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

## OF THE COMMUNICATIONS

## REGULATION COMMISSION

## FOR 2006

**ANALYSIS OF THE POSTAL SERVICES MARKET FOR 2006**

**“Market regulation” directorate**

***Department “Regulation of postal services”***

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## INTRODUCTION

Basis for the postal sector is the Postal Services Act (PSA). In connection with the joining of Bulgaria to the European Union on 01.01.2007, amendments of the PSA have been adopted in the beginning of 2006, aimed at completing the transposition of the second postal services directive. One of the adopted amendments reduces as of 01.01.2006 the weight limits (up to 150 gr.) and price (not more than the triple of the price of the standard priority item of correspondence up to 20 gr.) of the services in the reserved sector, over which a state monopoly is established in favor of „Bulgarian posts" Plc (BP Plc) until 31 December 2008. From the beginning of 2007 a new reduction of the reserved sector is envisaged.

This amendment of the PSA gave rise to the emergence of rival operators for carrying out of the universal postal service (UPS). A comprehensive media coverage was devoted to the granting of an individual license to the first private post „Tip Top Courier" Ltd, followed by „Econt Express" Ltd., which has also been granted a license for the whole of the universal postal service. It is worth noting that both companies are established operators on the market of non-universal postal services (NPS). Thus the domestic users of UPS shall have for the first time the possibility to choose between the services of the Principal postal operator „Bulgarian Posts" Plc and two more alternative operators.

The licensing of two new operators for the entire UPS is an important step towards full liberalization of the postal services' market.

In 2006 an individual license is also issued for part of the UPS – postal money orders. Seven operators for carrying out of non-universal postal services have been registered as well.

Another amendment of PSA, having impact on the activity of the Communications Regulation Commission (CRC) in the direction of increasing its regulatory power to protect the consumer's interests, concerns the approval of the General conditions of the contracts with the users, submitted by the postal services operators. "Recommended general conditions of the contract with the users for operators providing NPS" have been prepared, which gives on one hand the opportunity to the regulatory authority to protect the user's interests and on the other hand to provide non-discrimination conditions for the operators. In order to streamline the work and to create clear rules, CRC has adopted Procedure for the terms and conditions for approval of the general conditions of the contracts with the users of postal services.

According to the adopted amendments of PSA, CRC has elaborated in 2006 the following pieces of secondary legislation:

- A system for the formation of postal codes of universal service providers
- Ordinance for the general rules for mutual access to the networks of the postal operators providing UPS or part of it;
- Procedure for the terms and conditions for approval of the systems for cost allocation according to the type of services, presented by the operators providing UPS or part of it;
- General rules for the delivery conditions of postal items, postal parcels and payment of the postal money orders.

The changes which took place on the market of postal services with the licensing of the two new operators of universal postal service have forced the revision of the first two pieces of secondary legislation.

In carrying out the commitments undertaken in the process of negotiations for accession of Bulgaria to the European Union, CRC has adopted Amendment and Supplement to the Standard Quality Levels for the Universal Postal Service and Service Efficiency.

During the past year, in accordance with the provisions of Directive 97/67/EC, CRC has organized for the first time carrying out of a "third party" measurement, independently from the regulatory authority and the postal operator (BP Plc), in order to assess the compliance of the quality of the provided universal service with the Standard Quality Levels for the Universal Postal Service and Service Efficiency.

In February 2006 a training has been conducted in cooperation with TAIEX under the project „Liberalization of the postal market”. During the training discussions have been held concerning aspects of consumer protection, competition on the market and quality of services under fully liberalized postal market, such as the market of postal services in the United Kingdom since 01.01.2006. Another significant topic of the discussion on the project concerned the degree of regulation of the postal market and exercising the competencies of the regulator when the Principal postal operator fails to meet its obligations, which has a negative influence on the users.

During 2006 CRC has participated again in the CERP plenary meetings. A presentation has been held by CRC during the 34$^{th}$ CERP plenary entitled „Hybrid post – practice and problems”, posing some problems the Bulgarian regulator is facing and a short study of the European regulatory practices has been presented.

In the end of 2005 and the beginning of 2006, the European Commission has conducted a public consultation for the state and development of the postal services in connection with the new community policy in the postal sector and Bulgaria has been invited to take part in it. CRC has organized the participation in the consultation of the Bulgarian consumers of postal services – natural persons and corporate clients, consumer associations, as well as operators of postal services, which had for the first time the opportunity to express their opinion along with the citizens of united Europe.

# I. Analysis of the postal services market

## 1.1. Development of the postal services market

In 2006 the postal market in Bulgaria is estimated at nearly 166 millions BGN, which are formed by the traffic of approximately 161 millions of postal items.

Towards the end of 2006 45 out of the total of 56 registered operators have actually provided non-universal postal services, four are the licensed operators for provision of part of the universal postal service - „postal money orders”, one of them still not having started its activity and only the principal postal operator has been providing all services from the scope of the UPS.

The volume of the internal postal market is calculated as an expert’s estimate on the basis of the data provided by 92% of the active licensed and registered postal operators towards 31.12.2006.

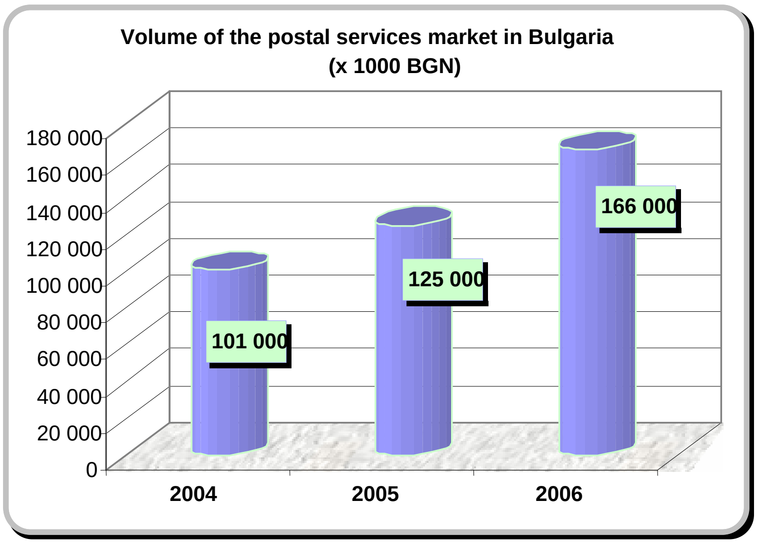



*Fig. 1* *Source: Data submitted to CRC*

Compared to 2005 the provision of postal services during 2006 has increased with 33%.

Over the last three years a trend is observed for stable growth of the internal postal market.

The development of the market is connected also with the increase in number of the received, processed and delivered postal items, whose number in 2006 has increased with 24 per cent compared to 2005.

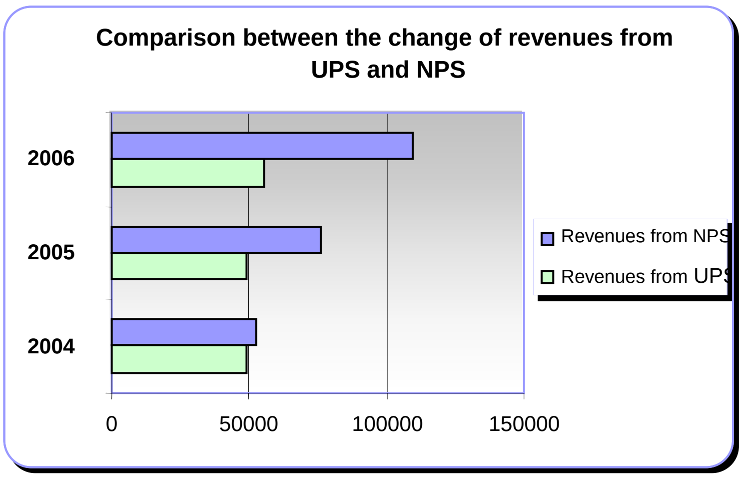



*Fig. 2* *Source: Data submitted to CRC*

The rate of growth of the revenues from NPS over the last three years exceeds that of the revenues from UPS.

During the last year the revenues from NPS formed 67% of the volume of the postal market.

In 2005 the ratio between the revenues from NPS and UPS in the total volume was 1,5 to 1 and in 2006 it has changed to 2 to 1.

As a consequence of the NPS revenue growth rate exceeding that of the UPS the market share of the principal postal operator of the total postal market is steadily decreasing. In 2004, 2005 and 2006 the company BP Plc had a market share amounting to 50%, 42% and 33%, respectively.

The factors which have contributed for realizing the revenues from UPS and NPS are diverse and connected to a great extent with the specificity of the services provided.

The application of significantly more flexible managerial decisions by the NPS operators in provision of services and the improvement of their quality, making investments with technological importance, the significantly lower expenses for construction and maintenance of network compared to the UPS operators, relates directly with the realized revenues from the two types of postal services.

The requirement for constant provision of UPS, within a certain working time, with quality complying with specific standard levels and at affordable prices, providing opportunity for its use by every consumer on the territory of the country is one of the factors influencing these revenues. Traditionally over the last years, including also 2006, the entire UPS was provided by BP Plc, and competition was observed only with the service „postal money orders", for which there are 4 more licensed operators. In this market situation the total volume of revenues from UPS is formed under the influence of the changes in the prices of the principal postal operator. The prices of the UPS services are subject of regulation and for the reported period BP Plc introduced new prices of UPS from the beginning of 2006. The change in the prices of the principal postal operator influenced the realized revenues, which increased for the past year with 14 per cent compared to 2005.

The services from the scope of NPS (courier services, parcels from 10 to 20 kg and hybrid mail) are carried out in a highly competitive and dynamic market environment, in which the change in consumption has a significant influence over the amount of revenues. With NPS the increase of revenues is mandatory related with the increase in consumption. For the purpose of comparison in 2005 compared to 2004, the volume of the NPS postal items has increased nearly 7 times and the revenues have increased with 45 per cent. In 2006 compared to 2005 the NPS consumption has increased with 87 per cent and the revenues with 46 per cent. The strong sector competition is influencing the revenues of the operators providing NPS with a consequence for the price policy of the operators in this sector.

In connection with the differences in the specificity of UPS and NPS it is necessary in analyzing the state of the domestic postal market to divide it in two markets – UPS market and NPS market.

In 2006 the assessment of the NPS market does not differ from that for 2005. The NPS market is steadily increasing over the last three years and can be described as liberalized, dynamic and attractive market penetrated by more and more new entrants. During the past year CRC has issued registration certificates to 7 new operators for provision of non-universal postal services. The NPS services are provided under strong competition and the operators strive to meet the needs of the users through individual approaches to their customers and improving the technology of the provided services.

The process of liberalization of the UPS market has been accelerated by the issuance of two new individual licenses for provision of the entire UPS. Due to the fact that the two new licensed operators “TIP-TOP COURIER” Ltd and “ECONT EXPRESS” Ltd. shall start provision of the services from the scope of the UPS in 2007, generally speaking the state of the UPS market in 2006 does not differ significantly from that in 2005. With the exception of the weak increase of the realized UPS revenues, due to the increased prices of the principal postal operator, the trends from 2005 for drop in the consumption of the UPS services and for intensification of competition with the provision of the service “postal money orders” are maintained also in 2006.

Based on the trends established on the postal market over the last three years the following development of the postal market is expected in Bulgaria for 2007:

- ✓ Increase in the volume of the postal market and preserving the ratio between the NPS and UPS revenues as in 2006;
- ✓ Increase in the number of operators providing NPS which shall exceed 60;
- ✓ Increase of the number of NPS postal items with approximately 17 per cent, compared to 2006;
- ✓ Increase in the number of the licensed operators both for the entire UPS and for the service “postal money orders” despite of the significant costs necessary for the construction, development and maintenance of network and of the established with §6 of the PSA state monopoly over a reserved sector of UPS;
- ✓ After the actual market entrance of the new players on the postal market all services from the UPS scope shall be provided in an increasingly competitive environment, which shall create conditions for a greater choice of UPS providers and could change the negative trend for decrease of consumption of these services over the last three years.

### 1.2. level of competition on the postal market

As a sector regulator for the area of postal regulation CRC analyses annually the level of competition on the postal services market. The trend for increase of the number of NPS operators over the last years continues in 2006 as well. Important moment during the past year is the licensing of two new operators for provision of the whole scope of UPS services, which is a serious step towards enhancing the competition with UPS. The services from the UPS scope are traditionally identified with the principal postal operator and the market entrance of two new market players shall contribute to the increase in reliability, quality and efficiency of the provided services.

CRC has taken into account the following indicators for the analysis of the level of competition on the internal postal market in 2006:

- Existing market entry barriers;
- Change in the revenues from UPS and NPS;
- Planned widening of the scope of the provided services;
- Customers expectations and awareness of postal services provision.

*Existing barriers for entry on the postal market*

The barriers for market entry can mainly be divided in two big groups: <u>structural,</u> ensuing from the main branch features such as technology, expenses and demand and <u>strategic</u>, which occur as a result of the behavior of the existing branch participants. Not without importance for starting activity are also the legal barriers.

The potential postal market players are facing different structural and strategic barriers. Besides the principal postal operator reputed courier companies and licensed operators with trade marks well known to the customers exist on the market, which realize economies of scale and scope in exercising their activity. The longstanding market players know well their market power and can use it as a barrier against the new market entrants with different price and marketing strategies influencing the consumers. A big part of the operators state as a barrier for entry on the NPS market the merger of the big companies with deployed structure, including a network of offices, broad portfolio of provided services and possibility for offering extremely short delivery terms. On the other hand the provision of services from the UPS scope implies great investment for construction and maintenance of network, which may become non-returnable when ceasing activity.

From a legal point of view a significant barrier is the state monopoly established over a reserved sector of UPS with §6 of the PSA.

Last but not least a market entry problem is also the presence of unfair competition by companies which provide NPS without having a registration for carrying out such services.

In order to counteract illegal provision of postal services CRC conducts market monitoring and tracks carefully every submitted signal for provision of postal services without registration or license and in case the signal is confirmed the respective sanction measures are undertaken.

*Change in the revenues from UPS and NPS*

In 2006 the revenues realized from NPS have increased with 46 per cent and from UPS with 13 per cent compared to 2005. For UPS during the past year competition was observed only for the service “postal money orders” since the other services from the scope of the UPS have been provided only by the principal postal operator. In 2006 the revenues realized from provision of postal money orders have increased with 10 per cent compared to 2005 and CRC has licensed one more operator for this service.

Since 2005 an increased interest by operators in the service postal money orders is observed as a service with great potential for development. Due to the fact that the prices of the postal money orders are subject of regulation the licensed operators strive to be competitive through improving the quality, reducing the time for performing the service and offering of different additional services related to the penetration of modern technologies.

For NPS in 2006 the revenues from courier services have increased with 56 per cent compared to 2005. Over the last three years the consumption of courier services expands steadily together with the increase in number of the operators providing these services. These two factors characterize the competition in courier services as most significant compared to the rest of the postal services. This assessment is confirmed also by the expectations of the registered operators. More than half of them forecast increase in the traffic volumes in 2007. Striving to enter new market niches the courier companies rely on flexible managerial decisions, optimizing the technology and increasing the quality of the provided services. The intensifying of competition with each year forces the NPS operators to diversify their marketing strategies, in order to meet the consumer’s demand and to analyze their financial results not only as a market share but also in comparison with “leading market competitors” defined by them. In support of this statement is also the fact that almost two thirds of the registered operators have identified their leading competitors on the market and have analyzed the level of competition both for each of the NPS services and for the different varieties of courier services, such as speedy city couriers, „door to door” deliveries and others.

For the period under review, compared to 2005, the realized revenues from the service “hybrid post” have increased most significantly (67 per cent) in comparison with the revenues from the two other services within the NPS scope. This service has gained momentum in 2005 and in 2006 continued to expand and the competition in its provision is also gradually increasing.

The most insignificant competition in 2006 is observed with the parcels service from 10 to 20 kg. This assessment is confirmed both by the realized revenues from the service which have decreased with 41 per cent compared to 2005 and by the operators' opinions. As from the beginning of 2007 this service transfers into the UPS scope and the traffic generated by it is expected to join the courier services.

*Planned widening of the scope of the provided services. Customers expectations and awareness of postal services provision*

In 2006 two operators – „Econt Express" Ltd. and „Tip Top" Ltd, widened the scope of their activity with the obtaining of individual licenses for provision of UPS. With the forthcoming entry of two new players on the UPS market the principal postal operator is facing for the first time since its creation the challenge to operate in a competitive environment. The new licensed operators should face the heavy task to manage to be distinguished by the consumers and be preferred as UPS providers. Although both operators have established themselves on the NPS market and are used to operate in a highly competitive environment, as far as UPS is concerned the trade mark of „Bulgarian posts" Plc is well known to the consumers and gives a serious advantage to the principal postal operator.

The four licensed operators for the service "postal money orders" are still in the process of establishing on the market and do not envisage for 2007 to change the scope of their individual licenses.

The bigger part of the registered operators shall direct in 2007 their investments towards modernization of the provided services and increasing their quality and effectiveness. Although since 01.01.2007 the service parcels from 10 to 20 kg is in the scope of UPS, not one from the registered operators has declared intent to broaden the scope of its activity through applying for an individual license.

The increased consumption of NPS in 2006 compared to 2005 shows, that the users are well oriented about the courier companies and the services provided by them.

A significant change in the customer's awareness is observed regarding the postal money orders. The data from the conducted research of the consumers' demand in 2005 have shown, that the other licensed operators apart from „Bulgarian posts" Plc are not familiar on the postal market. In 2006 the consumers not only know them but also use their services. A proof for this is that 90% from the received and delivered postal money orderss by the alternative licensed operators are from individual consumers.

According to the authority given to CRC with the PSA the commission strives both to encourage the competition on the postal market and to protect the consumer interests and increase their awareness.

In this connection the commission considers and approves the content of the General conditions of the contracts with the consumers of the postal operators and gives where necessary mandatory recommendations and instructions.

In order for the user to be familiarized to the maximum extent possible with the types of services, its rights and obligations, the amounts of the compensations and other parameters of the provided services the postal operators are obliged to put the General conditions of the contract with the consumers and the Tariff of the provided services at a visible and accessible place in each of their officesc.

### 1.3. Innovations in the development of the postal services on the Bulgarian and global markets

In order to preserve the existing market shares and establish the trade marks on the postal services market the registered operators are forced to optimize their established organizational schemes for delivery through introduction of innovative technologies and creation of flexible structures. In the increasingly competitive environment the provision of innovative solutions to the consumers with effective and quality services is mandatory.

The implementation of new information technologies for tracking of the items occurs more and more frequently with the operators placing importance on the reputation of their trade mark.

In order to meet the consumers' demand the provided services undergo significant development in the recent years: shorter delivery terms, wide network coverage, electronic routing and tracking, speedy city couriers with term of delivery up to 60 minutes from the moment of ordering etc.

The traditional courier services are being differentiated towards adequately meeting the specific needs of the customers with the development and implementation of business programs of services addressed to specific customers and improving the culture of providing services, expressed in strengthening the relation between the operators and their customers.

The creation of a common European market in global aspect and the joining of Bulgaria to this market imposed changes in particular also in the provision of postal services. In this regard, in order to respond to the business challenges some postal operators introduced the service – daily deliveries to Europe from door to door with short terms and automatic insurance of the items.

Although the prevailing part of the operators have oriented their area of activity towards the business clients and institutions, their trade marks become more and more popular also among the individual consumers, using until recently traditionally the services of the principal postal operator.

Following the trend from the previous year and the significantly increased interest of the consumers towards the service „hybrid post" in 2006 can be forecasted the potential clients of this type of service – financial institutions and the utility sector to be among the areas with the biggest consumption of NPS.

In a highly competitive environment for transfer of postal items and messages, the quality, the speed and the efficiency have an exceptional importance.

On a global scale an innovation in improving the quality of service in providing postal services is the introduction of the system Radio Frequency Identification Device (RFID) in the postal branch which has proven successfully its advantages in many countries of Northern America, Europe and Asia such as Korea, Spain, Sweden, Germany, USA and others.

The basis of the RFID system is the possibility for electronic tracking of postal items and letters by means of radio frequency tags in real time. The tags are transmitting radio signals, which are received by antennas located in centers for processing of the postal items. The electronic reader sends data for the date, hour and identification number to the computer, which transfers the information to the central server in the post office.

The advantages of this system are, that the items can not only be controlled on each stage of their delivery but also the possible problems can be removed on the move.

The forecasts for RFID are that it will replace entirely the system for tracking of the items through bar code operating now and shall establish itself as a system reducing the cost, mistakes and leading to increased speed and reliability of the postal services. Many companies working with the tracking system GPS make significant investments in the development of RFID thus guaranteeing for themselves a leading position with the system's ever greater implementation in the praxis.

## II. UNIVERSAL POSTAL SERVICE

The universal postal service (UPS) is a service, which is provided constantly within certain working time with quality complying with the norms, at affordable prices and possibility for its use by every consumer on the territory of the country, irrespective from his/her geographic location. The operators of UPS are obliged to provide it on all working days, at least 5 days a week with the exception of the regions which are hard to reach. The following services are included in the scope of UPS:

1.,acceptance, transport and delivery of domestic and international postal items as follows:

- letter items up to 2 kg;
- small packets up to 2 kg;
- direct mail up to 2 kg;
- printed matter up to 5 kg;
- secogrammes up to 7 kg;

2., acceptance, transport and delivery of domestic and international parcels up to 10 kg;

3. postal money orders;

4. additional services "registered items "and "declared value".

With the amendment of the Postal Services Act (PSA), (SG, No. 37/2006), the items under point 1 can be with and without priority.

On the grounds of Article 18, paragraph 4 of the Constitution of the Republic of Bulgaria a state monopoly is established up to 31.12.2008 over a reserved sector of UPS, provided over the postal network of „Bulgarian posts" Plc (BP Plc).

The services of the reserved sector include acceptance, transfer and delivery of domestic letter mail and of international outgoing and incoming letter items. As from 01.01.2006 the limits for weight and price of the services from the reserved sector are lowered to 150 grams and price, which does not exceed more than three times (but is not equal to three times) the price for a standard domestic or international priority item of correspondence up to 20 grams, applied by the principal postal operator.

The entire UPS was provided in 2006 once again only by the principal postal operator „BP" Plc. The service „postal money orders", as part of UPS was provided to the consumers by three more licensed providers: „Finance Engineering" Ltd, „Factor I.N." Ltd and „Easy pay" Ltd.

### 1. Provision of the Universal Postal Service

A total of 78 707 thousand postal items and services from the UPS scope have been accepted, processed and delivered on the Bulgarian postal market in 2006 and revenues in the amount of 55 400 thousand BGN have been realized.

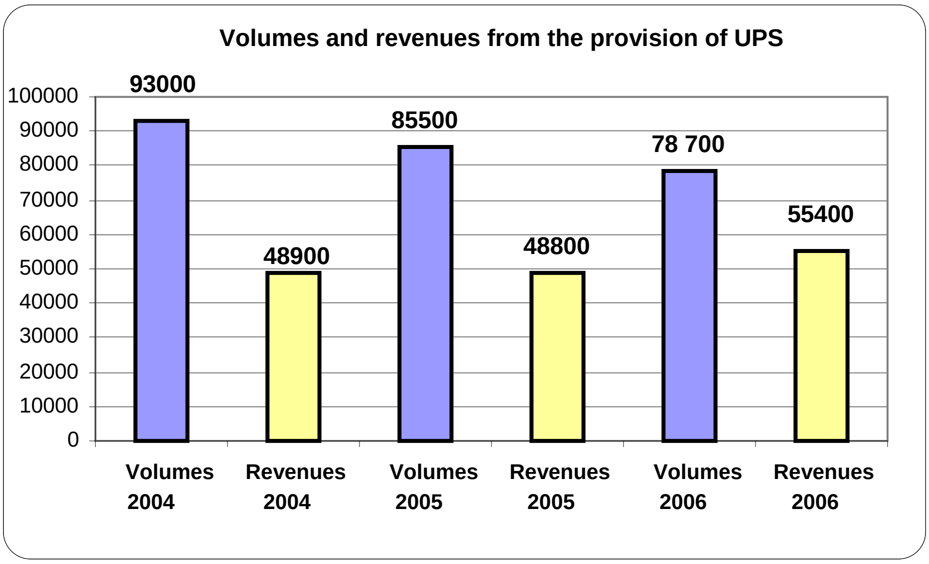



***Fig.3*** ***Source: Data submitted to CRC***

2006 a decrease in the volumes of UPS is observed with about 8,0 per cent compared to 2005, continuing the trend from the previous two years 2004 and 2005.

The revenues from the provision of UPS for 2006 show increase with 14,0 per cent compared to 2005. The growth of revenues for 2006 can be explained with the increased prices of UPS provided by BP Plc, which entered into force in the beginning of 2006.

### 1.1. Financial result from the provided universal postal service under economically unprofitable conditions in 2006

BP Plc, according to the requirements of the individual license issued to it, is obliged to provide through its postal network the universal postal service on the territory of the entire country, including under economically unprofitable conditions, according to the provisions of Article 23a, Article 29 and Article 29a of PSA. For this reason the operator obtains compensation from the state budget for the deficit proven by it to CRC and approved by the commission, resulting from the provision of UPS under the above conditions. In 2006 CRC approved the forecasted amount of the deficit from the provision of UPS for 2007, which amounts to 1130 thousand BGN.

In the past 2006, meeting the provision of Article 7, paragraph 1 of the Methodology for proving the deficit from the provision of UPS under economically unprofitable conditions, BP Plc presented to CRC data concerning the calculated deficit from the provision of UPS in quarters and for the whole of 2006.

For the whole of 2006 the principal postal operator has realized revenues in the amount of 55362 thousand BGN and has reported 47634,2 thousand BGN expenses from the provision of UPS, forming as a result a positive financial result of 7727,8 thousand BGN. The balance from the settlement with foreign postal administrations is also positive resulting in no deficit but a profit of 8082,2 thousand BGN for the company.

The result in the part of the reserved sector is positive and is in the amount of 3730,7 thousand BGN, the balance from the international financial settlement is negative and in the amount of 317 thousand BGN thus resulting in the final positive financial result from UPS for the part of the reserved sector in the amount of 3413,7 thousand BGN.

A positive financial result from the provision of UPS is observed also in the first three quarters of 2006 and only in the 4th quarter of 2006 BP Plc has losses from the provision of UPS. In 2006 as well as in 2005 a difference is observed between forecasted and reported financial result.

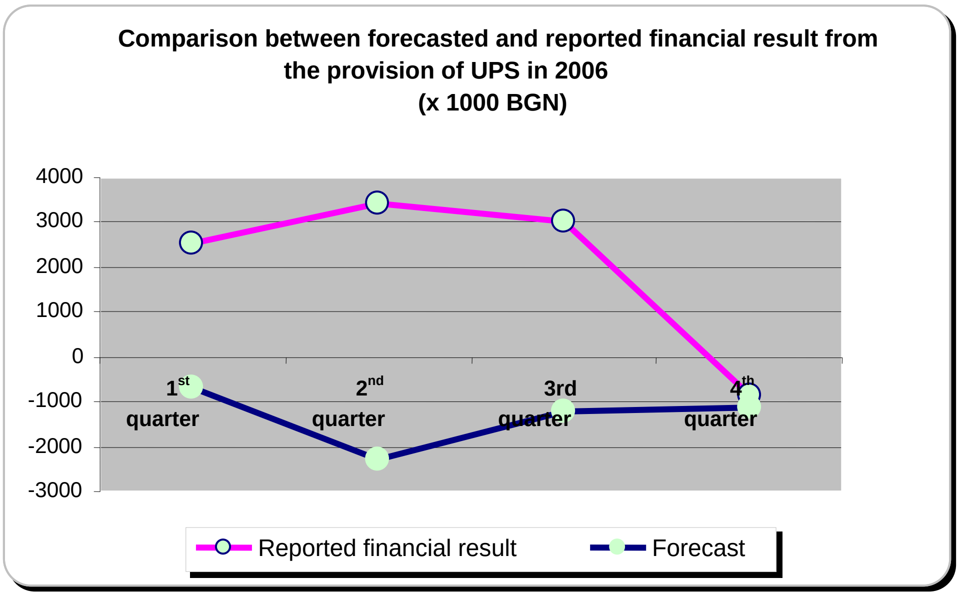



***Fig. 4*** ***Source: Data submitted to CRC***

In connection with the change of the financial result from the provision of UPS from deficit to profit since the beginning of 2006 BP Plc has not absorbed the subsidy for 2006 included in the Law for the structure of the state budget.

The main factors having influenced the amount of the financial result from the provision of UPS for the entire 2006 are the following:

- ✓ In 2006 compared to 2005 the revenues from the provision of UPS have increased with 13 per cent and the expenses decreased with 16 per cent;
- ✓ Compared to 2005 in 2006 the total volume of the postal items has decreased with 8 per cent;
- ✓ Drop in the consumption of international letter mail due to change in the system of its price setting;
- ✓ The balance from the international financial settlement for the entire 2006 is positive;
- ✓ The increase of the revenues from UPS in 2006 is to a great extent result from the change of the prices of the UPS services in force since 02.01.2006.

In 2006 a different financial result has been formed from the provision of the separate types of UPS services:

- ✓ A deficit is observed from the provision of postal items of the following groups: „Letter mail and small packets up to 2 kg, printed matter up to 5 kg, secogrammes up to 7 kg (with declared value )" and "parcels up to 10 kg – without declared value";
- ✓ "Letter mail and small packets up to 2 кг, direct mail up to 2 kg, printed matter up to 5 kg, secogrammes up to 7 kg. (registered and non-registered)" have reached their real

prime cost. These two groups of services have the biggest relative shares in the UPS volume;

- ✓ The service „postal money orders” has also reached its real prime cost. Although the share of this service in the total UPS volume is only 3% the created positive financial result and the increase in number of the received postal money orders by BP Plc is a progress in view of the fact that the service is provided in an environment of intense competition.

After analyzing the data submitted by the principal postal operator concerning the realized revenues and the reported expenses for the provision of UPS in 2006 the following summary can be made:

- ✓ In 2006 BP Plc is profitable for the first time from the provision of UPS;
- ✓ Compared to 2005 in 2006 the UPS has been provided more effectively. For the reported period the costs per 1 BGN of the revenues have decreased as a relative number with 26% and the effectiveness of 1 BGN costs has increased with 35% respectively.
- ✓ With the exception of the provision of the group of the postal items with declared value, for which the costs per 1 BGN revenues have increased as a relative number with 5,5%, for all other services from the UPS scope an improvement of effectiveness is observed.

### 1.2. Domestic provision of the universal postal service

The revenues realized from the domestic provision of UPS in 2006 are in the amount of 43 177 thousand BGN and show 11,0 per cent growth compared to the previous period. In 2006 the domestic revenues from UPS constitute 78 % of the total UPS revenues and in 2005 they were 80 % of the total UPS revenues.

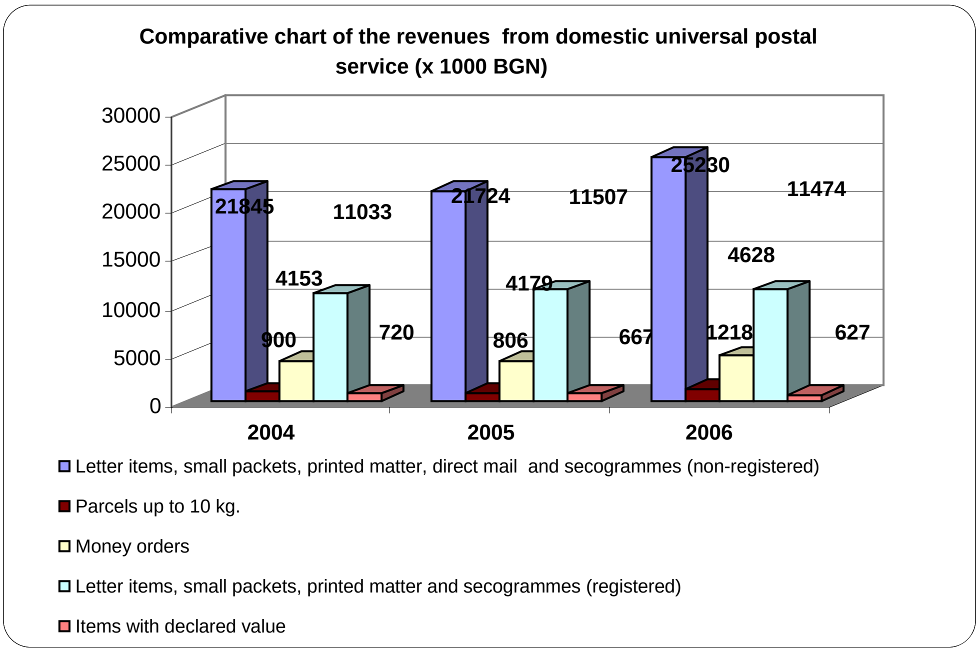



***Fig. 5*** ***Source: Data submitted to CRC***

In 2006 the total number of items and services from the UPS scope provided on the territory of the country is 74 528 thousand which is 95,0 per cent of the total volume of UPS items. Compared to 2005 the volumes of domestic provision of UPS have decreased with 7 per cent which repeats the trend of decrease with almost the same rate - in 2005 compared to 2004 the decrease in volumes was 8 per cent.

The drop in the volumes is determined by the diminished consumer demand for UPS and the change of the contracts with the big customers of the principal postal operator.

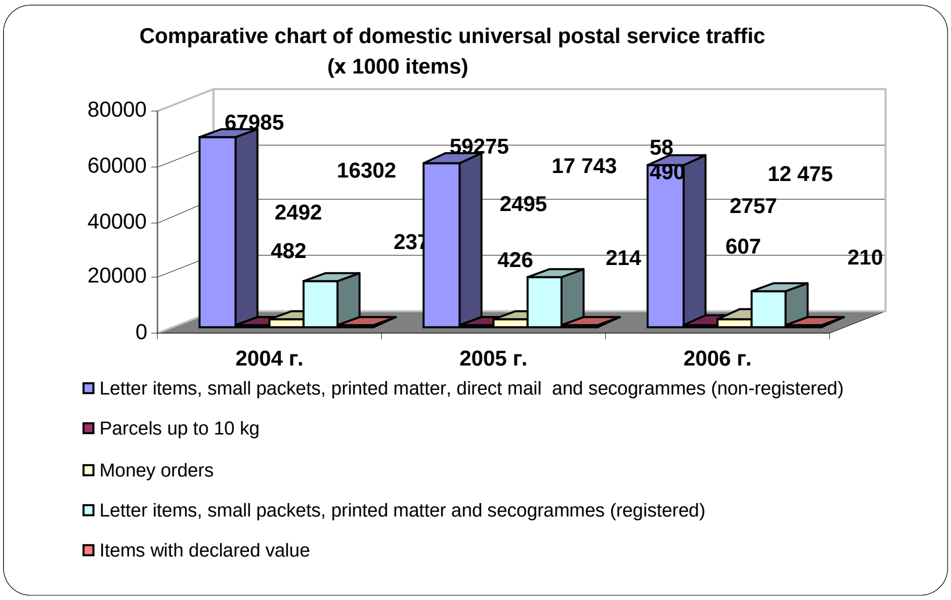



*Fig. 6* *Source: Data submitted to CRC*

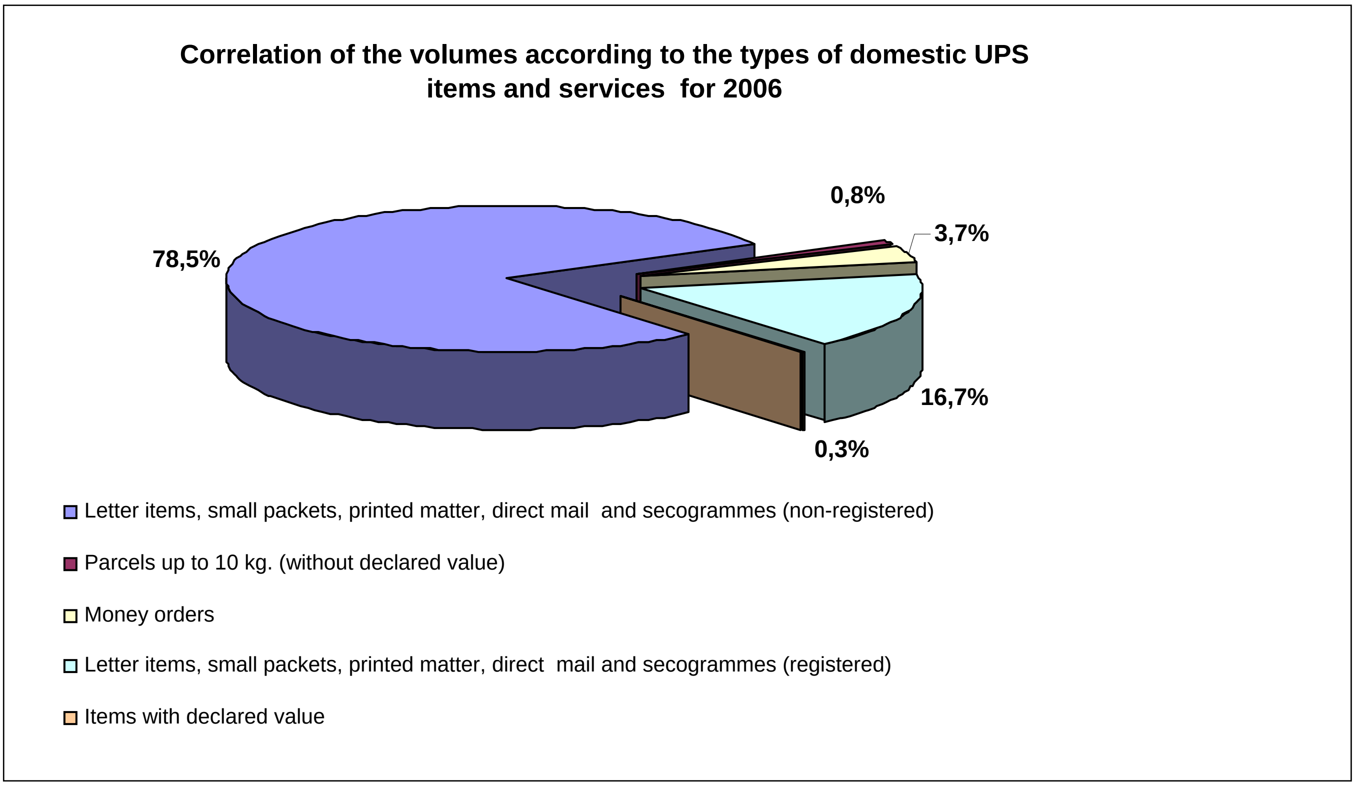



*Fig. 7* *Source: Data submitted to CRC*

The group of the non-registered letter items, printed matter, direct mail and small packets constitutes 78,5 % of the volume of domestic UPS followed by the registered letter items, printed matter and small packets which constitute 16,7 % of the UPS volume. For the period under report the consumption structure in the group with the biggest volume is kept, while a decrease in the volumes with 34,0 per cent is only observed for the items „printed matter”. These item volumes have transferred to the volumes of „direct mail”.

In 2006 the submitted registered items are less with 5 268 thousands items, in other words a decrease of 29,7 per cent compared to 2005 is observed. The decrease is related to the diminished demand for the service by the big clients and submitting the items as non-registered.

Significant growth in volumes of 42,4 per cent as compared to 2005 is observed with the parcels up to 10 kg and they occupy a relative share of 0,8 per cent in the domestic UPS volume.

In 2006 a decrease in volumes with 2 per cent compared to 2005 is observed for the items with declared value, where the main part are parcels. The parcels with declared value are only 1 % from the domestic UPS volume.

In 2006 the items from the reserved sector (letter items up to 150 grams non-registered and registered), constitute 78,5 per cent of the volume and 81,0 per cent of the revenues of the group of letter items, small packets, printed matter and direct mail (non-registered and registered). The volumes have decreased with 14,1 per cent compared to 2005, mostly due to the lowered weight limit of the items from the reserved sector from 350 to 150 grams. The revenues show an insignificant growth of 1,0 per cent compared to the previous period of reporting which is due to the prices in force from 02.01.2006.

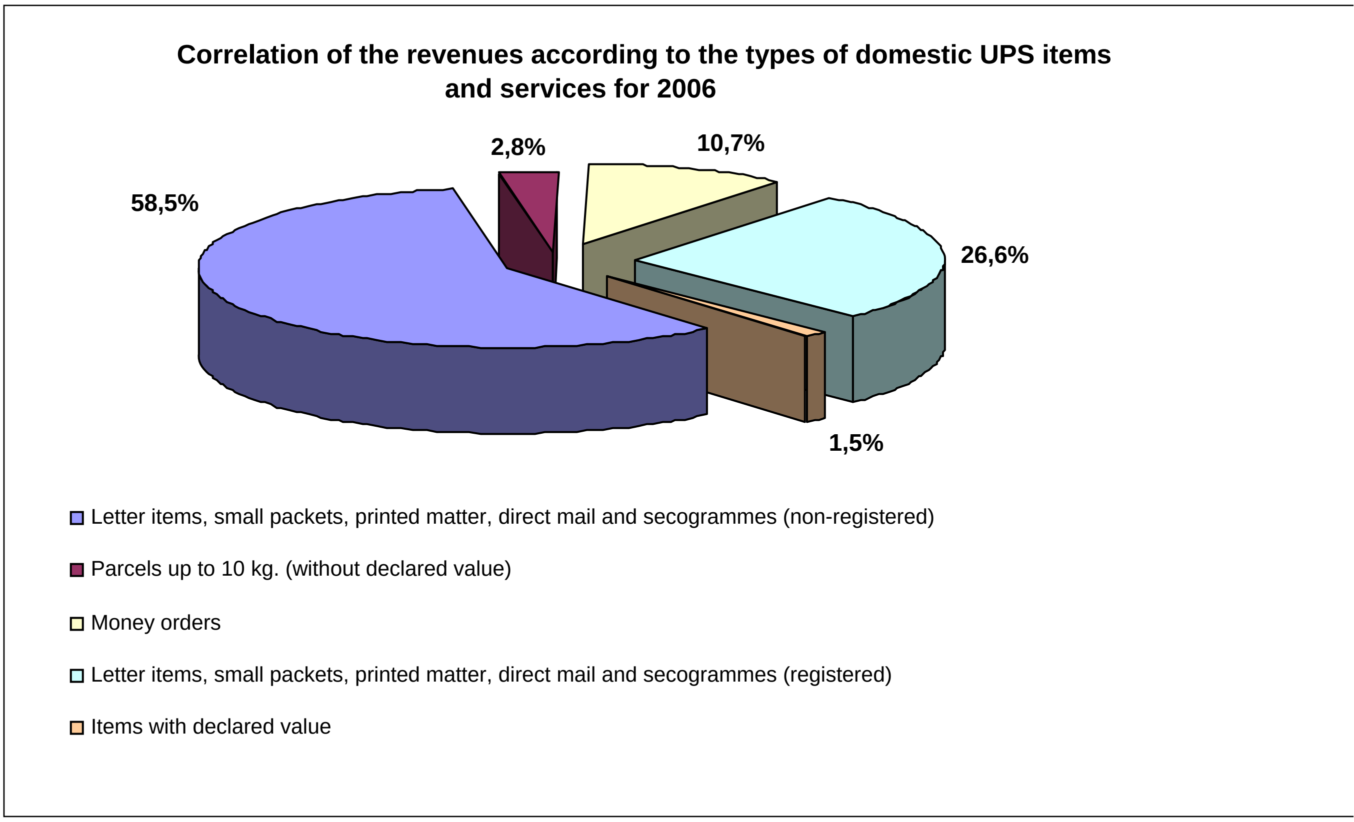



***Fig. 8*** ***Source: Data submitted to CRC***

In 2006 the revenues from the biggest group of the non-registered letter items, small packets, printed matter, direct mail and secogrammes increased with 16,1 per cent in comparison with the previous period and occupy a share of 58 %.

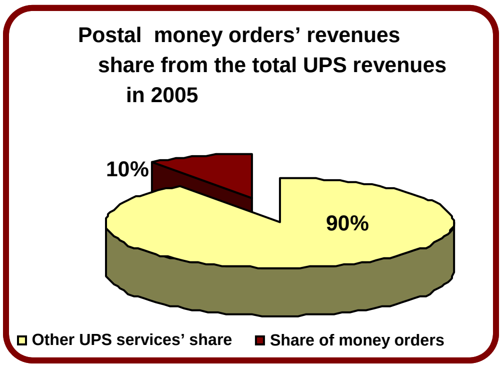
The share of the second biggest group, (registered letter items, small packets, printed matter, direct mail and secogrammes) is 27 %. The reported decrease of the volumes reflects also on the realized revenues, while the new prices in force since the beginning of the period had a compensating influence thus resulting in only 0,3 per sent decrease of revenues compared to 2005.

### 1.3. Provision of the service postal money orders

The service postal money orders in 2006 was provided on the postal services market by four postal operators and shows growth of about 10,0 per cent in the volumes compared to 2005. The money orders form about 4 % of the UPS volumes in 2006.

The revenues from postal money orders occupy a share of 10% from the total UPS revenues and mark growth of 11 % compared to the previous reporting period.

About 97,0 per cent of the revenues from domestic postal money orders are realized by BP Plc. The principal postal operator reports growth of volumes and revenues of 10,0 per cent compared to 2005 with no change of prices.



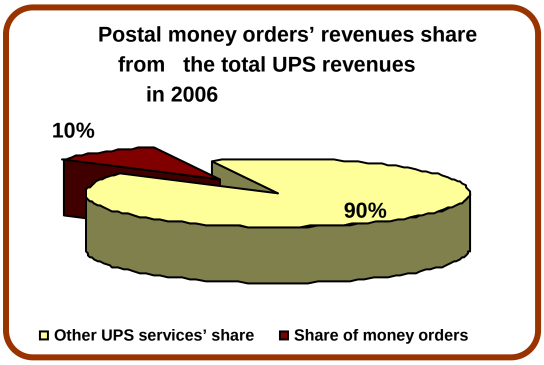




*Fig. 9* *Source: Data submitted to CRC*

In 2006 continues the trend for decrease of the revenues from the incoming international „postal money orders" of the principal postal operator, who reports as a reason for this the highly competitive environment for provision of the service. The absence of provision of the service outgoing international postal money orders by BP Plc is the reason for no new concluded contracts with international postal operators for exchange of international money orders. The paid international incoming postal money orders in 2006 are 5 165 in number and have decreased compared to 2005 with 16,0 per cent. The diminished consumption of the service international postal money orders is due also to the fact that the foreign postal administrations, with which BP

Plc has contractual relations, exclude paper as information media and switch entirely to electronic money transfer, through impulse information transfer, using the “Eurogiro” transfer network.

In 2006 „Finance Engineering” Ltd, the first private postal operator licensed for provision of postal money orders, does not report any changes in the volumes of the service postal money orders compared to previous year.

„Factor I.N.” Ltd started provision of postal money orders in 2006 and forecasts about 4 times increase of the service volumes in 2007.

In August 2006 „Easypay” Ltd started provision of the service „postal money orders” demonstrating behavior and aspiration for further dynamic development. Implementing modern means of management and service to meet the consumer demand the operator intends to offer to the consumers extended working time, provision of the service also for the rest-days and holidays, possibility for online initiation and receiving of money orders and provision of direct connection to the consumer for problems with the requested service.

### 1.4. Provision of international UPS

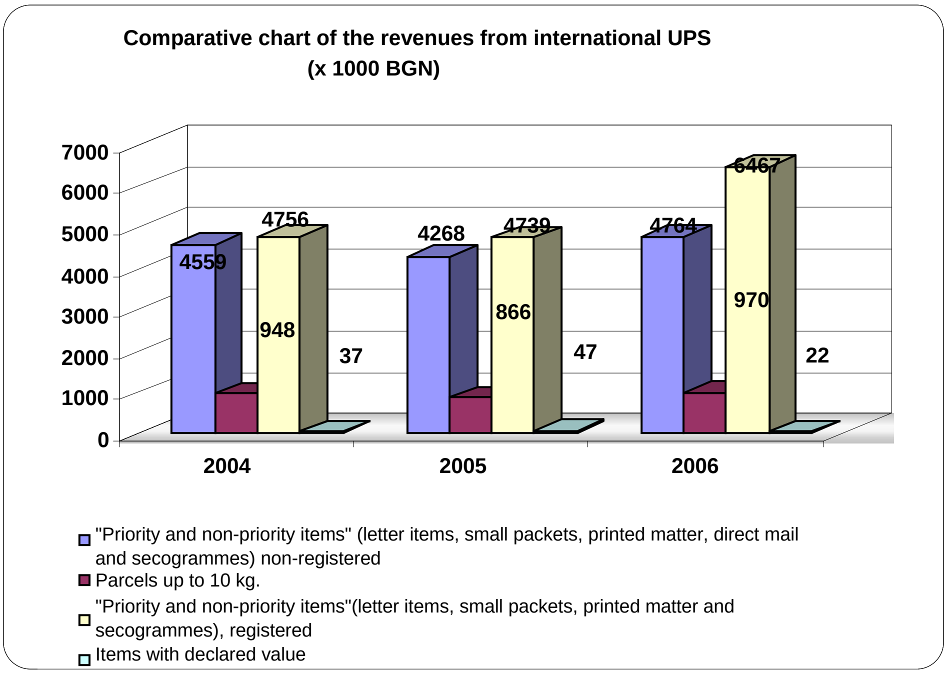



***Fig. 10 Source: Data submitted to CRC***

The realized revenues from the provision of international UPS in 2006 are 12 223 thousand BGN, with 2 303 thousand BGN more compared to 2005 and a revenue growth rate of 23,2 per cent. The revenues occupy a relative share of 20,0 per cent from the total of the revenues from UPS provision.

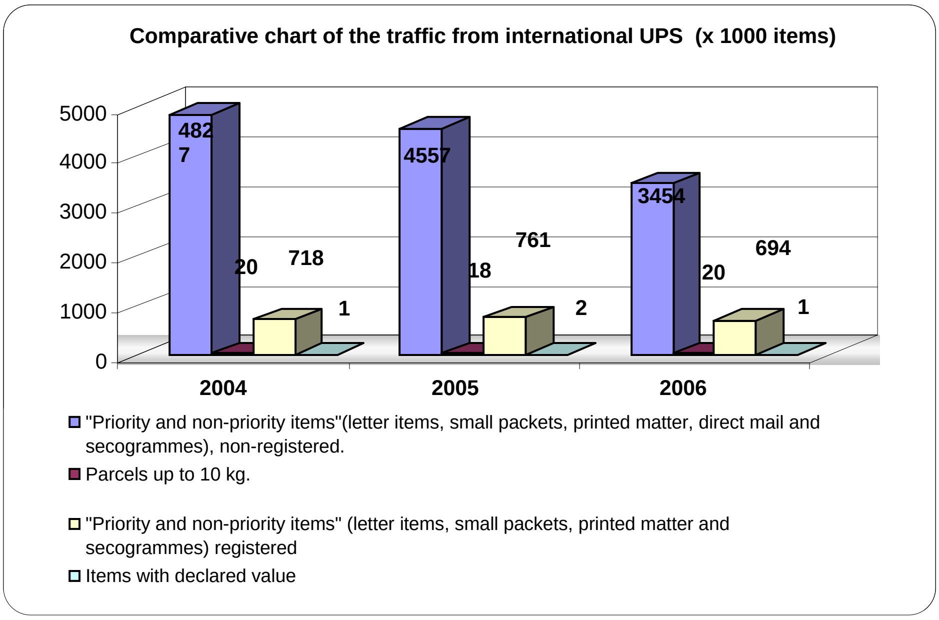



***Fig. 11*** ***Source: Data submitted to CRC***

In 2006 the UPS international outgoing items are 4 169 thousand items and have diminished with 21,9 per cent compared to 2005. The relative share of the submitted international items in 2006 is 5,3 per cent from the UPS volume.

BP Plc introduced since the beginning of 2006 a new system for price setting of the international letter items on the basis of processing and delivering of the postal items. The price setting system applied by the operator until now based on content (prices for letter items, printed matter, small packets, direct mail) was replaced by a system where the prices are set for „priority items” and „non-priority items”. With the new system the operator has set the prices on the basis of expenses per kilogram mail and the countries are grouped in three groups – neighboring countries, European countries and countries and territories outside Europe.

The new price setting system is the main reason for the decrease in consumers’ demand for these services in 2006.

- The items in the group of the non-registered international letter items in 2006 have the highest relative share in the volume - 82,8% and the revenues - 39,0%, of the international UPS . The volume of these items is 3 454 thousand and 4 764 thousand BGN are the revenues realized from them. In comparison with 2005 the volumes diminish with 24,2 per cent and the revenues have a growth of 11,6 per cent.
- The second biggest group from the international outgoing items in 2006 is the group of the registered “priority items” and „non-priority items” (letter items, printed matter and small packets). Their relative share in the volumes is 16,6 per cent and in the revenues - 52,9 per cent. Compared to 2005 the volumes have diminished with 8,8 per cent and the revenues have grown with 36, 5 per cent.
- An increased consumer demand is observed for the outgoing parcels up to 10 kg without declared value, where the volumes have increased with 11,0 per cent and the revenues with 12,0 per cent compared to 2005. The relative share of the parcels is only 0,5 per cent in the volume of international UPS and they constitute 7,9 per cent of the revenues from international UPS.
- The international items with declared value have a relative share of 0.1 per cent of the total volume and 0,2 per cent of the revenues. The parcels with declared value prevail in the group and they have a drop of 64,0 per cent for the present reporting period.

o In 2006 the international items from the reserved sector (letter items up to 150 grams – non-registered and registered) constitute 87,2 per cent of the volume and 47,4 per cent of the revenues from international letter items.

### 1.5. Types of users of universal postal service

The biggest consumption of postal items from the UPS scope in 2006 show the big corporate clients from the sector of trade (trade companies, commercial chains, financial institutions), followed by the clients from the public sector.

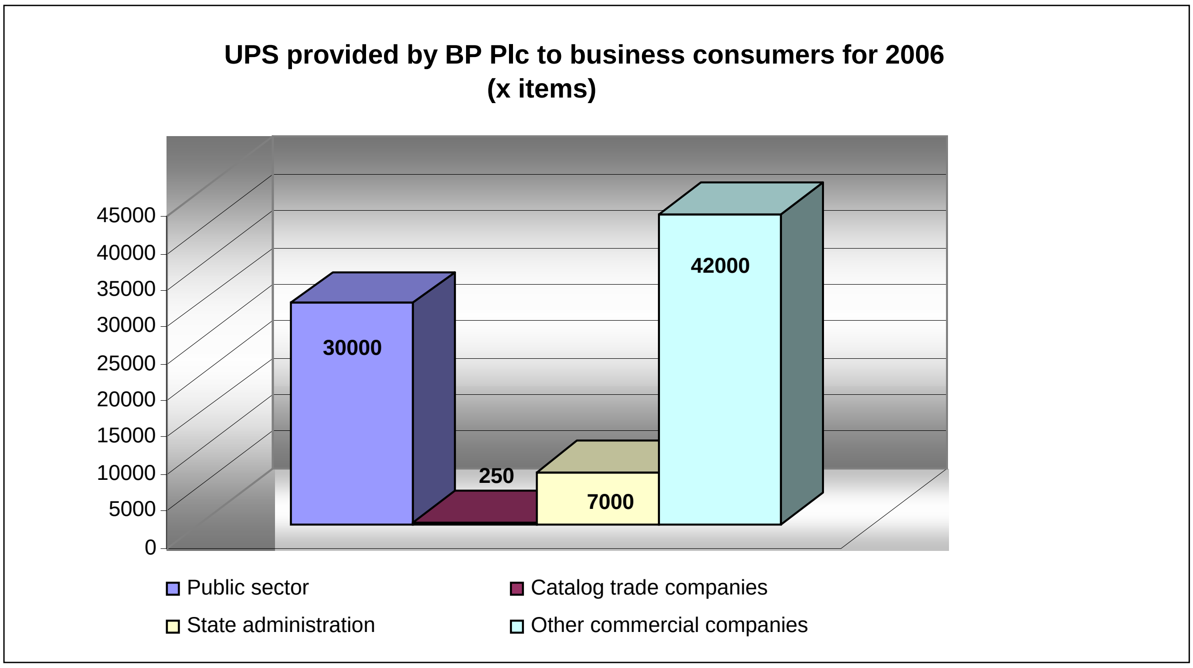



*Fig. 12* *Source: Data submitted to CRC*

According to the type of the activity performed and the volumes of submitted UPS items and services the types of business consumers, customers of BP Plc using UPS can be classified in the following way:

- Public sector, including companies from the utility sector, health care institutions, the National Statistical Institute, the National Social Security Institute, different court and prosecutor's office structures, 62 clients altogether. The consumption of items and services by this sector constitutes about 38 % from the total number of items and services from the UPS scope realized by business consumers in 2006;
- The catalog trade companies are 7. These clients used 0,32 % from the total UPS items and services provided to business customers through the year;
- The volumes of the provided UPS items and services used by the state administration occupy about 9 % from the total of the provided UPS items and services consumed by business users;
- Other commercial companies – these are different commercial companies from the small and medium-sized business, commercial chains, financial institutions and others, 89 altogether. They represent the biggest volume, about 53 % from the total volume of used UPS services;

The following percentage values for the types of UPS users were established after summarizing and analyzing the data from the questionnaires received from the UPS operators:

- About 83,4 per cent from the total of realized UPS items and services are submitted by business consumers, from which 78,21 per cent have been provided to individual users and 21,79 per cent to other business consumers;
- 16,36 per cent from the total of UPS items and services have been used by individual consumers;
- With the postal money orders about 90 % are individual consumers and only 10 % the business consumers.

## III. Non-universal postal services

### 1. Analysis, state and trends in the provision of non-universal postal services

For a fourth consecutive year CRC studies the development of the domestic NPS market through collecting of data by means of the annual questionnaires sent to the registered operators.

In 2006 the NPS market volume is calculated as an expert estimate on the basis of the received data from 91% of the registered operators and is in the amount of nearly 111 000 million BGN.

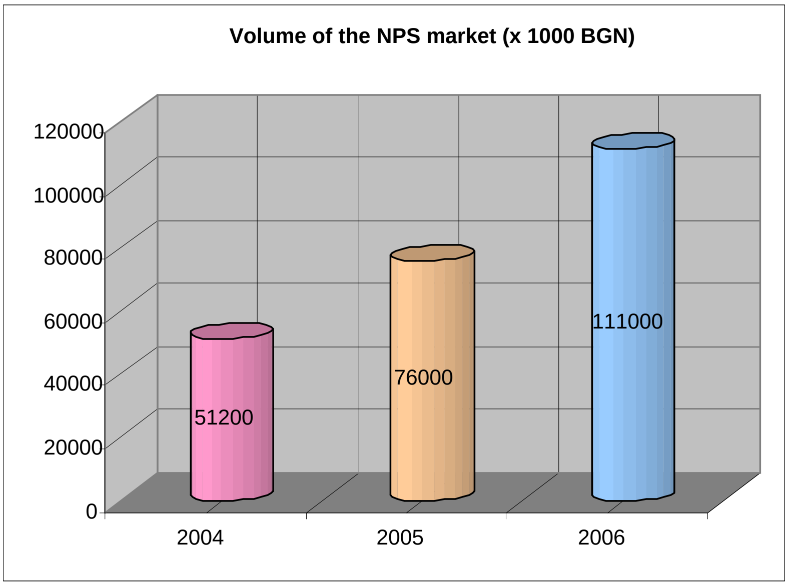



***Fig. 13*** ***Source: Data submitted to CRC***

The trend for gradual growth of the NPS market over the last three years continues also in 2006 and for 2006 compared to 2005 the growth of NPS provision is 46%.

The relatively same percentage of market growth for 2005 and 2006 is reflected also in the number of processed items – the percentage of growth of processed items for 2006 compared to 2005 is 87 per cent.

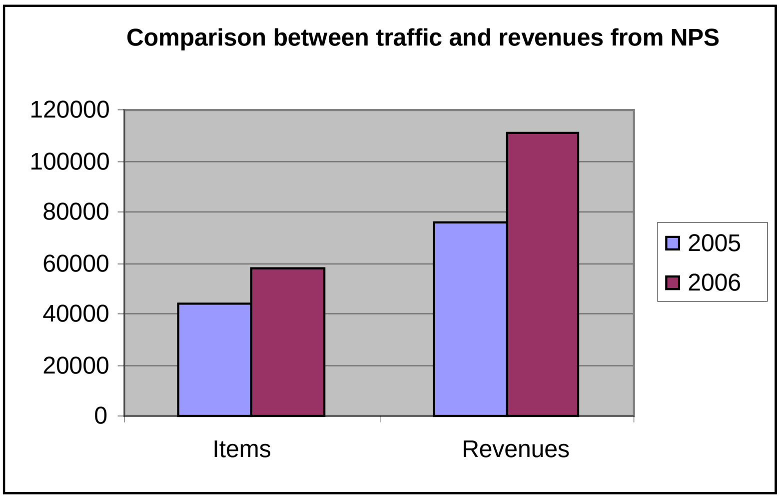



***Fig. 14*** ***Source: Data submitted to CRC***

The development of NPS in Bulgaria reflects the global business development and the purchasing power of the population in general.

Despite the strong sector competition seven new operators have been registered in 2006.

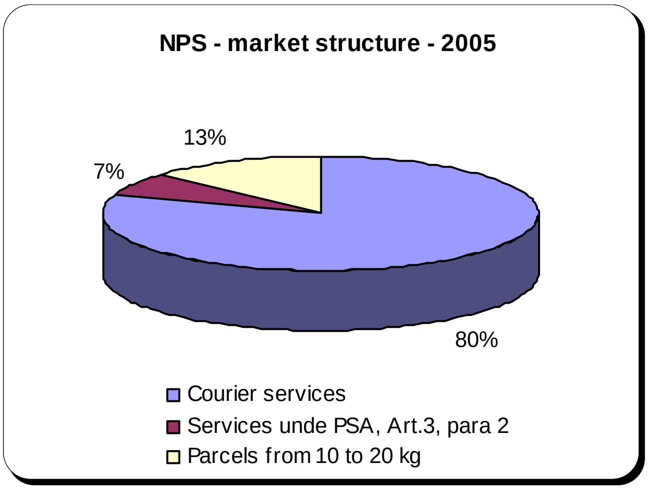
The intensification of the sector competition and the preservation of a certain market segment entails provision of a broad range of services from delivery of items, monthly reports, bills and promotional brochures to sale of goods with collection of cash payments or support for the distribution networks.

The expansion of the market forces the operators to provide ever shorter delivery terms, effective and modern services and to make investments to improve and modernize the technological processes.

The capital investment with technological significance made in the sector for 2006 has increased with 31 % compared to 2005.

### 1.1 Structure of the market of non-universal postal services

The provision of courier services was the most preferred service by the NPS operators also in 2006. Dictated by the consumer demand these services remain with the biggest relative share of all services within the NPS scope.



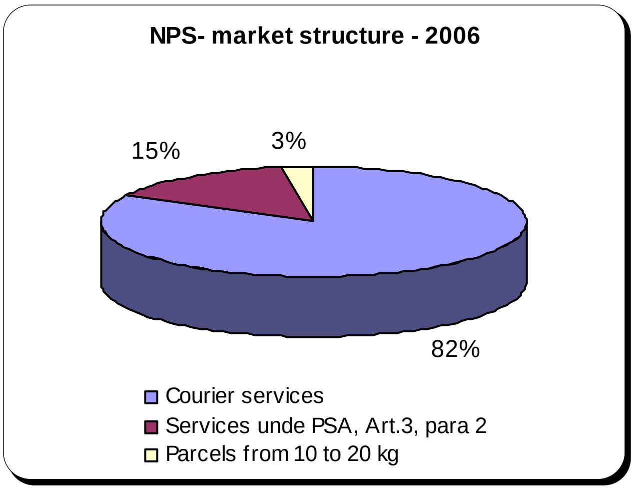




***Fig. 15*** ***Source*: Data submitted to the CRC**

For comparison the increase in revenues from courier items for 2005 compared to 2004 is with 42 per cent and it is 56 per cent for 2006 compared to 2005. The courier services constituted 82% from the NPS volume for the past year.

Interesting is the fact that the hybrid post has increased its volume compared to 2005 with 67 per cent and constitutes 15% of the total NPS revenues. The share of the hybrid post has the biggest increase compared to the shares of the other two services.

The smallest share of the volume of the NPS market, only 3% occupies the service „parcels from 10 to 20 kg". With the amendments of PSA (SG, No.37/2006) and the transfer of the service into the UPS scope it is expected the parcels traffic to join the courier services. This is confirmed also by the fact that none of the operators registered for the service „parcels from 10 to 20 kg" plans to broaden the scope of its activity through application for an individual license.

The international courier items have also increased with 26 per cent and the operators have realized 63% more revenues compared to 2005.

As a whole the registered operators forecast increase in the number of postal items for the current year compared to 2006 with 17 per cent.

When reporting the change in the volume of items it should be taken into account that the operators' forecasts for increase of the market volumes are not always realistic.

## IV. Information related to the regulatory and control functions of the CRC

### 1. Report on the control activity of the CRC

In connection with meeting the statutory obligation to exercise control functions a total of 49 inspections have been conducted in 2006 by empowered CRC employees. The prevailing part of them is planned. Part of the inspections are conducted in relation with submitted signals and complaints but there are also cases of CRC acting on its own initiative in relation with companies advertising the performance of courier services in internet without having registration to perform such an activity according to PSA. 33 statement records have been composed and 3 Acts for establishment of administrative offences have been drawn up for established offences of PSA which imply imposition of administrative punitive measures. 10 complaints concerning the application of PSA have been administered.

CRC pays serious attention to complaints filed by postal services consumers and for each complaint an inspection is conducted to identify the cause.

In connection with the granting of individual licenses for part of the UPS – postal money orders, the General Directorate „Communications control" prepared a specimen of statement record for conducting inspections on complying with the requirements of the granted individual licenses and compliance with the Postal Services Act.

A data base is created for all conducted inspections of licensed and registered postal operators.

### 2. Information related to the fulfillment of the individual licenses

#### 2.1. Postal networks of the operators providing UPS or part of it

According to Article 5 of PSA the postal services are provided through postal networks. The postal network is an entity of organizationally and technologically interconnected units and means, including postal offices, exchange and sorting centers, transport vehicles and technical equipment, constructed and used to accept, transport and deliver postal items and provide postal money orders service.

At the end of 2006 the number of postal offices of „Bulgarian posts" Plc is 2986 - 636 of them are in the cities and 2350 in the villages. Four postal offices have been closed during the year observing the statutory requirements and with the agreement of CRC. It was calculated that one postal office is serving in average 2585 citizens and 36.95 square kilometers of surface. Except by the postal offices, postal services are provided through 144 postal agents' offices and 2571 inter-settlement mailmen.

5391 mail boxes are in operation for collection of non-registered letter items. The population served by one mail box is 1:1432 inhabitants in average for the country. The level reached for this indicator is better than the norm adopted by CRC, according to which one mail box should service population of 2000 inhabitants.

The density of points for access to the postal network exceeds the requirements established by CRC with decision No. 03/26.06.2003.

Other data averaged for the country and characterizing the changes in the postal network for a period of 3 years is indicated in the comparative table:

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| **1. Number of postal offices** | 3 008 | 2990 | 2986 |
| In the cities | 639 | 633 | 636 |
| In the villages | 2369 | 2357 | 2350 |

| | | | |
|---|---|---|---|
| **2. Population to which service is provided by one postal office, inhabitants** | 2 633 | 2596 | 2596 |
| In the cities | 8 612 | 8581 | 8581 |
| In the villages | 1 021 | 988 | 988 |
| **3. Service coverage area of one postal office, km$^2$** | 36.7 | 36,9 | 36.95 |
| **4. Number of postal agents' offices** | 143 | 146 | 144 |
| **5. Number of mail boxes for collection of letter items** | 5 347 | 5306 | 5391 |
| In the cities | 2 034 | 2014 | 2299 |
| In the villages | 3 313 | 3292 | 3092 |

***Source: Report of BP Plc for UPS provision in 2006***

The time for provision of universal postal service in the postal offices exceeds the requirements adopted by CRC. According to this norm in a settlement with up to 3000 inhabitants population the time for provision of services to the consumers is two hours as a minimum. Actually in the settlements with population up to 3000 inhabitants there is the biggest number – 870 - of postal offices with working time of 8 hours, 729 postal offices have 6 hours daily working time and 273 offices - 4 hours working time. The rest of the postal offices have a working time of 7 or 5 hours. The opening and closing hours of the working time of all postal offices take into account the time tables for exchange of the post for the respective intra-region routes.

According to the norm adopted by CRC the time for provision of services for settlements with population more than 3000 inhabitants is at least four hours. For the time being working time of 8 hours have 452 of the urban postal offices and 184 of them are with extended working time (per day and shifts).

The two operators licensed towards the end of 2006 for provision of UPS have not yet started activity and are in the process of constructing in stages their networks according to the conditions of the licenses. The construction of the networks of the licensed for provision of part of the UPS (postal money orders) operators continues and for some of them slowing down of the pace is observed. Towards the end of 2006 „Factor I.N." Ltd has 56 points for access and FC „Cash Express Service" Ltd – 150. „Easypay" Ltd works with partner organizations – banks, business centers and big commercial chains. Their offices, branches and representations constitute the postal network of the company which totals to more than 500 points of access.

## 3. Quality of the universal postal service in 2006

In meeting the commitments undertaken in the process of negotiations for accession of Bulgaria to the European Union and in view of the amendments of PSA, CRC adopted with decision No.1859/21.09.2006 Amendment and Supplement of the Standard Quality Levels for the UPS and service efficiency. The amendment of the Standard Quality Levels accounts for the added in Article 34 of the adopted LAS of PSA (promulgated SG, No. 37/05.05.2006) new paragraph 2, which gives the possibility for classifying of the postal items from the UPS scope both according to the content-based system and according to the system based on the speed of treatment of the items and is also aiming at their harmonization with the Annex to the Directive 97/67/EC.

As obvious from the results indicated in the table for a three years period the principal postal operator BP Plc reports a trend for improving the quality if the universal postal service and for this reason new higher targets are set with the amendment of the Standard Quality Levels. The achieved level of quality in comparison with the adopted Amendment and supplement of the Standard Quality Levels for the UPS and service efficiency and in comparison with the previous two years is the following:

### 3.1 Transit time for domestic items of correspondence

| End-to-end transit time | Quality target | Results 2004 | Results 2005 | Results 2006 |
|---|---|---|---|---|
| D+1 | Not less than 78% of the items of correspondence | 86% | 87,78% | 88,70% |
| D+2 | Not less than 90% of the items of correspondence | 98% | 98,09% | 97,95% |
| D+3 | Not less than 95% of the items of correspondence | 99% | 99,66% | 99,79% |

### 3.2 Transit time for domestic postal parcels up to 10 kg

| End-to-end transit time | Quality target | Results 2004 | Results 2005 | Results 2006 |
|---|---|---|---|---|
| D+1 | Not less than 70% of the postal parcels | 87% | 80,68% | 88,54% |
| D+2 | Not less than 80% of the postal parcels | 98% | 98,26% | 98,21% |
| D+3 | Not less than 95% of the postal parcels | 99% | 99,22% | 99,71% |

### 3.3 Transit time for domestic postal money orders

| End-to-end transit time | Quality target | Results 2004 | Results 2005 | Results 2006 |
|---|---|---|---|---|
| D+1 | Not less than 85% of the postal money orders | 87% | 88,45% | 88.43% |
| D+2 | Not less than 92% of the postal money orders | 98% | 98,72% | 98.51% |
| D+3 | Not less than 98% of the postal money orders | 99% | 99,79% | 99,68% |

### 3.4 Transit time for international items of correspondence

#### 3.4.1 International non-registered priority items of correspondence from geographical areas within Europe

| End-to-end transit time | Quality target | Results 2006 |
|---|---|---|

| | | |
|---|---|---|
| D+3 | Not less than 60% of the items of correspondence | 59,29% |
| D+5 | Not less than 80% of the items of correspondence | 83,95% |

### 3.4.2 International non-registered priority items of correspondence from geographical areas outside Europe

| End-to-end transit time | Quality target | Results 2004 | Results 2005 | Results 2006 |
|---|---|---|---|---|
| D+6 | Not less than 58% of the items of correspondence | 49% | 57,84% | 61,47% |
| D+7 | Not less than 75% of the items of correspondence | 74% | 80,71% | 84,98% |
| D+8 | Not less than 90% of the items of correspondence | 90% | 93,01% | 95,32% |

### 3.4.3 International non-registered items of correspondence without priority from geographical areas within Europe

| End-to-end transit time | Quality target | Results 2004 | Results 2005 | Results 2006 |
|---|---|---|---|---|
| D+4 | Not less than 55% of the items of correspondence | 52% | 53,31% | 53,31% |
| D+6 | Not less than 80% of the items of correspondence | 81% | 79,27% | 83,11% |

### 3.4.4 International non-registered items of correspondence without priority from geographical areas outside Europe

| End-to-end transit time | Quality target | Results 2004 | Results 2005 | Results 2006 |
|---|---|---|---|---|
| D+10 | Not less than 60% of the items of correspondence | 64% | 63,35% | 70,59% |
| D+14 | Not less than 85% of the items of correspondence | 88% | 87,29% | 96,29% |

### 3.5. Regularity of collection of postal items and postal money orders – number of collections from letter boxes and postal offices

| *Settlement* | *Days of the week* | *Number of collections per day* | **Quality target** | **Results 2004** | **Results 2005** | **Results 2006** |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| *Sofia* | *From Monday to Friday*<br>*Saturday and Sunday* | *2*<br>*1* | *95%* | *99%* | *99,87%* | *98,82%* |
| *With RSC* | *From Monday to Saturday* | *1* | | | | |
| *Without RSC* | *From Monday to Friday* | *1* | | | | |

### 3.6. Regularity of delivery of postal items and postal money orders – number of deliveries

| ***Settlement*** | ***Days of the week*** | ***Number of deliveries per day*** | **Quality target** | **Results 2004** | **Results 2005** | **Results 2006** |
|---|---|---|---|---|---|---|
| *Sofia* | *From Monday to Saturday* | *2* | *95%* | *99%* | *99,52%* | *99,30%* |
| *With RSC* | *From Monday to Saturday* | *1* | | | | |
| *Without RSC* | *From Monday to Friday* | *1* | | | | |

### 3.7 Terms for claims processing

| **Standard term for processing of claims** | **Quality target** | **Results 2004** | **Results 2005** | **Results 2006** |
|---|---|---|---|---|
| 30 days for domestic postal services | Not less than 90% of the claims | 93% | 93% | 90,32% |
| 90 days for international postal services | Not less than 90% of the claims | 94% | 94% | 88,73% |

Concerning the claims for international items it should be noted that the claims submitted and registered during the months November and December 2006 are not closed until the end of the same year, the term for their processing continues also in the next year and this is the reason for not meeting of the required quality target.

The principal postal operator continues also in 2006 the practice of conducting thematic, scheduled and routine inspections on complying with the technology, the organization, the quality and culture of service in providing the services, included in the universal postal service. The conclusions of the inspections are that the main problem for the provision of the stated services is the lack of automation of the production processes related to the provision of the services.

During the past year “Bulgarian posts” Plc began work in connection with the EU accession and signing the REIMS agreement for payment of terminal dues as well as on the implementation of the UNEX system for monitoring the quality of the provided services, an inseparable part of the system for settling payments.

In execution of the provision of Article 15a, paragraph 2 of PSA for organizing and conducting of annual reporting of the level of compliance with the Standard Quality Levels for the UPS and service efficiency, CRC initiated the realization of the project „Measurement of the quality of the universal postal service”. The project has been conducted by an independent measurer – a team from the College on telecommunications and posts (CTP), in full compliance with the requirements of the European standard, adopted for a Bulgarian (BDS) standard as well – standard BDS EN 13850:2004.

The measurement included the mail flows on and between the territories of six urban regions – strata – in the sense of BDS EN 13850:2004: Burgas, Varna, Pleven, Plovdiv, the city of Sofia and Stara Zagora. The total number of the panelists is 60 and the total number of the test items - 2 000.

The measurement was conducted in two stages, as follows:

- I stage – from 20 March to 02 April incl.
- II stage – from 10 to 23 April incl.

The results from the measurement are as follows:

| End-to-end transit time | Quality target | Results from the measurement |
|---|---|---|
| D+1 | Not less than 78% of the items of correspondence | 75,55% |
| D+2 | Not less than 90% of the items of correspondence | 93,25% |
| D+3 | Not less than 95% of the items of correspondence | 97,25% |

The analysis of the summarized data for the **end-to-end transit time** according to strata and for the country shows:

- The quality targets D + 2 and D + 3 are fulfilled successfully both in strata and for the country as a whole. For D + 2 with a target of 90% in average for the country, 93,25% of the items are delivered within this term (between 92,59% and 96,03% for the separate strata). For D + 3 with a target of 95% in average for the country, 97,25% are delivered within this term (between 96,88% and 98,30% for the separate strata).
- The quality target D + 1 (78%), is not fulfilled both in strata and for the country. The percentage of the received for D + 1 test items for the country is 75,55%. For the separate strata the percentage varies between 75,07% and 77,05%.
- The targets allow for 5% of the items to be delivered for more than D + 3. During the measurement this percentage is 1,20% – a quite satisfactory result.
- A total of 31 (1,55%) of all 2000 test items are not received by the addressees.

From the point of view of the results the following conclusions can be drawn about the level of quality of the universal postal service, provided by BP Plc to the consumers in the country: generally speaking the quality of the provided universal service is good and the targets for the percentage of items delivered for D + 2 and D + 3 are exceeded; it is necessary to take measures to fulfill the target for items, delivered for D + 1 and also to reduce the percentage undelivered items with the aim of making it virtually zero. Representatives of the principal postal operator have been invited for the acceptance of the results from the measurement with the aim to receive more detailed information concerning the problem areas, in order to overcome the weaknesses.

Information about the achievements of some European countries in the area of the quality of service for 2006 is contained in the enclosed table.[1]

[1] The information is from own research

| Country | Quality target (D+1) | Result 2006 |
|---|---|---|
| Belgium | 95% | 92% |
| Bulgaria | 78% | 75,5% |
| Czech Republic | 90% | 92% |
| Estonia | 90% | 90% |
| France | 85% | 81.2% |
| Germany | 80% | 95.9% |
| Greece | 85% | 77.7% |
| Hungary | 85% | 91.8% |
| Ireland | 94% | 72% |
| Malta | 90% | 93.4% |
| Norway | 85% | 82.4% |
| Poland | 85% | 68.2% |
| Portugal | 94.5% | 92.6% |
| Slovak Republic | 96% | 96.5% |
| Slovenija | 95% | 88% |
| Sweden | 85% | 94.2% |
| The Netherlands | 95% | 96.6% |
| United Kingdom | 93% | 94,1% |

Half of the operators obliged to provide the universal postal service from the presented in the table 18 countries have not fulfilled the set goals concerning the quality of the service.

The chart below shows the percentage of fulfilling the quality targets of the service in the respective countries.

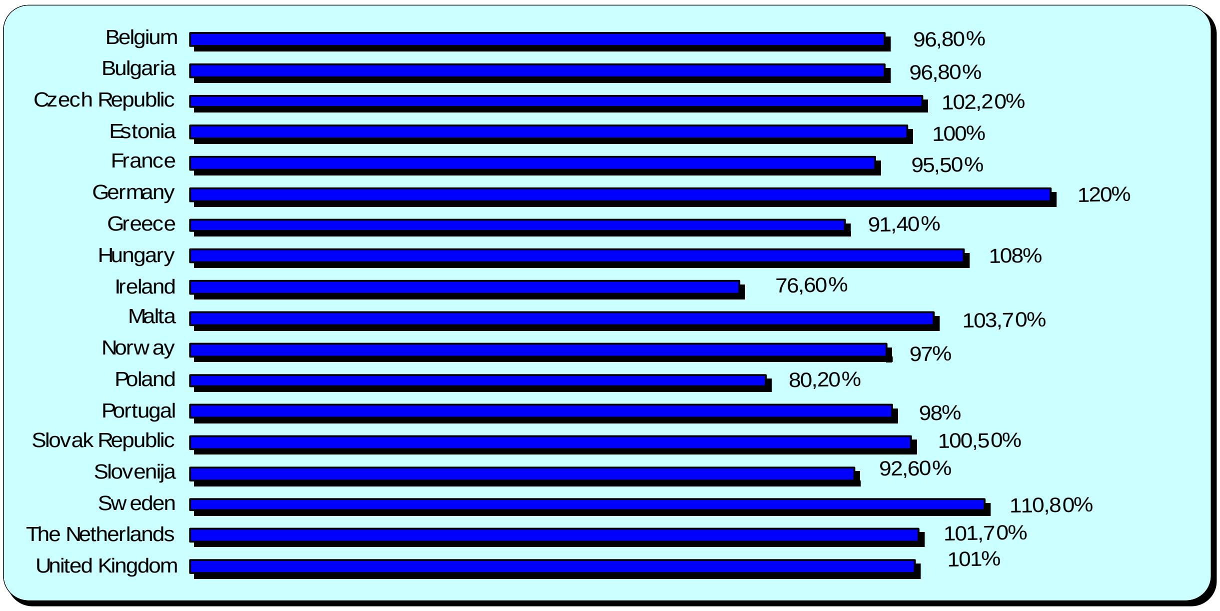



*Fig.16* *Source: CRC research*

### 3.8 Quality of the service money orders

In 2006 г. a total of 433 instructions have been issued by CC ”Inspectorate” at BP Plc compared to a number of 469 for 2005 and 627 instructions for 2004. The decreased number of instructions for 2006 is an indicator for improved quality of the service money orders compared to the previous two years. In 2006 one instruction has been issued for 14 786 operations, in 2005 one instruction per 13 628 operations is reported and in 2004 - one instruction per 10 219 operations.

A trend for decrease in the number of instructions is observed during the last years and that determines also the higher results for the quality level of the service “money orders” and proves the effectiveness of the introduced into operation new versions of the software products for acceptance and payment of postal orders.

A new postal order form has been developed for payments towards the budget, sample 702 NRA, which shall be used for tax payments. The same has been approved by the Ministry of Finance.

The work continues on the modules „Control functions” and „Transfer of the information” of the software product for the new financial service “Express postal money orders”.

### 3.9 Claims about services within the scope of the universal postal service

In 2006 a total of 2779 claims have been submitted to BP Plc, which are distributed in the following way:

| **Submitted written claims for 2006** | **Number** | |
|---|---|---|
| | **domestic** | **international** |
| **Claims (in total)** | **438** | **2341** |
| Claims found to be justified | 92 | 350 |
| **Distribution of claims according to cause:** | | |
| Lost items | 36 | 281 |
| Delayed deliveries | 21 | 56 |
| Damaged items or with missing content (entirely or partly) | 27 | 13 |
| wrongly delivered items | 8 | |
| | **number** | **BGN** |
| **Claims concluded with payment of indemnity** | **53** | **3277** |

It is obvious that the international items constitute a problem for the principal postal operator since the claims considered for justified for them are almost four times more than for the domestic items. Particularly sensitive is the question about the lost items, which constitute 80% of all claims for international items. With a ratio of international to domestic items of approximately 1:15 and in view of the intensifying competition, which shall inevitably cut the number of its clients, BP Plc plans some measures to overcome the shortcomings.

There is no submitted data for claims against the operators licensed to provide part of the UPS – postal money orders.

### 3.10 Claims about non-universal postal services

The data submitted concerning filed claims show that in the course of the past year 2427 justified claims have been filed and indemnities in the amount of 44 511 BGN have been paid. The reason for most of the claims is the delayed delivery; much less are the claims concerning damaged items or such with missing (entirely or partly) content; on the next place are the claims for wrong delivery and for lost items. A novelty in claims are the claims concerning the behavior and the competency of the postal employees which indicates increased requirements to the quality of service and increase of consumers' culture.

## 4. Measures undertaken to meet the requirements for postal security

The provision of quality and reliable postal services is inseparably related with the postal security. It is achieved by means of a combination of measures and operational activities for protection and preservation of the life and health of the employees and of the customers, postal items, funds, the property, guaranteeing the privacy of correspondence, cooperation for disclosing of violations, committed against or by means of the postal network.

Some of the main activities performed by "Bulgarian posts" Plc to ensure the security in providing the universal postal service are:

- A specialized training of the employees of the General Directorate "Corporate security" has been organized and conducted aimed at ensuring the security of UPS;
- In connection with the Amendment and supplement of Ordinance № 6 on the postal security (promulgated SG, No. 93/17.11.2006), in compliance with its requirements internal for BP Plc acts have been developed and approved by the Chief Executive Director, which have been provided to CRC for information;
- A GPS system has been implemented for tracking the cars of BP Plc , the carrier cars are sealed;

For a better organization of work and covering of all directions coordination and interoperability is established and carried out with the Ministry of Transport, Ministry of Interior, Ministry of defense, the Nuclear Regulatory Agency, the Hygiene-epidemic institute and the Civil defense.

In compliance with the stipulations of Article 20, paragraph 2 of the PSA, the UPS operators have insured against accidents their employees and workers, occupying positions according to a list approved by CRC.

In the course of the year the internal acts prepared by the operators to meet the provisions of Ordinance No. 6 for postal security and measures to protect the privacy of correspondence continued to be submitted.