ANNUAL REPORT

of

THE COMMUNICATIONS REGULATION COMMISSION

for 2021

ANALYSIS OF THE POSTAL SERVICES MARKET

2022

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[1] Pursuant to Art. 27 PSA, the postal operator obligated to perform UPS (Bulgarian Posts EAD) is obliged to fulfil the acts of the UPU which have been ratified in the Republic of Bulgaria, promulgated and enforced.

INTRODUCTION

This Annual Report of the Communications Regulation Commission (CRC/the Commission) was prepared pursuant to Article 17 of the Postal Services Act (PSA) and presents an overview of the work performed by CRC in 2021 in the sphere of postal services.

Following its principles and values, CRC, as a specialised independent public body implementing the postal services policy, continued in 2021 its activities on ensuring a competitive environment, equality and protection of postal services users.

One of the important aspects of the Commission's work is to ensure the provision of the universal postal service (UPS) throughout the country, within certain working hours and of a certain quality, at affordable prices and the possibility for every user to use the service throughout the country, irrespective of their geographic location.

In 2021, CRC prepared an analysis of the fulfilment of the awarded obligation to perform the UPS of Bulgarian Posts EAD for the period 2016-2020[2], taking into account both the social and economic importance of the service and the changed consumer attitudes and the continuing trend, both in Bulgaria and throughout the European Union, of reduction in the volumes of items of correspondence and of increase in the number of items generated by e-commerce. The report looks at various aspects of the provision of the UPS and draws conclusions on the obligation to provide the services within the scope of the UPS.

In order to prepare a comprehensive analysis and assessment of the needs of the UPS users, the Commission assigned to an external contractor the task to carry out a National quantitative survey of the individual and business users of postal services in Bulgaria,[3] as results of the study are included in the presentation of this report.

Following its strategic objective of ensuring a competitive environment in the sector, CRC registered 21 new operators for the provision of non-universal postal services (non-UPS) pursuant to Art. 38, p. 1-3 PSA and issued one individual license for performance of the "postal money orders" service. The total number of postal operators was 186 in 2021.

In the past year, the Commission examined 456 complaints and tips from postal users, carried out 341 inspections and prepared 39 penal decrees for breaches of postal legislation.

The Commission's activities in the postal services sector are carried out through continuous cooperation and information exchange with the Member States of the European Regulators Group for Postal Services (ERGP).

This report analyzes the postal services market in Bulgaria for 2021 and provides information on the activities of CRC according to its functions and powers regulated by the PSA.

2 https://crc.bg/files/%D0%9F%D0%B0%D0%B7%D0%B0%D1%80%D0%BD%D0%BE%20%D1%80%D0%B5%D0%B3%D1%83%D0%BB%D0%B8%D1%80%D0%B0%D0%BD%D0%B5/Doklad_zaduljenie_2016_2020_BS_04_december.pdf

3 https://crc.bg/files/%D0%9F%D0%B0%D0%B7%D0%B0%D1%80%D0%BD%D0%BE%20%D1%80%D0%B5%D0%B3%D1%83%D0%BB%D0%B8%D1%80%D0%B0%D0%BD%D0%B5/Summary%20UPU%20report%20final.pdf

I. STATE, DEVELOPMENT AND PROSPECTS OF POSTAL SERVICES MARKET AND OF THE UNIVERSAL POSTAL SERVICE

1. Postal market in Bulgaria

1.1. Market players

Methodological notes

The information presented is based on data[4] received by 20 June 2022 from 89% of the operators registered with CRC as of 31.12.2021.

In the summation of rounded amounts and percentages, rounding-related differences may occur due to the use of standard calculation functions of the electronic tables and charts.

The relative shares are presented rounded to one decimal place. As a result of such rounding, the sum of the relative shares may exceed or may be less than 100%.

The information provided on the total number of postal operators providing services in a given market segment is not the sum of licenses and certificates issued as presented in Table 1. Where a company provides more than one of the listed services, it is accounted for only once in the total number of operators.

The provision of postal services in Bulgaria is carried out based on authorisation (licensing) and notification regimes, in accordance with the provisions of the PSA.

The provision of UPS throughout the territory of the Republic of Bulgaria and of services within the scope of UPS, as well as the provision of the postal money order service (PMO), is carried out on the basis of individual licenses issued by the Commission. Non-UPS as per Article 38, points 1-3 PSA are subject to a notification regime. At the end of 2021, the total number of postal operators reached 186.[5] They are presented by services in Table 1 below.

Table 1

Licenses and certificates issued under the PSA	Number of licensed/ registered operators in 2021
Licenses for UPS and services within the scope of UPS	13
Licenses for postal money orders	34
Entered in the register of operators performing non-universal postal services	172

Source: *Data submitted to CRC*

[4] By letter of 20.06.2022, Econt Express OOD made an adjustment to the revenue from courier services for 2020.

[5] In 2021, CRC deleted 25 postal operators from the public register on the basis of Art. 59, Para 11, p. 6 of the Postal Services Act.

1.2 83 operators performed postal services in 2021. **Volume and structure of the Bulgarian postal market**

For analysis purposes, the postal market was divided into two main segments - the universal postal service (UPS) and the "non-universal postal services" (non-UPS). The UPS segment covers the universal postal service awarded for provision to Bulgarian Posts EAD (BP/incumbent postal operator)[6] by virtue of the PSA, and the services within the scope of UPS provided by other licensed operators. The non-UPS segment includes postal money orders, courier services, direct mail advertising and hybrid mail services.[7]

The table below provides information on the distribution of postal services revenue in both segments.

Table 2

Postal services	**Revenue (millions BGN)**		
	2019	**2020**	**2021**
1. Universal postal service and services within the scope of UPS	**87.2**	**43.2**	**36.1**
2. Non-universal postal services	**477.4**	**558.4**	**646.9**
TOTAL	**564.6**	**601.6**	**683.0**

Source: Data submitted to CRC

In 2021, the market volume, measured by the revenue from the provision of postal services indicator, reached BGN 683 million. A year-on-year increase of 13.5% was recorded. Figure 1 displays the growth in market volume over the last three years.

[6] Pursuant to Article 24 PSA and the special provision of §70 of the Transitional and Final Provisions of the Law on Amendment and Supplement to the PSA (prom. SG, no. 102 of 2010).

[7] The service is defined in § 1, point 35 of the additional provisions to the PSA.

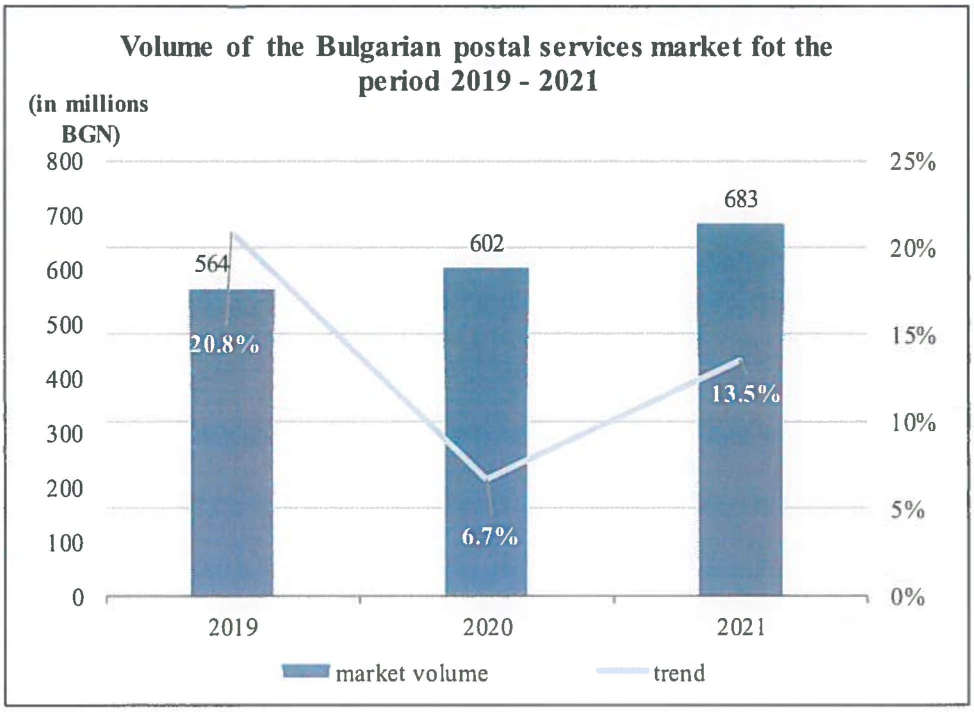


Figure 1

Source: Data submitted to CRC

As shown in Figure 1, the postal services market has continued to grow over the last three years.

The total volume of the market is mainly determined by revenue from the non-UPS segment, which accounted for 95% of the postal market in 2021 and increased by 15.8% compared to the previous reporting period. In the UPS segment, the trend of decline continued, with the relative share of revenue generated by the UPS in total revenue declining to 5% in 2021, and the overall reduction of revenue from the segment being 16.3%.

Figure 2 presents the structure of revenue on the postal services market over the last three years.

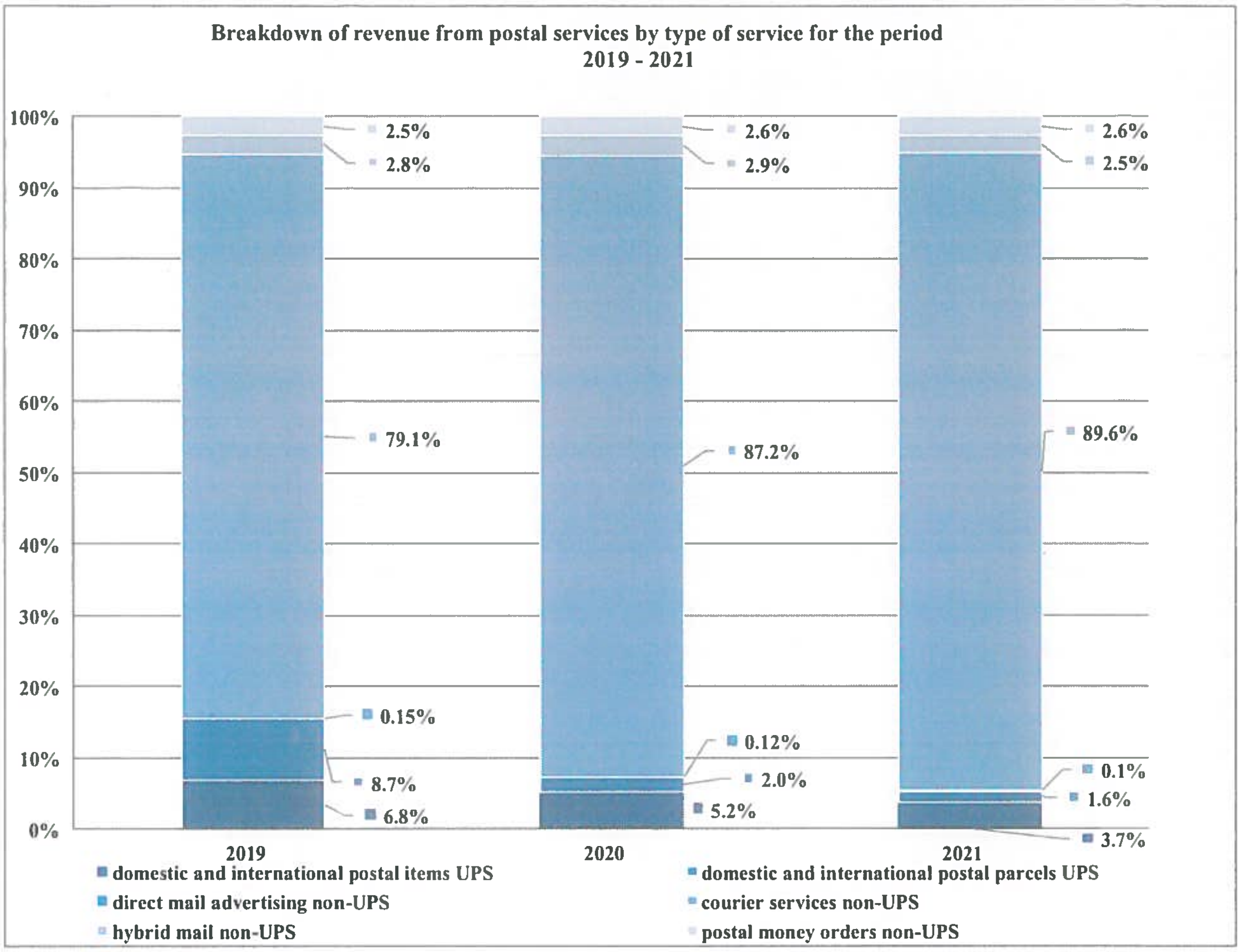


Figure 2

Note:

** The domestic and international postal items group includes domestic and international items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg*

Source: *Data submitted to CRC*

In 2021, the market structure remained unchanged and revenue from courier services was again predominant, with their relative share of total revenue up by 2.4 percentage points and reaching 89.6% of total revenue generated. Over a one-year period, the revenue generated by courier services have increased by 16.6% in absolute terms.

Revenue from postal items for the country and abroad ranked second in relative terms in the total revenue of 3.7%. The year-on-year downward trend in revenue from these items continued in 2021, and compared to 2020, their relative share in the total market volume declined by 1.5 percentage points, with a decrease of 19.4% in absolute terms.

The revenue from the postal money orders service in 2021 accounted for a 2.6% share of the total market and, compared to 2020, it increased by 13.4% in absolute terms compared to 2020, while its share of total revenue remained unchanged.

The revenue from hybrid mail services (which accounts for a 2.5% relative share) and direct mail advertising (with a relative share of 0.1%) fell in 2021 as well, by 4.3% and 0.6% in absolute terms, respectively, compared to 2020.

The volume of the postal market, measured by the number of items indicator, was 266.7 million in 2021 and, from the previous year, marked an increase of 9.7%, driven by the increase in the number of items sent as courier services and the number of postal money orders delivered, in comparison to 2020. Table 3 displays the trend in the number of items in both segments (UPS and non-UPS) over the last three years.

Table 3

Number of postal services	number (million pcs.		
	2019	2020	2021
Postal items UPS	**36.1**	**25.0**	**18.2**
including domestic and international postal items UPS	24.6	22.4	16.2
including domestic and international postal parcels UPS	11.5	2.5	1.9
direct mail advertising non-UPS	3.1	2.7	2.6
courier services non-UPS	94.0	102.4	129.3
hybrid mail non-UPS	96.0	94.6	95.3
postop money orders non-UPS	18.4	18.7	21.3
TOTAL	**247.5**	**243.2**	**266.7**

***Source:** Data submitted to CRC*

Compared to the year before, the following changes in the number of items and services on the postal market were observed in 2021:

- ✓ A growth in the number of courier items by 26.4% in absolute terms;
- ✓ An increase in the number of postal money orders by 14.4%;
- ✓ An insignificant increase of 0.7% in the number of hybrid mail items;
- ✓ A fall in the number of domestic and international postal items by 27.8%;
- ✓ A fall in the number of domestic and international postal parcels by 22.6%.

1.3 Market shares

Over the past three years, the main postal market players who made up 2/3 of it, along with the incumbent operator BP, have been Econt Express OOD, Speedy AD and DHL Express Bulgaria EOOD. There was no substantial change in their shares over a one-year period. The downward trend in the market share of BP continued and in 2021 it decreased by 1.8 percentage points, reaching 6.2% of the total market, calculated on the basis of revenue from all postal services. In 2021, the revenue from all services of BP, with the exception of postal parcels, decreased in absolute terms compared to 2020, which reflected on the company's overall share in the market and it continued to lose its market position.

Table 4 presents the dynamics in the market shares of the incumbent operator and its two main competitors for the period 2019-2021.

Table 4

Operators	Market share (based on revenue)		
	2019	2020	2021
Econt Express OOD	32.5%	36.3%	37.1%
Speedy AD	24.1%	28.5%	30.8%
DHL Bulgaria EOOD	7.5%	7.9%	7.4%
Bulgarian Posts EAD	10.0%	8.0%	6.2%
All other	25.9%	19.3%	18.4%

Source: *Data submitted to CRC*

Detailed information on the state and trends of the two market segments (non-UPS and UPS) is provided in points 2 and 3 of this report.

2. PROVISION OF NON-UPS

2.1. Players in the non-UPS market segment

As of 31.12.2021, the number of operators registered for the provision of services under Article 38, points 1-3 PSA, were 172, of which 77 were active during the period under consideration.

The operators that provided the hybrid mail service in the past year were: M&BM Express OOD, BP, Evropat 2000 AD, Tip Top Courier AD, Star Post OOD, Kolbis International Transfer AD and Direct Services OOD.

In 2021, the direct mail advertising service was provided only by BP. CRC issued 1 new individual license for performing the PMO[8] to Zona Ex AD. With the above newly licensed undertaking, the number of postal operators licensed to provide PMO reached 34. Of them, in 2021, activity was carried out by 19 postal operators which are presented in Table 5.

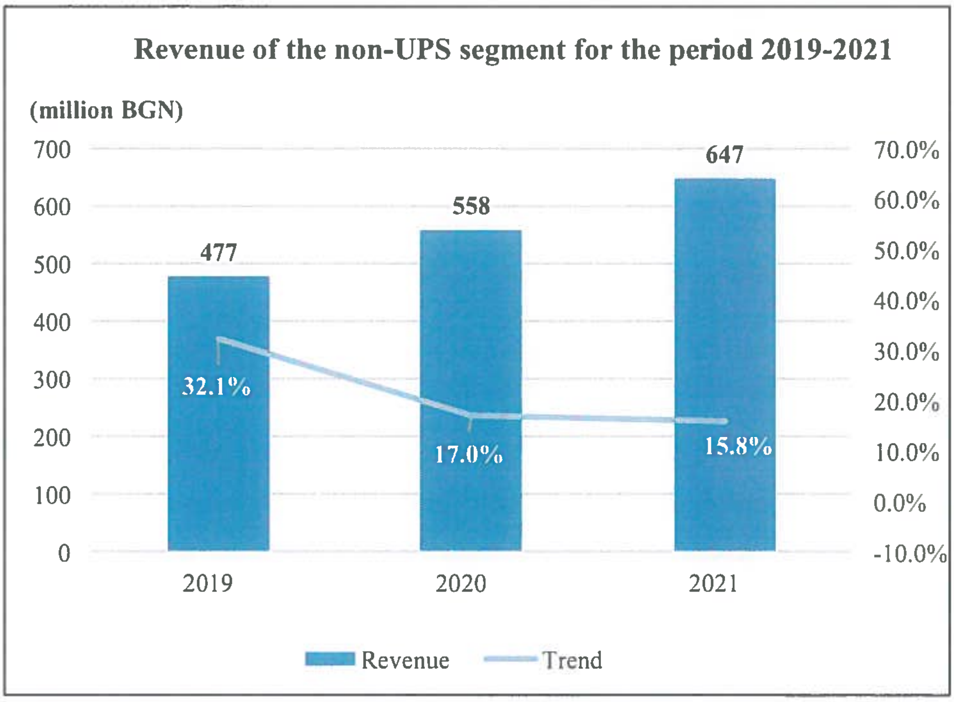
[8] For the purposes of §1 of the Supplementary Provision to the PSA, "postal money order" is a postal service where, at a point of access to the postal network, the sender submits a cash amount and orders, by electronic means or in writing on paper, the full amount to be paid in cash to the recipient without any deduction.

Table 5

	Operators that performed the PMO service in 2021	
1	BULGARIAN POSTS	EAD
2	INTERNATIONAL MAIL AND PARCEL	EOOD
3	EVROPAT 2000	AD
4	ECONT EXPRESS	OOD
5	EXPRESS PAY	EOOD
6	EUROVET BULGARIA	EOOD
7	EASYPAY	AD
8	IN TIME	OOD
9	INTERCAPITAL GROUP	AD
10	LEO EXPRESS	EOOD
11	M&BM EXPRESS	OOD
12	POSTABIL	EOOD
13	CVC	OOD
14	SPEEDY	AD
15	STREET EXPRESS	OOD
16	TIP TOP COURIER	AD
17	TOYOTA TIXIM	EOOD
18	TRANSPRESS DELIVERY	EOOD
19	FACTOR I.N.	AD

2.2. Volume and structure of the non-UPS market segment

In 2021, the volume of the non-UPS market segment, measured by the revenue from the provision of non-UPS indicator, amounted to BGN 646.9 million, with an increase of 15.8% compared to 2020 (Figure 3).



Source: *Data submitted to CRC*

The data presented in Figure 3 confirm the upward trend in the segment volume observed in the last years (by 15.8%), which is mainly due to the increase in absolute terms in revenue from courier services for the country, as compared to 2020.

In 2021, the total number of processed items and services in the non-UPS segment was 248.6 million, up by nearly 13.9% since 2020.

Information on the breakdown of revenue from non-UPS by services for the period 2019-2021 is presented in Table 6.

Table 6

Non-UPS	**Revenue (millions BGN)**		
	2019	**2020**	**2021**
1. Courier services	446.5	524.6	611.7
1.1. Domestic courier services	325.1	389.9	453.7
1.2. International courier services	121.4	134.7	158.0
2. Hybrid mail	16.0	17.6	16.8
3. Direct mail advertising*	0.8	0.7	0.7
4. Postal money orders	14.1	15.5	17.6
TOTAL	**477.4**	**558.4**	**646.9**

Source: *Data submitted to CRC*

Compared to the year before, the following changes in the revenue from the non-UPS segment were observed in 2021:

- ✓ A growth in revenue from courier services by 16.6%;
- ✓ An increase in revenue from postal money orders by 13.4%;
- ✓ A drop in revenue from hybrid mail by 4.3%;
- ✓ The revenue from direct mail advertising maintains the levels achieved in the previous year.

The breakdown (structure) of revenue from non-UPS for the period 2019-2021, by years, is presented in Figure 4 below.

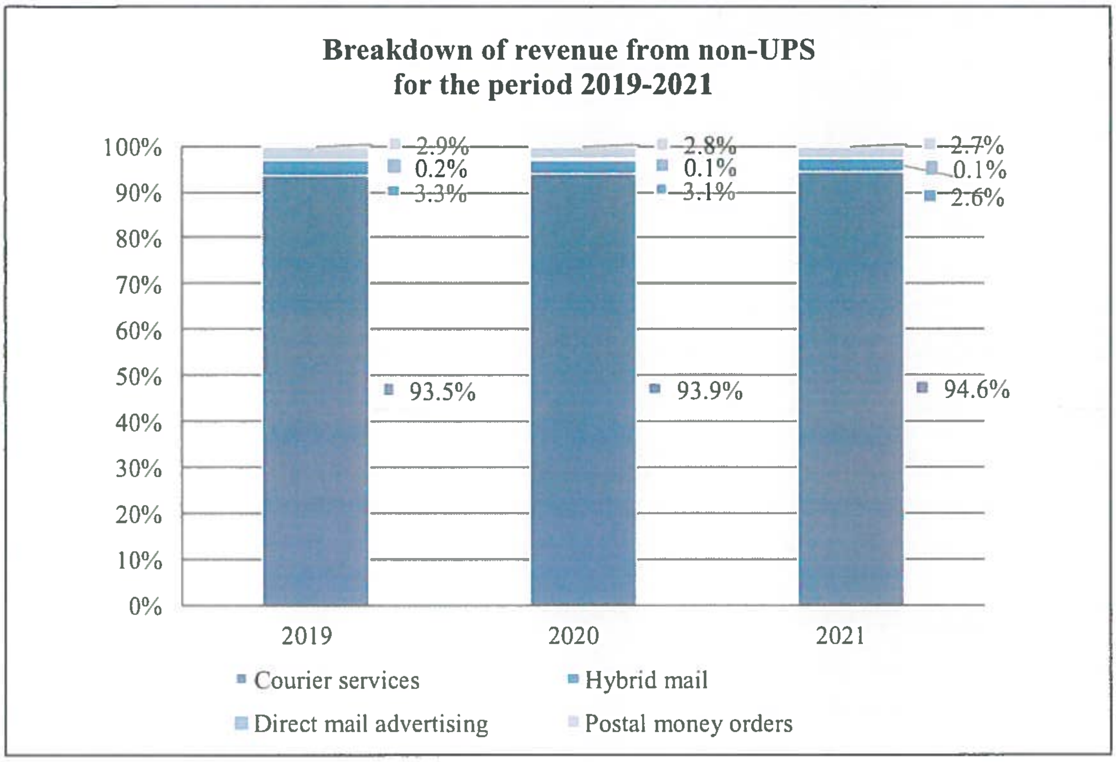


Figure 4

Source: Data submitted to CRC

As is evident from the data in Figure 4, the structure of revenue in the segment remained relatively unchanged for the three-year period under review. In 2021, as in the previous two years, a decisive role continued to be played by revenue from courier services which held the largest share in the segment (94.6%).

Figure 5 displays data regarding the structure of revenue from courier services for the period 2019-2021.

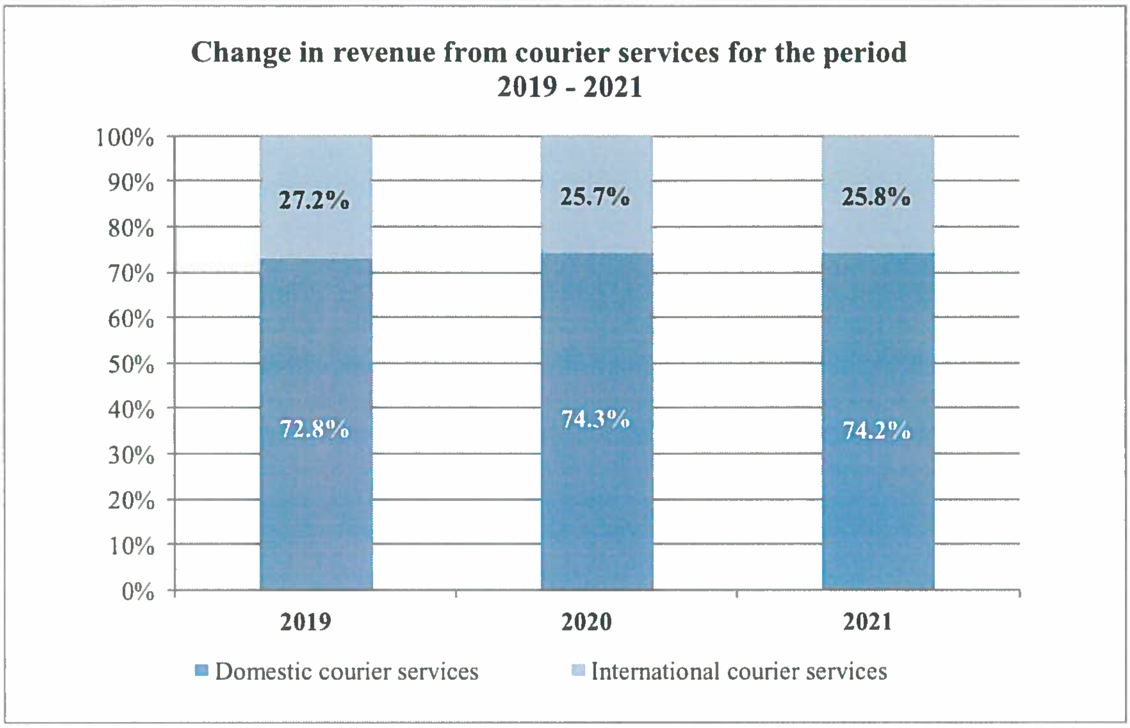


Figure 5

Source: Data submitted to CRC

The figure for the period under consideration shows that the amount of the revenue from courier services is mainly generated by domestic courier services, with a share of the total revenue from courier services not changing compared to 2020. In 2021, revenue from domestic courier services increased by 16.4% and revenue from international courier services rose by 17.3%.

On-line shopping continued to be the main driver for courier services development in 2021. According to the data submitted by the postal operators, the number of items generated from e-commerce grew by 22% in 2021 versus 2020.

In 2021, revenue from the hybrid mail service occupied a share of 2.6% in the total revenue from non-UPS which, compared to 2020, declined by 0.5% percentage points.

Despite the observed increase in absolute terms of the revenue from of the PMO service (by 13.4%) compared to 2020, its relative share of the total revenue from non-UPS remained almost unchanged over one year. According to the data summarised by CRC, revenue reported from PMO in 2021 amounted to nearly BGN 18 million, occupying a relative share of 2.7% of the revenue in the non-UPS segment.

Revenue from the direct mail advertising service held an insignificant share of 0.1% of the total revenue from non-UPS. The development of this service over the past two years was largely affected by the social distance measures introduced to combat the Covid 19 pandemic, which has led businesses to focus their advertising activities mainly on-line.

2.3. Market shares and state of competition in the non-UPS market segment

Table 8 below presents the development of the market shares of the first two postal operators in the non-UPS segment (except for the PMO service) and all other operators in total.

Table 7

Operators in the non-UPS segment	Market share (based on revenue)		
	2019	2020	2021
Econt Express OOD	29.8%	37.4%	37.9%
Speedy AD	29.3%	30.9%	32.6%
All other	40.9%	31.7%	29.4%

Source: *Data submitted to CRC*

As shown in the table above, in 2021, the main competitors in the courier services Econt Express OOD and Speedy AD had a determining role in forming the volume in the segment, measured on the basis of revenue from the non-UPS. The foregoing finds expression in the state of competition in the non-UPS market segment (with the exception of the PMO service), measured by calculating the concentration ratio (CR).[9] The CR5 indicator value is 83%, indicating a high level of concentration in the market segment of the non-UPS. At the same time, in 2021, courier services were provided by 77 postal operators, four more than in 2020. The market segment players made 22% more investments in the development of postal networks and the introduction of new services compared to 2020.

The state of competition in the non-UPS segment is largely the result of the last-year effect from the Covid 19 pandemic, during which the activity of businesses delivering items generated by e-commerce expanded. The development of the non-UPS segment is mainly determined by courier services and the majority of the sector's active players in 2021 expect[10] a continuous increase in revenue from the provision of courier services in the following year 2022.

As regards the PMO service, in 2021, the three operators holding the highest share in revenue in 2020 were Econt Express OOD (52%), followed by Speedy AD (29.2%), and BP (13.2%). The revenue of BP from the provision of PMO was down in absolute terms by 13.6%, which also resulted in reduction in its relative share of the total revenue from PMO (by 24 percentage points). Over a one-year period, Speedy AD reported an increase in absolute terms by 32% in revenue from PMO. The PMO service is provided after the issue of a license, as the regulatory intervention is directed to complying with the license requirements in terms of postal security, consumer rights' protection and control over compliance with the obligations arising from the Measures Against Money Laundering Act (MAMLA).

2.4. Impact of the Covid 19 pandemic on the provision of non-UPS

Over the past year, the courier sector has again been working under the conditions imposed by the pandemic and the restrictions in the country related to the emergency epidemic situation.

The impact of the pandemic on the market environment in 2021, and in particular on the courier sector, was significantly lower than in the previous reporting period.

In 2021, the non-UPS segment continued its standard development towards digitisation and optimisation of the operational processes related to the delivery of items generated by e-commerce, with the effects of the pandemic only accelerating this process. The merger between the physical and on-line commerce created new business models such as the on-line platforms that successfully combine high technologies and cooperation with multiple postal operators.

[9] (CR - Concentration Ratio) - indicator for concentration that characterises not the whole market but only the position of the biggest players. To calculate the CR5, the market shares of the first five operators were used

[10] According to data submitted to CRC with the annual questionnaires on operators' activities in 2021.

The level of development of e-commerce is determined by the proportion of the volume of e-commerce to the country's GDP.[11] According to the estimates of the European Ecommerce Report 2021, published by the Bulgarian E-Commerce Association (BEA),[12] the share of e-commerce in the country's GDP in 2021 was 2.5%.

Although the epidemiological situation in 2021 did not necessitate the physical closure of commercial facilities, the trend of increased consumption of goods generated by e-commerce continued. During the reporting period, according to data from the National Statistical Institute, 33% of all consumers had made purchases on-line, of which 96.1% purchased from Bulgarian on-line traders, 29.7% from e-traders in the EU, and 16.5% from non-EU traders. The pandemic situation has created prerequisites for new players to enter the courier sector in Bulgaria who combined the technological solution of the on-line platform with the courier service. The companies operating in this niche are practically sub-contractors to on-line traders - they deliver the products that consumers have ordered digitally to their physical addresses and provide a technological software service for all along the chain – traders, couriers and consumers.[13]

Summary:

In 2021, the following changes were observed in the non-UPS segment:

- A growth in the total volume of revenue from non-UPS which was mainly due to the higher revenue generated from courier services;
- The main driver for the development of courier services was e-commerce, resulting in an increase in the number of courier items (domestic, to/from abroad);
- A growth in the number and revenue from postal money orders;
- The entry of new players into the segment, located as on-line platforms, which combine the technological solutions of on-line platforms with standard courier services.

3. PROVISION OF UPS AND SERVICES WITHIN THE SCOPE OF UPS

3.1. Scope and players in the UPS market segment

Pursuant to Art. 34(1) of the PSA, UPS includes the following postal services:

- acceptance, transport and delivery of domestic and international items; items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg; items for blind and partially sighted persons up to 7 kg; domestic and international postal parcels up to 20 kg;

- additional "registered" and "declared value" services.

In the Public Register[14] of Operators are registered postal operators licensed to perform the services under Art. 39, points 1 and 2[15] of the PSA. As of 31.12.2021, their number totalled 13, of which Toyota Tixim EOOD, Fasto Courier EOOD, A1 Trade EOOD, Arii EOOD, GT Logistics OOD, Speedy EAD and DV Post EOOD declared that they have not operated in 2021 in accordance with the

[11] https://bia-bg.com/news/view/29172

[12] Passport 2021 of Bulgaria's e-commerce industry- https://beabg.com/e-commerce-passport-2021/

[13] https://www.capital.bg/biznes/predpriemach/2021/02/26/4179350_kato_uber_no_za_dostavki/

[14] https://crc.bg/ords/f?p=723:90:6719594838111:::90::

[15] An individual license within the meaning of the PSA is an individual administrative deed issued: for the performance of UPS on the entire territory of the country by an operator assigned with the obligation to perform this service; for the performance of services included in the scope of UPS.

individual licenses issued to them. Terra Post Services EOOD terminated earlier its individual license issued for the provision of services included within the scope of the UPS.

Table 8

	Licensed providers	Services provided
1	Bulgarian Posts EAD	obligation to perform all services within the scope of UPS on the territory of the whole country pursuant to Art. 34,Para 1 PSA
2	Econt Express OOD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA
3	Tip-Top Courier AD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA
4	M&BM Express OOD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA
5	Star Post OOD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA
6	Speedy AD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA
7	Fasto Courier EOOD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA
8	Tavex EOOD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) (2) and (4) PSA
9	Toyota-Tixim EOOD	*provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA
10	A1 Trade EOOD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) (1) and (4) PSA
11	Arii EOOD	**provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA
12	GT Logistics OOD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA
13	DV Post EOOD	provision of services included within the scope of the universal postal service pursuant to Art. 36b (1) in conjunction with Art. 34 (1) PSA

Note:

* Acceptance, transport and delivery of domestic and international postal parcels up to 20 kg and the additional "registered" and "declared value" services.

** Acceptance, transport and delivery of domestic and international items; items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg; items for blind or low vision people up to 7 kg, and the additional "registered" and "declared value" services.

The companies listed in the table above are licensed to provide all or individual postal services included within the scope of UPS. The provisions of Art. 32, Art. 33, Art. 65, Para 2 and Para 3, as well as the rules under Art. 66 of the PSA, do not apply to the provision of services within the scope of UPS.

3.2. Volume and structure of the UPS market segment

In 2021, the UPS market segment volume, measured by the revenue from the provision of UPS and services within the scope of the UPS indicator, reached BGN 36 million. The downward trend continued, with a registered decrease of 16.3% compared to 2020.

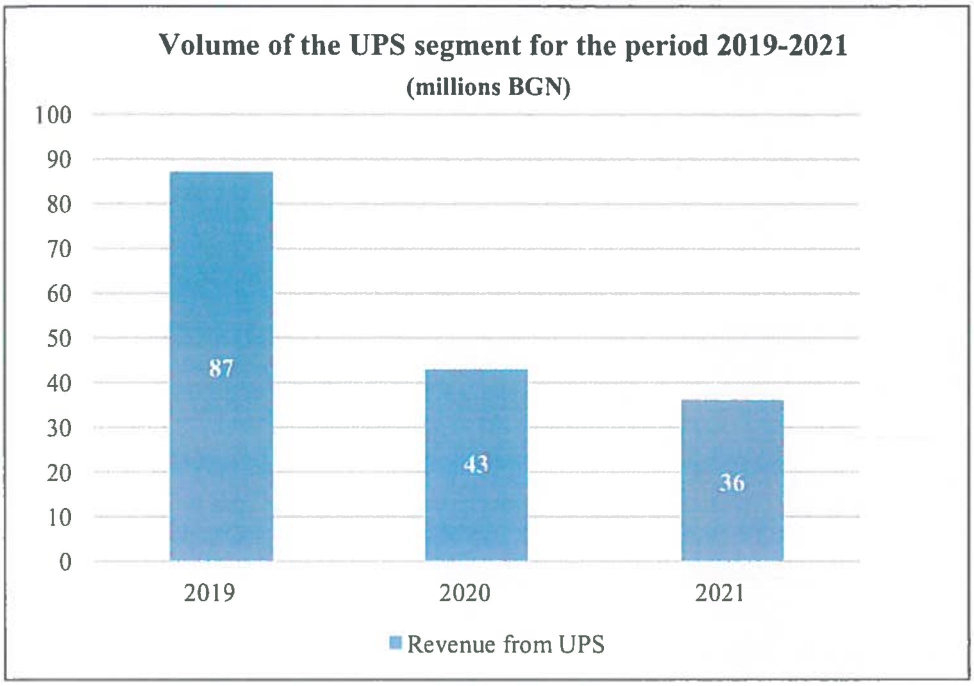


Figure 6

Source: Data submitted to CRC

Figure 6 shows the dynamics in revenue from services included in the UPS segment over a three-year period.

Over a one-year period, the main players in the segment have experienced a fall in the revenue from the provision of services included within the scope of UPS, as follows: BP by 14%; Econt Express EOOD - 28%; M&BM Express OOD - 48%, Tip Top Courier AD - 61%.

In 2021, the total number of processed items and services in the non-UPS segment was 18.1 million, down by 27% since 2020.

Information on the structure of revenue from the provision of services within the scope of UPS is presented in Table 10.

Table 9

UPS	Revenue (millions BGN)		
	2019	2020	2021
Domestic postal items	**59.7**	**23.9**	**17.7**
1. Items of correspondence up to 2 kg	13.6	13.7	10.1
2. Small packets up to 2 kg	1.1	1.2	0.9
3. Printed matters up to 5 kg	0.1	0.1	0.1
4. Items for blind and partially sighted persons up to 7 kg	0.001	0.002	0.001
5. Postal parcels up to 20 kg	44.9	9.0	6.7
International postal items	**27.5**	**19.2**	**18.4**
1. Priority and non-priority postal items	23.5	16.2	14.1
2. International postal parcels up to 31.5 kg	3.9	3.0	4.3
TOTAL	**87.2**	**43.2**	**36.1**

Source: Data submitted to CRC

The main changes in terms of revenue generated from services in the UPS market segment in 2021 were as follows:

- ✓ a decline of 26.6 % in revenue from items of correspondence up to 2 kg;
- ✓ a decline of 25.9% in revenue from domestic postal parcels up to 20 kg;
- ✓ a decline of 23.6% in revenue from domestic small packets up to 2 kg;
- ✓ a decline of 13% in revenue from international priority and non-priority postal items;
- ✓ a decline of 43.3% in revenue from international postal parcels up to 31.5 kg.

The changed consumer attitudes towards replacing these services with the faster electronic communications and courier services is responsible for the continued downward trend in the above services and less revenue recorded. The registered decline in postal revenue from international priority and non-priority postal items is partly due to the Covid 19 pandemic which continued in 2021, flight suspension/cancellation and land transport difficulties and other restrictions in this regard.

The growth in revenue from the international postal parcels up to 31.5 kg is the result of the increased consumption of this service (100% reported by BP), as a result of the advantage that the incumbent operator has in exchanging parcels with more than 190 countries around the world.

3.2.1. Breakdown of revenue from domestic postal items

The following Figure 7 displays the structure of revenue generated from domestic postal items for the period 2019-2021.

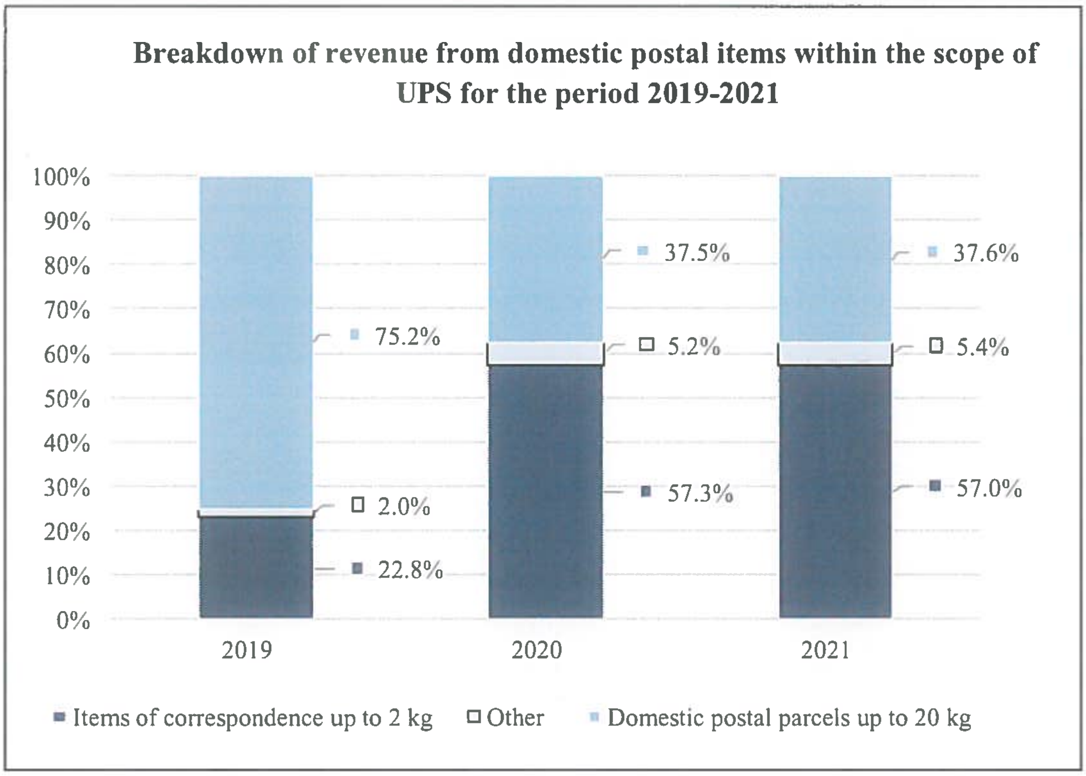


Figure 7

Source: *Data submitted to CRC*

For another consecutive year, in the structure of revenue from domestic postal items from the UPS, in 2021, the largest share was made up by items of correspondence up to 2 kg. The share of postal parcels up to 20 kg ranked second with 37.6% of the total revenue from domestic postal items. The lack of dynamics in the structure of revenue from domestic postal items over the last two years is partly driven by the reduced consumer demand for these services.

3.2.2. Breakdown of revenue from international postal items

Figure 8 below displays the breakdown of revenue generated from international postal items for the period 2019 - 2021.

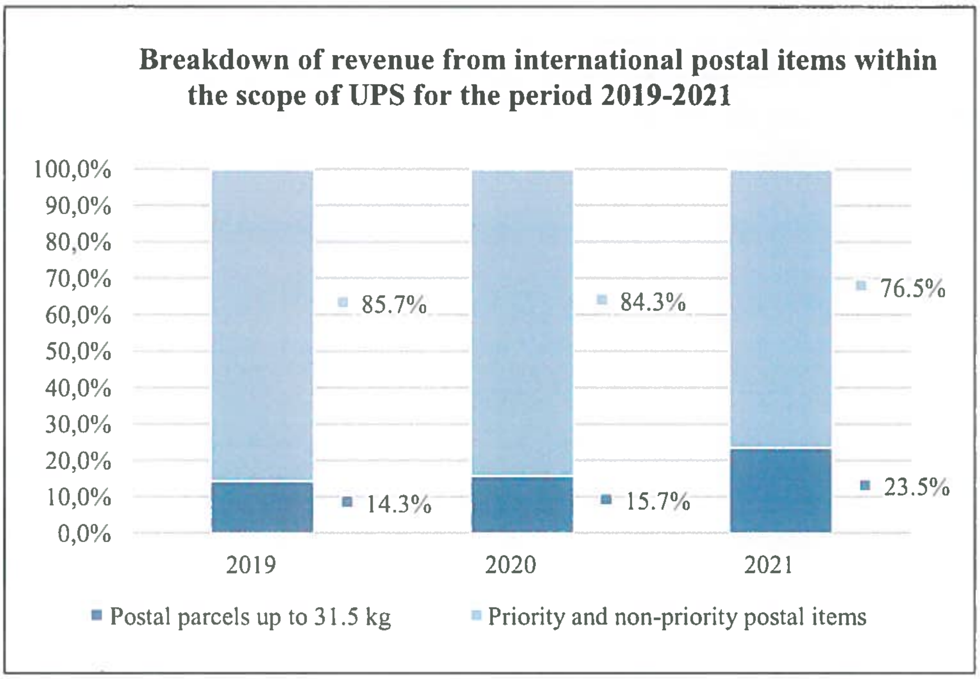


Figure 8

Source: *Data submitted to CRC*

The figure shows that in 2021, with an increase of 7.8 percentage points, the share of international postal parcels up to 31.5 kg went up, at the expense of the share of priority and non-priority postal items. Despite the decrease recorded, international priority and non-priority postal items retain a decisive role in shaping the revenue from domestic postal items. The increased consumption of international priority and non-priority items is mainly due to the lower prices of these services compared to the prices of postal parcels up to 31.5 kg.

3.3. Users of services in the UPS market segment

According to § 1 of the Additional Provisions to the PSA, 'consumer' means any natural or legal person who uses postal services as sender or recipient. For the purposes of this report, consumers are classified as individual and business users.

In 2021, as compared to the previous reporting period, the share of items sent by individual consumers dropped by 1 percentage point to 42.5%. Traditionally, consumption was dominated by business users with 57.5% of the total share of postal items.

Figure 9 shows the breakdown of items and UPS services sent by business users.

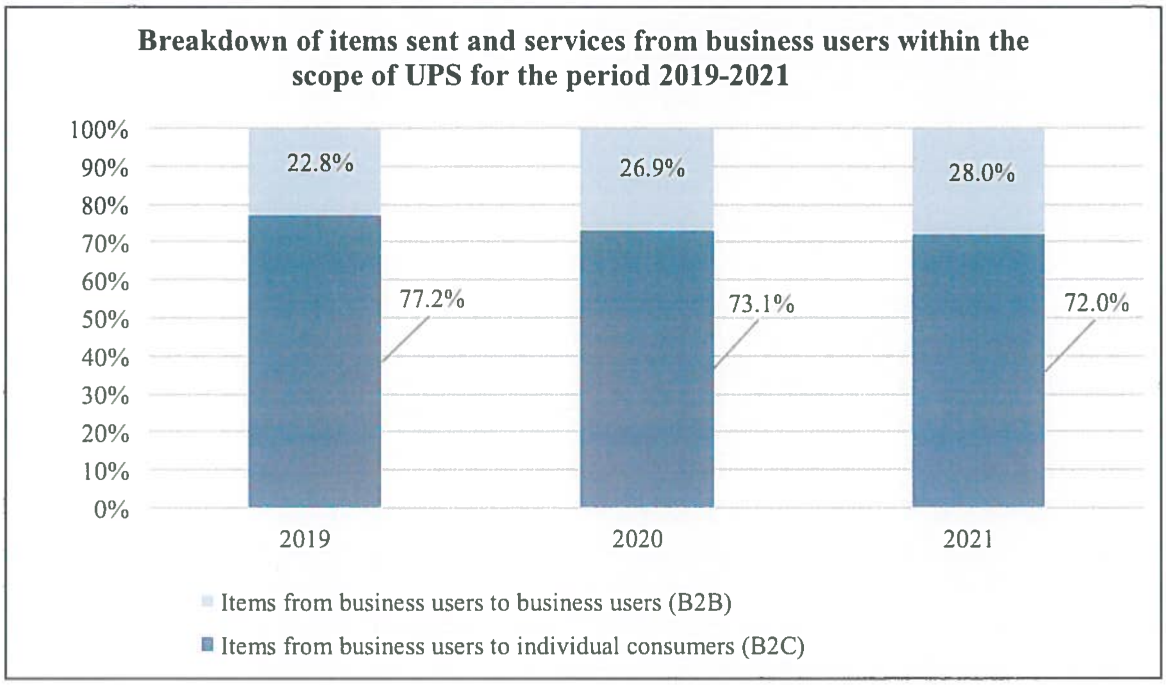


Figure 9

Source: Data submitted to CRC

The data presented on Figure 9 show that, for yet another year, in 2021, the greater share was made up by services within the scope of UPS provided to business users that were intended for individual consumers (business to consumer B2C). The share of items sent by business users to other business users (business to business B2B) was 28%, up by 1.1 percentage points during the reporting period compared to 2020.

Based on the data submitted to CRC, in 2021, the quantities of postal items in the UPS segment provided from BP to consumers were as follows: 70% share of B2C services against 30% share of B2B. Most often, the individual consumers of the incumbent operator used unregistered items of correspondence up to 2 kg, small packets up to 2 kg, postal parcels up to 20 kg with or without declared value, while the business consumers of UPS services preferred priority and non-priority postal items.

For the same period, the services performed by Econt Express OOD were used by business consumers in the following ratio: B2C - 74% to B2B - 26%. In the case of M&BM Express OOD, the share of B2C was 100%.

The services provided by Econt Express OOD in the B2C segment were mainly items of correspondence up to 2 kg and postal parcels up to 20 kg with and without declared value, while M&BM Express OOD delivered mainly items of correspondence up to 2 kg.

The trends mentioned above are confirmed by the national quantitative survey carried out among the individual and business users of the universal postal service in Bulgaria.[16] The survey covers several sections, including the frequency of use of services within the scope of UPS per type of users, the attitudes toward replacing the services within the scope of UPS with other postal services, the matching of the types of services within the scope of UPS to the actual needs of users.

Despite the widespread use of e-mail by the population, items of correspondence provided by BP in terms of individual consumers account for a significant share of the postal services used. According to survey data, 61% of respondents indicated they had received or sent items of correspondence, but the largest proportion of respondents - 80% - said they had used the small packets up to 2 kg service. All other services within the scope of UPS were used by less than half of the individual users participating in the survey.

[16] The survey was carried out in all areas of the country, in settlements of different types and in different in size companies of business users on the basis of 1,500 interviews.

Data from the business consumer survey show that items of correspondence up to 2 kg were preferred by 72% of respondents and 75% have sent or received small packets up to 2 kg. Business users had a higher consumption than individual users of domestic and international postal parcels up to 20 kg - 46% (domestic postal parcels) and 28% (international postal parcels), respectively, compared to 30% of individual users who have received or sent domestic postal parcels and only 19% have used the international postal parcels service.

As for the criterion of replacing services within the scope of UPS with other postal services, the survey shows that the most commonly used services outside the scope of UPS were courier services, which were preferred by 74% of the individual consumers surveyed and 92% of business users.

In terms of matching the types of services within the scope of UPS to the real needs of users, both individual and business users indicated that the following postal services were the most important for them: small packets up to 2 kg, items of correspondence, domestic and international postal parcels.

3.4. Market shares and competition in the UPS market segment

Table 11 below shows the market shares of the operators providing services in the UPS market segment services on the basis of revenue recorded for 2021.

Table 10

Operators in the UPS segment	Market share (based on revenue)		
	2019	2020	2021
Bulgarian Posts EAD	48.5%	79.1%	81.2%
Econt Express EOOD	48.1%	17.6%	15.2%
M&BM Express OOD	1.5%	2.3%	1.4%
Speedy AD	1.9%	1.0%	2.2%

Source: *Data submitted to CRC*

The data show that, in 2021, there was a decrease in the market shares within the UPS segment of Econt Express OOD by 2.4 percentage points and of M&BM Express OOD by 0.9 percentage points compared to the previous reporting period. The market share of BP in the UPS segment increased up to 81.2% compared to 2020, up by 2.1 percentage points. The combined market share of the remaining postal operators providing services in the UPS segment rose by 1.2 percentage points to 2.2%.

BP is the leader in most services in the UPS segment, it reported 86% of all revenue generated in the country from items of correspondence up to 2 kg; 100% of all revenue from small packets up to 2 kg; and 100% of all revenue from printed matters up to 5 kg. In addition, 100% of the revenue from international postal items were formed by the incumbent operator.

Econt Express OOD held the largest share in the provision of domestic postal parcels up to 20 kg - 89 % of the revenue reported from this service for the country.

The concentration ratio CR3 was 98.4% and confirmed the trend observed in the previous years that the UPS segment is defined as poorly competitive with a high level of concentration.

3.5. Impact of the Covid - 19 pandemic on the provision of UPS

In fulfilment of the provision of Article 3, point 3 of Directive 97/67/EC (Postal Directive), each Member State shall take measures to ensure that the provider of UPS will provide the service on all working days and not less than five days a week, at least one collection and one delivery, except in circumstances or geographical conditions which are considered an emergency. In 2021, in the condition of an emergency pandemic situation, CRC continued to monitor the provision of UPS. As a result, no disruption of the provision of UPS throughout the country was established during the period. BP continued to accept outgoing international priority and non-priority items and parcels for almost all countries and territories around the world, with no items being accepted for a small number of countries and territories due to cancellations by airlines and existing measures to limit the spread of Covid-19.

According to data provided by BP, as a result of the impact of the pandemic, the company reported:

- a decrease of 6.6% in the number of domestic postal letter items and a decline of 6.8% in the number of domestic postal parcels;
- a reduction of 33.3% in the number of international letter items, and an increase of 27.4% in the number of international postal parcels;
- recovery of the number of incoming international items where it registered: an increase of 2.6% in the number of unregistered items, an increase in the number of registered items of 9.4% and an increase in the number of incoming international postal parcels of 31.4%.

Summary:

In 2021, the following trends were observed in the UPS segment:

- A reduction in the reported revenue and in the number of domestic items within the scope of UPS;
- Replacement of the services within the scope of UPS with courier services.
- A growth in revenue from international postal parcels up to 31.5 kg.
- For a second consecutive year, BP was the market leader in the provision of UPS.

4. Prospects for development of the postal services market

4.1. Prospects for development of the main[17] postal operators

Post offices of the main postal operators worldwide form the largest integrated physical and distribution network, with over 668,000 in 192 countries around the world, which are members of the Universal Postal Union (UPU). The industry employs around 5.3 million people around the world and another 1.4 million carriers who have physical contact with hundreds of millions of households around the world. This creates the conditions for converting post offices into places that have the potential to provide integrated and diverse services to consumers. Postal services have a unique role to play in society and continue to enjoy a great deal of consumer confidence all over the world, however, in order to respond to the changed needs of modern society and to have a positive socio-economic impact on their activities, they need to develop (diversify) toward the introduction of new services.

Such services are the financial services the history of which dates back to 1861, when in the UK post offices were also the first savings banks. Since then, postal services and telecommunications operators have provided various financial services, such as postal money orders and savings operations. Most of them are taking innovative approaches to financial transactions and are starting to provide digital financial services to their customers. According to a UPU publication on the role of post offices in the expansion and access to digital financial instruments, almost 91% of postal operators provide some form of financial services.

[17] Pursuant to Art. 27 PSA, the postal operator obligated to perform UPS (Bulgarian Posts EAD) is obliged to fulfil the acts of the UPU which have been ratified in the Republic of Bulgaria, promulgated and enforced.

The majority of postal operators worldwide see postal financial services as a source of revenue, given the increasing trend in the number of and revenue from postal items of correspondence in recent years. Most often, postal services provide financial services in partnership with banking organisations and companies performing money orders, payment of utility bills and other services, companies for microfinance and payments from government to individuals (Government to Person – G2P).[18] Only 8% of global postal operators are licensed fully fledged organisations which can operate and offer a wide range of financial products and services. As part of many countries' sustainable development agenda, priority is given to social and financial activities of people with low and medium income, and here is the role of the postal institution as a mechanism for achieving national and social development policies.[19] The postal institution could be an inclusive factor for a wide range of users in the use of various financial services. The leading activities for the successful provision of financial services by postal operators are, in the first place, a revision of the traditional postal services and their integration in the field of digital technologies. The financial services in which postal services could be successfully implemented are:

- Digital savings and deposits;
- Domestic and international money orders;
- Cash payment services;
- Micro-insurance and micro-investment;
- Digital credit;
- Social, financial services in support of national social development policies, etc.

The 2019 and 2021 study of the UPU defines a number of processes that accompany the integration of financial services in the range of services of postal operators. The leading position is held by the preparation of a sustainable business plan for the provision of digital financial services, strengthening of technologies and human capital. According to the authors of the study, the leading factors for a successful provision of financial services in post offices are personalised services in accordance with the individual needs of consumers, secure and seamless cooperation between postal employees and consumers, easy and equal access and post office employees having digital literacy.

The conclusion drawn from the two publications of the UPU is that postal operators are strategically important for the inclusion of certain population groups, especially in non-urban areas and in the people with low and middle income segment, to the use of various financial services and to implement national socio-economic policies for the sustainable development of the UPU members.

BP is the postal operator which has the largest and developed postal network throughout the country and reaches every settlement in Bulgaria. In this connection, the National plan[20] for recovery and resilience of the Republic of Bulgaria provides for digitization of BP. The plan is to renovate 536 company offices; to construct electric vehicle charging stations at 100 tourist locations; role of post offices as a one-stop shop for administrative services and document issuance, as well as the introduction of a pilot system for remote medical services at 450 locations in the country.

4.2. Prospects for development of operators providing courier services

The factor having the most significant impact on the development of the courier business is the technologies provided by the IT sector and enabling the provision of productive, efficient and simplified courier services.

The delivery of e-commerce generated items is already a major accent of the activity of postal operators, and innovative technological approaches, particularly related to the delivery of postal items, are needed to develop operators in this area. Once competition between operators has made delivery

[18] UPU publication on the role of post offices in expansion and access to digital financial instruments - In Post We Trust, Role of the Post in expanding access to digital finance, 2019

[19] UPU publication - Innovation, digital and financial services in posts, cross study of innovation potential and routes - UPU Innovating Digital Financial Services for Posts, 2021

[20] https://www.nextgeneration.bg/#modal-one

prices comparable, to preserve and expand the market shares of operators, the focus is placed on quality, speed and consumer convenience.

A study carried out in the United Kingdom identified several innovations in the delivery of parcels to consumers, classifying them as leading in the management of a successful courier business.[21] The most important is the possibility for the courier to indicate the item delivery time within one hour. With the help of technologies, the consumer shall be notified 10 minutes before the arrival of the courier at the address, thus the unsuccessful delivery due to the absence of the recipient at the time of delivery from the address and the complaints related to undelivered items shall be kept to a minimum. The setting of a specific delivery day and a time interval of 4 hours within which delivery will take place must remain in the past if postal operators wish to take leading positions in the industry.

An efficient and quality delivery will be the determining factor for the image of postal operators, so that, in addition to specifying the time range within one hour, another important condition is the possibility for the postal operator to deliver outside normal working hours and at the weekend.

Another technological development perspective for the supply are unmanned drones.[22] Such deliveries have been successfully implemented by major postal operators and technology giants, particularly in the case of e-commerce and perishable items. Unmanned drones prove to be particularly effective in emergency supplies in areas with poor or missing transport infrastructure.

The study in the Open Growth article defines the way and type of postal parcel packaging as another development perspective for postal operators.

In the context of the study, the use of recyclable packaging will reduce the costs for postal operators, on the one hand, and is environmentally friendly and will contribute to the fight to reduce harmful greenhouse emissions, on the other hand. Packages should be easily opened and the application of personalised marketing communications on packaging contributes to the image of postal operators.

The third approach outlined in the study is to conclude partnership contracts between postal operators with points of sale that are close to consumers, the so-called Collectplus,[23] or the application of the concept of a shared economy, which allows postal operators to integrate into their supply chain points of sale which are located in the immediate proximity of postal users.

Postal users can take advantage of the proximity of such points of sale to their home to return to on-line retailers items that are subject of complaint or receive an item from an on-line store. Postal operators have the responsibility to collect all items from their partner points of sale which are merely mail collectors. This method used by couriers is extremely convenient and ergonomic for their users, who can benefit from the immediate proximity of partner points of sale to their homes. This idea makes it possible to deliver items on the same day and expands the benefits of this fast developing industry.

On the basis of the developments in the postal sector and the changed needs of consumers, we expect the following trends next year:

- Entry of new players into the non-UPS segment, located as on-line platforms, which combine the technological solutions of on-line platforms with standard courier services;
- A growth in the number and revenue of courier services generated by e-commerce and the introduction of new technological solutions by courier companies providing efficient and quality delivery;
- An increase in the number of postal operators licensed for the postal money order service and an increase in the share of the service in the volume of the non-UPS segment;
- A growth in the number and revenue from postal money orders;

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[21] Open Growth - https://www.opengrowth.com/article/innovation-in-the-courier-industry (Neda Ali – Editor)
https://www.information-age.com/how-technology-improving-courier-industry-123460608/- How technology is improving the courier industry;

[22] https://www.bloombergtv.bg/a/8-novini-ot-sveta/95905-dhl-shte-izpolzva-dronovete-na-balgarskata-dronamics-ot-2022-g

[23] "Collectplus" is a new postal service consisting of collecting parcels directly from the doors of users.

- A reduction in the number of volumes and services covered by UPS, including international outgoing items, in the light of the disruptions resulting from the conflict in Ukraine;
- An increase in the market share of the incumbent postal operator BP in the UPS segment;
- Improving the fulfilment of the UPS quality targets across different types of postal items;
- Increased postal operators' investments in initiatives related to the implementation of the green energy concept and reduced harmful greenhouse emissions.

5. Analysis of the state of UPS according to the PSA requirements

The present analysis covers some of the basic requirements that characterise UPS: provision of countrywide UPS, affordability of its prices and compensation of the unfair burden from the imposed obligation with a view to ensuring conditions for the provision of UPS.

5.1. Provision of UPS on the entire territory of the country

By special provision of the PSA (Article 24 PSA and § 70 of the Transitional and Final Provisions of the Law on Amendment and Supplement to the PSA, prom. SG, no. 102 of 2020), BP was entrusted with the obligation to provide UPS for a period of 15 years which expires on 31.12.2025. On the basis of the provisions of the PSA and the defined requirements for the provision of UPS on part of BP, CRC oversees the following:

- the provision of UPS throughout the country so as to enable every user to use it, regardless of their geographical location;

- the provision of UPS at the points of access to the postal network of the incumbent operator during working hours and with a frequency of collection and delivery in accordance with the requirements of Article 33 PSA;

- the performance of UPS with a quality meeting the targets under Article 15, Para 1, p. 7 PSA;

- the provision of the UPS services at affordable prices, identical for the same services throughout the country, including the provision of UPS free of charge in the cases referred to in Article 80 PSA.

The PSA allows for exceptions from the frequency of delivery and collection of postal items which is determined by CRC through the List of settlements that meet the difficult-to-access criteria.

To inspect the fulfilment of the obligation assigned to provide UPS on every working day, “at least five days a week”, as well as for “at least one collection” of postal items on every working day, in 2021, authorised representatives of CRC carried out 49 inspections of a given sample of post offices of BP throughout the country. As a result of the inspections, no deviations from the compliance with the provisions of Article 33 PSA were found. The inspections were carried out at post offices in settlements not included in the List.

As of 31.12.2021, based on data submitted by the operator, the number of the company's post offices was 2,973. Of them, 633 were located in urban areas, and 2,340 were located in rural areas. Out of the post offices in rural areas, 777 were located in settlements with population of over 800 residents, 1,304 were in settlements with population of over 150 and below 800 residents, and 259 were in settlements with population of less than 150 residents.

Apart from post offices, postal services in settlements in the country are also provided through postal agencies and inter-settlement postmen. The total number of settlements serviced in any of the above manners totalled 5,168.

There are 4,590 letterboxes for collection of unregistered items of correspondence in use. For the country, the average population serviced by one post office is 1,545 residents.

In 2021, there was no change in the number and location of access points to BP's postal network compared to 2020. The incumbent operator submitted proposals to CRC to change the number of working days in which UPS is provided in a total of 6 settlements meeting the hard-to-access criteria, pursuant to the provision of Art. 33, Para 1, p. 2 PSA. As a result, the Commission took decisions to endorse an amendment and supplement for 3 settlements and refused to endorse an amendment and supplement for 3 settlements in the List of settlements and settlement formations located in hard-to-access areas which did not meet those criteria. The list of settlements and settlement formations located in hard-to-access areas is available on the CRC website at: https://crc.bg/bg/rubriki/226/regulirane-na-poshtenskite-uslugi

During the reporting period, in the emergency epidemiological situation, BP continued to fulfil the obligation to perform UPS with the largest postal network operating across the country.

5.2. Price affordability of postal services within the scope of UPS

According to the current legislation, only the prices of the incumbent operator are subject to regulation by CRC. They are formed and applied pursuant to the requirements of the Ordinance on determination of rules for formation and application of the prices of the universal postal service (the Ordinance), the Methodology for determination of the affordability of the universal postal service price (the Methodology) and Article 66(2) PSA.

By Decision No. 31 of 28.01.2021, CRC adopted a draft decree for the amendment and supplement to the Ordinance on determination of rules for formation and application of the prices of the universal postal service and the Methodology for determination of the affordability of the universal postal service price. The amendments and supplements made to the acts above were submitted to the Council of Ministers for consideration pursuant to Article 35(1) of the Rules of Procedure of the Council of Ministers and Its Administration and the amendments were adopted by Ministerial Decree No 136 of 06.04.2021.

In the past year 2021, BP did not submit any proposals to change the UPS prices to CRC.

In implementation of Article 6 of Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services, in 2021, for the third successive year, CRC carried out an evaluation for compliance of cross-border single piece parcel tariffs of the incumbent operator with the principles of Article 12 of the Postal Directive.[24]

For the purposes of evaluation, an analysis was prepared to what extent the prices of six BP services[25] (registered letter up to 500 g; registered letter up to 1 kg; registered letter up to 2 kg; postal parcel up to 1 kg; postal parcel up to 2 kg and postal parcel up to 5 kg) may be considered to be unreasonably high, taking into account the provisions of Article 6 (2) of the Regulation.

The conclusion of the assessment was that the prices quoted for the six services cover each of the elements referred to in Article 6(2) of the Regulation and CRC has no reason to believe that they are unreasonably high. Subject to the requirements of the Regulation, the Commission's assessment was sent to the EC in a timely manner.

5.3. Assessment for the presence of unfair financial burden incurred by the provision of the universal postal service

The UPS is provided by the incumbent operator under conditions that are different from the normal commercial ones. Since it is a service of economic interest, Article 29 of the PSA sets forth that BP be compensated from the state budget when the obligation to provide UPS incurs net costs and represents an unfair financial burden for the operator.

In 2021, BP submitted to CRC an application for compensation of the net cost and the unfair financial burden of providing the service in 2020, in accordance with the provision of Article 29a of the PSA. The amount of the requested compensation for the provision of UPS in 2020 grew by 6.7% compared to that for 2019, which, according to BP, is due to events and circumstances occurring for the first time and causing significant changes in the postal services market which affect the assumptions applied in calculating the net costs.

In compliance with its powers under Article 29a (4) and (5) of the PSA, CRC concluded a contract with KPMG AUDIT OOD with subject: Inspection of the implementation of the cost

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[24] Directive 97/67/EC;

[25] The services have been designated for assessment by CRC in the EC's PARCEL application

allocation system of BP and audit of the submitted documents related to the calculation of net costs from the provision of the universal postal service for 2020. Based on the factual findings from the performed audit, CRC adopted the following decisions:

Decision No 360 of 14.10.2021 on coordination of the results obtained from the cost allocation system by types of services of BP;

Decision No 361 of 14.10.2021 concerning the total amount of net costs incurred by the provision of the universal postal service and the presence of unfair financial burden for BP for the provision of UPS in 2020.

A summary of the report on factual findings from the performed audit was published in compliance with the requirements for trade secret preservation on the CRC's website, in Section "Areas of Regulation" - "Postal Services Regulation" - "Results from Inspections of Independent Auditors".

On the basis of the audit report and the analysis carried out, CRC set the net costs of performing UPS in 2020 at BGN 28,700, which represent an unfair financial burden from the UPS for 2020. In compliance with Article 29a (7), the Commission extended to the Minister of Transport, Information Technology and Communications the decision to include the amount and presence of an unfair financial burden from the provision of UPS in 2020 and the materials thereto.

With a view to optimising the inspection procedure relating to the implementation of the cost allocation system and the amount of net costs for the provision of UPS for 2021, CRC sent to BP a specially prepared version of the recommendations given by the auditor in the course of the activities performed, and the operator has to comply with them in its implementation in a subsequent reporting period.

A meeting was held on 21.10.2021 between representatives of CRC and BP, at which, along with issues related to the optimisation of the operator's postal network, the fulfilment of the UPS quality targets, the organisation of work on the delivery of international incoming items subject to customs controls, etc., the issue of the annually increasing amount of compensation requested for the performance of UPS for the period 2015-2020 and the need to amend the elements of the obligation to perform UPS in order to reduce the burden of providing UPS were also addressed. BP pointed out that the company did not analyse the change in the scope of the obligation to provide UPS in order to reduce the burden of providing the service and the company did not have any proposals for a legislative change to the PSA with regard to the provision of UPS.

II. FULFILMENT OF UPS QUALITY TARGETS

In accordance with the provisions of Art. 15(1)(7) of the PSA, in 2021, CRC conducted a procedure and selected the contractor[26] of a public procurement with subject: "Measuring the end-to-end transit time for single domestic postal items within the network of the operator obliged to provide the universal postal service in 2021".

- **Domestic priority postal items for 2021.**

With quality target for the end-to-end transit time for priority postal items for D+1 - not less than 80% and D+2 - not less than 95% of postal items,[27] at an annual basis (2021), the results from the measurement were 50% and 80.6%, respectively.

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[26] Global Metrics EOOD

[27] Quality targets for the universal postal service and service efficiency adopted by CRC Decision No. 655 of 14.07.2011, prom. SG no. 64 of 19.08.2011, amended and supplemented by CRC Decision No. 154 of 9 April 2020, SG, no. 39 from 28.04.2020;

Table 11

End-to-end transit time for priority mail	Quality targets[28]	Results 2020	Results 2021
D+1[29]	Not less than **80%** of the postal items	**53.4%**	**50.0%**
D+2	Not less than **95%** of the postal items	**79.6%**	**80.6%**

Source: ***Data received by CRC***

The results presented show that there was a slight improvement in quality in 2021 in the D+2 indicator in terms of the end-to-end transit time of domestic priority postal items. A drop was registered for the D+1 indicator by 3.4 percentage points.

- **Transit time for domestic unregistered non-priority mail**

The results achieved in terms of the end-to-end transit time of domestic unregistered non-priority postal items are presented in the table below:

Table 12

End-to-end transit time for non-priority mail	Quality target	Results 2020	Results 2021
D+2	Not less than **80%** of the postal items	**80.01%**	**83.1%**
D+3	Not less than **95%** of the postal items	**89.5%**	**93.5%**

Source: Data received by CRC

According to the data received, the D+2 indicator concerning the time for conveyance of domestic unregistered non-priority postal items has been fulfilled. The D+3 indicator has not been achieved, with the results reported being higher than those in 2020 and the quality of service targets have almost been met.

- **Transit time for domestic postal parcels**

The results from the measurement of the end-to-end transit time for postal parcels are presented in the table below.

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[29] D+n is the end-to-end transit time where D is the date of submission and n is the number of working days that lapse between the date of submission and the date of receipt.

Table 13

End-to-end transit time for postal parcels	Quality target	Results 2020	Results 2021
D+1/D+2	Not less than **80%** of the postal parcels	74.4%	87.8%
D+2/D+3	Not less than **95%** of the postal parcels	85.0%	94.5%

Source: ***Data submitted to CRC***

End-to-end transit time for postal parcels in 2021, on annual basis: with a target for D+2 - not less than 80% of postal parcels, the result is 87.8%, with a target for D+3 of at least 95%, fulfilment is close to the target - 94.5%.

Figure 10 shows the cumulative percentage obtained from the measurement of postal parcels and of "priority and non-priority" items delivered within D+1 to D+10 in 2020 and 2021.[30]

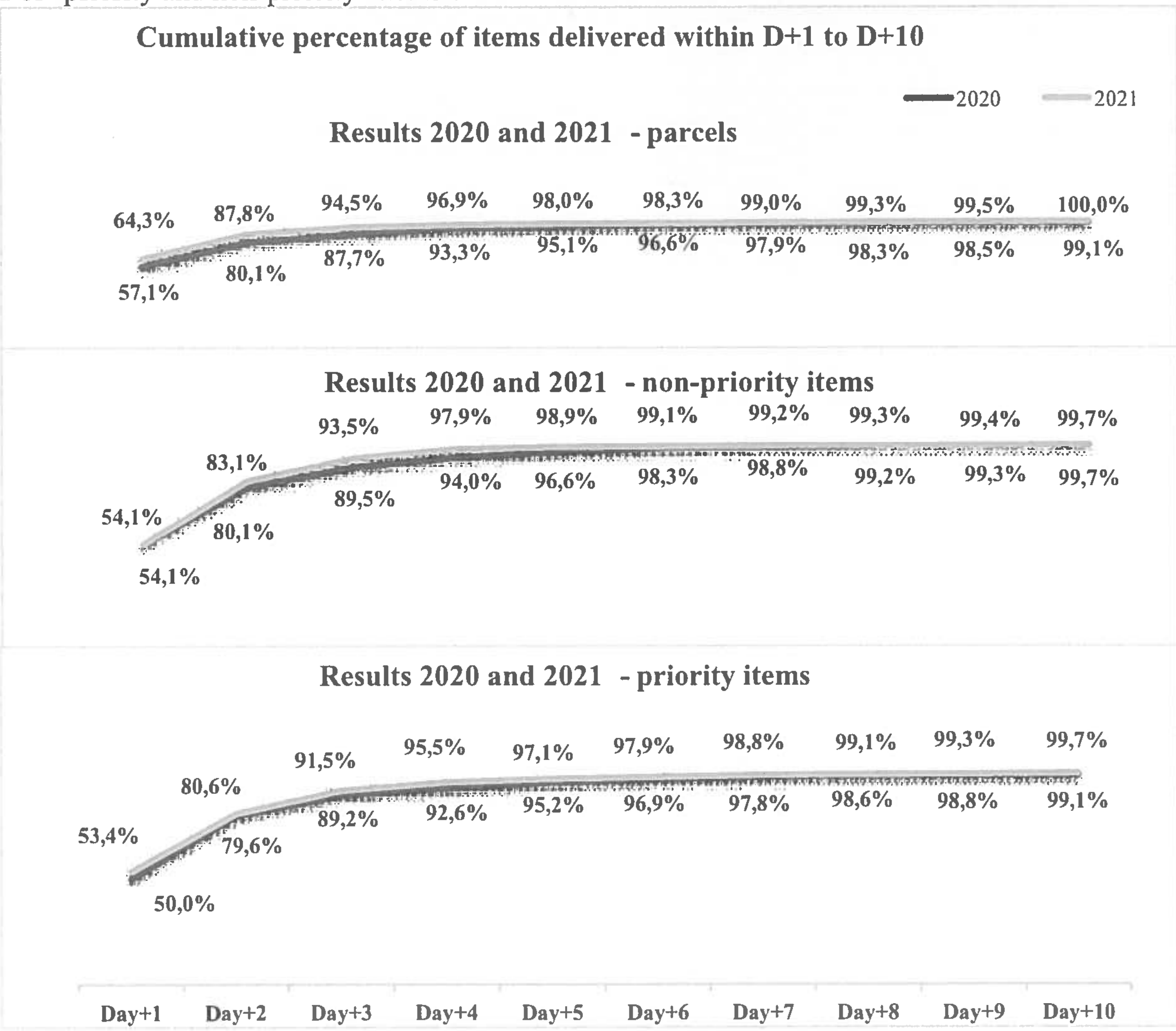

Figure 10

Source: ***Data submitted to CRC***

[30] The data are presented by Global Metrics EOOD in connection with the execution of a public procurement awarded by CRC with the following subject matter: "Measuring the end-to-end transit time for single domestic postal items within the network of the operator obliged to provide the universal postal service in 2021."

A similar percentage of delivery time within D+1 to D+10 was observed for all measured types of postal items. For all three types of postal items, the highest increases in cumulative shares were observed between D+1 and D+2, from 64.3% to 87.8% for postal parcels, from 54.1% to 83.1% for non-priority items and from 50.0% to 80.6% for priority items. There was an improvement in the delivery rates for D+3 (speed indicator) and D+5 (reliability indicator).[31]

Figure 11 shows the results achieved in 2020 and 2021 compared to the quality targets set.

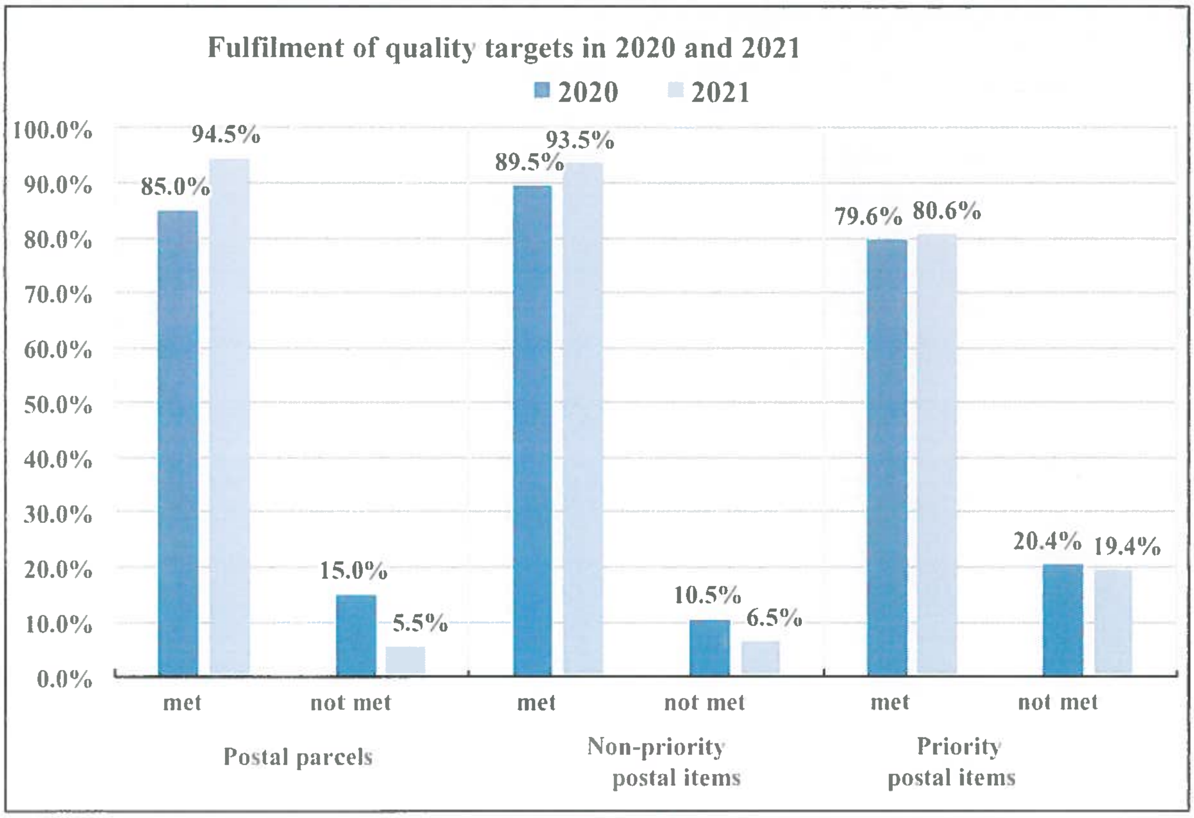

Figure 11

Source: ***Data submitted to CRC***

On a comparative basis, over the last two years, the results show an improvement in the achievement of quality targets for the different types of items. The most distinctive is the trend in postal parcels, which show a nearly 10% increase in items delivered within the norm. Non-priority items also improved in 2021 compared to the results measured in 2020.

The results of 2021 indicate that, in the conditions of pandemics, BP has ensured a sustainable provision of the UPS, and there is even an improvement in the time for conveyance of postal items.

The results set out above show that the fulfilment is close to the objectives set in Articles 4 and 5 of the Universal postal service quality targets (targets)[32] in terms of the time for the conveyance of non-priority items and the time for conveyance of postal parcels. The results show that the objectives set in Article 3 of the Targets concerning the end-to-end transit time for priority mail have not been achieved. In this regard, in fulfilment of its powers, CRC took the following measures:

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[31] The International Post Corporation (IPC) defines D+3 as (speed indicator) and D+5 as (reliability indicator).

[32] Adopted by CRC Decision No 655 of 14.07.2011, prom. SG no. 64 of 19.08.2011, amended and supplemented by CRC Decision No. 154 of 9 April 2020, SG, no.: 39 of 28 April 2020.

✓ Within the measurement, three virtual expert-level meetings were held with the participation of representatives of Global Metrics EOOD and BP during which the interim quarterly results for 2021 were presented and discussed;

✓ Once the measurement was completed, BP was made acquainted with the final results from the quality measurement for the entire year 2021, as well and with the recommendations of Global Metrics EOOD for improving the quality. In order to achieve the regulatory deadline, the following recommendations were made to BP: to give further instructions to the employees involved in the delivery of postal items in terms of checking and delivering at the specified delivery addresses, as well as to the postal staff as to what are the requirements for the provision of the service of delivery of priority and non-priority domestic postal items; to carry out periodic monitoring of compliance with the procedures for the notification of recipients of postal parcels of receiving an item; to carry out ongoing monitoring of the collection days of postal items from letterboxes within the territory of smaller settlements and from letterboxes which are not within the territory of a post office, as well as introducing a system to stimulate postal employees to comply with standards and internal working rules.

- **Time for conveyance of international priority items**

The end-to-end transit time for international priority items is measured using the UNEX system of the International Post Corporation (IPC) which was joined by BP in the beginning of 2008. In 2020, the system covered in its measurements postal operators obliged to provide UPS from all EU member states. It was organised according to the provision of the Postal Directive concerning independent measurement of the end-to-end transit time, and measurements were carried out in line with the requirements of the applicable standard of the European Commission EN13850 "Postal Services". The results obtained are official for all operators of the EU Member States and are summarised in the document "International Priority Letter Mail External Quality of Service Monitoring", results for 2021.

The study is accessible at the following address: https://www.ipc.be/services/operational-performance-services/unex/results.

III. ENSURING POSTAL SECURITY

The PSA regulates the general requirements related to ensuring the postal security as well as the sanctions for their violation. A secondary regulation - Ordinance No 6 on the postal security requirements[33] (Ordinance No 6) - specifies the actions that must be taken by postal operators concerning:

- security and protection of postal items and cash from outsiders and employees of the postal operators themselves; keeping the secrecy of correspondence; protection of users' personal data;
- violation of the safety of their staff, buildings and property;
- prevention of the conveyance as postal items of forbidden and dangerous goods, objects and substances;
- prevention of the use of forged or out-of-date postage stamps, postal products with a printed impression for prepaid universal postal service, postal seals and date stamps, postage forms and documents, etc.;
- prevention of money laundering and terrorist financing.

By Ordinance No 6, the competent state authorities[34], including CRC, are obliged to control the compliance and application of the postal security requirements.

With a view to the foregoing, CRC provides only the information of its competence.

[33] prom. SG, no. 90 of 15.11.2011, amended and supplemented, SG, no. 78 of 4 October 2019.

[34] Article 22 of Ordinance No 6

Postal operators licensed for the provision of the PMO service are obliged[35] to prepare internal rules for control and prevention of money laundering, which are approved by the Chairperson of the State Agency for National Security (SANS). According to the standard set forth in Article 10 of the Ordinance, postal operators should designate the postal offices where they would equip with video surveillance special desks for acceptance of valuable items and for performance of cash operations. The designated post offices must be equipped with a physical protection system.

The fulfilment of the above obligations is subject to comprehensive inspections. In the course of the 124 inspections performed in 2021 by authorised employees of CRC to different postal operators, 17 AOAs were drawn up to for violations found concerning non-compliance with Article 10 (2) of the Ordinance, namely lack of recording technical device for video surveillance of the access to desks intended for acceptance of valuable items or performance of cash operations.

With reference to the provision of Article 13, point 4 of Ordinance No 6, postal operators develop internal rules of conduct for their staff in case of suspected weapons, ammunitions, pyrotechnics, explosives, flammable or other dangerous substances and objects contained in postal items. The above rules are agreed with the competent authorities of the Ministry of Interior (MoI) and SANS.

In order to protect postal traffic as well as to prevent the distribution through the postal network of prohibited articles and substances, leading courier companies and licensed operators for the provision of services within the scope of the UPS indicated, in their activity report questionnaires for 2021, that they are taking the following preventive measures: carrying out inspections through physical control and through technical means of domestic postal items and cargo using their own technical devices and software or using such under contract with other postal operators; providing information about forbidden objects and substances in a prominent place in post offices; conducting monthly instructions and trainings for employees in post offices: preparing and introducing rules of conduct for the staff in case of established or suspected forbidden content of an item; introducing measures to control the access to warehouses and offices via permanent video surveillance, signing contracts with licensed private security companies; preparing daily security risk analysis and assessment, etc.

IV. CONTROL ACTIVITY, CONSUMER AND ENVIRONMENTAL PROTECTION

For 2021, CRC coordinated a total of 13 General Terms and Conditions of the contract with postal services users. In 2021, 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 non-UPS, CRC officials, authorised under Art. 95 of the PSA, carried out a total of 343 inspections and 39 AOAs were drawn up, as follows:

- 109 inspections in connection with tips submitted to CRC, most of them being over undelivered postal items or over problems in the delivery. 2 inspections of BP were carried out in relation to a submitted tip over violation by BP related to the application of the UPS prices.

In relation to the inspections carried out of tips submitted to CRC, a total of 4 AOAs were drawn up – 1 AOA for violation of Article 5 (1) of the General Rules on the conditions for delivery of postal items and postal parcels (undelivered registered postal item), 1 AOA for violation of Article 82 (1) (4) of the PSA (item delivered to another person), 1 AOA for violation of Article 82 (1) (6) of the PSA (provision of information to an unauthorised person for postal traffic between recipient and sender), and 1 AOA for violation of Article 105c (2) in conjunction with Article 105c (1), in conjunction with Article 6 (3), suggestion first of the PSA (undelivered postal item to the recipient).

[35] In accordance with the terms and conditions of the issued individual license, and with relation to Article 102 and §6 of the Transitional and Final Provisions of the MAMLA.

- Forty-nine inspections were carried out at points of access to BP's network in post offices of category 3, 4, and 5 on the compliance with the obligation to provide UPS on all working days, "at least five days of the week" (Article 33 of the PSA), as well as for "at least one collection" and "one delivery" of postal items on every working day, with the exception of settlements that meet the difficult-to-access criteria. During the inspections, no violations of the PSA were found.
- 124 inspections were carried out for compliance with Ordinance No 6/01.11.2011 on the postal security requirements in customer service offices, post offices, and the head offices of the following postal operators: BP, Evropat 2000 AD, M&BM Express OOD, Econt Express OOD, Tip Top Courier AD and Star Post OOD. A total of 17 AOAs were drawn up for violations found concerning non-compliance with Article 10 (2) and (3) of Ordinance No 6 (lack of recording technical device for video surveillance of the access to desks and/or lack of physical protection equipment in desks intended for acceptance of valuable items or performance of cash operations);
- 22 inspections of postal operators who have not submitted any activity report for 2021 to CRC - 7 AOAs were drawn up for violations found.
- Three scheduled inspections on postal operators licensed to provide services within the scope of the universal postal service concerning contracts of access to the postal network of operators and a way of reporting on revenue and number of items. During the inspections, no violations of the PSA were found.
- in 2021, 3 AOAs were drawn up against BP for violations of the UPS quality targets and the service efficiency.
- in 2021, 3 AOAs were drawn up against Star Post OOD for violation of individual license No 2-003-003/16.07.2020 for the provision of services within the scope of the universal postal service (Art. (100) (1) of the PSA), namely mail without any date stamp, free of any machine markings, mailing machines, printed presses and other printing or stamping facilities to identify Star Post OOD, as well as for refusal at a customer service office to accept a postal item for conveyance and delivery to its recipient using a service within the scope of the universal postal service.
- One AOA was drawn up against Star Post OOD for breach of Article 105d (6) of the Postal Services Act, in conjunction with Article 5 (1) of Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services (unpublished public list of tariffs applicable as of 01.01.2021 for the delivery of single postal parcels other than items of correspondence).

CRC carefully monitors the causes of complaints made by postal users and analyses the trends in the tips submitted against postal operators. In 2021, a total of 456 complaints and claims were considered by the Commission.

The highest number of complaints were submitted in January, February and March, resulting from the workload of postal operators due to the increased consumption of postal items in the period after Christmas and New Year. Out of a total of 456 complaints submitted to CRC concerning various postal services, 140 were found to be justified, while 69 were partly respected. The analysis of handled complaints shows that around 70% of them concerned late delivery of postal items. They are followed by about 20% related to undelivered and lost items. About 5% of the remaining tips were related to damaged items, while the other portion concerned various issues related to improper charging, quality of users' service, etc.

According to data from the submitted annual questionnaires for 2021 of the incumbent operator BP and of the operators providing services within the scope of UPS, the total number of complaints for postal items and services within the scope of UPS in 2021 was 11,973, of which 3,235 were justified. For a one-year period, the total number of submitted complaints dropped by 53 %, whereas the number of justified complaints was up by 33%. In 2021, as in 2020, tips holding the greatest relative share in the total number of complaints are those that refer to lost items. These are mainly lost international items sent through the BP network, forwarded by BP, which could not be located by the foreign postal administrations. Subsequently, these administrations consented to the payment of compensations to the recipients.

In the reporting period, CRC passed judgements by 2 decisions on formal requests for the Commission's opinion on a rejected complaint under Article 86(4), in conjunction with Article 15(1)(17) of the PSA:

- Decision No 145 of 15.04.2021 was made on a complaint against TNT Bulgaria EOOD (TNT) for a partly missing content from an international item received. Under Article 86 (1) of the PSA, the sender or the recipient of a postal item have the right to a written complaint. However, the PSA does not determine the person entitled to receive compensation in respect of a justified complaint. CRC shares the view of TNT that in the present case compensation should be paid to the sender as the payer of the service. The recipient's claim for compensation against TNT has not been made on the basis of a contractual relation between the parties. The provisions of Articles 85 and 86 of the PSA provide for rights of the senders and recipients guaranteed by the contract for the provision of postal services (individual contract and/or general terms and conditions). The commitment to deliver the item shall be from the operator to the sender, respectively the claim for incorrect performance of the contract shall be made by the latter under the contract concluded between the parties. The compensation for incorrect performance should be fixed and paid to the sender of the item and the recipient may receive compensation for any inconvenience caused by the incorrect service performance by the sender of the item, by reimbursing any amounts paid by the local operator or by providing other compensation, if so provided by the sending trader himself (e.g. dispatch of a new product). This compensation is outside the scope of Article 86 of the PSA and CRC cannot provide assistance in its implementation.

- Decision No 199 of 20.05.2021 related to a complaint concerning a partially justified complaint for item lost by In Time OOD. The consumer has objected to the amount of compensation to be paid by the operator. The CRC's view is that the compensation is determined under the operator's general terms and conditions and for a claim above that amount the consumer should refer the dispute to the competent Bulgarian court.

In 2021, licensed postal operators did not report any complaints concerning the introduced processing procedure which indicates that users have been given opportunity to declare their dissatisfaction with the postal services provided.

In fulfilment of Article 20 (1) (1) of the PSA, postal operators shall comply with the requirements for the protection of the environment, life and health of people.

The implementation of the green energy concept and reduced harmful greenhouse emissions is a challenge for the Bulgarian postal operators.

The actions undertaken by operators in the sector that are part of major international companies are the use of environmentally friendly and biodegradable packaging, environmentally friendly cars, energy from renewable sources, initiatives to minimize the release of harmful emissions, recycled paper, "Paperless" solutions and separate collection of waste for recycling, etc. Some have also implemented environment management systems and systems to reduce the harmful environmental impacts certified according to ISO, the use of sustainable technologies and fuels, the electrification of the means of transport, creating a portfolio of "green products and services".

BP is also working toward reducing greenhouse emissions by renewing and modernizing its car fleet with 1/3 new vehicles meeting the highest Euro 6 exhaust emission standard. In 2021 alone, 45 new cars were purchased and another 116 were contemplated to be purchased, by which 50% of the company's car fleet will be renewed. In line with the European directives on the promotion and introduction of environmentally friendly transport, the company is planning to buy electric vehicles to work toward reducing harmful carbon emissions. Alternative postal operators Speedy AD and Econt Express OOD have also undertaken initiatives to protect the environment by replacing the car fleet, using electric cars without harmful emissions within the settlements, biodegradable - ecological packaging, document digitization, separate collection of waste, etc.

V. CONCLUSION

Events over the last few years related to the Covid 19 pandemic have imposed social and economic changes worldwide.

The need to meet society's needs for products and services in times of social isolation has accelerated the process of using digital technologies that had already started and has made them a leading tool in meeting society's domestic needs.

Despite the weaker impact of the pandemic on the socio-economic life in the past year, consumers continue to have a culture of on-line shopping, contactless payment, the use of on-line platforms and the use of contactless delivery (automated letterboxes).

All these aspects of the pandemic have increased the focus on "delivery" as a key element of on-line shopping and its quality. Postal operators have started to impose new quality of service standards that are fully user-friendly.

Recognising the challenges that remain relevant at the end of 2021, CRC, with the aim of promoting a sustainable competitive market and ensuring consumer protection, has set the following strategic objectives for the postal sector by the end of this year:

- Adopting a position on the criteria for designating on-line platforms as postal operators;
- Carrying out a Study on the level of transparency and clarity of the prices of delivery of postal items under Regulation (EU) 2018/644.

By realising the objectives set, the Commission expects to increase the efficiency of regulatory activity and the satisfaction of citizens, businesses and public institutions with the quality and speed of services provided.

The ensuring of a competitive postal market, the provision of quality postal services, the ensuring of sustainable development and affordability of the UPS price are the leading activities accompanying the Commission's work in terms of postal services provision. In this respect, in 2021, the Commission is working on the following activities:

- Assessment of the existence and determining the extent of the unfair burden arising from the obligation to provide the universal postal service imposed on BP;
- Measurement of the fulfilment of UPS quality targets by an independent organisation;
- Implementation of Regulation (EU) 2018/644 to ensure affordable prices of UPS for the Bulgarian consumers;
- Maintaining CRC's page in the web-based application Parcel Price Transparency Tool of the EC to increase the transparency of tariffs of the most widely used cross-border parcel delivery services.

Both during the past reporting period and in the following periods, CRC strives to meet its strategic goals of developing the sector and ensuring a competitive environment, protecting consumers and improving the quality of services.

The Commission maintains and develops partnership relationships in the process of introducing and implementing regulatory policies and practices with international, European and regional postal organisations.