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

OF

THE COMMUNICATIONS REGULATION COMMISSION FOR 2013

ANALYSIS OF THE POSTAL SERVICES MARKET FOR 2013

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I. State of the Bulgarian postal market

In the past three decades, the postal sector worldwide has been undergoing radical changes, as from a relic of the industrial era, it is turning into an intermediary in the exchange of goods and communications in the present era of global connection and mass penetration of Internet. This transformation is observed in terms of both demand and supply. The classic postal services are increasingly affected by the competitive pressure exerted by the communication technology and the process of globalization. In addition to adapting to the rapidly changing environment, postal operators are striving to become a motive power for changes by offering even more specific and diverse services, thus increasing their efficiency.

1. Market players

The steady trend towards increase in the number of postal operators continued in 2013 as well. By the end of the year, the number of postal operators reached 134, which represents a growth of about 17 %. The 19 new postal operators that entered the market in 2013 have focused their activity in the sphere of courier services due to the easy access to the market which results from the notification regime and the comparatively low level of initial investments. Similarly to the preceding year, in 2013, passenger transportation companies submitted notifications to CRC and registered as courier service operators.

In compliance with the provisions of the Postal Services Act (PSA), postal services are provided based on licensing and notification regimes.

The universal postal service (on the entire territory of the Republic of Bulgaria and services included in the scope of the universal postal service), as well as the postal money orders, are carried out on the basis of individual licenses issued by the Communications Regulation Commission. At the end of 2013, the number of licensed postal operators was 13, and no new applications have been filed for issuance of individual licenses. During the year, “Finance Engineering” AD transferred its license for performance of the "postal money orders" service to “Post Finance” EAD.

In 2013, the number of registered postal operators reached 128, as 19 of them were newly registered, and 4 were removed from the Register of operators providing NPS at their request.

2. Volume and structure of the Bulgarian postal market

2.1 Volume of the postal market

The volume of postal market is made up of the provided postal services - the universal postal service (UPS) and the non-universal postal services (NPS). In the past year, the volume of this market was estimated on the basis of data submitted by 70% of the licensed and registered operators in Bulgaria.

Non-universal postal services continue to play a leading role in the formation of the postal market, as in the last three years, the ratio between the shares of NPS and UPS has remained around 80% to 20%.

As it is clear from Figure 1, the total amount of revenue generated from the provision of postal services in 2013 reached approximately BGN 258 million which represents an increase of about 5% since 2012. The revenue growth rates are almost equal compared to each of the preceding years.

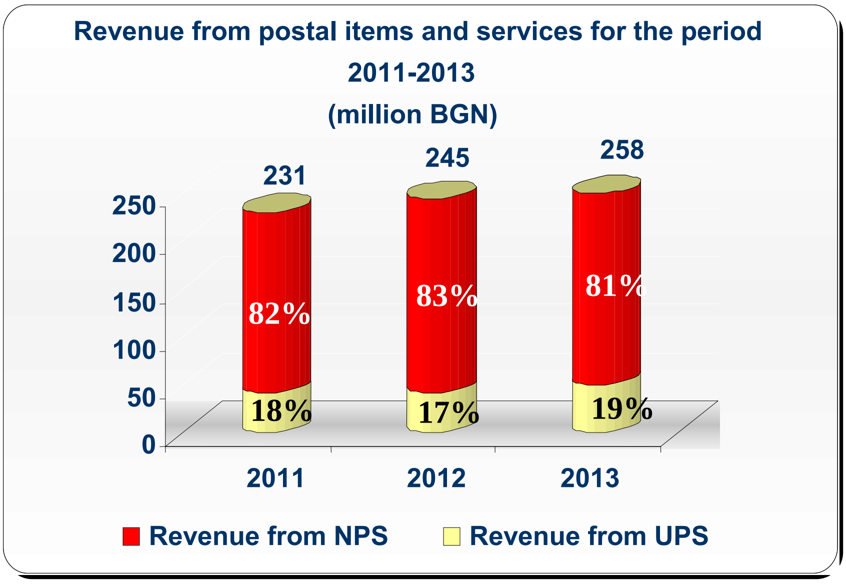


Figure 1 Source: Data submitted to CRC

The development in the postal market volume in Bulgaria measured by the number of postal items and services is displayed on Figure 2.

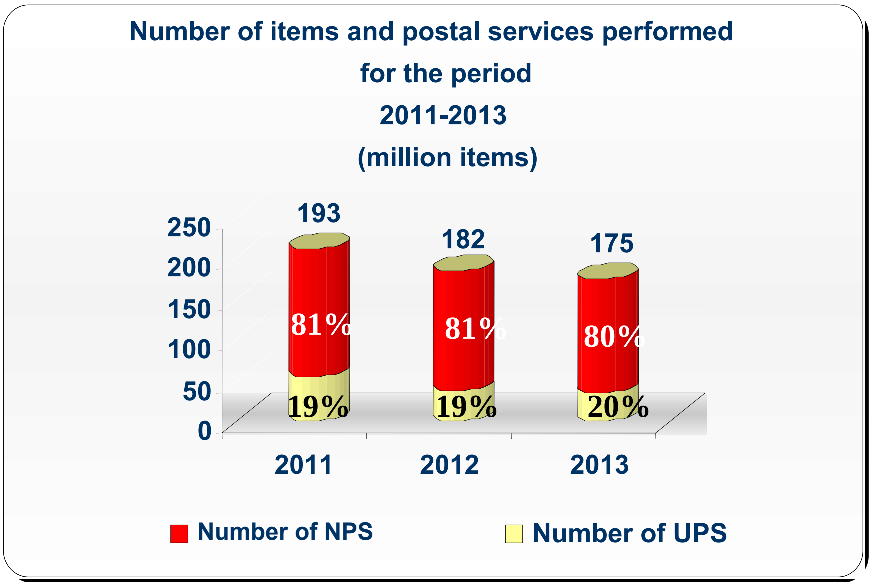


Figure 2 Source: Data submitted to CRC

Unlike the growth in the volume of revenue, a steady downward trend is formed in terms of the number of postal items and services. In 2013, as compared to 2012, the decrease is approximately 4%; however, there is a slowdown in the drop rate which may be due to the slight increase in the number of UPS items.

2.2. Structure of the Bulgarian postal market

In the period 2011-2013, the redistribution of market shares continued. As it is clear from the data presented on Figure 3, in the period 2011-2013, the revenue from courier services continued to determine the postal services market structure. Courier services formed 65% of the total amount of revenue from postal services on an annual basis, i.e. they preserved their 2012 position.

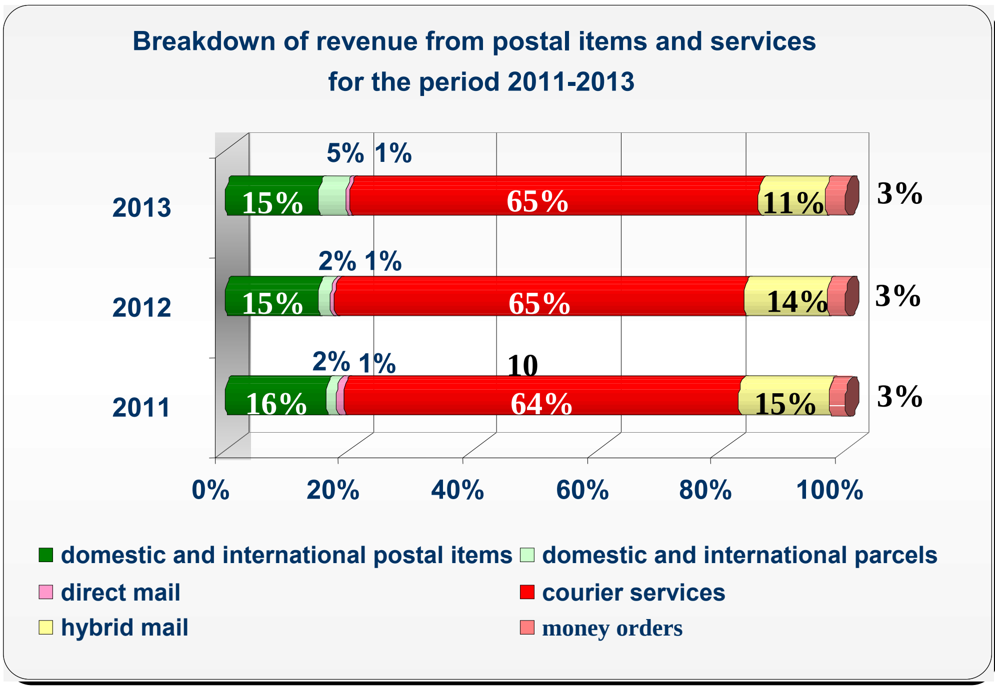


Figure 3 Source: Data submitted to CRC

The changes in the relative shares of revenue for the different types of services in the postal market structure are minimal. Among the exceptions are the domestic and international postal parcels which showed an over two-fold increase in the past year - by 3 percentage points. As a serious reason for this increase, we may point out the increasing intensity of e-commerce.

The relative share of revenues in the structure of postal services remains unchanged in terms of the postal items, postal money orders and direct mail, while the relative share of revenue from hybrid mail registered a drop by three percentage points, which actually represents the increase in the postal parcels.

The breakdown of postal services consumption by type of users is displayed on Figure 4.

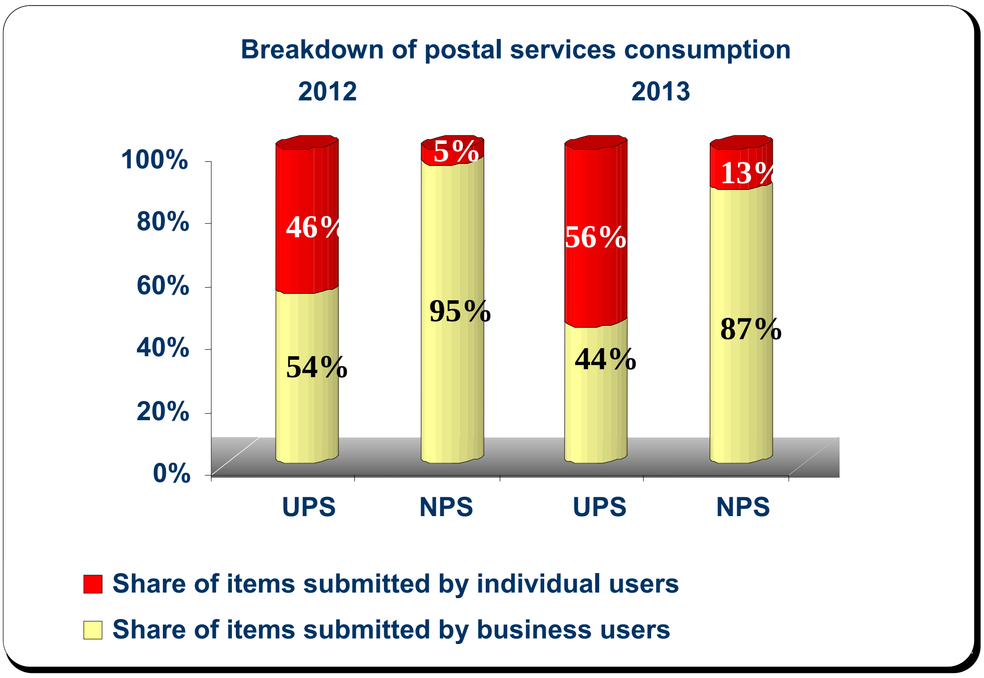


Figure 4 Source: Data submitted to CRC

The data show that the share of business users of NPS (mainly courier services) remains high in 2013, although it registers a fall of eight percentage points since 2012 and reaches 87% - the level of business users in 2011. This effect may be due to the drop in the volumes of hybrid mail which is used by large companies and banks. As for UPS, for a third consecutive year, an increase is observed in the share of individual users, as it grows greatly in 2013 - by ten percentage points, thus reaching 56%.

Figures 5 and 6 present the breakdown of revenue of postal operators by types of postal services.

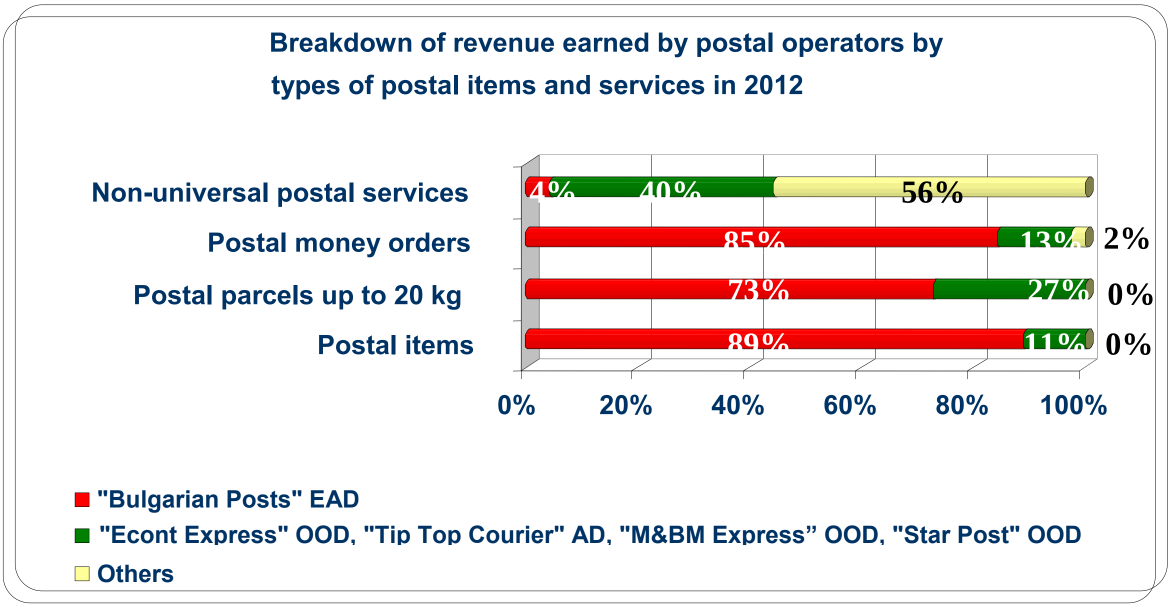


Figure 5 Source: Data submitted to CRC

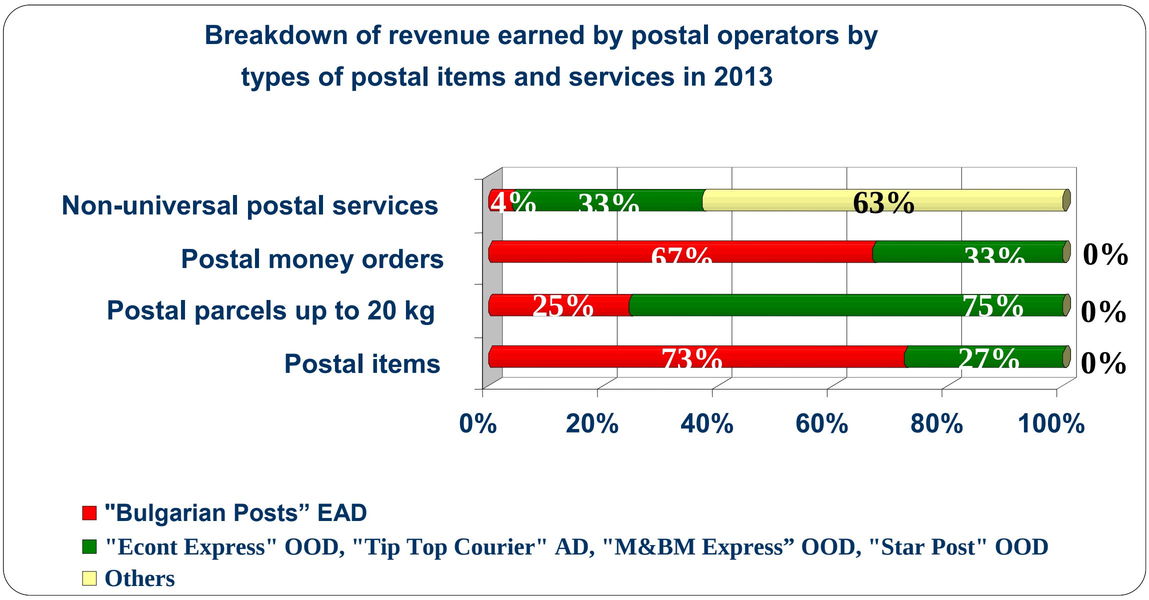


Figure 6 Source: Data submitted to CRC

The data show a continuous downward trend in the relative share of "Bulgarian Posts" EAD on the UPS market. The share of revenue from postal items falls seriously - from 89% in 2012 to 73% in 2013 - a decrease of around 16 percentage points. In terms of parcels up to 20 kg, the positions of "Bulgarian Posts" EAD have fallen drastically, as its share has dropped from 73% to 25%. The number of postal parcels of "Bulgarian Posts" EAD registered a slight increase. The overall change is due to the sharp increase in the number of parcels that have passed through the operators licensed to provide services in the scope of UPS –"Econt Express" OOD, "Tip Top Courier" AD, "M&BM Express" OOD, and "Star Post" OOD. This fact can be explained with the increased volumes of e-commerce which has made the contractors start using the services of the incumbent operator's competitors.

In the "postal money orders" service, the state operator continues to lose positions - the decrease in the relative share of revenue in the segment is by 18 percentage points. However, the company still remains a leader with a share of 67% of the revenue.

As for NPS, "Bulgarian Posts" EAD retains its share of 4% from the revenue on the market. In 2013, the relative share of revenue from NPS of the above large operators ("Econt Express" OOD, "Tip Top Courier" AD, "M&BM Express" OOD, and "Star Post" OOD) has fallen by 7 percentage points since 2012, thus reaching 33 %. This decrease is at the expense of the relative share in revenue of the remaining postal operators which grew up to 63% in 2013, without taking into account the share of "Bulgarian Posts" EAD.

As a whole, in 2013, the former characteristic features of the postal market are preserved - a growth in the revenue and number of postal operators, continuing redistribution of the market shares, and competition development. The large operators diversify their activity by adding new services to their product range, as within the framework of the UPS, we may place the accent on the perspective segment of postal parcels. "Bulgarian Posts" EAD also continues to add new services by creating partnerships with companies from many other economic sectors.

II. Provision of UPS

1. Scope of the market and market players

According to the PSA provisions, the scope of UPS includes the following services:

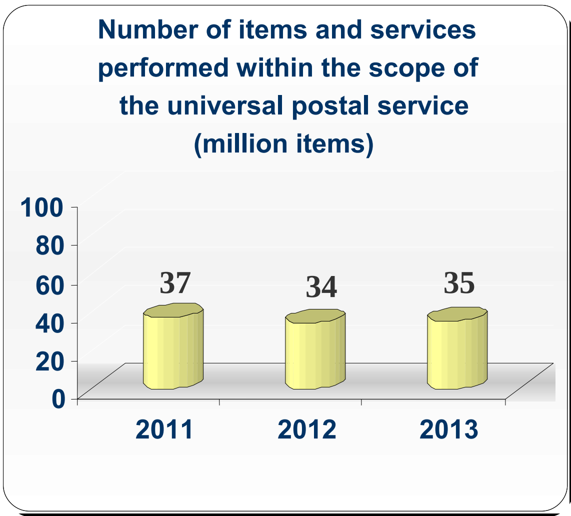
- acceptance, transport and delivery of domestic and international postal items, as follows: items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg, and secogrammes up to 7 kg.
- acceptance, transport and delivery of domestic and international postal parcels - up to 20 kg;
- additional services "registered" and "declared value".

In 2013, the above services are provided on the basis of individual licenses, as follows:

- by "Bulgarian Posts" EAD - for performing all services within the scope of UPS on the entire territory of the country;
- by "Econt Express" OOD, "Tip Top Courier" AD, "M&BM Express" OOD, "Star Post" OOD, and "Terra Post Services" EOOD - for performing services within the scope of UPS.

2. Volume and structure of UPS

According to data submitted to CRC, the revenue from the provision of UPS in the past year amounts to nearly BGN 50 million, and the total number of items and services for the country and abroad exceeds 35 million items. Compared to 2012, an increase of 19% is observed in the reported revenue, and an increase of 3% in the number of items and services (Figures 7 and 8).



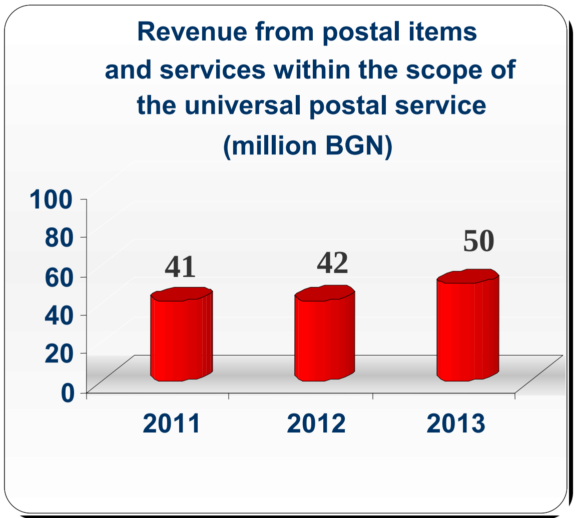


Figure 7 and Figure 8 Source: Data submitted to CRC

The increase in the volume of revenue and the number of postal items and services is mainly due to the growth realized by "Econt Express" OOD (a growth of around 4 times in the number of postal items and services, and around 5 times in revenue). "M&BM Express" OOD also contributed to the growth in the number of postal items and services (33% increase in the number of postal items and services, and 74% increase in revenue). The UPS sector registers a growth for the first time since the UPS market liberalization (01.01.2011).

Depending on the input content and for the purposes of this analysis, the services included in the scope of UPS are divided in two groups of postal items[1] (domestic and international) and postal parcels up to 20 kg[2]. In addition to some types of items and parcels, “registered” and “declared value” services are also offered as additional services.

Despite the registered growth in revenue from postal parcels up to 20 kg in 2013, the leading role in the formation of the total volume of UPS continues to be played by the relative share of revenue from domestic and international postal items (Figure 9).

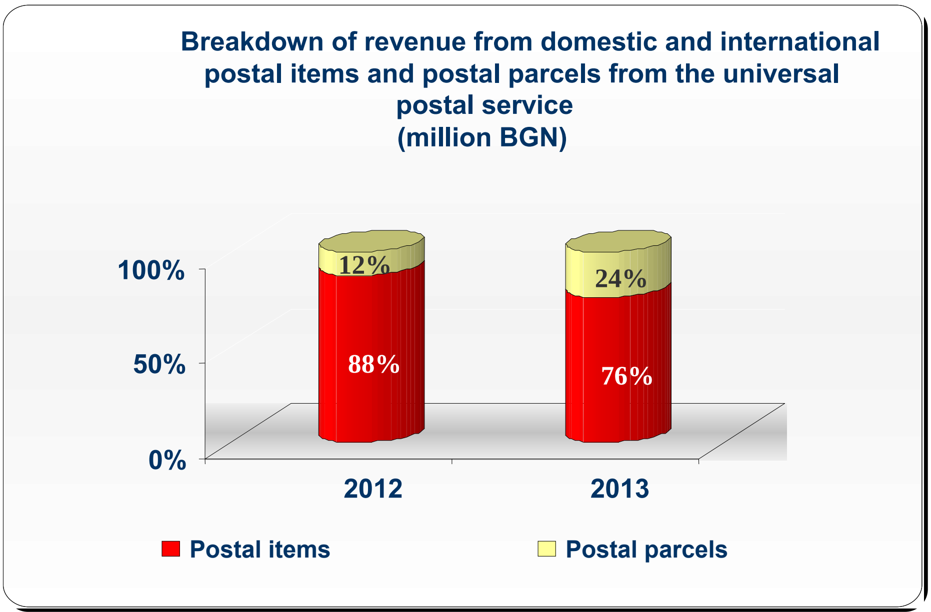


Figure 9 *Source: Data submitted to CRC*

In the past year, the revenue from domestic postal items amounts to nearly BGN 25 million (increase of 4% since 2012), while the number of domestic postal items remains at the last-year level - around 29 million items. Over 90% of the revenue from domestic postal items is formed by the "items of correspondence up to 2 kg" service. In 2013, revenue from small packets register a growth of 2 percentage points which is mainly due to an increase in the revenue from the service provided by “Econt Express” OOD and “M&BM Express”OOD. The relative share of revenue for 2013 from printed matters up to 5 kg in the total volume of revenue from this market segment remains unchanged against the year before (Figure 10).

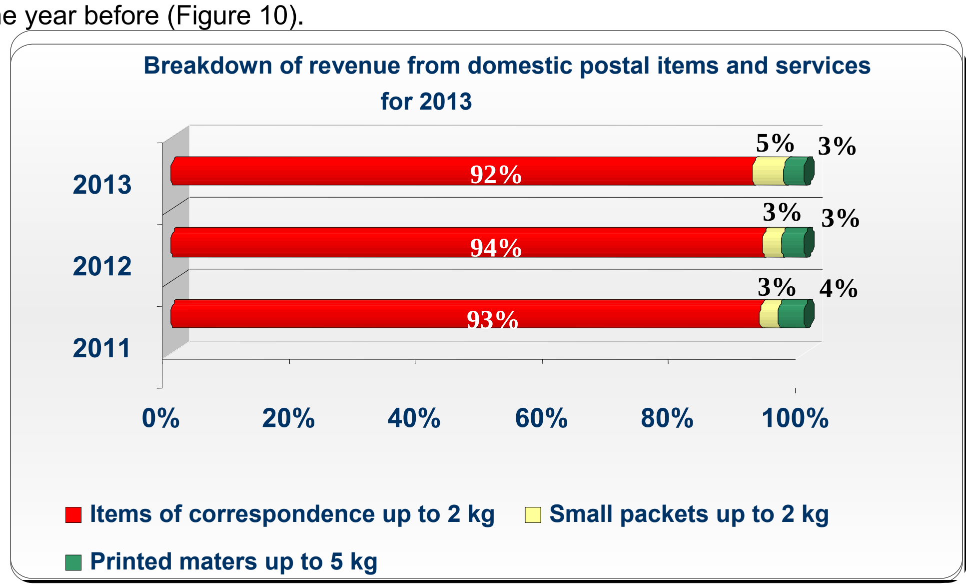


Figure 10 Source: Data submitted to CRC

[1] Postal items include items of correspondence up to 2 kg, small packets up to 2 kg, printed matters up to 5 kg, and priority/non-priority items

[2] *Postal parcels may be ordinary or with declared value*

The data show that for the period 2011 - 2013, the breakdown of revenue from domestic postal items is relatively stable.

As of 31.12.2013, the revenue from outgoing international items amounted to BGN 15.8 million, and their number totaled nearly 3.7 million. The outgoing international items occupied 11 % of the total number of items and around 32% of the total revenue from UPS. These are mainly items and revenue reported by "Bulgarian Posts" EAD. Out of the remaining licensed postal operators, "M&BM Express" OOD and "Tip Top Courier" AD provided international items, yet the total revenue they reported was below 2% of all revenue for abroad.

In 2013, the revenue generated from the provision of domestic and international postal items amounts to BGN 11.7 million (23% of the total revenue from UPS), and their number totals 2.7 million items (8% of the total number of items and services from UPS).

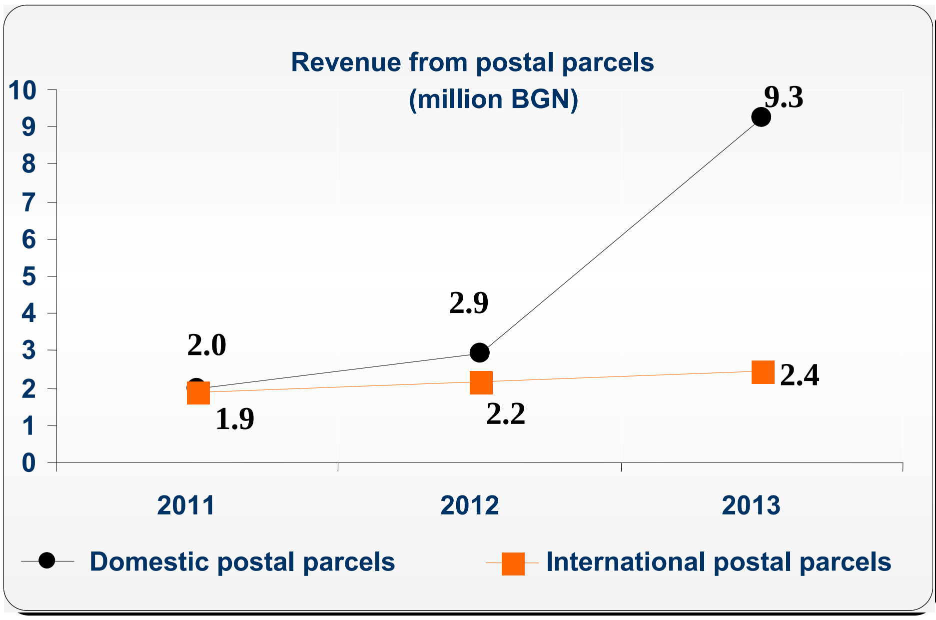


Figure 11 Source: Data submitted to CRC

The above chart clearly shows that the revenue reported from domestic parcel items up to 20 kg for 2013 is three times more, as compared to the preceding year. A main factor for this increase is the number of postal items delivered by "Econt Express" EAD which is around 5 times more, and the revenue generated from them which is 6 times more. The revenue from international postal parcels is generated mainly by "Bulgarian Posts" EAD. "Tip Top Courier" AD also reports international parcels, but their share is below 1%.

When compared to 2012, revenue from international postal parcels grew by 14%.

3. State of competition in UPS

As a result of the removal of the monopoly over the reserved sector of the UPS market and the competition development, the trend towards a decrease in the market share of the state postal operator "Bulgarian Posts" EAD from the provision of UPS persisted in the past year as well.

As it is clear from the chart below (Figure 12), in 2013, the share of "Bulgarian Posts" EAD in the UPS market dropped by 16 percentage points from 89% to 73% compared to the year before, while the postal operator "Econt Express" OOD occupied a market share of 19% (increase of 14 percentage points). "M&BM Express" OOD, with a share of 7%, is the next player on this market in terms of size.

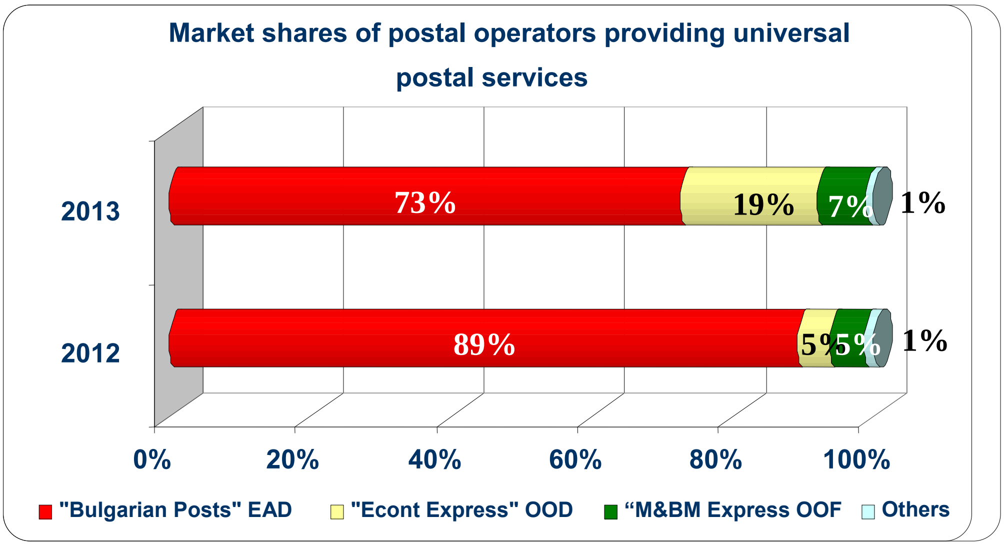


Figure 12 Source: Data submitted to CRC

The level of concentration of the UPS market segment, measured by the HHI index[3] and the CR4 ratio, characterizes this market as less competitive with a high level of concentration. Despite the observed redistribution of market shares in the services within the scope of UPS, the share of revenue generated by "Bulgarian Posts" EAD in some types of services remains the highest in 2013 as well. The postal operator obliged to provide all services within the scope of UPS on the entire territory of the country has generated 84% of all revenue reported for the country from items of correspondence up to 2 kg; 94% of all revenue from printed matters for the country, and 97% of all revenue from international services within the scope of UPS. However, the state postal operator is losing positions in some traditional postal services, such as postal parcels up to 20 kg for the country, (only 15% of all reported revenue were generated by it) and from the service "small packets up to 2 kg" (33 % of the revenue).

4. Users of UPS

The clients of postal services are generally divided into business and individual users. According to data submitted by "Bulgarian Posts" EAD, in 2013, the ratio between the quantities of postal items and services within the scope of UPS submitted by business users and individual users is 35% to 65%, respectively. Compared to the preceding year 2012, this ratio changed towards a decrease in the share of business users at the expense of individual ones.

"M&BM Express" OOD reported nearly 100% consumption by business clients, while "Econt Express" EAD provided UPS services that have been used by business and individual users in ratio 33% to 67%.

The chart below displays the consumption of UPS for the country and abroad by business clients in 2013.

[3] Pursuant to the principles of competition law, the concentration degree is measured by the Herfindahl-Hirschman Index (HHI), and the concentration ratio (CR). The HHI value is calculated based on the sum of the squared market share of the market players, while the CR value shows the shares of the largest players.

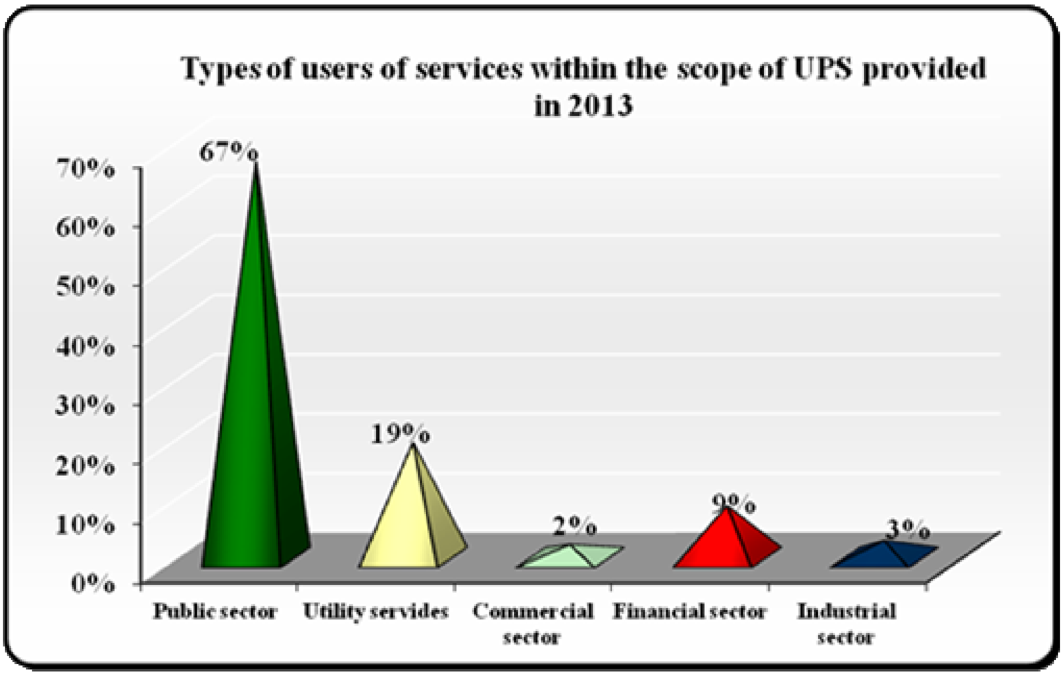


Figure 13 Source: Data submitted to CRC

The business users presented on the figure are provisionally divided according to their line of business and grouped by sectors. As the chart clearly shows, with highest consumption of postal items and parcels is the public sector - 67%. This sector includes ministries, municipalities, insurance companies, agencies. Second in terms of share with 19% come clients providing utility services - utility sector, such as water supply and sewerage, electric power and telecommunication companies, etc. Users from the financial sector, banks and other financial institutions occupy a share of 9% of the number of postal items and parcels sent. The remaining 5% are distributed between clients of industrial and commercial sector.

III. Provision of NPS

1. Scope of the market and market players

According to the PSA provisions, the scope of NPS includes the following services:

- acceptance, transport and delivery of direct mail;
- acceptance of messages submitted in a physical or electronic form by the sender, processing and transmitting them by electronic means, and delivery of these messages to the addressee as postal items - the so called "hybrid mail";
- courier services;
- postal money orders.

As of 31.12.2013, the number of registered postal operators reached 128, of them: 19 were newly registered; 4 were struck off the Register of Operators Providing NPS at their request; 30 declared that they have been active during the reporting period. The number of operators that declared before CRC to have been actually providing NPS in 2013 is 60.[4].

Although the "postal money orders" service falls within the scope of NPS, it is provided based on an individual license, therefore it is reviewed as a separate item of the NPS market analysis.

2. Volume and structure of the NPS market

2.1. Of the NPS market[5]

The revenue from NPS in 2013 (courier services, hybrid mail and direct mail) amounts to BGN 200 million, as it has increased by around 3% compared with 2012 (Figure 14). For the same

[4] *38 registered postal operators have not submitted activity report*
[5] *Excluding the "postal money orders" service*

period, the total number of processed items is 135 million items, as it has decreased by nearly 5% since 2012.

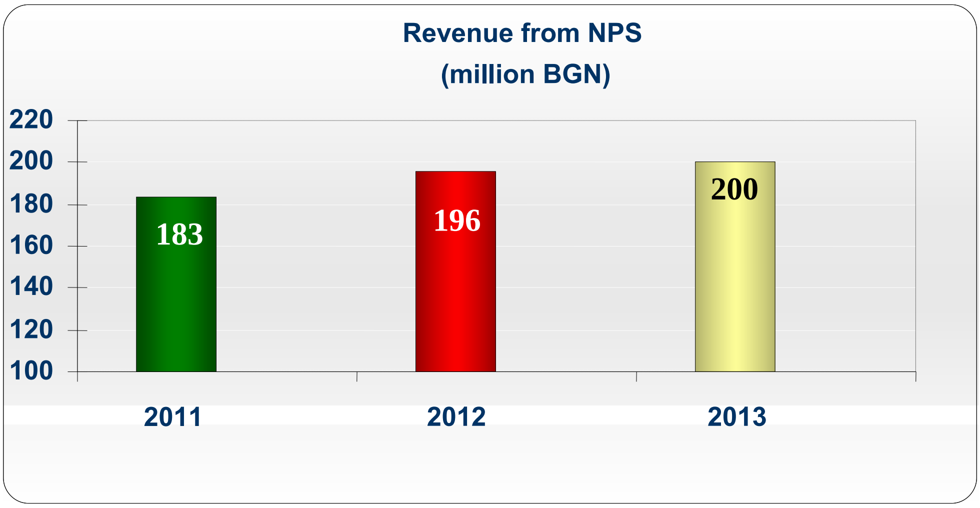


Figure 14 Source: Data submitted to CRC

The increase in revenue, compared to the reduced number of items, is a trend preserved from the previous reporting period which is formed as a result of changes in the users' attitudes (increased consumption of items generated from the e-commerce and paid on delivery, and of international courier items that have considerably higher prices).

The five operators holding the largest relative share[6] in the volume of revenue from this market segment, according to data submitted to CRC, are:

- “DHL Bulgaria” EOOD;
- “Econt Express” OOD;
- “In Time” OOD;
- “M&BM Express” OOD;
- “Speedy” AD.

The group of operators holding the largest market shares in the provision of courier services, hybrid mail and direct mail in 2013 remains unchanged compared to 2012. In 2013, the five operators made up 65% of the NPS market.

No significant changes are observed in the breakdown of revenue from the provision of NPS during the reporting period. Courier services made up 85%, hybrid mail - 14%, and direct mail - 1% of the total amount of revenue generated from NPS.

In 2013, the revenue from courier services amounts to BGN 170 million; for one year, they have increased by 6%, and the total number of accepted, transmitted and delivered courier items amounts to BGN 24 million, which represents an increase of around 12% compared to the previous reporting period.

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

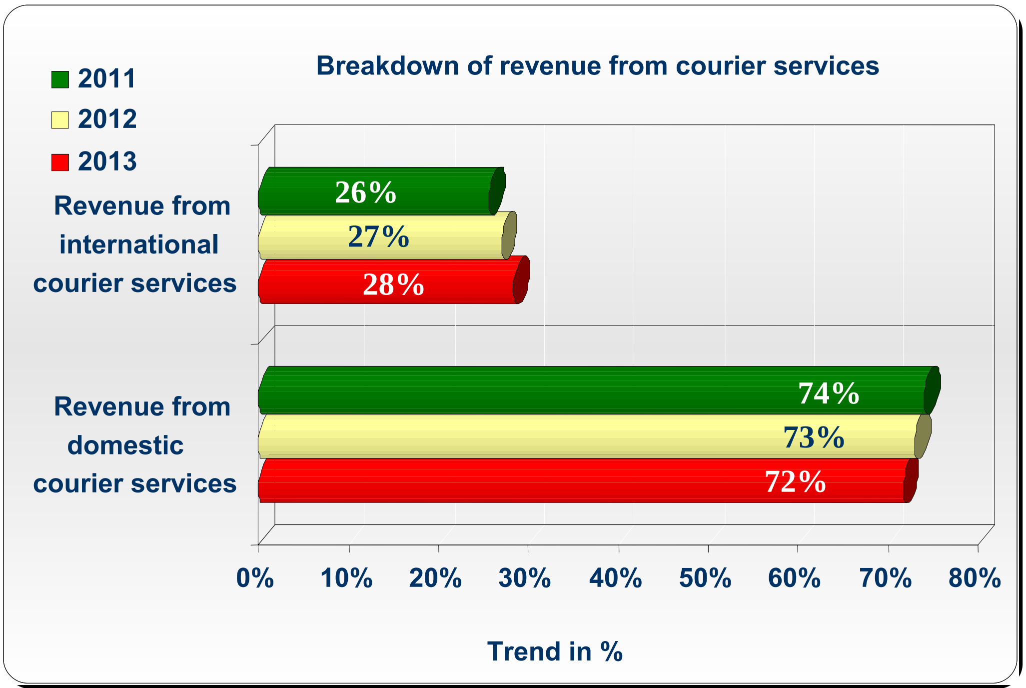


Figure 15 Source: Data submitted to CRC

In 2013, revenue from domestic courier services made up 72% of the total amount of revenue from courier services. Their relative share in the total amount of revenue for courier services was down by 1 percentage point against 2012, while the revenue from the provision of international courier services grew by 11% since 2012 (Figure 15).

The number of operators who provided the "hybrid mail" service in 2013 is six: "M&BM Express" OOD, "Bulgarian Posts" EAD, "Star Post" OOD, "Evropat 2000" AD, "Tip Top Courier" AD, "Polipost - Post and Logistics" EAD.

As it is clear from the data presented on Figure 16, the trend towards a decrease in the revenue and the number of items from the provision of the "hybrid mail" service persists in 2013 as well. The revenue from the provision of the service amounts to BGN 28 million and it has dropped by 16% since 2012. The number of processed items also registers a decrease of 7% compared to the previous reporting period.

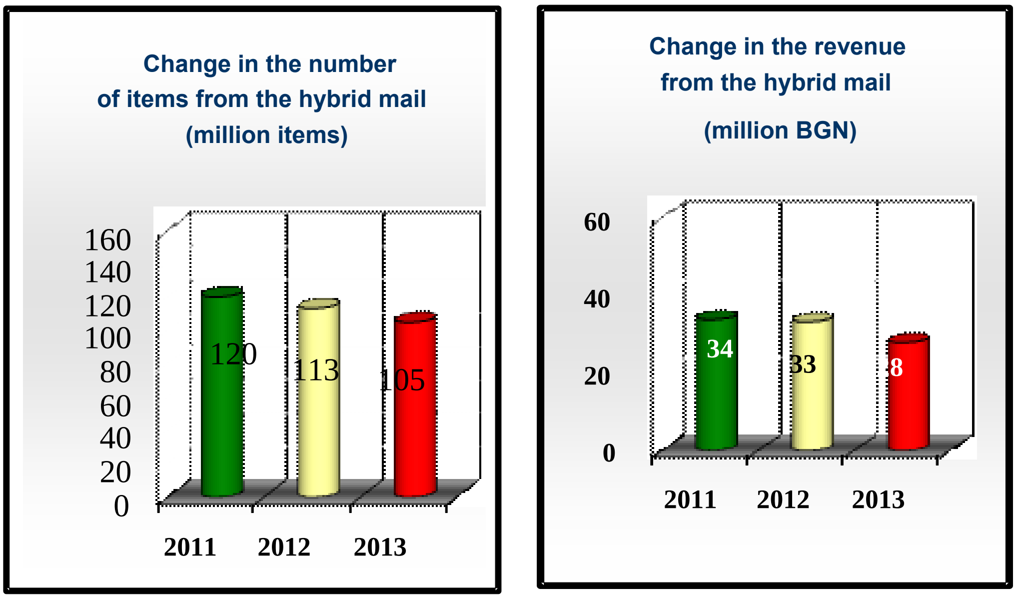


Figure 16 Source: Data submitted to CRC

One of the most important applications of hybrid mail is the printing and sending out of utility bills, notification letters, account statements. In this regard, the significant downward trend in the volume of this service may be explained with the campaign run by the large operators of utility services for reduction of the number of paper invoices and their replacement with electronic ones, as a part of the project for a cleaner and green environment.

Direct mail represents a postal item which only comprises advertising or marketing materials and contains identical messages, except for the name, address and ID number of the recipient. Operators who performed the “direct mail” service in 2013 were “Bulgarian Posts” EAD, "Polipost - Post and Logistics" EAD, and “M&BM Express” OOD. The company "Econt Express" OOD did not provide the service in 2013. In the past year, the number of items from the "acceptance, transmission and delivery of direct mail" service dropped by around 14% compared to 2012. In 2013, the revenue from the service formed 1% of the total amount of revenue from NPS, as it preserved its 2012 level.

2.2. Regarding the “postal money orders” service

In 2013, the number of postal operators licensed to perform the "postal money orders" service was 13[7] , as seven of them were active: “Bulgarian Posts” EAD, “Econt Express” OOD, “Speedy” AD, “Tip Top Courier” AD, “Factor I. N.” AD, "Post Finance" EAD, "Easypay" AD.

In the period under review, the number of postal money orders was 4.6 million items, and revenue generated from them was approximately BGN 8.5 million. When comparing this data to the previous reporting period, a growth of 24% is observed in the number of money orders and 19% in the revenue from this service.

Figure 17 displays data regarding the revenue from performing the postal money orders service for the country.

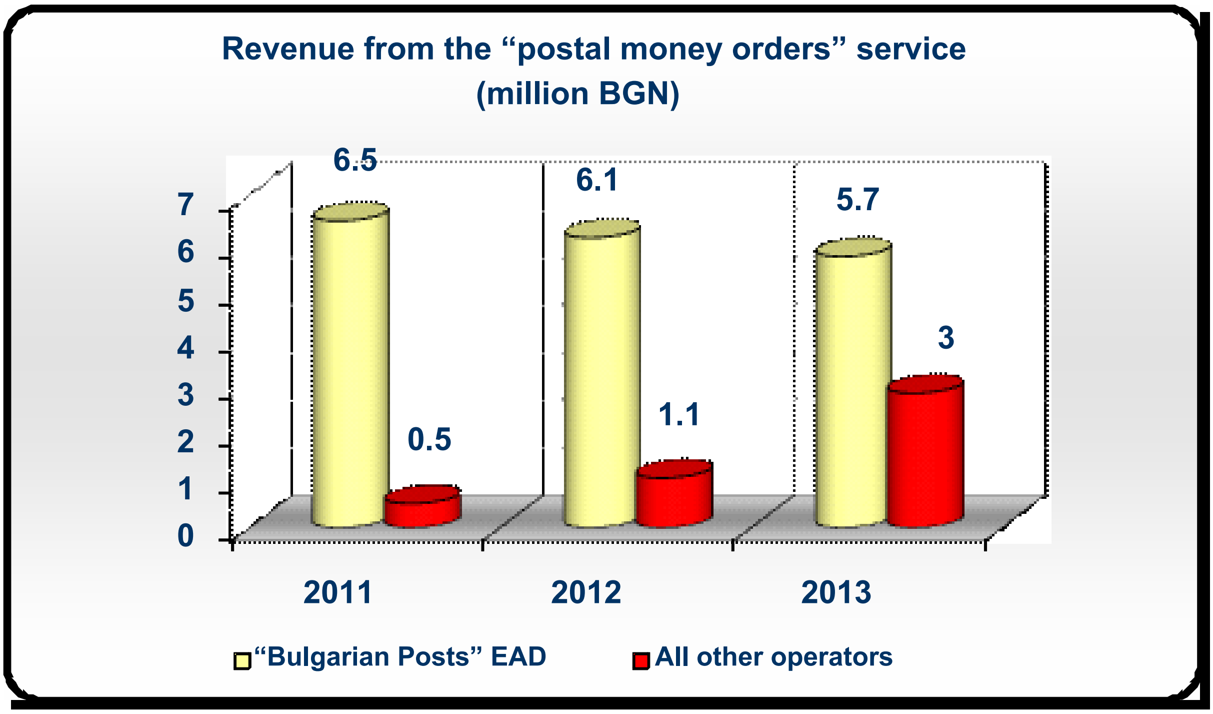


Figure 17 Source: Data submitted to CRC

The data reveals that in 2013, compared to 2012, the trend towards decrease in the share of "Bulgarian Posts" EAD in revenue earned from postal money orders at the expense of the remaining postal operators, is preserved. "Bulgarian Posts" EAD registered a drop of 12% in the number and a decrease of around 6% in revenue from performing "postal money orders", as compared to 2012, while "Econt Express" OOD reported an increase in the number of performed postal money orders by 2 times, and over 2.6 times more revenue. A growth in revenue is also observed in the data reported by "Speedy" AD which is the newest player on the market of the "postal money orders" service.

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[7] *“Bulgarian Posts” EAD, “Econt Express” OOD, “Cash Office” AD, “Tip Top Courier” AD, “Factor I. N.” AD, “Post Finance" EAD, “Cash Express Service” EOOD, “Terra Post Services” EOOD, “Toyota Tixim” EOOD, “EasyPay” AD, “M&BM Express” OOD, "Speedy" AD and “Telepaid Bulgaria” OOD*

In the reporting period, “Bulgarian Posts” EAD made up 67 % of the total volume of revenue from performing the "postal money orders" service. When compared to 2013, the share of the incumbent operator dropped by 18 percentage points. "Econt Express" OOD is the next largest provider of the "postal money orders" service with a market share in revenue of 29%. Its market share has grown by 16 percentage points during the reporting year. The remaining nearly 4% revenue from the service was reported by "Speedy" AD, the newest operator licensed to perform the "postal money orders" service. The main reason for the loss of market share in this service is the inability of the incumbent postal operator to cope with the increasing competition.

3. State of competition in NPS

The state of competition on the NPS market and in terms of the "postal money orders" service is calculated based on the HHI index and the CR ratio. The values of both indices (of HHI - 1 098, and of CR5 -65%) in 2013 define the market segment of NPS as relatively competitive with an average to moderate concentration. To calculate the CR5 ratio, the market shares of "DHL Bulgaria" EOOD; "Econt Express" OOD; "In Time" OOD; "M&BM Express" OOD, and "Speedy" AD were used.In2013, the above five operators formed market shares on the NPS market between 5% and 22%, which remain unchanged compared to the preceding reporting period.

The segment of postal money orders is defined as less competitive with a high level of concentration (the HHI value is 5.333, and CR4 is 99.98%). To calculate the CR4 value, the market shares of “Bulgarian Posts” EAD, “Econt Express” OOD, “Speedy” AD, and “Tip Top Courier” AD were used.

IV. Regulation of postal services market

In 2013, the main activities of the Communications Regulation Commission (CRC) concerning the regulation of the postal services market were focused on:

1. Assessment for the presence of unfair financial burden incurred by the provision of the universal postal service and preparation of proposal for the amount of compensation

In compliance with its statutory obligations under Art.29b, Para 5, and Art. 29a, Para 3 of PSA, CRC conducted a procedure for assigning a public procurement, as follows: "Audit of the submitted documents related to the calculation of net costs from the provision of the universal postal service for 2012". Based on the factual findings from the performed audit, CRC adopted the following decisions:

- Decision No. 809 of 30.10.2013 on coordination of the results obtained from the cost allocation system by types of services of "Bulgarian Posts" EAD;
- Decision No. 810 of 30.10.2013 on the presence of unfair financial burden from the performance of the universal postal service and determination of the amount of compensation to be paid to "Bulgarian Posts" EAD for the performance of the universal postal service in 2012;

The report of factual findings from the performed audit was published in compliance with the requirements for trade secret preservation on the Internet page of CRC, section "Regulation Fields" - posts.

Based on the assessment for the presence of unfair financial burden from the provision of UPS and in compliance with Article 15, Para 1, item 16, CRC extended a proposal to the Minister of Finance to include the amount of compensation in the draft law on the state budget of the Republic of Bulgaria for the following calendar year.

2. Measurement and report on meeting the UPS quality targets and the efficiency of service

Pursuant to Art. 15, Para 1, item 7 of PSA, CRC conducted a procedure for assigning a public procurement, as follows: “Measurement of the “end-to-end” transit time for single domestic priority and non-priority postal items in the network of the operator obliged to perform the universal postal service, according to the requirements of Standards BDS EN 13850:2002+A1:2007 and BDS EN 14508:2003+A1:2007” in 2013.

Based on the conclusions drawn from the performed public procurement, the following statements were made on the compliance of the quality targets[8] for the time for conveyance with the results from their measurement, namely:

[8] *Standard quality levels for the universal postal service and service efficiency, prom. SG, issue 64 of 19 August 2011*

2.1. Time for conveyance of domestic unregistered priority postal items

With quality target for the time for conveyance of domestic unregistered priority postal items for **D+1 - not less than 80%** of items and **D+2 - not less than 95%** of postal items, at an annual basis (2013), the result from the measurement, compared to the year before, is 50.7% and 75.6%, respectively.

End-to-end transit time	Quality target	Results 2012	Results 2013
D+1	Not less than **80%** of the items of correspondence	**47.9%**	**50.7%**
D+2	Not less than **95%** of the items of correspondence	**72.8%**	**75.6%**

Despite the low improvement in quality, targets have not been met yet.

2.2. Time for conveyance of domestic unregistered non-priority postal items

End-to-end transit time	Quality target	Results[9] 2013
D+2	Not less than **80%** of the items of correspondence	**81%**
D+3	Not less than **95%** of the items of correspondence	**90.4%**

As for results measured for time for conveyance of domestic unregistered postal items, it makes impression that the results from the measurement show that the quality of non-priority items is much higher than that of priority items. The D+2 target is fully met, but the D+3 target is not met.

The results for the time for conveyance of domestic postal parcels and international items, as well as the results for the time for complaint processing, are displayed in a table containing comments and clarifications in Appendix 1 "Detailed Results from Measurement of the UPS Quality" to the report.

3. Ensuring postal security

Postal security ensures quality provision of postal services and is aimed at preventing and limiting any material and financial damages incurred by postal operators and users. Any weak points of postal security on a national level also have effect on an international level because the Bulgarian postal system is connected with the international one. This fact makes this problem internationally important and explains the compulsory nature of postal security requirements irrespective of the territory where they are applied, and the status of the postal operators.

PSA regulates the general requirements related to ensuring the postal security, as well as the sanctions for violating them. A secondary legislative act - Ordinance No. 6 on the postal security requirements (prom., SG, issue 90 of 15.11.2011), lays down precisely the requirements, the creation of organization, and the measures related to prevention of:

- violation of postal items by outside persons and by employees of the postal operators;
- violation of the safety of the staff, buildings and property of the postal operators;
- conveyance as postal items of forbidden and dangerous goods, objects and substances;
- use of forged or out-of-date postage stamps, postal products with a printed mark for prepaid universal postal service, postage seals and marks, postage forms and documents, etc.
- money laundering through the national postal infrastructure.

On its part, the postal operator obliged to perform UPS develops a strategy for action in the sphere of postal security covering all levels of postal activity.

[9] The 2013 results have not been compared to those of preceding years, since the latter have been obtained from measurements carried out by "Bulgarian Posts" EAD itself.

The postal operators develop internal rules for actions to be taken by the employees in case of any doubt that the postal items might contain weapons, ammunition, pyrotechnic articles, explosive, flammable or any other dangerous substances and objects. Based on the information collected from the annual questionnaires, the positive trend observed in 2012 where an increasing number of operators noted that they apply the rules in question, continues. Attention is paid to training employees in terms of postal items security, as well as the physical control, considering the fact that a very small number of operators can afford to purchase or hire technical devices and the relevant control software.

Of the objects and substances forbidden to be allowed into the postal items under Article 90 and Article 91 of PSA, the operators encounter most often: weapons and ammunition, pyrotechnic articles, aerosols and pressure vessels containing fluids and/or fuel mixtures.

4. Control activity and user protection

In 2013, in performance of the legal obligation to monitor the compliance with regulations related to postal services, the requirements for performance of UPS, the conditions for implementation of the issued individual licenses and obligations of operators performing NPS, authorized CRC officials carried out a total of 54 inspections, of which.

- 12 inspections of "Bulgarian Posts" EAD as a postal operator obliged to perform UPS;
- 13 inspections of four operators licensed to perform services within the scope of UPS concerning the state of their postal networks;
- 1 inspection of an operator licensed to perform the “postal money orders” concerning the performance of activity;
- operators of non-universal postal services were subject to 16 inspections due to non-provision of information on their activity in 2012, required by CRC.

In 2013, 15 administrative offence acts were drawn up for offences in the sphere of postal services, and 11 punitive decrees were issued.

As for protection of the consumers’ interests, CRC uses two instruments – coordination of the General Conditions of the contract with users of postal services (General Conditions) and the right of users to file complaints and signals with the Commission. In the past 2013, the Commission coordinated the General Conditions of 19 postal operators. 127 complaints/signals filed by postal services users against postal operators were considered, as the greatest percentage was made up by complaints related to delay or non-delivery of international and domestic postal items. In one of the cases, the complaint contained data for violation of the legislation in the sphere of postal services for which one postal operator was sanctioned for violation of the general rules for the conditions of delivery of postal items and parcels.

In 2013, according to data from the annual questionnaires for the operator obliged to perform UPS and for operators providing services within the scope of UPS, a total number of 8600 complaints were submitted, of which 1200 justified, classified as follows:

Breakdown of justified complaints according to their cause, in 2013	**Number**	
	domestic	**international**
Filed complaints (total), including:	**210**	**990**
for lost item	59	977
for delayed item	89	0
for damaged or with missing content (fully or partially) item	32	10
for misdelivered item	4	2
for returned postal parcel without reason for non-delivery	1	1
general complaints (complaint based on a general dissatisfaction with the operator’s services)	3	0

Breakdown of justified complaints according to their cause, in 2013	Number	
	domestic	international
concerning the behaviour and competence of postal employees	0	0
concerning complaint processing	0	0
other	22	0
Complaints resulted in payment of compensation	**number**	**BGN**
	1047	**75 676**

The total number of complaints filed in 2013, as compared to 2012, grew by 28%, and the number of justified complaints was up by approximately 35%. On the other hand, the number of complaints that resulted in payment of compensation and the amount of compensations paid increased by two times.

The data presented in the above table show that the greatest share of justified complaints is held by those for lost items, as complaints over lost international items make up 81% of the total number of justified complaints.

In the last three years, the number of justified complaints filed has been mainly formed by complaints over lost items, as their number increases each year.

In the past year, for the first time in five years, no justified complaints were filed over the behaviour and competency of the postal employees, which shows improvement in the quality of service provided to the users.

The lack of complaints over the complaint processing procedures shows that the licensed operators have given their users the opportunity to file complaints due to their dissatisfaction with the provided services.

According to the information collected from the annual questionnaires of the operators licensed to perform the "postal money orders" service and registered for the performance of NPS in 2013, the total number of filed complaints is 8991, as it has dropped since 2012 by 11%. The number of justified complaints is 5762, and it has dropped by 3% since 2012. The number of complaints that resulted in payment of compensation rose by 27%, and the amount of paid compensations was up by 47%. In the past year, the share of complaints that resulted in payment of compensation in the number of justified complaints increased by 16 percentage points compared to 2012.

The table below presents the breakdown of justified complaints according to their cause.

Breakdown of justified complaints according to their cause, in 2013	Number
Filed complaints (total), including:	**5762**
for damaged item (the integrity of the item is violated)	2448
for lost item (the item is not delivered to the user)	457
for rifled item (item with wholly or partially missing content)	105
for destroyed item (the item is damaged in a way making its intended use impossible)	54
for item delivered with delay of the deadline for delivery	1383

Breakdown of justified complaints according to their cause, in 2013	Number	
other	1293	
for postal money orders.	22	
Complaints resulted in payment of compensation	**number**	**BGN**
	3866	**601 518**

The data in the table above show that in 2013 the highest share of justified complaints was held by complaints over damaged items, as their number grew by 17%, compared to 2012.

In 2013, for the first time was observed a reduction in the number of the following complaints: over lost, rifled and delayed items, which in turn leads to decrease in the total number of filed complaints. This fact, together with the increased share of complaints that resulted in payment of compensation in the total number of justified complaints, shows that, in the past year, the postal operators of NPS have taken measures to increase the quality of services provided by them and that they have optimized the procedures of processing and review of the filed complaints.

V. Conclusion and prospects for development of the postal sector

In the past years, the electronic commerce has been a factor for the competitiveness, employment and economic growth in Europe, including of Bulgaria.

Data obtained from a British study[10] carried out in 2013 show that the electronic commerce has exceeded 1 trillion dollars globally, and it is currently the largest market in Europe.

According to the National Statistical Institute, the electronic commerce in Bulgaria holds a share of around 10%, as in 2013, 683 thousand Bulgarians shopped online, which is an increase of 3 percentage points since the year before. Forecasts show that up to 2015 the electronic commerce in our country will reach 15% of the retail trade[11], which will reflect on the development of the postal sector related to delivery of items on the territory of the country and abroad.

A key factor for the progress of the economic commerce is the physical delivery of goods ordered on line. In this regard, every third postal operator of NPS in our country forecasts that in 2014 the market will expand due to the electronic commerce. To react to the market needs, courier companies have focused their efforts on optimizing the processes of order processing during the stage of preparing the goods to be delivered to the courier, deployment of a virtual office on the e-shop's website, wide network of international partners, preferential prices for courier services to the trader's clients, etc.

The expansion of e-commerce gives rise to some problems for the users concerning the cross-border delivery of postal parcels. To increase the trust in the delivery services and to boost the on line sales, the European Commission has published a Green Paper on an "Integrated parcel delivery market for the growth of e-commerce in the EU" and a "Roadmap for completing the single market for parcel delivery and building consumer trust in delivery services and encouraging on line sales".

Traditional postal operators also have prospects for development through rapid re-orientation towards offering of quality, traceable and affordable cross-border services related to parcel delivery. In this respect, "Bulgarian Posts" EAD expects that the e-commerce market will develop and new services targeting the business users will be offered in 2014. The operator also plans to introduce new products to the existing services related to delivery of goods generated from the e-commerce.

The prospects for development of "direct mail" are outlined by the innovative decisions of the UPU regarding the direct marketing or the so called "direct mail"[12]. One of them is to connect the direct mail with other forms of direct marketing applied in a multimedia environment. UPU will support the consolidation of "best practices" of the member states in terms of the service and the development of strategies for diversification of innovative products and services.[13]

On the Bulgarian market, the "direct mail" service gives opportunity for development of the postal operators who can offer flexible solutions to the business, such as:

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[10] The Global Electronic Trade – DilyanaNikolova, Analyses –econ.bg
[11]Prof. D. Danchev, University of Economy, Varna
[12] Postal Congress in Doha, 2012
[13] Union Postale 1/13 Market development

- sending of advertisement in the form of letter to loyal clients and potential users from the existing database of the principal;
- printing and distribution of advertising messages on utility bills, etc.

The "postal money orders" service is also likely to increase its share in the postal services market. According to data of the European Statistical Office Eurostat, cash flows from Bulgarian citizens working abroad towards our country have reached a total of EUR 490 million in 2012, as EUR 63 million have come from Bulgarians working within the European Union.[14]

The expectations of postal operators in our country for development of the "postal money orders" market are quite optimistic, as they are also related to the emergence of new operators.

Taking into account the forecasts of postal operators concerning the development of postal services, the following trends are outlined in 2014:

- Increase in the number of items and revenue of postal operators generated as a result of the e-commerce development;
- Further decrease in the share of the incumbent operator in the UPS market;
- Increase in the share of domestic and international postal parcels up to 20 kg of the total amount of revenue from postal services;
- Preservation without any significant change in the trends for development of the NPS market;
- Increase in the number of operators licensed to perform services included in the scope of UPS and "postal money orders" services;
- Decline of the most common service "items of correspondence up to 2 kg".

[14] http://www.dnes.bg/business/2013/12/10 - VeselinaYordanova

Appendix 1

Detailed Results from Measurement of the UPS Quality

1. Results from measurement of the time for conveyance of domestic unregistered priority postal items by quarters and by months

Period	D + 1	D + 2	D + 3	D + 5	D + 10
Q1	36.2%	65.1%	78.3%	89.1%	96.3%
Q2	42.1%	66.6%	77.6%	88.8%	98.1%
Q3	61.1%	84.3%	90.2%	97.1%	99.9%
Q4	58.1%	83.2%	90.9%	97.1%	100%

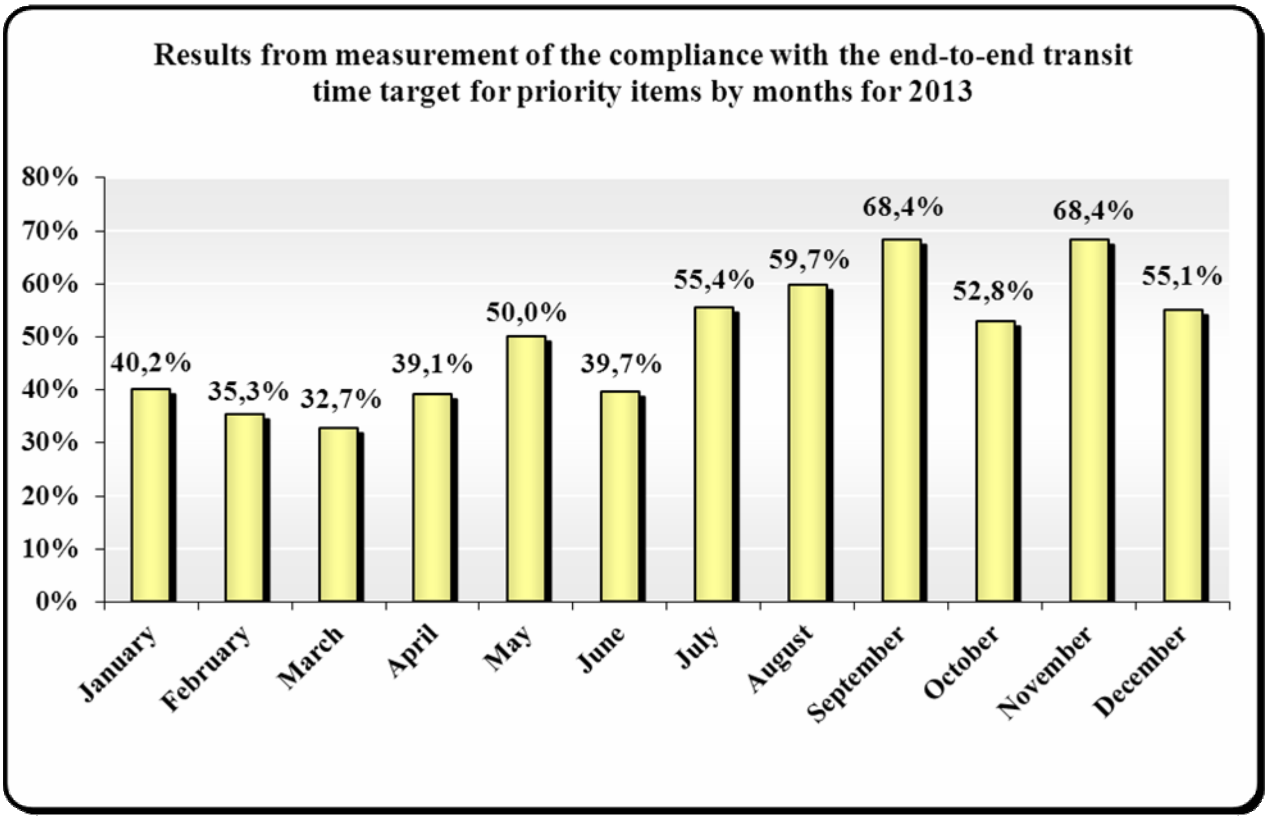

Figure 1

2. Results from measurement of the time for conveyance of domestic unregistered non-priority postal items by quarters and by months

Period	D + 2	D + 3	D + 4	D + 5	D + 10
Q1	68.1%	84.3%	87.8%	91.7%	97.6%
Q2	78.0%	88.1%	94.3%	96.6%	98.7%
Q3	84.0%	92.7%	95.5%	98.5%	99.8%
Q4	86.1%	92.8%	94.7%	96.9%	100%

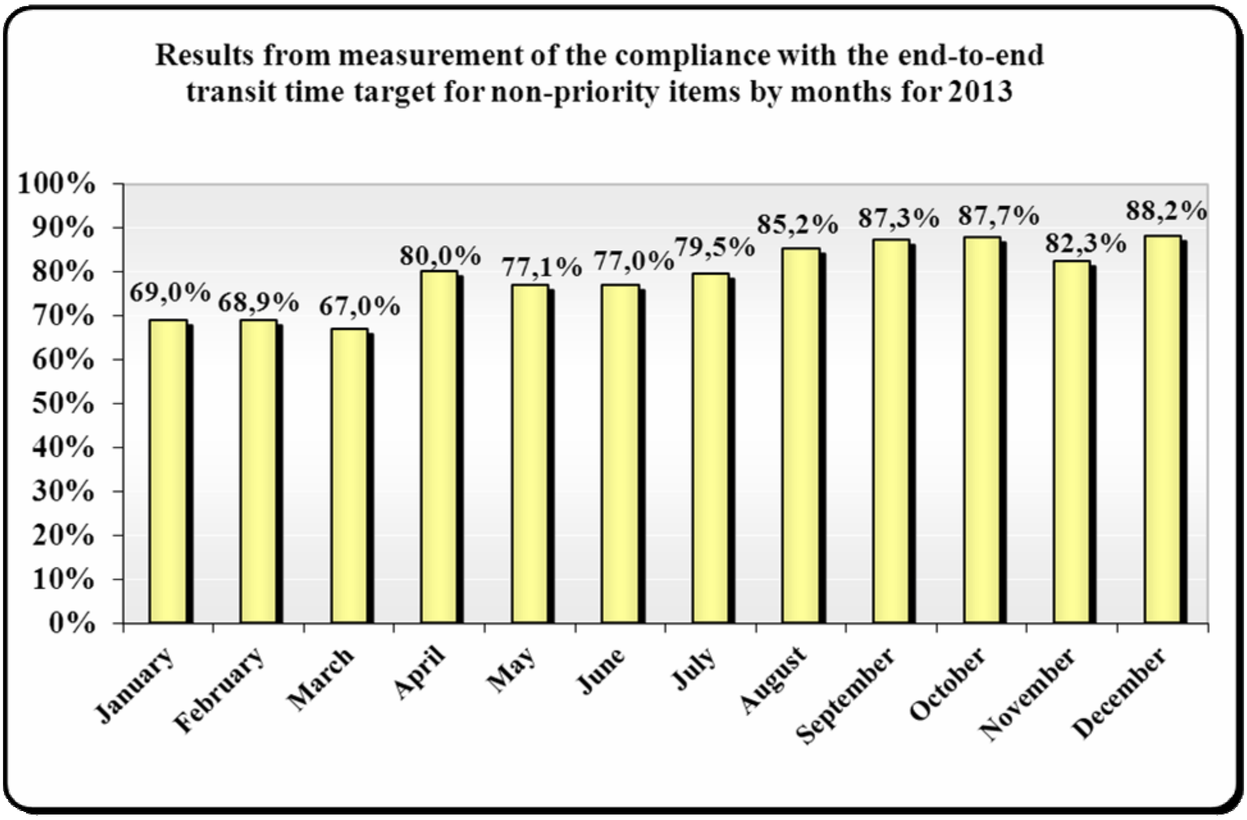

Figure 2

3. Time for conveyance of domestic postal parcels

End-to-end transit time	Quality target	Results 2011	Results 2012	Results 2013
D+1	Not less than **80%** of the postal parcels	**90.3%**	**90.7%**	**89.7%**
D+2	Not less than **95%** of the postal parcels	**99.3%**	**99.6%**	**99.5%**

Results for the time for conveyance of domestic postal parcels are obtained from measurements carried out by the incumbent operator. The results displayed in the table above show that targets are met. However, it should be noted that the reported high results are to a great extent due to the used reporting method using data from the date-stamp which does not provide objective results. This method is different and incompatible with the standards for measurement of the time for conveyance used and applied in the European Union.

4. Time for conveyance of international postal items

The "end-to-end" transit time for international priority postal items is measured using the UNEX system, introduced to "Bulgarian Posts" EAD since the start of 2008. Since 2011, the system covers postal operators obliged to perform UPS from the 27 EU member states, together with Iceland, Norway, Switzerland, Bosnia and Herzegovina (part), Croatia, Macedonia, Turkey and Serbia. It is organized according to the requirement for independent measurement of the "end-to-end" transit time of Directive 97/67EC and measurements are carried out in line with the requirements of Standard EN 13850 acting in the given period. The so obtained results are official for all operators and serve as a basis for accounting between them.

4.1 International unregistered priority postal items from geographical zones within Europe

End-to-end transit time	Quality target	Results 2011	Results 2012	Results 2013
D+3	Not less than **85%** of the postal items	**59.1%**	**56.3%**	**44%**
D+5	Not less than **97%** of the postal items	**89.7%**	**89.3%**	**81.9%**

The comparison of results for a three-year period shows not only failure to meet the target, but also a systematic decline in indices, in particular the speed target D+3.

4.2 International unregistered non-priority postal items from geographical zones within Europe

End-to-end transit time	Quality target	Results 2011	Results 2012	Results 2013
D+5	Not less than **80%** of the postal items	**72.7%**	**75.8%**	**80.4%**
D+7	Not less than **95%** of the postal items	**91.3%**	**94%**	**97%**

Results in the table above show that targets are now met.

5. Time limits for handling complaints

Standard term for handling complaints	Quality target	Results 2011	Results 2012	Results 2013
30 days for domestic postal services	Not less than **90%** of the complaints	**98.39%**	**95.2%**	**99%**
90 days for international postal services	Not less than **90%** of the complaints	**93.16%**	**94.5%**	**97.2%**

The results displayed in the table above show that targets are met.