal postal service "Bulgarian Posts" Plc. was subject to 9 inspections of its compliance with the PSA requirements. Some of the inspections were related to the CRC's refusal to coordinate the closing down of post offices. Others targeted the population's service with regard to changes made in the list of settlements located in difficult-to-accessregions. No significant violations of the PSA requirements were detected.

Operators licensed to perform the "postal money orders" service were subject to 6 inspections. No significant violations of PSA were detected.

Operators of non-universal postal services were subject to 10 inspections due to non-provision of information on their activity in 2009, required by CRC.

As for protection of the consumers' interests, CRC uses two instruments – coordination of the General Conditions of the contract with users of postal services and the right of users to file complaints and signals with the Commission. In the past 2010, the Commission coordinated 15 General Conditions. 26 complaints/signals were considered regarding violations of PSA, most of which were found to be unjustified – 21. The greater part of all submitted complaints were those regarding delay or non-delivery of international and domestic postal items. In most cases, considering the nature of complaints, there was no legal ground for intervention by CRC. However, in two cases CRC held the respective postal operator penally responsible for administrative offences by issuing two penal provisions

A joint inspection was carried out of the Border checkpoint "Kulata" regarding non-regulated transit of postal items performed by companies and persons who have not informed CRC in writing of their courier activity. No violations of PSA were found.

2. Information related to the performance of individual licenses

2.1. Postal network

Pursuant to Art. 5 of PSA, postal services are provided via postal networks. A postal network is an entity of organizationally and technologically interlinked units and means, including fixed and/or mobile post offices, postal agencies and desks, exchange and sorting centers and offices, vehicles and technical equipment, constructed and used to accept, transport and deliver postal items and perform postal money orders.

2.1.1. Postal network of the operator obligated to perform UPS

At the end of 2010, in compliance with the requirements of the individual license for coordination with CRC, the postal operator obligated to perform UPS "Bulgarian Posts" Plc. proposed the closing down of 45 permanently operating post offices. After making an analysis of data and information provided, CRC refused to approve the closing down, since the alternative forms of service do not guarantee the performance of the universal postal service. Thus, at the end of 2010, the number of post offices remained the same as at the end of 2009 - 2979, of which 635 are located in towns, and 2344 – in villages. Out of the post offices in villages, 189 are located in settlements with population of less than 150 residents, and 1241 - in settlements with population of more than 150 and below 800 residents.

In addition to post offices, postal services are provided by 118 postal agencies and 2400 country postmen, some of them being post office employees, and others are appointed under contract.

The chart below displays the percentage distribution of settlements serviced which amount to a total of 5126, according to the type of postal service.

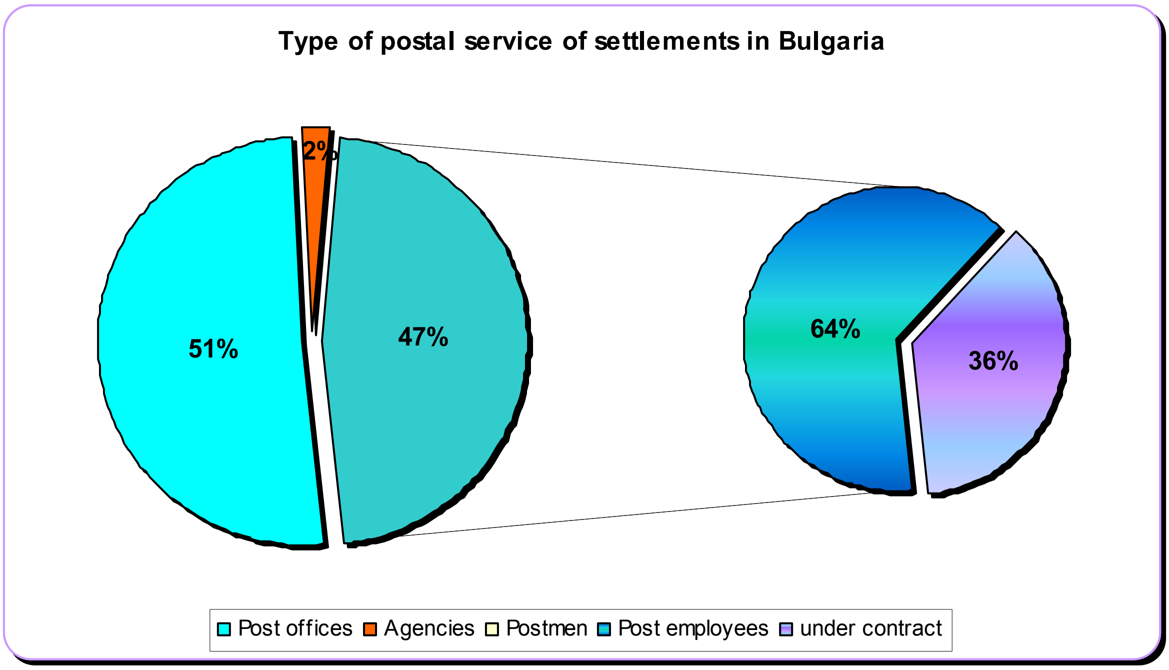


Fig. 13 Source: Data from the Annual Report of "Bulgarian Posts" Plc.

There are 5166 mailboxes for collection of unregistered correspondence items in use. For the country, the average population serviced by one mailbox is 1540 residents.

At post offices, users have at their disposal 43247 subscription mailboxes.

2.1.2. Postal networks of operators licensed to perform services included in the scope of UPS and operators licensed to perform "postal money orders" services

Notwithstanding the change in PSA of 3.11.2009 which removed the requirement for compulsory territory coverage of the entire country by operators licensed to perform services within the scope of UPS and operators licensed to perform postal money orders, they carried on with developing their networks by increasing the number of access points, whether their own or access points under contracts entered into pursuant to Art. 22 of PSA.

3. Quality of UPS in 2010

With reference to the amendments of PSA in force as of 03.11.2009, in the part concerning the measurement of the quality of UPS, requiring from the postal operator obligated to perform UPS to ensure, at its expense, measurement of the compliance with the standard quality level by an independent organization, "Bulgarian Posts" Plc. prepared terms of reference and tender documentation for opening a procedure for selection of a provider in accordance with the Public Procurements Act. To this end, the measurement of domestic priority correspondence items using the existing DIAMON system was suspended (the system was developed according to the requirements of Standard BDS EN 13850:2004), and it was consequently performed according to the existing "Instructions for applying the quality target of the universal postal service". The procedure did not take place, and results obtained through the operator's measurement are as follows:

3.1 Time for conveyance of domestic nonregistered priority postal items

End-to end transit time	Quality target	Results 2008	Results 2009	Results 2010
D+1	Not less than **80%** of the postal items	68.8%	84.2%	83.6%
D+2	Not less than **95%** of the postal items	91.4%	97.4%	96.8%

Following the decline in 2008, measures taken in terms of improving the organization of processes by all players on the market chain resulted in a significant improvement of the quality of service in 2009, which retained this level in the past 2010.

3.2 Time for conveyance of domestic nonregistered non-priority postal items

End-to end transit time	Quality target	Results 2008	Results 2009	Results 2010
D+2	Not less than **80%** of the correspondence items	85%	90.5%	92.4%
D+3	Not less than **95%** of the correspondence items	96.1%	98%	98.9%

3.3 Time for conveyance of domestic postal parcels

End-to end transit time	Quality target	Results 2008	Results 2009	Results 2010
D+1	Not less than **70%** of the postal parcels	85.5%	85.4%	85.8%
D+2	Not less than **80%** of the postal parcels	97.8%	97%	98.1%
D+3	Not less than **95%** of the postal parcels	99.7%	99.8%	99.7%

By Resolution No. 806 of 29.07.2010, published in the State Gazette, issue 64 of 17 August 2010, CRC introduced some amendments to the quality standards, which in terms of the time for conveyance of domestic postal parcels imply as follows: the D+3 target was removed, and D+1 and D+2 targets became 80% and 95% respectively. It is clear from the table above that the amended targets are complied with.

3.4 Time for conveyance of international postal items

The "end-to-end" transit time for international priority postal items is measured using the UNEX system, introduced to "Bulgarian Posts" Plc. since the start of 2008. The system covers postal operators obligated to perform UPS within the EU and is organized according to the requirement for independent measurement of the time for conveyance from end to end of Directive 97/67EC and in line with the requirements of Standard EN 13850. The so obtained results within the EU are official for all European operators and serve as a basis for accounting between them.

3.4.1 International unregistered priority postal items from geographical zones within Europe

End-to end transit time	Quality target	Results 2008	Results 2009	Results 2010
D+3	Not less than **85%** of the postal items	49%	71.4%	63.8%
D+5	Not less than **97%** of the postal items	85.1%	95.5%	92.4%

The results obtained for incoming priority postal items show failure to meet the target, in particular the speed target D+3, as well as a decline of indices, as compared to the preceding year. Factors with negative influence on results are: non-compliance with the processing time of mail which has arrived within LAT (latest time of arrival of a flight carrying mail that must be processed and delivered on the following day - D+1); delayed processing of priority postal items at the BESC (Bulgarian Exchange and Sorting Center); delayed final delivery to the mailbox.

The results achieved for outgoing priority postal items are even lower - 54.7% for D+3, and 87% for D+5. According to the incumbent operator, the main reason for this is the impossibility to use early flights of the airlines for shipment of priority mail due to contracts concluded between most aircraft carriers and other road operators. Another factor with a negative influence is the closing down of many European airports because of the eruption of the volcano in Iceland in April 2010.

In November 2010, an audit was carried out by experts from PostEurop, with the purpose to assess the results achieved in relation to the projects of “Bulgarian Posts” Plc. for improvement of the quality. The areas with a potential for improvement and optimization were marked.

A project for improvement of the international mail processing was also prepared and was presented and approved for financing by the Quality of Service Fund of UPU - QSF.

3.4.2 International nonregistered non-priority postal items from geographical zones within Europe

End-to end transit time	Quality target	Results 2008	Results 2009	Results 2010
D+4	Not less than **55%** of the postal items	57.83%	61.42%	62.6%
D+6	Not less than **80%** of the postal items	84.13%	87.15%	89.1%

The above results refer to the first half of 2010. Targets were amended during the second half, and the results below show non-compliance:

End-to end transit time	Quality target	Results 2010
D+5	Not less than **80%** of the postal items	69.6%
D+7	Not less than **95%** of the postal items	92.2%

3.5 Regularity of collection of postal items – number of collections from letterboxes and post offices

Settlement	Days of the week	Number of collections per day	Quality target	Results 2008	Results 2009	Results 2010
Sofia	From Monday to Friday Saturday and Sunday	2 1	**95%**	99.48%	99.62%	99.02%
With ESC	From Monday to Saturday	1				
Without ESC	From Monday to Friday	1				

3.6 Regularity of delivery of postal items – number of deliveries

Settlement	Days of the week	Number of deliveries per day	Quality target	Results 2008	Results 2009	Results 2010
Sofia	From Monday to Saturday	2	**95%**	99.57%	98.99%	99.31%
With ESC	From Monday to Saturday	1				
Without ESC	From Monday to Friday	1				

3.7 Time limits for handling complaints

Standard term for handling complaints	Quality target	Results 2008	Results 2009	Results 2010
30 days for domestic postal services	Not less than **90%** of the complaints	94.44%	91.39%	93.44%
90 days for international postal services	Not less than **90%** of the complaints	95.75%	94.67%	94.45%

With regard to this target, there is a steady trend towards compliance, and results achieved are sustained.

3.8 Complaints regarding services within the scope of UPS

In 2010, according to data from the annual questionnaires for operators providing UPS or part thereof, a total number of 5269 complaints were submitted, of which 339 justified, classified as follows:

Written complaints submitted in 2010	**Number**	
	domestic	**international**
Complaints (in total)	**578**	**4691**
Justified complaints	78	261

Written complaints submitted in 2010	Number	
	domestic	international
Breakdown of complaints according to their cause:		
1. lost item	25	253
2. delayed item	15	1
3. damaged or with missing content (fully or partially) item	8	4
4. misdelivered item	4	1
5. returned postal parcel without reason for non-delivery	6	2
6. general complaint (complaint based on a general dissatisfaction with the operator's services)	14	
7. concerning the behaviour and competence of postal employees	6	
8. concerning complaint processing		
Complaints with payment of compensation	**number**	**BGN**
	73	**5393**

The total number of complaints in 2010 decreased by 6.7% compared with 2009. The number of justified complaints dropped significantly – 2.5 times, and they make up 6.43% of the total number of complaints, as opposed to 15% in 2009. The number of complaints that were settled by payment of compensation decreased almost 3 times, while the amount of paid compensations fell by 6%. Lost items hold the biggest share of justified complaints – 82%, of which 91% are complaints for lost international items. The number of this kind of complaints remains high, and there is even a slight increase, when compared with the preceding year.

The chart below presents the dynamics of changes in the number of justified complaints according to the reasons for making them for a three-year period.

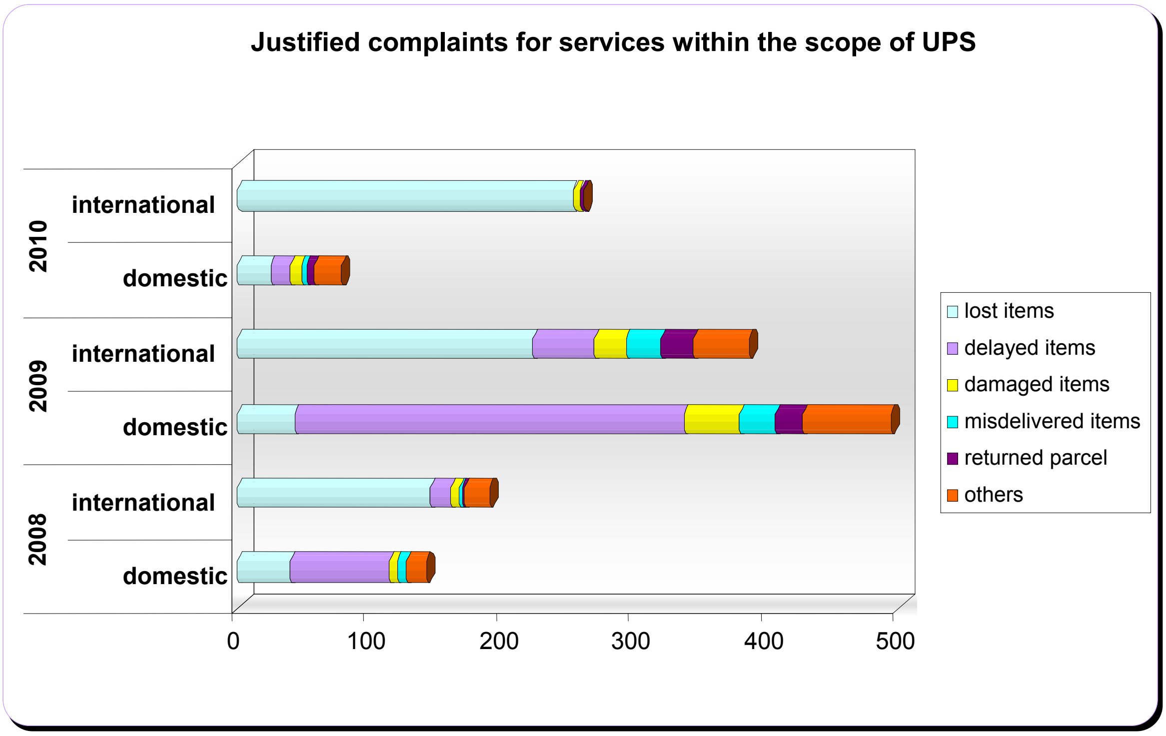


Fig. 14 Source: Data submitted to CRC

3.9 Complaints regarding NPS

Complaints regarding NPS in 2010 are distributed by number and reasons as follows[3]:

Complaints (in total)	5603	
including justified complaints	3264	
Breakdown of complaints according to cause:		
1. damaged item (the integrity of the item is violated)	1190	
2. lost item (the item is not delivered to the user)	368	
3. rifled item (item with wholly or partially missing content)	154	
4. destroyed item (the item is damaged in a way making its intended use impossible)	16	
5. item delivered with delay of the deadline for delivery	791	
6. others	730	
7. complaints regarding postal money orders (PMO)	15	
Complaints with payment of compensation	**Number**	**BGN**
	2632	**296 582**

As compared with 2009, the total number of submitted complaints dropped by 27%, however, but the number of justified complaints grew by 17%. The number of complaints settled by payment of compensation increased by 20%, and the amount of paid compensations grew accordingly.

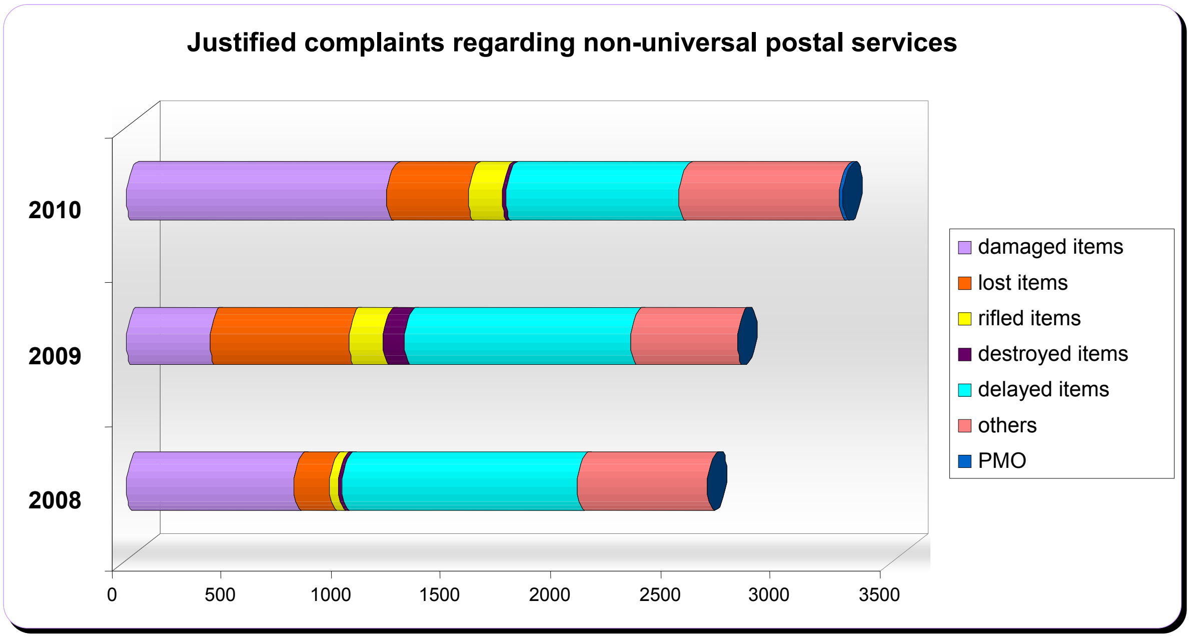


Fig. 15 Source: Data submitted to CRC

[3] The data are from annual questionnaires for operators providing NPS.

Chart 15, presenting the change in the number of complaints according to the reasons for making them for a three-year period, shows a consistently large number of complaints for late delivery, damaged items, lost items and “others”. In the past year, the number of complaints for delayed items dropped by 23%, and the number of complaints for lost items fell almost two times. However, the number of complaints for damaged items increased drastically – three times, and the number of complaints in column “others” grew by 48%.

4. Analysis of the postal security measures

Postal security is a combination of measures and actions related to the security and protection of postal items, money and valuables, the property of the postal operators, the life and health of postal employees and the users of postal services, keeping the confidentiality of correspondence, ensuring the inviolability of postal items, protection of personal data and prevention of money laundering through the postal network. The postal security also aims at protecting the postal traffic and not allowing acceptance, transfer, and delivery of forbidden objects and substances via the postal network. Acceptance, transfer, and delivery must not be allowed for postal items that have been prepaid by forged or out-of-use postage stamps, or by invalid postage prints. The area of postal security is legislatively settled by Ordinance No. 6 for the postal security requirements (the Ordinance), Measures for keeping the confidentiality of correspondence and Postal Services Act (PSA). These provisions are valid for all operators performing postal services on the territory of the Republic of Bulgaria. Every operator is obliged to build a security structure in its organizational form in order to comply with the above requirements. Operators are also obliged to develop internal instructions for security and protection of money, to adopt internal rules for control and prevention of money laundering, as well as rules for the internal order and security of buildings and premises, in coordination with the competent state authorities. Another obligation is to take precautions not to allow items containing forbidden objects and substances into the postal network. In coordination with Ministry of Interior (MI) are developed internal rules for actions to be taken by the employees in case of any doubt that the postal items might contain weapons, ammunition, explosive, flammable or any other dangerous substances and objects. The requirements for the necessary technical devices and software for monitoring the postal activity are also coordinated with MI.

The monitoring of compliance with the postal security requirements, set forth in the Ordinance, is carried out by CRC. Throughout the year, it has performed a total of 56 inspections, and with a view to the analysis and assessment of the results from the inspections, the actions taken by the Commission are implemented in 2011. Scheduled inspections under Art. 20 of PSA were performed. The results show that twelve of all inspected operators maintain the necessary technical devices and software under Art. 20, Para 1, item 7, of which three use their own equipment, and nine use external equipment. It was also found that twenty two companies do not perform their activity pursuant to Art. 20, Para 1, item 6 of PSA, concerning the compliance with the requirements for protection of personal data. Fifteen operators do not perform activity by providing non-universal postal services, and seven were not found on the addresses known to CRC. At the same time, pursuant to Art. 18, Para 2 of the Ordinance, postal operators are obliged, within 15 days of issuance of an individual license or registration certificate, to inform the MI in writing in order to start the procedure for coordination of the requirements for the necessary technical devices and software. In this respect, the notification under Art. 18, Para 2 of the Ordinance is the legally necessary prerequisite for a potential further application and action of Art. 18, Para 6 of the Ordinance, which states that if no agreement is achieved regarding the necessary technical devices and software, the Ministry of Interior shall inform CRC in writing to take actions according to PSA. According to the information provided by representatives of MI, only one operator met this requirement. To date, CRC has undertaken actions to seek responsibility for administrative offences from the postal operators who have not met their obligations under Art. 18, Para 2 of the Ordinance.

Due to the increased danger of terrorist acts in an international aspect and the parcel bombs found in the Greek capital Athens in 2010, in the European Union and respectively in Bulgaria, the security levels according to the European classification were raised in the system of “Bulgarian Posts” Plc. As a result of this situation, all domestic and incoming international parcel items in our country undergo even more detailed manual and technical inspection at the sorting centers. If, when accepting an item, it is doubted to contain any forbidden objects or substances, its sender is required to grant his consent to open it, and if consent is not granted, the item is not accepted. When there are sufficient grounds to believe that an already accepted item contains forbidden objects or substances, it is retained and its sender or recipient is required to grant his written consent to open it. In case of refusal or lack of reply, the respective competent authorities are notified and the latter undertake subsequent actions. The aim is to maintain a high level of control over the items, while not violating the right to correspondence confidentiality of the users of postal services.

The changes in the circumstances and the fact that the Ordinance for the postal security requirements dates back to 2003, require its overall revision and amendment. The draft for amendment of the sublegislative document will be prepared by an interdepartmental working group comprising representatives of CRC, Ministry of Transport, Information Technologies and Communications, Ministry of Interior, State Agency "National Security" and "Bulgarian Posts" Plc. The goal of the working group is to propose measures for enhancing the level of postal security, to distribute the monitoring functions among the different authorities in an optimal way, and to facilitate the work of postal operators.

As a European Union member-state, Bulgaria's policy in the area of postal security has an influence not only in the country, but also in the other member-states.

VI. Conclusion. Prospects for development of the postal market

With the last change in PSA, effective as of 30 December 2010, the harmonization of the regulatory framework with Directive 2008/6/EC completed and from the start of 2011 the postal market is practically fully liberalized.

Considering the fact that 2011 is actually the first year when postal services will be provided in the conditions of a fully liberalized market, and taking into account the forecasts of postal operators and the trends towards a global development of postal services, the following changes are expected to occur in 2011:

- ✓ The development of the postal market will depend to a great extent on the change in revenue earned from courier services;
- ✓ The number of postal operators registered to perform NPS will increase;
- ✓ The consumption of courier services and "hybrid mail" service will grow, as compared to 2010;
- ✓ The consumption of services within the scope of UPS, including the most often used service "items of correspondence up to 2 kg", will decrease, compared with 2010;
- ✓ The share of submitted UPS items by business users will continue to be over 50% of the total number of UPS items, and the number of items sent by business to individual users will increase;
- ✓ The market share of operators performing services within the scope of UPS of the entire postal market will grow;
- ✓ New contracts for access to the network will be entered into between the postal operator obligated to perform UPS and the other licensed operators;
- ✓ Competition in services within the scope of UPS will slightly grow.

As a whole, in conditions of a liberalized postal market and a steady trend towards reduction in the volume of traditional mail at an international level, in the following year, postal operators providing services within the scope of UPS will strive to find the optimal solutions to providing services in terms of the size of the maintained postal network and raising the quality of provision. New value-added services are expected to be introduced in line with the traditional postal services.

With the purpose of a more successful performance in conditions of stronger competition, postal operators performing courier services will continue to strive for a greater flexibility in pricing, introduction of new information technologies for electronic direction and tracking of items, satisfaction of the clients' specific needs, and improvement of the culture of service. The electronic trade growth is a serious precondition for the development of courier services and will have a significant impact on this segment of the postal market, considering the intensive entering of the Internet to all public spheres.