ANNUAL REPORT

OF

COMMUNICATION REGULATION COMMISSION

ANALISYS OF THE MARKET OF POSTAL SERVICES FOR *2007*

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INTRODUCTION

The postal sector is a significant part of the global economics. It plays an important role in development of trade, as well as of the social and economical sectors. The European economical dimensions of the postal market equal to EUR 39 billions, a modest part of which is presented by the Bulgarian postal market – EUR 106 millions. The number of employees in the area of postal communications in Bulgaria is over 20,000 people.

The basic legislative document, to which the Communications Regulation Commission (CRC) is conforming its activities in the area of postal services, is the Law on Postal Services (LPS), which decrees are harmonized with the requirements of Directive 97/67/EC and its next amendment Directive 2002/39/EC.

According to LPS the postal services are two types:

- ✓ Universal Postal Services (UPS), for the provision of which CRC is issuing individual licenses
- ✓ Non-universal Postal Service (NPS), for the provision of which are issued certificates of registration.

From 01.01.2007, with the amendments of LPS, the service “acceptance, transport and delivery of internal and international items – up to 20 kg” has been transferred to the scope of UPS. The services, which remained in the scope of NPS, are “courier service” and “accepting messages submitted physically or electronically, their transmission through the means of electronic communications and delivery of these messages to the recipient as items” (so-called “hybrid mail”).

On the grounds of art. 18, par. 4 of the Constitution of the Republic of Bulgaria, a state monopoly of the main postal operator “Bulgarian Posts” Plc. is established for the provision of services within the reserved area of the universal postal service until December 31st, 2008. From 01.01.2007, with the adopted amendments of LPS, the limits for weight and price for the services in the reserved area are reduced to 50 grams and to a price which shall not exceed, for domestic correspondence items, more than 2.5 times the price of the standard domestic correspondence item of up to 20g of the main postal operator and, for international incoming or outgoing correspondence items, more than 2.5 times the price of the priority international correspondence item up to 20g of the main postal operator."

Licensed operators for the provision of all services within the scope of UPS are “Bulgarian Posts” Plc. (BP Plc.), “Tip Top Courier” Ltd. and “Econt Express” Ltd. All three companies are well established on the market of NPS.

During the last year CRC issued one individual license for the provision of all services in the scope of UPS, with exception of postal money orders, one individual license for the provision of the part of UPS - postal money orders and 12 new certificates for provision of NPS, and with these the number of licensed postal operators by the end of 2007 is 9, and the number of registered is 71.

It is worthy of notice, that „Tip Top Courier” Ltd. and „Econt Express” Ltd. were licensed during 2006, so their networks are still in the process of building and development. Having in mind the need of resources and the duration of the process, CRC, together with the Commission for protection of competition, developed „Ordinance for general rules for mutual access to the networks of the postal operators of UPS or part of it”, which brings out the opportunity of operators, through concluding mutual agreements, to ensure the transfer and delivery of items to their customers upon the territory of the whole country.

The scope of the NPS includes the following services, provided by 71 postal operators:

- ✓ Courier service;
- ✓ Accepting messages submitted physically or electronically, their transmission through the means of electronic communications and delivery of these messages to the recipient as items.

During 2007 were registered 12 new operators of NPS.

In the area of legislation, last year CRC adopted two pieces of secondary legislation:

- ✓ Procedure for the order and terms of coordination of the provided by the operators of UPS or part of it systems for allocation of the costs by the type of service;
- ✓ General rules about the terms for delivery postal items, postal parcels and payment of postal money orders.

An important priority in the area of provision of postal services is the protection of interests of postal services consumers. This activity is realized mainly in two directions:

- Through the law requirement that the postal operators have to present for coordination the General terms of the agreement with the consumers;
- Through the opportunity of the consumers to fill in complains and claims to CRC.

During the last year CRC considered and coordinated over 30 General terms of licensed and registered operators. There were 17 complains on which was made a check-up in order to reply to the claimants.

In fulfillment of its legal obligations to ensure conditions for competition of the postal market and equality of the postal operators, CRC gave its opinions on disputes among the operators.

In the international aspect, CRC continues its cooperation with the European Committee of Postal Regulators (CERP), and at its December session CRC had a presentation with the title "Development of Bulgarian postal market (2004-2006) – trends, achievements and problems".

I. Analysis of the market of postal services

1. State of postal market in Bulgaria and prospective for development

During the year 2007, the volume of the postal market in Bulgaria, estimated on the basis of gained revenues from postal services, is nearly BGN 206 millions, and compared to 2006 the increase is 24%. The volume of the market is calculated as expert evaluation on the basis of data provided by the 93% of the active postal operators towards 31.12.2007. Over the last three years is observed a trend of stable growth of over 20% per year, of the revenues from the provision of postal services.

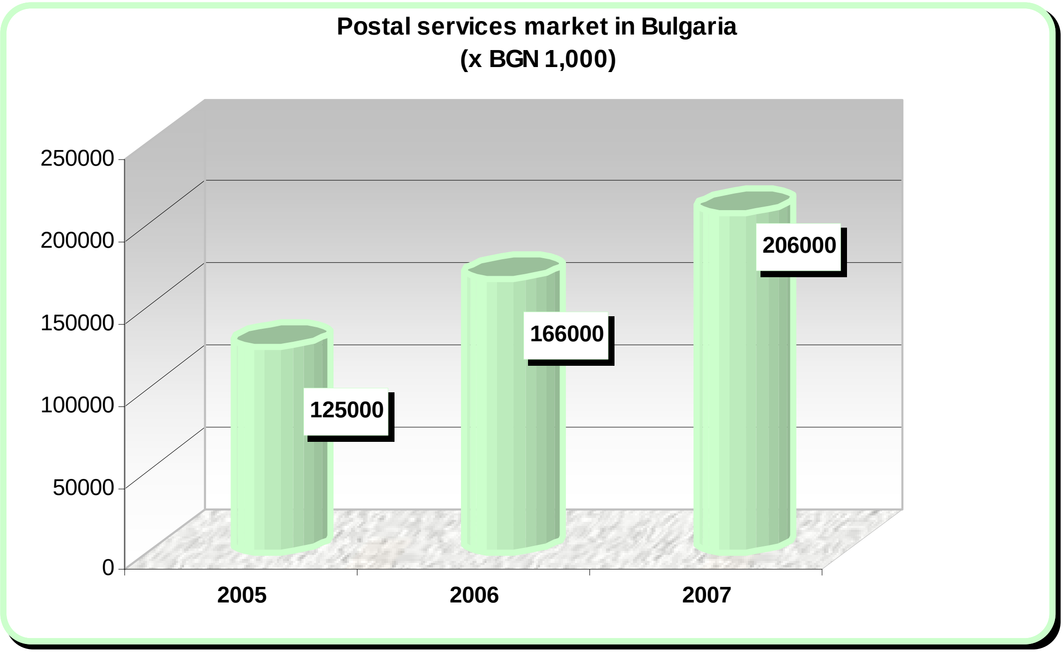


Fig. 1 Source: Data submitted to CRC

During the last three years the expansion of the postal market is connected to the stable increase of the revenues from NPS, and from 2006 the ratio between the revenues from NPS and UPS in the total volume of the market is 2 to 1.

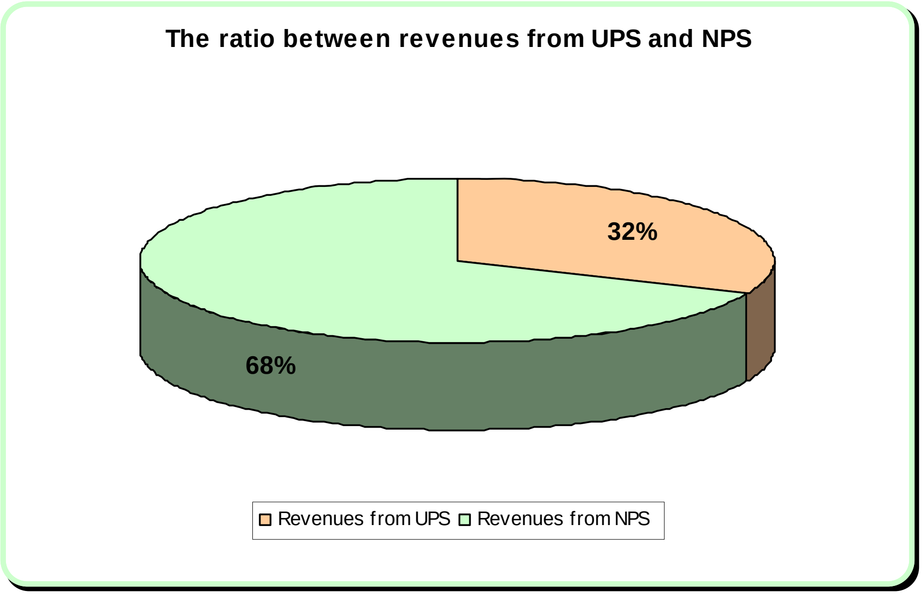


Fig. 2   Source: Data submitted to CRC

During 2007, compared to 2006, the revenues from UPS have increased by 17% but there is not a substantial change in their structure compared to 2006. For the last year the revenues from UPS are formed basically from provision of domestic UPS, and 61 % of them are from the consumption of correspondence items up to 2 kg.

During 2007 the revenues from NPS form 68% of the volume of the national postal market, and have increased by 27% compared to 2006. For the last year, like for the year 2006, the revenues from NPS are mainly formed by the provision of courier services.

During 2007 the relative share of revenues of the main postal operator is 97% of the total value of the revenues from UPS. For the last year the revenues from the provision of services in the reserved area form 55% of the total revenues from UPS.

During the last two years the main postal operator has formed approximately the same relative share of the total revenues from NPS, and this together with the exceeding rate of growth of the revenues from NPS compared with that of the revenues from UPS reflects on the market share of the company of the national postal market.

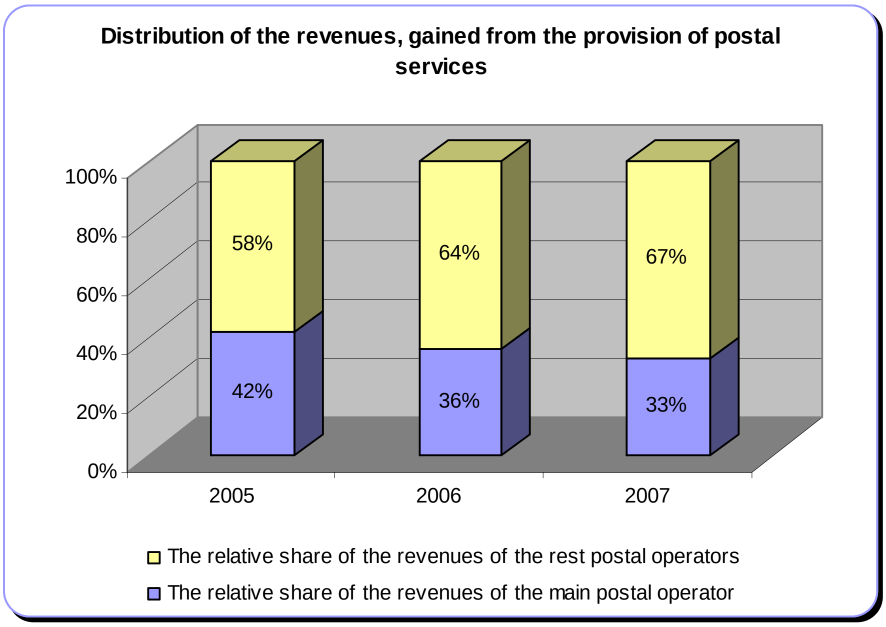
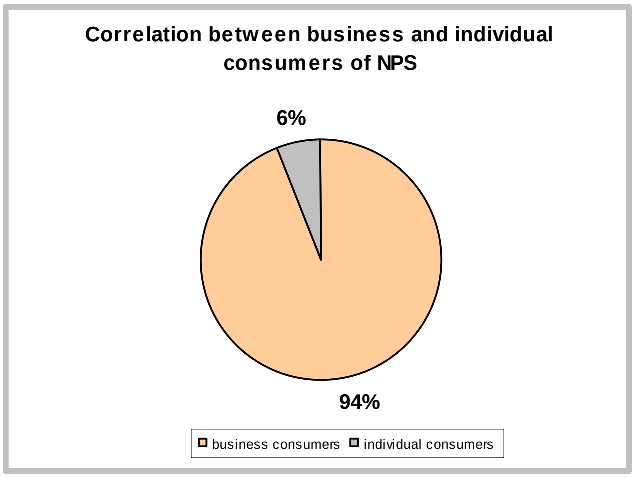


Fig. 3 Source: Data submitted to CRC

Over the last three years is observed a trend of decrease of the market share of BP Plc. of the national postal market, and it continues also during the year 2007. For the last year, the market share of BP Plc. of the national postal market is 33%, and compared to 2006 it has decreased by 3%.

According to the decree of the §6 of LPS, from the beginning of 2009 the state monopoly on the reserved area of UPS will be suspended. The cancellation of the reserved area, on one hand, would reflect on the amount of revenues of "Bulgarian Posts" Plc. coming from the provisions of UPS, and respectively on the market share of the Company of the national postal market; on the other hand, would reflect negatively on the quality of service, especially with regard to populated places which are small, sparsely populated or difficult to access, where other rival postal operators do not have interest to serve.

The structure of the consumption of postal services during 2007 differs in relation to UPS and NPS. For the purpose of analysis the consumers of postal services are divided provisionally in individual consumers and business consumers. In the latter are included companies of public, financial and trade sector.



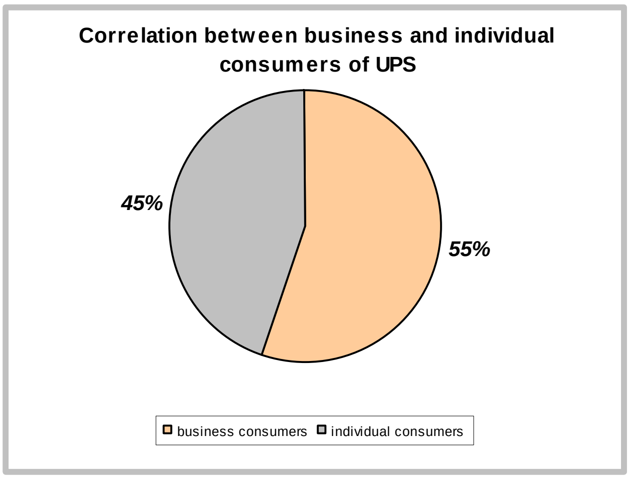


Fig. 4 Source: Data submitted to CRC

The requirement for providing of UPS a stable (within a fixed working time) quality, conforming to specified normative and affordable prices, characterizes UPS as a service, directed to a great extend toward individual consumers. In this connection, according to the information from licensed operators, the number of consumed items and services with individual consumers during year 2007 have increased about three times compared to year 2006. During the last year 45% of the total number of provided postal items and services from UPS have been submitted by individual consumers and 80% of the submitted postal items and services by business consumers has been directed toward individual consumers. The greatest share in the business consumption have companies from the public sector, and mostly they submitted non-registered и registered postal items up to 2 kg.

During 2007 the share of submitted courier items by individual consumers was only 6% of the total number provided NPS. According to the information from registered postal operators, the greater part of the submitted items by business consumers have been directed toward other business consumers, mainly from the trade sector. With entering and development during the last years of the hybrid mail and the extension of the electronic trade the expectations are that in the next years there will be further increase of items submission using NPS by business consumers toward individual consumers.

2. Level of the competition at the postal market in Bulgaria

According to the decrees of LPS, the Communications Regulation Commission annually analyzes the level of the competition at postal market in Bulgaria. In order to study this level during 2007, the regulator took into account two basic indicators:

- ✓ Existing barriers for entering the market;
- ✓ The change of revenues of UPS и NPS.

The differences in the character and dynamics of the development of UPS и NPS necessitate the state of competition to be analyzed separately for the two types of services, *and for this purpose the national postal market provisionally to be divided into UPS market and NPS market.*

The existing barriers before the potential postal operators can be divided in two large groups: structural - resulting from the basic characteristics of this field, such as technology, costs and demand, and strategic - resulting from the behavior of the existing participants in this field, or from the existence of legal limitations, such as license regimes, etc.

The existence of well known trademark and well developed network which brings possibilities of realization of the economies of scope and scale, actually are strategic barriers in the way of entering the market both of UPS and NPS. When providing universal postal service every new participant should compete with the main postal operator, who is well known to the consumers, who has developed network on the territory of the whole country and can easily fulfill legal requirements in relation to UPS. Similar is the situation of the non-universal postal services market, where already for 10 years operate well established courier companies, which every year increase their gained revenues, have their networks on the territory of the country and offer to the consumers attractive prices and large variety of additional services.

From legal point of view more significant barriers exist before the potential participants on the UPS market, namely the existence of reserved area for the main postal operator, as well as the set up by legal decrees license regime, through which a number of obligations have been imposed on the services provided within the scope of UPS.

During 2007 on the UPS market accelerated competition could be observed only at the provision of service „postal money orders”.

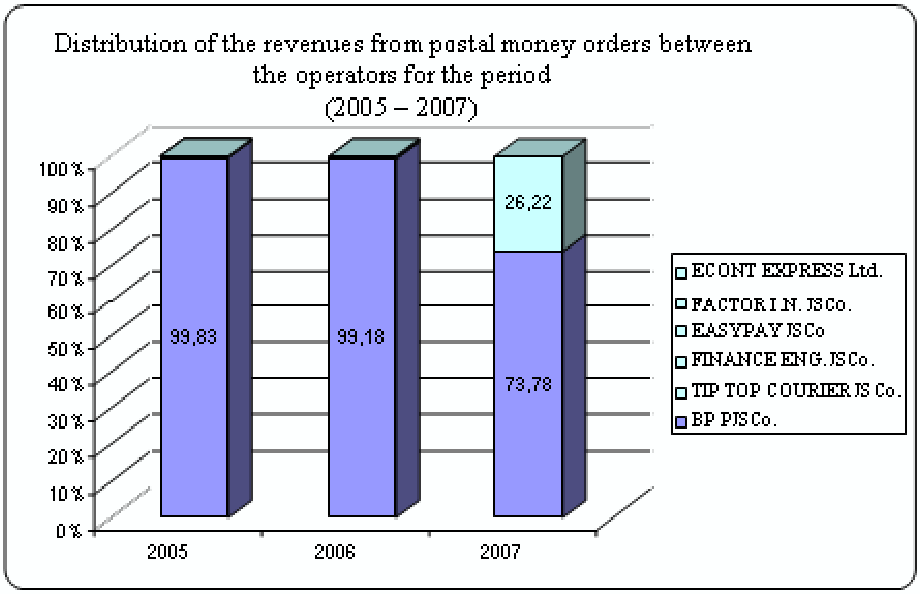


Fig. 5 Source: Data submitted to CRC

During the last year the revenues, from the provision of this service, increased by 66% compared to 2006, and the share of (BP Plc.) in the total amount of revenues from money postal orders has been decreased from 99% during 2006 to 74% for 2007.

The start of the activities of the two licensed companies “Tip Top Courier” Ltd. and “Econt Express” Ltd. during the last year became a prerequisite for arising a competition between the rests of the services from the scope of UPS, which during 2007 cannot be defined as efficient. In confirmation of this comes the fact that during 2007, as well as during 2006, over 99% of the revenues from the provision of these services were formed by the main postal operator.

The volume of the NPS market steadily increases during the last three years; there is also a yearly increase of the number of registered postal operators. Courier services which form the volume of this market, during the last three years have been performed in conditions of effective competition, based on supply and demand.

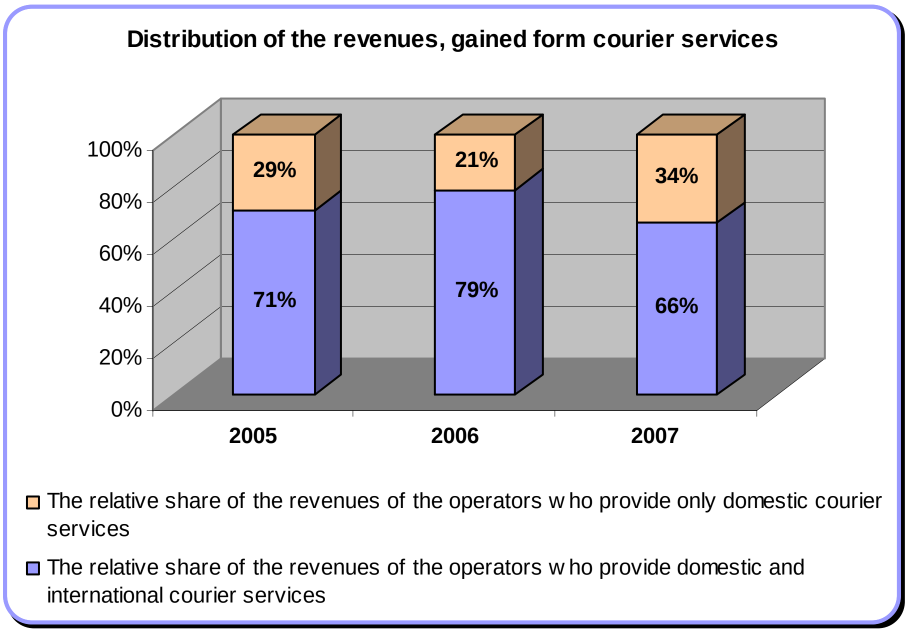


Fig. 6 Source: Data submitted to CRC

During the year 2007 83% of the revenues from NPS are formed by the provision of courier services. These revenues were realized by two large groups of operators.

The first one is made up by about 17 courier companies, which provide domestic and international courier services, and for 2007 form 66% of total revenues from courier services. The second group consists of about 50 operators, which direct their activity to providing domestic courier services. During the last three years the first group of operators basically formed the total amount of revenues from courier services, and every year the realized revenues from its activity increases. In spite of that, compared to 2006, the relative share of revenues gained by operators in this group of the total revenues from courier services has decreased by 13% compared to year 2006, which shows increase of the competition among companies, performing domestic courier services.

In support of this comes also the fact that about two thirds of the registered operators characterized the courier services competition as strong, and are defined their main market competitors in relation to different kinds of domestic courier services, such as fast city couriers, “from door to door” delivery, etc.

During 2007 on the market of NPS an increase of competition in the service of „hybrid mail” can be observed also. During the last year this service has been performed by 6 postal operators, and the revenues realized from it have increased with 17% compared to year 2006.

II. Universal postal service

Universal postal service is a service, provider constantly during certain working time, with a quality according to norms, with accessible prices and possibility for using for each consumer on the territory of the country, independent of his geographical place.

According to Art. 34 of LPS, in UPS are included the following services:

1. Acceptance, transport and delivery of internal and international postal items, as follows:

- Correspondence items - up to 2 kg;
- Small packages - up to 2 kg;

• Direct mail - up to 2 kg;
• Printed matter - up to 5 kg;
• Secograms - up to 7 kg.

2. Accepting, transferring and delivery of internal and international postal parcels up to 20 kg.

3. Postal money orders.

4. Additional services "registered mail" and "declared value".

Postal items according to point 1 can be „items with priority" and „items without priority".

1. State of UPS

During 2007 the following operators BP Plc., „Tip Top Courier" Ltd., „Econt Express" Ltd. have provided all services from the scope of UPS and six licensed postal operators offered to consumers only service „postal money orders".

The total number of processed, accepted and delivered postal items and services from the scope of UPS during the year is 85 880 thousands and the gained revenues are amounted to BGN 65 050 thousands.

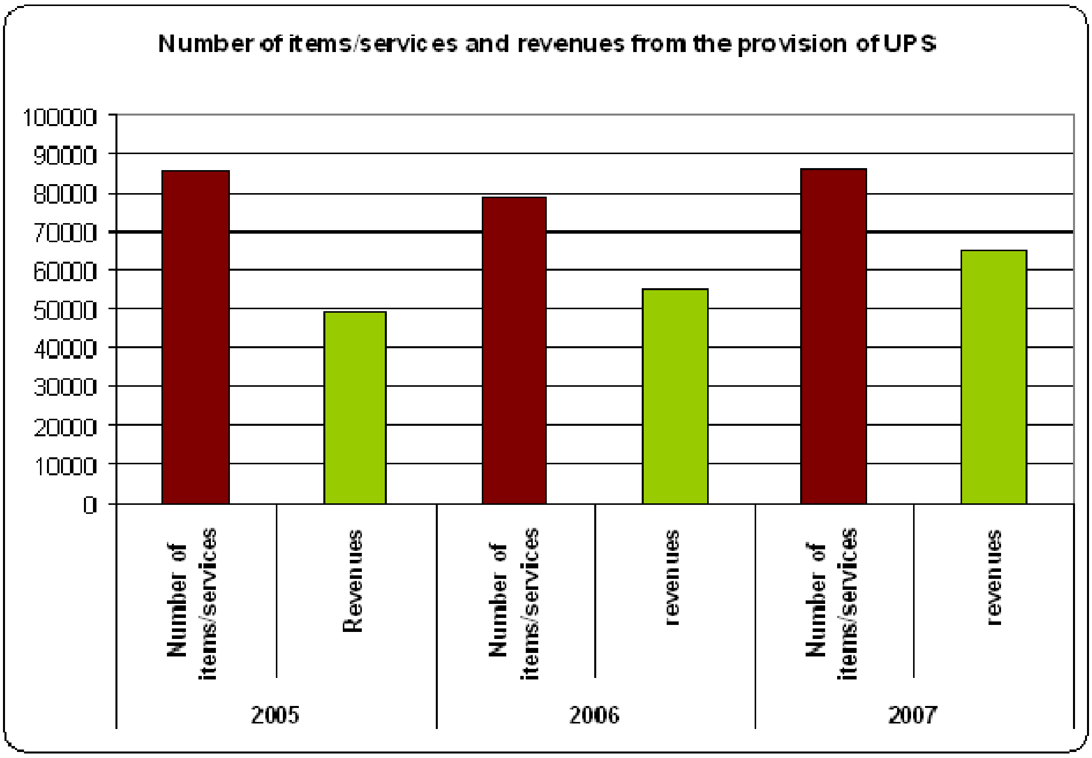


Fig. 7 Source: Data submitted to CRC

The number of items of UPS has increased by about 9% compared to 2006. This is a change in the tendency of decreasing of consumption of items from UPS, which was observed during 2006 compared to 2005 and during 2005 compared to 2004.

Revenues, realized from providing of UPS, increased by 17% compared to 2006

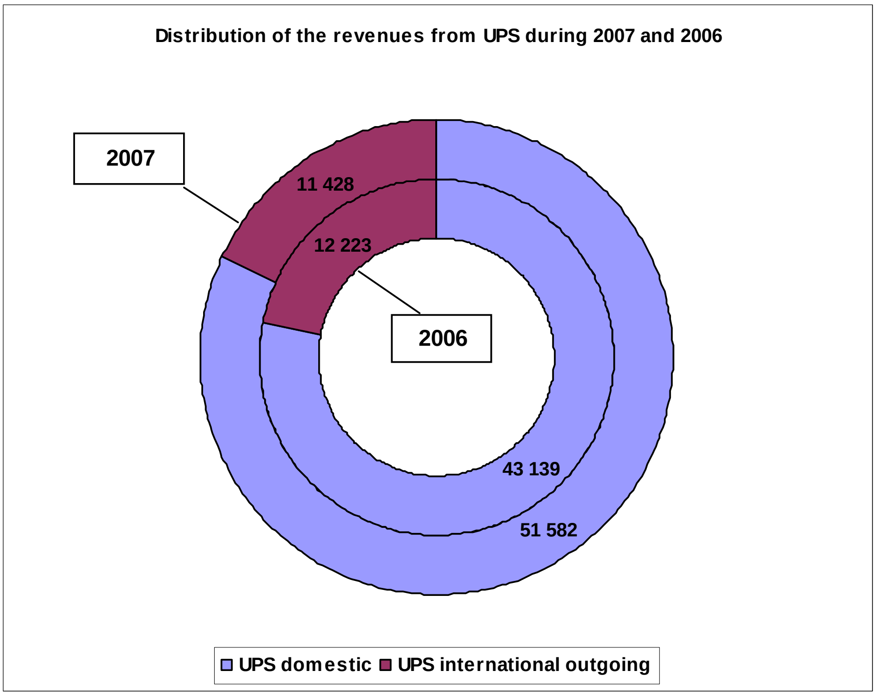


Fig. 8 Source: Data submitted to CRC

Revenues from domestic UPS form 82% of total revenues from UPS, and compared to 2006 their share increases by 4%.

The data from the graphics show that the structure of distribution of the revenues from the UPS during the reported period follows the structure of the previous year. With biggest share remain the revenues from domestic UPS.

1.1. Types of consumers of UPS

During the reported period the biggest consumers of services from the scope of UPS are the big companies from the public sector – 58%, followed by the clients of the trade sector – 26% and the financial sector – 16%.

In the public sector are included business consumers from the state administration and companies, which provide services of public interests.

Consumption of items and services of this sector form 58 percent of the total number of items from the range of UPS. The most widely used services from the companies of the public sector are non-registered and registered postal items for the country, and postal money orders.

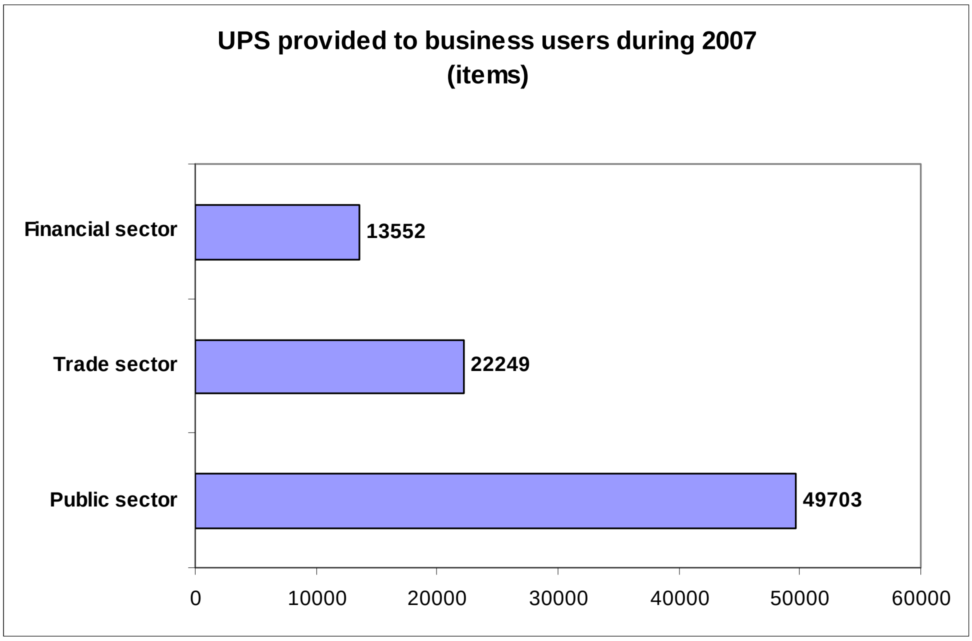


Fig. 9 Source: Data submitted to CRC

In the trade sector are included companies for catalogue trade, direct marketing, publishing houses and other merchants, which represent 26 % of the total number of items of UPS. Most widely in this sector are used the services „direct mail", „non-registered" and „registered postal items" and "small packages" for the country. The companies for direct marketing use mainly the service „direct mail".

The financial sector is third in the use of UPS. It takes 16% of the total number of these services and is made mainly of banks and other financial institutions.

The mostly used services from the range of UPS in the sector are „non-registered" and „registered postal items" for the country, „postal money orders" for the country and „registered items with priority" for abroad.

1.2. Domestic provision of universal postal service

The total number of items and services from the scope of UPS during the year, provided on the territory of the country, was 81 940, which represents 95% of total number of the realized items and services from the scope of UPS.

The revenues from the provision of UPS are BGN 53 622 thousands and the increase is 24% compared to 2006.

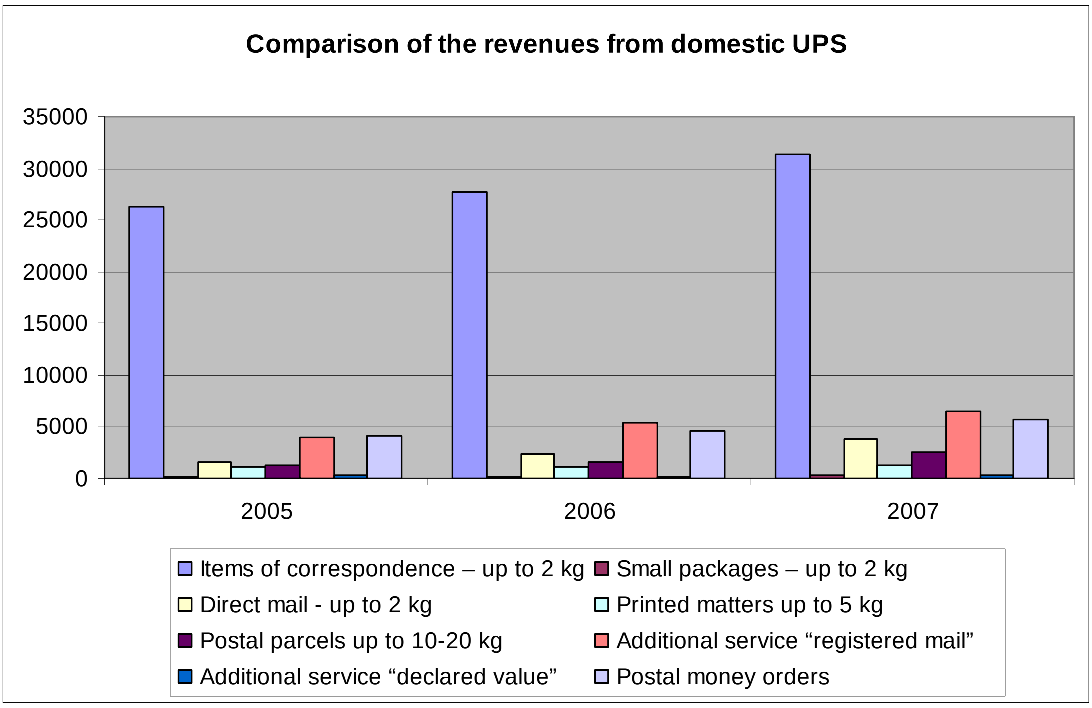
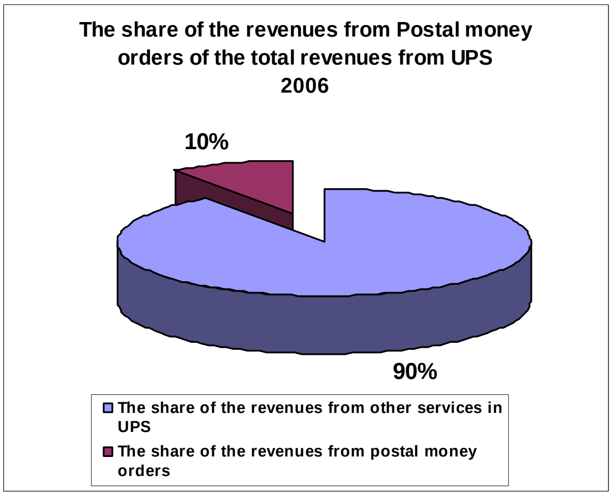


Fig. 10 Source: Data submitted to CRC

- Items of correspondence up to 2 kg have the biggest share in the total number of items and form 61% of total revenues from domestic UPS. Compared to the previous year the revenues from those items, increases by 13%, which is due mainly to the increased consumption of business consumers.
- The small packages have a small share of the total revenues from domestic UPS (0,5%), but are increasing compared to 2006 by 32,3%.
- During 2007, the revenues from service „direct mail up to 2 kg", form only 7,28 % of total revenues of domestic UPS but their increase is 54,75% compared to 2006.
- The printing matter up to 5 kg takes 2,43 % of the revenues from domestic UPS and their increase compared to 2006 is 15,8%.
- The share of the revenues from postal parcels up to 20 kg is about 5% of the total revenues from domestic UPS. Compared to 2006 their increase is 57,4%, which is due to the transfer of parcels from 10 to 20 kg in the scope of UPS from the beginning of 2007.
- The revenues from additional service "registered mail" increased by 20% compared to 2006 and form 12,5% from revenues from UPS.
- The additional service "declared value" has insignificant share in the revenues and is increasing with 15%.
- During the 2007 the items from the reserved area form 69% of the total number of items and 58% of the total revenues from domestic UPS. Compared to 2006, the number of correspondence items up to 50 g increases by 1,8%, and the revenues from them increased by 5,1%.

1.3. Provision of the service „postal money orders"

The service "money orders" is offered from six postal operators. The number of he performed postal money orders increased by 12% and the gained revenues - by 66%, compared to 2006. The share of those revenues makes 14% of the total revenues from domestic UPS.



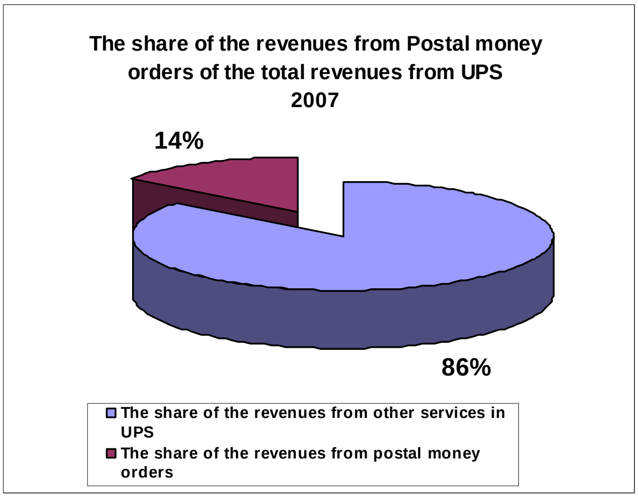


Fig. 11 Source: Data submitted to CRC

This is the only service from the scope of UPS, which is provided since two years in the conditions of competition. During 2007 the biggest part of the revenues from the postal money orders are realized from the main postal operator. For the last year BP Plc. reports an increase of 23,7% of the revenues and 1,9% of the number of provided services compared to 2006.

For the reported period the share of the BP Plc. of the revenues from the service decreases compared to the previous years and it forms 74% of the total revenues from the money postal orders.

First among the other operators is „EasyPay" Ltd., which is on the market from 2006 and still is building up its network.

To keep its leader position and because of the competition in this segment, the main postal operator signed and agreement for providing of the service „international outgoing money orders", which is provided by several competitive operators.

„EasyPay" Ltd. started its activity during 2006 and during 2007 reports an increase in the number of realized services and the revenues from them. The operator continues to build up its postal network and during 2008 planes to offer to the consumers new, additional services, as including of new providers of utility services, and access to general information through telephone lines and e-mail.

Operators „Finance Engineering" Ltd. and „Factor I.N." Ltd. have a minimal share of the revenues from postal money orders and with them there is not seen development in the providing of the service.

„Tip Top Courier" Ltd. and „Econt Express" Ltd., which started their activity during the year, have insignificant part of postal money orders and realized revenues from them.

1.4. Provision of international universal postal service

The revenues from the provision of international outgoing UPS during 2007 are realized only by the main postal operator and are BGN 11 428 thousands. Compared to 2006 there is a decrease by 6,5%. The revenues from the international outgoing UPS form 5% of the total number of items and 18% of the total revenues from UPS. Compared to 2006, the revenues decrease by 6,5%, and the number of items - by 5,4%.

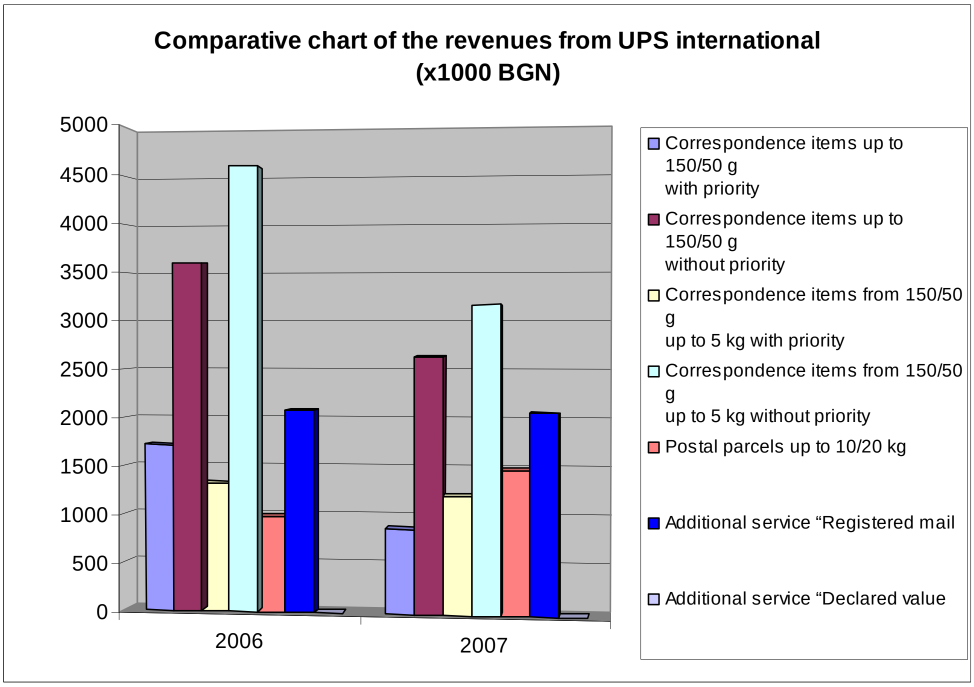


Fig. 12 Source: Data submitted to CRC

The decrease in the different services is as follows:

- Revenues from postal items up to 50 g with priority and without priority have decreased respectively by 49% for the items with priority and 27% for the items without priority.
- The decrease is seen also in the revenues from correspondence items from 50 g to 5 kg with priority and without priority.
- An increase of 50 % compared to 2006 show the postal parcels up to 20 kg, which is due to the transfer from the beginning of the year of parcel items from 10 to 20 kg in the range of universal postal service.

The decrease of the revenues is due to the total decrease of the number of submitted items and services from the scope of UPS for abroad. The tendency is a result of the lower interests of the consumers toward the traditional postal services, due to the introduction of the alternative methods for communication and the development of the information technologies.

1.5. Financial results from the provided UPS under economically unprofitable conditions

According to the requirements of the issued to it license, the main postal operator BP Plc. has an obligation to provide through its postal network the UPS on the territory of the whole country, which according to statutes of art. 23 a, art. 29 and art. 29 a of LPS includes also at economically unprofitable conditions.

During 2007 BP Plc. reported a positive financial result from the provision of the UPS in amount of BGN 9,905 and did not use any compensation from the government. In that relation the operator has not submitted any application for compensation of the deficit for the year 2008.

The new operators “Tip Top Courier” Ltd. and “Econt Express” Ltd. have started their activity in the year 2007. They reported negative results from their activities during that period, because they still build up their networks. The relative weight and volume of their revenues are insignificant and does not reflect tangibly in the comparative analysis of UPS.

1.6. Prospective for development of UPS

Analyzing the reports on the achieved results during 2007 and the previous years, and also the development of the market of postal services, the following tendencies can be outlined for the year 2008:

- The volume of the market of UPS is expected to increase during 2008;
- According to the information from operators the total number of delivered items and provided services will increase during 2008 compared to 2007 by more than 7%;
- During 2008 the share of new licensed operators of the volume of the market of UPS is expected to increase;
- The number of licensed operators for part of UPS is expected to grow up;
- During 2008 is expected new agreements to be made for mutual access to the networks of the licensed operators, which will stimulate the increase of the competition on the market of UPS;
- The improvement of the conditions for business development in the country, as well as the development of the catalogue and internet trade, will reflect on the development of services „direct mail” and „small packages up to 2 kg”.

III. Non-universal postal services

1. State of NPS

With the widening of the internal market of EU the opportunities of the national market of postal services also increased. The demand of fast and quality postal services to more and more points in Europe (and outside of Europe) from individual consumers and business as a whole, resulted in the issuing of 12 new certificates of registration from CRC.

The providing of the services from the range of NPS, according to LPS, is realized with registration regime, which is significantly relieved in comparison with the licensed regime for providing of services from the range of UPS.

According to Art. 38 from LPS, NPS include: courier services and accepting messages submitted physically or electronically, their transmission through the means of electronic communications and delivery of these messages to the recipient as postal items (so-called “hybrid mail”).

During the last year 71 operators provided NPS, and 17 from them provide also international courier services, and three accept, transfer and deliver only international postal items.

The volume of the market of NPS, evaluated on the basis of gained revenues, is BGN 141 millions, and compared to 2006 it has grown with 27%. The volume of the market was calculated as expert evaluation on the basis of data received from the 93% of the active postal operators at 31.12.2007.

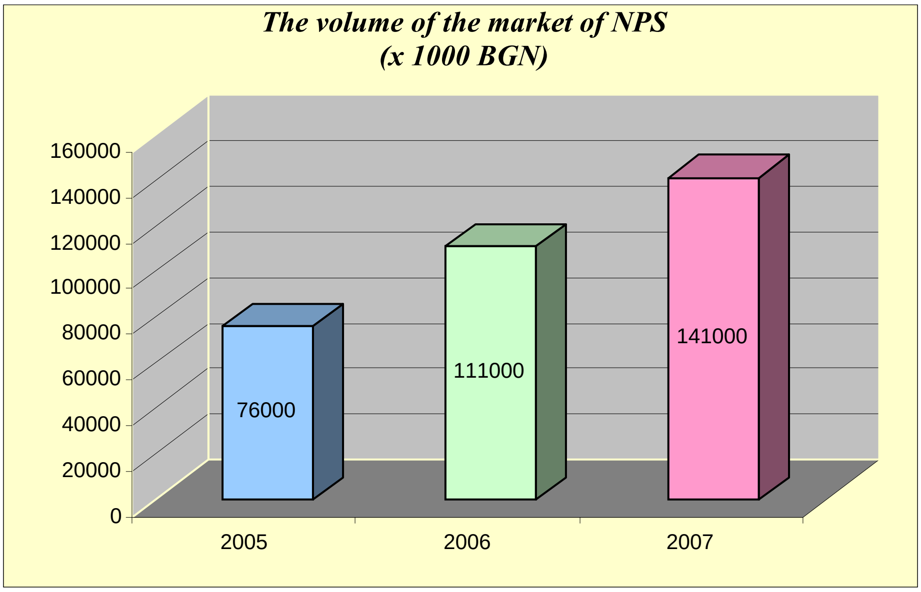
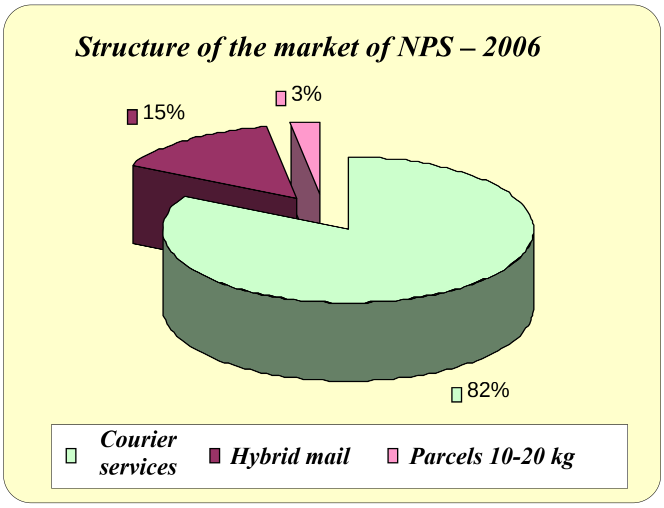


Fig. 13 **Source: Data submitted to CRC**

During the last years the market of NPS shows stable growth and the percentage of its volume grows every year with approximately the same rate, with which the revenues from the courier services grow.

From the beginning of 2007, according to statutes of LPS, the range of NPS was decreased, after the service *"accepting, transferring and delivering of internal and international parcels to 20 kg*" was included in the range of UPS. This change did not affect significantly the structure of market for the last year.



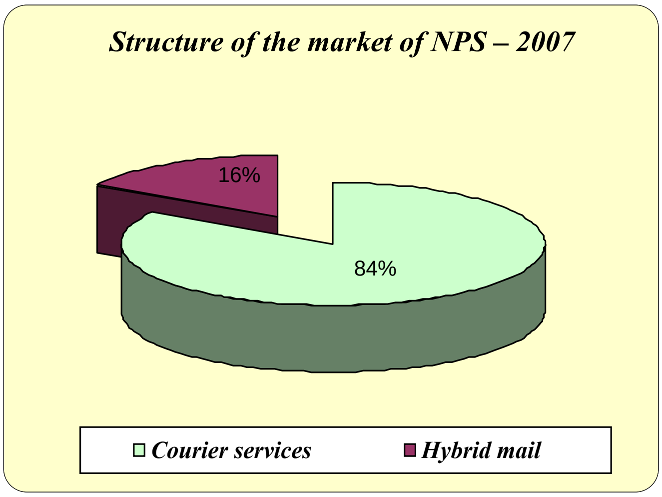


Fig. 14 **Source: Data submitted to CRC**

During 2007 84% of the volume of the market of NPS was formed from revenues from courier services, and the relative share of revenues from “hybrid mail” in the total value of revenues from NPS increased, compared to 2006, with 1%.

During the last year revenues, gained from courier services, have increased with 28% compared to 2006, and about 70% from them were formed from providing of services for the country. Relative share of revenues from the international going-out courier services from total value of revenues from courier services has decreased compared to 2006 from 44% to 30%.

During the last year over 80% from total value of revenues from courier services gained from 15 registered operators, which are established themselves on the market of NPS and are well known to the consumers.

With the biggest share of the market of NPS, according to the data given to CRC from answered questionnaires from operators, providing NPS during 2007 are: [1]

Table No 1

1. “BLU EXPRESS MAIL”	**6.** “INTERLOGISTIKA COURIER”	**11.** “SPRIDER COURIER”
2. “BULGARIAN POSTS”	**7.** “MIBM EXPRESS”	**12.** “SPEEDY”
3. “DHL BULGARIA”	**8.** “POLYPOST – POST AND LOGISTIC”	**13.** „TIP TOP COURIER”
4. “ECONT EXPRESS”	**9.** “LEO EXPRESS”	**14.** “TNT BULGARIA”
5. “IN TIME”	**10.** “CITY EXPRESS”	**15.** “FLYING CARGO”

The advantages of these operators are the established position on the market and the known trade mark, and also the wide network of offices on the territory of the country and the wide range of services, which they provide.

For 2007 courier operators, which provide NPS for the country and abroad, form 58% from the volume of the market of NPS and 66% from the total revenues from courier services.

During the last year the revenues, gained from the service „hybrid mail”, form 16% from the volume of the NPS market, and compared to 2006 they have increased with 17%. During 2007 the revenues from this service were formed from six operators, and three of them provide also courier services.

[1] Operators are listed by alphabetic order in Bulgarian, and not by market share.

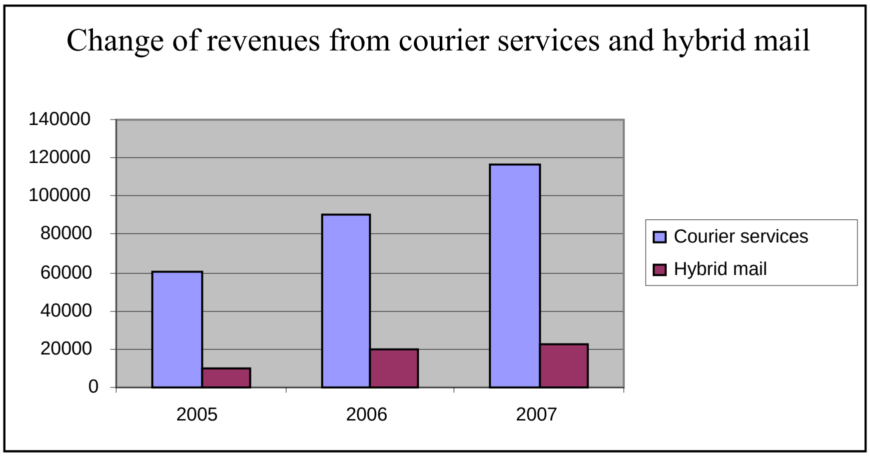


Fig. 15 ***Source: Data submitted to CRC***

During the last three years the providing of the service „hybrid mail" has increased yearly – the revenues from this service, as well as their relative share from the volume of the market of NPS.

The difference in the specifics of the courier services and the „hybrid mail", together with the fact that the hybrid mail entered the market of NPS during 2005, influence the different rate of growth during the last three years.

Because of its nature, the hybrid mail becomes more and more attractive for the operators of NPS, the service is a whole process of transforming of electronically submitted data base containing changing information for the end consumers in physical postal items, which are delivered to their addresses. It is preferred because of its complexity and effectivity. Clients of this service are bank institutes, insurance and retirement companies, marketing and advertisement agencies, utility sector and others. Some of the benefits for the clients of hybrid mail are: decreasing of production costs; rational use of resources; guarantied stable quality.

2. Prospective of development

The state of the market of NPS and the prospective of its development are connected with the coming changes in the rest of the sectors of country economy.

During 2007 the operators of NPS did not make big investments with technological significance in the sector, but they have placed the accent on the introduction of new up-to-date services and on the optimizing of the costs through:

- concluding of agreements between themselves in order to widen out the geographical coverage;

- providing of services, through the so-called "mobile post", which leads to the optimization of the costs for maintenance of constant offices in far away regions and scarcely populated places.

One of the leading prospective for development of this market for the next several years is the use of the possibilities of Internet through introducing of new services like:

- Submitting of the order from the consumers *on-line*;
- Following of the items from consumers *on-line*;

- Providing of *on-line* information for the prices and items through introducing of the specific parameters for the item and others.

The cooperation between similar branches and the market of express deliveries improved the effectiveness of the services. Many leading courier companies concluded agreements with the telecommunication companies for introducing of unified short number for quick and constant connection for the whole country of accessible prices, which is a good solution for the effective work of the operators in this market segment.

A common prognosis for the market of NPS in the countries from East European region in the next five years is the development of all or of some from the following services, oriented from business to end consumer:

- Cash of delivery;
- Electronic trade;
- Taking of items from courier, from address, given by the consumer.

These services still are not developed well enough in the region and despite the fact that the end consumers are less attractive for postal operators than business consumers, the expectations are that this segment will grow and develop in long term prospective.

In the international aspect the biggest market of NPS in East Europe is in Poland. Its advantage is the well developed transportation capacity, and the main challenge is the improving of air transportation. After Poland come Czech Republic and Hungary.

During the next five years influence upon the development of NPS in our country is expected from the electronic trade and the development of the industrial sectors as a whole, and as a challenge will continue to be the improvement of the road infrastructure of the country.

Following the tendencies, which are observed in the development of the market of NPS during the last three years and according to the prognosises made by the operators, it can be said that during 2008:

- The volume of the market of NPS is expected to increase compared to 2007 approximately with the same percentage, with which the revenues from courier services will grow;
- The number of the registered operators for providing of NPS will pass 80;
- It is expected the number of the delivered items from NPS to increase compared to 2007 with about 21%;
- Services from the range of NPS will be provided in the conditions of effective competition, and it will continue to growing the area of courier services for the country and in the area of the service “hybrid mail”.

IV. Information connected with the regulatory and control functions of CRC

1. Report for the control activity of CRC

In connection with the fulfillment of the legal obligation for exercising of control functions, during 2007 the authorized officers of the Commission made altogether 116 check-ups, most of them planned, and 66 from them were of „Bulgarian Posts”. Because of signals and complaints about the provided by the operator universal postal service, there were made other 6 check-ups, and there were not found offences against LPS or against the conditions of the individual license.

There were made 12 check-ups of licensed for providing of a part from UPS („postal money orders") operators, and one statement about not fulfilling the licensed conditions was drown-up.

The officers of the regulator made 24 check-ups on operators, registered for providing of non-universal postal services, but there were not found offences. Another 7 check-ups were made because of claims from consumers. There were not found offences against LPS, supporting administrative actions against the operators.

One of the check-ups found out a provision of non-universal postal services without necessary registration, and a statement was drown-up for administrative offence.

2. Information in connection with the fulfillment of individual licenses

2.1. Postal networks of operators, providing UPS or part of it

According to art. 5 of the LPS, postal services are realized through postal networks. This network is a complex of organizationally and technologically connected units and means including postal offices, exchange and sorting units, transportation means and technical equipment, built and used for acceptance, transport and delivery of postal items and provision of postal money orders.

At the end of 2007, the number of post offices of "Bulgarian Posts" was 2986, 636 of them are in towns and 2350 in villages. It was reported that one post office attends to an average of 2570 people and 36.95 sq. km area. Besides using of offices, postal services are provided through 141 agencies and 2420 postmen.

In use are 5332 post boxes for collection of non-registered items of correspondence. The average of population attended by one letter-box for the country is 1:1521 people. The level reached by this indicator is better that the accepted by the Commission norm, according to which one postal box should attend to 2000 inhabitants.

The density of the access points to the postal network exceeds the requirements, set from CRC with decision No703/26.06.2003.

In the comparative table are shown also other averages for the country data, describing the changes in postal network during the last 3 years:

Table No 2

	2005	**2006**	**2007**
1. Number of postal offices	2990	2986	2986
In the towns	633	636	636
In the villages	2357	2350	2350
2. Average number of inhabitants served by a post office	2596	2596	2570
In the towns	8581	8581	8517
In the villages	988	988	959
3. Average area covered by a post office (km²)	36,9	36.95	36.95
4. Number of postal agencies	146	144	141
5. Number of letter-boxes for collection of items of correspondence	5306	5391	5332
In the towns	2014	2299	2015
In the villages	3292	3092	3317

Source: Report on providing of UPS for 2007 from "Bulgarian posts"

The time for provision of universal postal service in the offices exceeds the accepted by CRC requirements. According to this norm, in settlements with population up to 3000 inhabitants the time for attending to customers is minimum two hours. In reality, in settlements with population up to 3000 inhabitants is the biggest number – 867 - of postal offices with working time from 8 hours, 6 hours a day practice 713 post offices, and 4 hours – 294 offices. In the rest of the post offices the employees work 7 or 5 hours. The opening and closing hours of the working time of all post offices are in conformity with the schedules of post exchange in the respective internal area routes.

According to the accepted by the Commission norm, the time for attending to consumers from settlements with over 3000 inhabitants is minimum four hours. Now with working time from 8 hours are 426 town post offices, and with prolonged working hours (day and shifts) - 211 of them.

The building of networks of licensed for part of UPS (postal money orders) operators continues, and with some of them is observed slowing down of the pace. Toward the end of 2007, "FACTOR I.N." has 63 access points, 9 of which are on the territory of Sofia, and FC "CASH EXPRESS SERVICE" – 166, 26 of which in Sofia. "FINANCE ENGENIERING" operates with network of 35 offices in 18 towns, and 7 offices are based in Sofia. The highest dynamic in building of network is observed with "EASYPAY" with 600 access points registered. The company works with partner organizations – banks, business centers and big trade chains. Their offices, branches and representatives form the main postal network of the company, which has also 12 offices of its own.

Licensed for the whole universal postal service operator "Tip Top Courier", with whom there also is observed some slowing down of the building of its own postal network, has 7 centers for postal services and 20 offices for delivery of items. There are put up 2 letter-boxes for collection of items of correspondence.

The other licensed for the whole universal postal service operator "Econt Express" is represented with 127 offices, 7 of which on the territory of Sofia, and the rest cover the biggest part of the towns in the country. In the whole country there are set up 709 letter-boxes in front of all offices, and also in places with bigger concentration of consumers. 450 letter-boxes are set up in the petrol stations of *"Petrol"* and *"Lukoil-Petrol"*. In spite of data quoted also with this operator the pace of building the postal network is slowed down.

3. Quality of universal postal service during 2007

During October 2007 started the use of "Bulgarian exchange and sorting center", and the complex includes a modern multifunctional building, in which are combined the sorting services for processing of internal and international letters and parcels, public building, technical building, parking and others. The processing of standard letters is automatized by the sorting machine - for rough and detailed sorting. It is expected the building of the centers to improve the quality of services and to strengthen the positions of „Bulgarian Posts" on the liberalizing postal market.

As it can be seen from the presented in the tables results for the three year period, the introducing of the new exchange and sorting center, at least in the first months, did not have the desired effect, since the results from the comparison of the quality are lower than those in the previous 2006, and sometimes in comparison with the results during 2005.

3.1 Transit time for domestic items of correspondence

Table No 3

End-to-end transit time	Quality target	Results 2005	Results 2006	Results 2007
D+1	Not less than **78%** of the items of correspondence	87,78%	88,70%	80,48%
D+2	Not less than **90%** of the items of correspondence	98,09%	97,95%	94,00%
D+3	Not less than **95%** of the items of correspondence	99,66%	99,79%	98,44%

3.2 Transit time for domestic postal parcels up to 20 kg

Table No 4

End-to-end transit time	Quality target	Results 2005	Results 2006	Results 2007
D+1	Not less than **70%** of the postal parcels	80,68%	88,54%	86,34%
D+2	Not less than **80%** of the postal parcels	98,26%	98,21%	97,55%
D+3	Not less than **95%** of the postal parcels	99,22%	99,71%	99,60%

3.3 Transit time for domestic postal money orders

Table No 5

End-to-end transit time	Quality target	Results 2005	Results 2006	Results 2007
D+1	Not less than **85%** of the postal money orders	88,45%	88.43%	85,96%
D+2	Not less than **92%** of the postal money orders	98,72%	98.51%	97,55%
D+3	Not less than **98%** of the postal money orders	99,79%	99,68%	99,73%

3.4 Transit time for international items of correspondence

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

Table No 6

End-to-end transit time	Quality target	Results 2006	Results 2007
D+3	Not less than **60%** of the items of correspondence	59,29%	50,89%
D+5	Not less than **80%** of the items of correspondence	83,95%	84,03%

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

Table No7

End-to-end transit time	**Quality target**	**Results 2005**	**Results 2006**	**Results 2007**
D+6	Not less than **58%** of the items of correspondence	57,84**%**	61,47%	54,73%
D+7	Not less than **75%** of the items of correspondence	80,71%	84,98%	80,64%
D+8	Not less than **90%** of the items correspondence	93,01%	95,32%	94,73%

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

Table No 8

End-to-end transit time	**Quality target**	**Results 2005**	**Results 2006**	**Results 2007**
D+4	Not less than **55%** of the items of correspondence	53,31**%**	53,31%	51,85%
D+6	Not less than **80%** of the items of correspondence	79,27%	83,11%	81,44%

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

Table No 9

End-to-end transit time	**Quality target**	**Results 2005**	**Results 2006**	**Results 2007**
D+10	Not less than **60%** of the items of correspondence	63,35%	70,59%	67,02%
D+14	Not less than **85%** of the items of correspondence	87,29%	96,29%	93,59%

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

Table No 10

Settlement	***Days of the week***	***Number of collections per day***	***Quality target***	***Results 2005***	***Results 2006***	***Results 2007***
Sofia	*From Monday to Friday* *Saturday and Sunday*	*2* *1*	***95%***	*99,87%*	*98,82%*	*99,06%*
With RSC	*From Monday to Saturday*	*1*				
Without RSC	*From Monday to Friday*	*1*				

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

Table No 11

Settlement	*Days of the week*	*Number of deliveries per day*	*Quality target*	*Results 2005*	*Results 2006*	*Results 2007*
Sofia	*From Monday to Saturday*	*2*	***95%***	*99,52%*	*99,30%*	*98,81%*
With RSC	*From Monday to Saturday*	*1*				
Without RSC	*From Monday to Friday*	*1*				

3.7. Handling time for complaints

Table No 12

Standard term for handling complaints	**Quality target**	**Results 2005**	**Results 2006**	**Results 2007**
30 days for internal postal services	Not less than **90%** of the complaints	93%	90,32%	86,81%
90 days for international postal services	Not less than **90%** of the complaints	94%	88,73%	91,31%

Despite the fact that the results from measuring of the quality during 2007 exceed the fixed norms, with exception of 4 of them, the regress from the achieved in 2006 results brings out the conclusion that there exist weakness in the organization of the work. The removing of these weaknesses is one of the tasks of the newly created Directorate „Quality" in the Central Management of „Bulgarian Posts". Other main task is the inclusion of the system for independent measuring of the quality UNEX.

During the year 2007 „Bulgarian Posts" received and internationally recognized Certificate for conformity of the Quality control system with the requirements of international standard BDS EN ISO 9001:2000.

During the year 2007 CRC did not organize a measurement of the quality of UPS from independent outside organization, which does not have a connection with the providing of UPS.

In the table below is represented information for the achievements of some European countries in the area of quality of service for 2007[2]

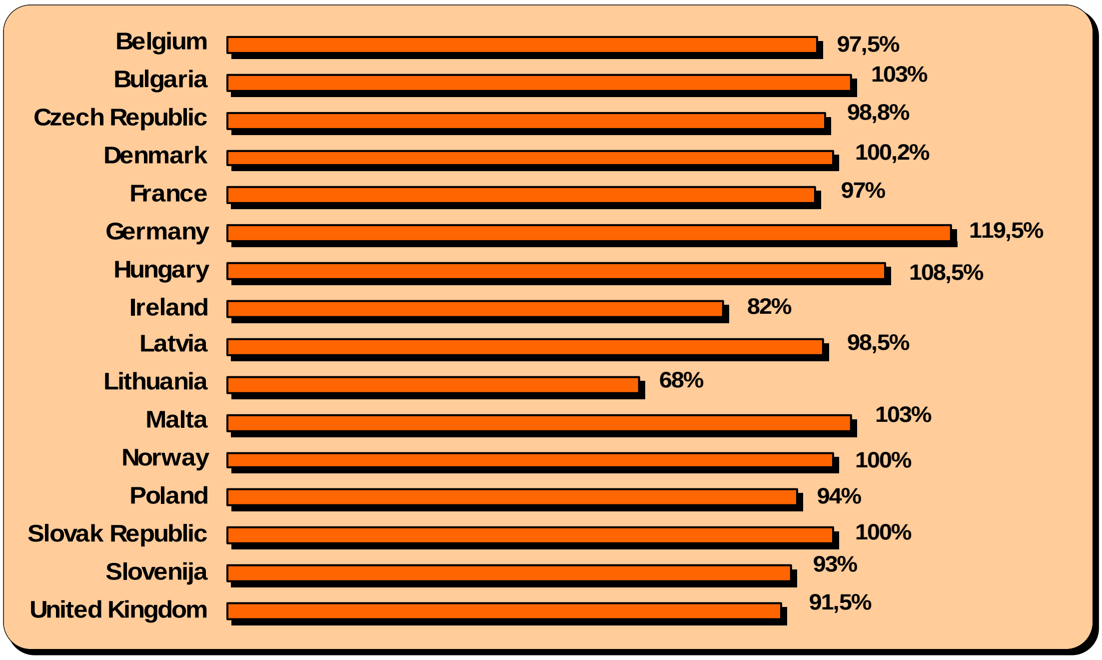
[2] Information is from our own research

Table No 13

Country	Target (D+1)	Result 2007
Belgium	95%	92.6%
Bulgaria	78%	80,5%
Czech Republic	90%	89.1%
Denmark	93%	93,2%
France	85%	82.5%
Germany	80%	95.6%
Hungary	85%	92.3%
Ireland	94%	77%
Latvia	97%	95,6%
Lithuania	85%	57,8%
Malta	92%	94.8%
Norway	85%	85.1%
Poland	82%	77,2%
Slovakia	96%	96.2%
Slovenia	95%	88.4%
United Kingdom	93%	85.1%

Half of the operators obliged to provide universal postal service from the represented in the Table 16 countries did not fulfill the planned goals for the quality of service.

The graphic below represents the percentage of the fulfillment of the norms in the respective countries.



Source: Data given to CRC ***Figure 16***

3.8. Quality of the service „postal money orders"

During 2007 from the Service "Inspectorate" to "Bulgarian posts" were issued altogether 422 recommendations, compared to 433 recommendations for 2006 and 469 for 2005. The smaller number of recommendations shows better quality of the service „money orders". Now one recommendation is issued for 14 816 operations, and during 2006 - of 14 786 operations, and during 2005 - of 13 628.

During the last years there is a tendency of lowering the number of the recommendations, and this is a condition for better results for quality of the service "postal money orders" and shows the electivity of the introduced new versions of the software products for acceptance and payment of money orders.

3.9. Complaints about services within the scope of the universal postal service

During 2007 are submitted a total of 2828 complaints about services within the scope of the UPS, which are distributed in the following way[3]:

[3] The data are from the annual questionnaires for operators, providing UPS or part of it.

Table No 14

Written complaints for 2007	Number	
	domestic	**international**
6.1. Complaints (total)	**468**	**2360**
6.1.1. Justified complaints	86	224
6.2. Distribution of the complaints according to the reasons:		
6.2.1. lost item	20	86
6.2.2. delayed item	26	22
6.2.3. damaged or with missing content (totally or partially) item	31	106
6.2.4. mis-delivery	4	5
6.2.5. returned postal parcel without reason for non-delivery	2	4
6.2.6. unpaid or wrongly paid postal money orders	3	
6.2.7.general complaint (complaint, based on a dissatisfaction in general with the service the postal operator provides)	2	
6.2.8. concerning behaviour and competence of postal employees		1
6.2.9. concerning treatment complaint		
6.3.Complaints with compensation	**number**	**BGN**
	366	**28471**

It has to be noted that the number of complaints almost entirely applies to the "Bulgarian Posts". An insignificant part of them is from the other two operators, licensed for the whole UPS – "Tip Top Courier" and "Econt Express". Operators, licensed for the part of UPS – „postal money orders" declared that they do not have information about submitted complaints. The justified complaints represent 11% from the total number.

3.10 Complaints about non-universal postal services

The received data for complaints show that during the last year there were submitted 2296 justified complaints compared to 2427 for 2006 and there were paid compensations of BGN 83718 compared to BGN 44 511 for 2006. The difference is that during 2006 the most complaints were for delayed delivery, but during 2007 the complaints were mainly for damaged items.

Complaints for 2007 are distributed by number and according to the reasons, as follows[4]:

[4] The data are from the annual questionnaires for operators, providing NPS

Table No 15

6.1. Complaints (total)	**8154**	
including justified complaints	2296	
6.1.1. Distribution of the complaints according to the reasons:		
6.1.1.1. damaged item (the integrity of the item is violated)	789	
6.1.1.2. lost item (the item is not delivered to the customer)	203	
6.1.1.3. rifled item (part or whole content of item is missing)	130	
6.1.1.4. destroyed item (the item is damaged so much that it cannot be used by the purpose)	30	
Others	142	
6.2. Complaints with compensation	**number**	**BGN**
	1103	**83718**

The justified complaints for non-universal postal services represent 28% from the total number, and this percentage significantly exceeds the percentage of justified complaints for items and services from the scope of the UPS.

4. Measures taken for observing the requirements of postal security

The provision of quality and reliable services is inseparably related to the postal security. It can be achieved through a complex of measures and operative activities for protection and safeguarding of the employees' and clients' life and health, postal items, the money and property, guaranteeing of the confidentiality of correspondence, cooperation for revealing of offences against or through the postal network.

For better organization of work and encompassing of all directions there was created coordination and was realized interaction with the Ministry of Transport, Ministry of Internal Affairs, Ministry of Defense, Nuclear Regulatory Agency, Hygienic and Epidemiologic Institute and Civil Protection.

According to the arrangement of art. 20, par. 2 of the LPS, the operators of UPS have to insure against accident their employees and workers, having a position in the company according to a list, coordinated with CRC.

During the year there continued to arrive prepared by the operators' internal acts according to the arrangements of Ordinance No 6 for postal security and Measures to secure the confidentiality of correspondence.

V. Conclusion. Prospective for development of postal market

During 2008 for the postal market in our country as a whole, as well as for the services, which form it (universal and non-universal), there are the following tendencies of development:

- ✓ Increased volume of national postal market with more than 20% compared to 2007;
- ✓ The ratio 2 to 1 between the revenues from NPS and UPS in the total volume of the market will stay without a change;
- ✓ The number of postal operators will exceed 80, and the number of the licensed operators for postal money orders will increase;
- ✓ The number of provided items from UPS will grow compared to 2007 with over 7%, and of NPS – with about 21%;
- ✓ To be concluded the first agreements for mutual access between the licensed postal operators, which will help the strengthening of the competition on the UPS market;
- ✓ The NPS market will keep its stable rate of growth, and the competition in these services will continue to be effective.

The regulator in the area of postal services, CRC will continue to work for maintaining the loyal competition on the market, for the protection of consumers, and for ensuring, through its legal authority, of the quality and accessible postal services on the territory of the whole country.