

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

of

THE COMMUNICATIONS REGULATION COMMISSION

for 2020

ANALYSIS OF THE POSTAL SERVICES MARKET

2021

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INTRODUCTION

In the past year, the Communications Regulation Commission (CRC, the Commission) continued to fulfil its commitment to implementing the postal policy in the Republic of Bulgaria, ensuring a competitive environment for the development of postal services, applying best regulatory practices and compliance with legislation in the sector.

In 2020, the expansion of the Covid-19 pandemic was a major factor in the development of the postal market. In the conditions of a global pandemic and force majeure circumstances, the activity of the postal sector proved to be significant.

The Commission's actions during the pandemic, as the body responsible for regulating and controlling postal services, were focused on two main aspects: ensuring the continuity of the provision of the universal postal service (UPS) as a socially relevant service, and encouraging postal operators to comply with all anti-epidemic requirements in order to ensure the safety of postal users.

CRC established a coordination centre for operational interaction between the regulator and postal operators, as it monitored the epidemiological situation and the impact on the postal market in Bulgaria, providing advice and recommendations to postal operators to address the situation.

The Commission initiated recommendations for the publishing of up-to-date information on postal operators' websites on the reception, conveyance and delivery of domestic and international items during the limited travel in the country and the closure of airspace, so that postal users are promptly informed of the situation. At the same time, CRC was actively involved in exchanging information with Member States in the European Regulators Group for Postal Services (ERGP) on actions taken to address the pandemic and the impact on the provision of postal services.

Notwithstanding the force majeure circumstances that marked the past year, the Commission examined 468 tips from postal users, carried out 309 inspections and issued 35 penal decrees for breaches of postal legislation.

In 2020, CRC continued its activities to amend the regulatory framework for the postal sector, focusing on finding a balance between the provision of a quality and affordable universal postal service to users and the reduction of the administrative burden on the incumbent operator. A review and optimization of the rules on pricing the services within the scope of the UPS and calculating the net costs of performing the service was carried out. The quality targets of the universal postal service were refined.

Following its strategic objective of ensuring a competitive environment in the sector, CRC issued 10 new individual licenses for the provision of services within the scope of the UPS and for the provision of "postal money orders". There are 20 new operators registered for the provision of non-universal postal services (non-UPS) under Article 38, points 1-3 of the Postal Services Act (PSA). The total number of postal operators was 201 in 2020.

This report contains information both on CRC's activity in the area of postal services and on the development of postal market in Bulgaria.

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 received by 20 May 2021 by CRC from 84% of the operators registered with CRC as of 31.12.2020.

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 2020, the total number of postal operators reached 201. They are presented by services in Table 1 below.

Table 1

Licenses and certificates issued under the PSA	Number of operators licensed/ registered in 2020
Licenses for UPS and services within the scope of UPS	14
Licenses for postal money orders	37
Entered in the Register of operators providing Non-universal postal services	184

Source: Data submitted to CRC

In 2020, 79 operators carried out postal services, which is 54% of the total number of licensed and registered operators that provided information to the CRC on their activities in the past year.

1.2 Volume and structure of the Bulgarian postal market

The market volume, measured by the revenue from the provision of postal services indicator, continued its upward trend and reached BGN 635 million – the growth recorded is 12.6%. The slowed down rate of growth (to compare with, the growth in 2019 was 21% since 2018) is due to a 50.5% drop registered in the revenue from services within the scope of UPS.

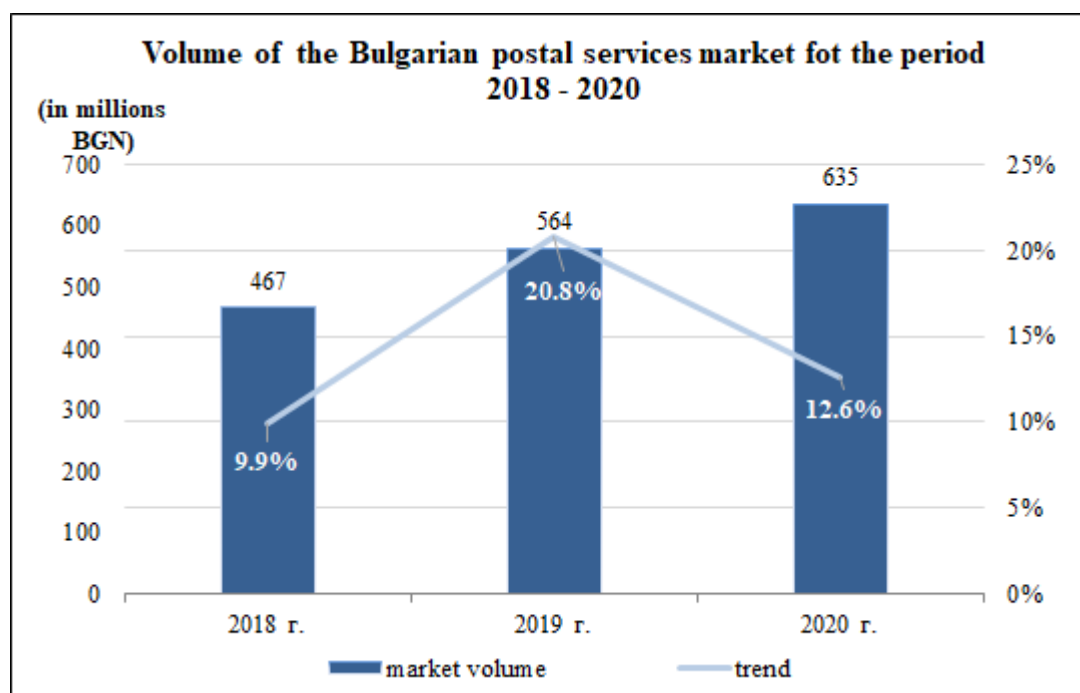


Figure 1

Source: Data submitted to CRC

For analysis purposes, the postal market was divided into two main segments: UPS and non-UPS. The universal postal service, awarded for provision by Bulgarian Posts EAD (BP, the incumbent postal operator)¹ by virtue of the PSA, and the services within the scope of UPS, form the UPS market segment. Postal money orders, courier services, direct mail and the hybrid mail² services form the non-universal postal services (non-UPS) market segment.

Table 2

Postal services	Revenue (in millions BGN)		
	2018	2019 ³	2020
1. Universal postal service and services within the scope of UPS	105.4	87.2	43.2
2. Non-universal postal services	361.4	477.4	592.1
TOTAL	466.8	564.6	635.3

Source: Data submitted to CRC

¹ Pursuant to Article 24 of the PSA and the special provision of §70 of the Transitional and Final Provisions of the draft amendment and supplement to the PSA (prom. SG, no. 102 of 2010).

² The service is defined in § 1, point 35 of the additional provisions to the PSA.

³ The data for 2019 have been updated.

The total revenue generated from the services in the UPS segment in 2020 significantly decreased by 50.5% compared to 2019 and amounted to BGN 43 million. In the non-UPS segment, there was an increase in revenue of 24%, and its amount reached BGN 592 million. Based on data submitted by the licensed operators providing services within the scope of UPS, the drop in the UPS revenue is due, on the one hand, to a change in consumer attitudes, who are increasingly demanding value-added services rather than the universal one. On the other hand, the low interest in traditional postal services is also due to the significant increase in e-commerce items, which are mainly delivered as courier services.

Figure 2 presents the breakdown of revenue of the postal services market.

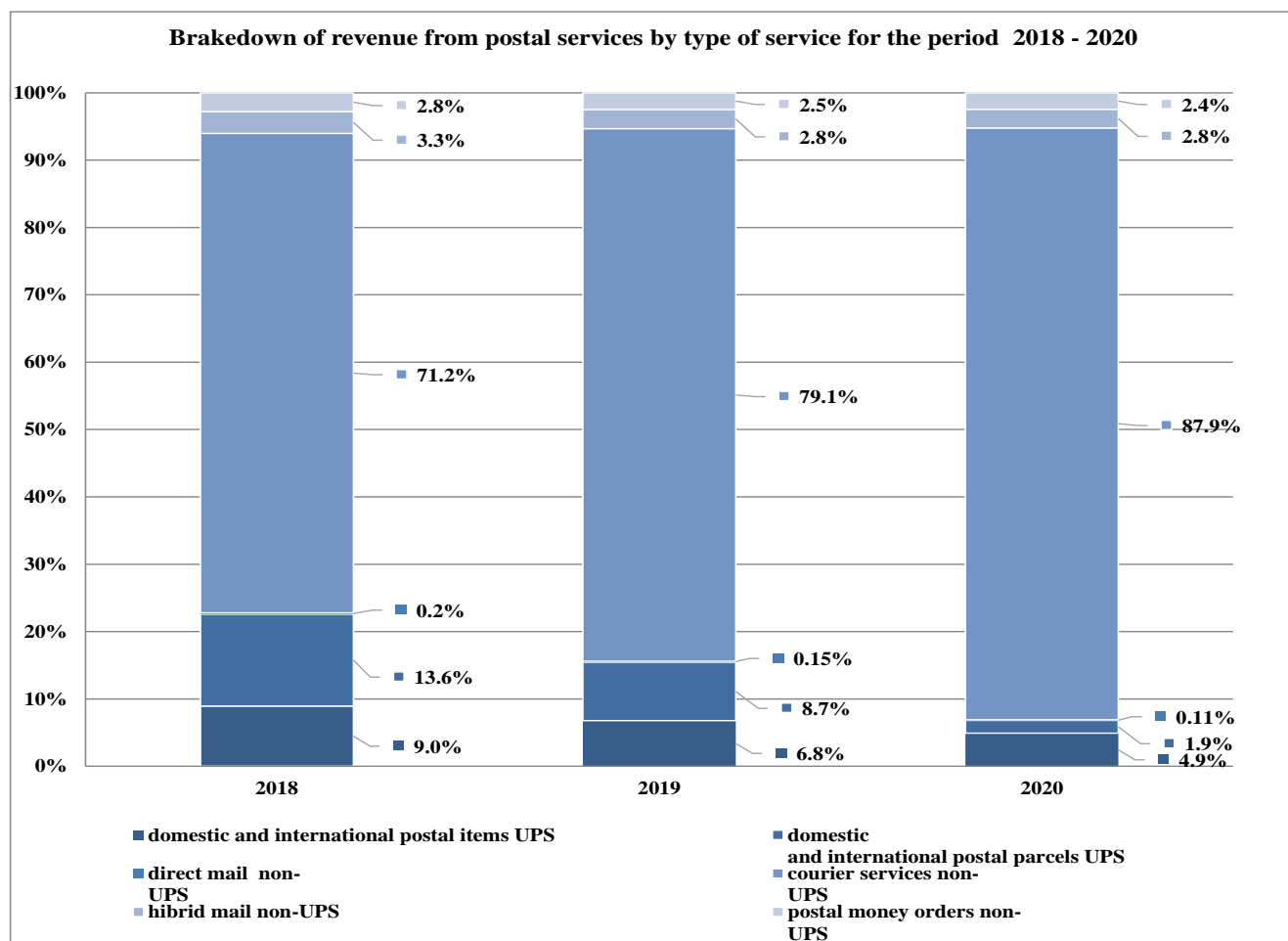


Figure 2

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 2020, the total volume of the postal market was mainly constituted by revenue from courier services, the relative share of which reached nearly 87.9 % of the total revenue generated (Figure 2). Over a one-year period, there has been an increase in revenue from courier services, both in absolute (25%) and relative terms (8.8 percentage points) compared to 2019.

The second place, with a relative share of 4.9% of the total revenue, is held by revenue from domestic and international postal items. The year-on-year downward trend in revenue from these items continued in 2020, as compared to 2019, their relative share in the total market volume declined by 1.9 percentage points, with a decrease of 18.6% in absolute terms.

In 2020, the upward trend of postal parcels changed, registering a significant reduction of 75% in absolute terms in the revenue from these items over a one-year period. As a result, the share of revenue from

postal parcels ranked third in the total market volume, with a decrease in relative terms (by 6.8 percentage points) compared to 2019.

Despite the registered increase in absolute terms of the revenue from hybrid mail and PMO services by 10% and 10.5%, respectively, both services kept their relative shares in the total revenue unchanged since 2019. Over a one-year period, the revenue from the direct mail service dropped in absolute terms by 15% and in relative terms by 0.04 percentage points.

In 2020, the volume of postal services market, measured by the number of items indicator, amounted to 243 million items, registering a decline of nearly 1.7% on a one-year basis. The reduction in the number of items is mainly due to a significant decline in the consumption of domestic and international postal parcels compared to 2019.

Table 3 presents the dynamics in the number of items in both segments (UPS and non-UPS) for the last three years.

Table 3

Number of postal services	Number (million pcs)		
	2018	2019	2020
Postal items UPS	41.7	36.1	25.0
incl. domestic and international letter mail UPS	26.7	24.6	22.4
incl. domestic and international postal parcels UPS	15.0	11.5	2.5
direct mail non-UPS	4.1	3.1	2.7
courier services non-UPS	57.0	94.0	102.4
hibrid mail non-UPS	76.6	96.0	94.6
postal money orders non-UPS	17.8	18.4	18.7
Total	197.2	247.5	243.2

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 2020:

- ✓ A growth in the number of courier items by 8.9% in absolute terms;
- ✓ An increase in the number of domestic PMO by 1.5% in absolute terms;
- ✓ A significant decrease in absolute terms in the number of domestic and international postal parcels by 78.1%;
- ✓ A fall in absolute terms in the number of domestic and international postal items by 8.8%;
- ✓ A drop of 1.5% in the number of hybrid mail and direct mail items delivered.

1.3 Market shares

In 2020, the downward trend in the market share of the incumbent operator continued, as it reached 7.5% of the total market, calculated based on revenue from all postal services. In 2020, the revenue from all services of BP decreased in absolute terms compared to 2019, which reflected on the company's overall share in the market, and it continued to lose its market position. In the case of services provided in a context of intense competition, the loss of BP's position was the most tangible, as it reached 1.9% in the non-UPS segment, and in particular in the case of courier services, the company's share was 2% in 2020.

Table 4 presents the dynamics in the market shares of the incumbent operator and its two main competitors on the market for the period 2018-2020. As a result of the e-commerce development, over the last three years, the shares of BP's main competitors, forming a total of 2/3 of the postal market in the country, increase on a year-on-year basis.

Table 4

Operators	Market share (based on revenue)		
	2018	2019	2020
Econt Express EOOD	31.0%	32.5%	39.7%
Speedy AD	25.6%	24.1%	27.0%
Bulgarian Posts EAD	12.3%	10.0%	7.5%
All others	31.1%	33.4%	26.3%

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 31.12.2020, the operators providing services under Article 38, points 1-3 of the PSA, were 184, of which 73 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 2020, as in 2021, the direct mail service was provided by BP, M&BM Express OOD and Pro Logistic EOOD.

As stated, in 2020, CRC issued 9 new individual licenses for the provision of PMO⁴ - to Transpress Delivery EOOD, Eurovet Bulgaria EOOD, In Time OOD, Street Express EOOD, Cash Credit EAD, CVC OOD, Madrabbit EOOD, Intertransfer EOOD and Dynamic Express and Logistics EOOD. With the above newly licensed undertakings, the number of postal operators licensed to provide PMO reached 37. Of them, in 2020, the following 18 postal operators carried out activity:

⁴ Pursuant to Article 39, p. 3 of the PSA.

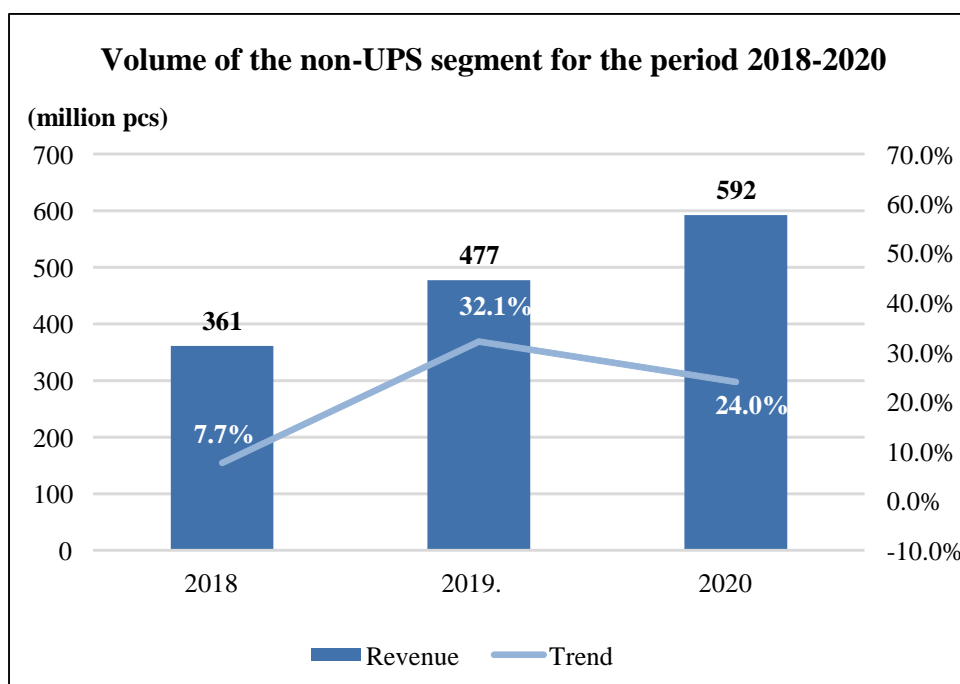
Table 5

Operators who carried out the PMO service in 2020	
1	BULGARIAN POSTS EAD
2	EVROPAT 2000 AD
3	ECONT EXPRESS OOD
4	EXPRESS PAY EOOD
5	EUROVET BULGARIA EOOD
6	EASYPAY AD
7	INTERCAPITAL GROUP AD
8	LEO EXPRESS EOOD
9	M&BM EXPRESS OOD
10	POSTABIL EOOD
11	CVC OOD
12	SPEEDY AD
13	TIP-TOP COURIER AD
14	TOYOTA TIXIM EOOD
15	TRANSPRESS DELIVERY EOOD
16	TRANSPRESS OOD
17	FAKTOR I.N. AD
18	UNIMASTERS LOGISTICS SCS EOOD

Source: Data submitted to CRC

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

In 2020, the volume of the non-UPS market segment, measured by the revenue from the provision of non-UPS indicator, amounted to BGN 592 million, with an increase of 24% compared to 2019 (Figure 3).



Source: Data submitted to CRC

Figure 3

As shown on Figure 3, the upward trend in the segment volume was preserved in 2020, mainly due to the increase in absolute terms of revenue from domestic courier services (by 30%), compared to 2019.

Information on the breakdown of revenue from non-UPS by services for the period 2018-2020 is presented in Table 6.

Table 6

non-UPS	Revenue (in millions BGN)		
	2018	2019 ⁵	2020
1. Courier services	332.2	446.5	558.3
1.1. Domestic courier services	244.2	325.1	422.9
1.2. International courier services	88.1	121.4	135.3
2. Hybrid mail	15.2	16.0	17.6
3. Direct mail	0.9	0.8	0.7
4. Postal money orders	13.0	14.1	15.5
TOTAL	361.4	477.4	592.1

Source: Data submitted to CRC

Compared to the year before, the following changes in the revenue from the non-UPS segment were observed in 2020:

- ✓ A growth in revenue from courier services by 25%;
- ✓ An increase in revenue from postal money orders by 11%;
- ✓ A growth in revenue from hybrid mail by 10%;
- ✓ A drop in revenue from direct mail by 15%.
- ✓

Figure 4 presents the dynamics in the relative shares of revenue from non-UPS in the segment structure for the period 2018-2020.

⁵The data for 2019 have been updated

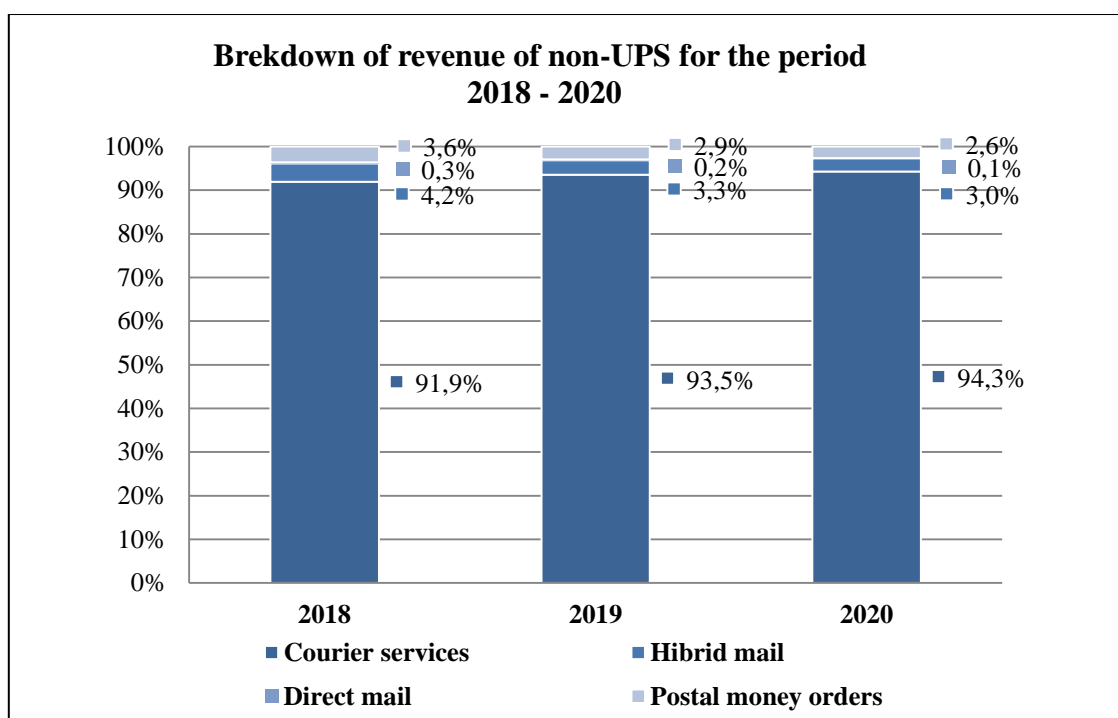


Figure 4

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 2020, as in the previous two years, revenue in the non-UPS segment was mainly made up of revenue from courier services. In 2020, compared to 2019, their amount increased in absolute terms (by 0.8 percentage points).

Figure 5 displays data regarding the structure of revenue from courier services for the period 2018-2020.

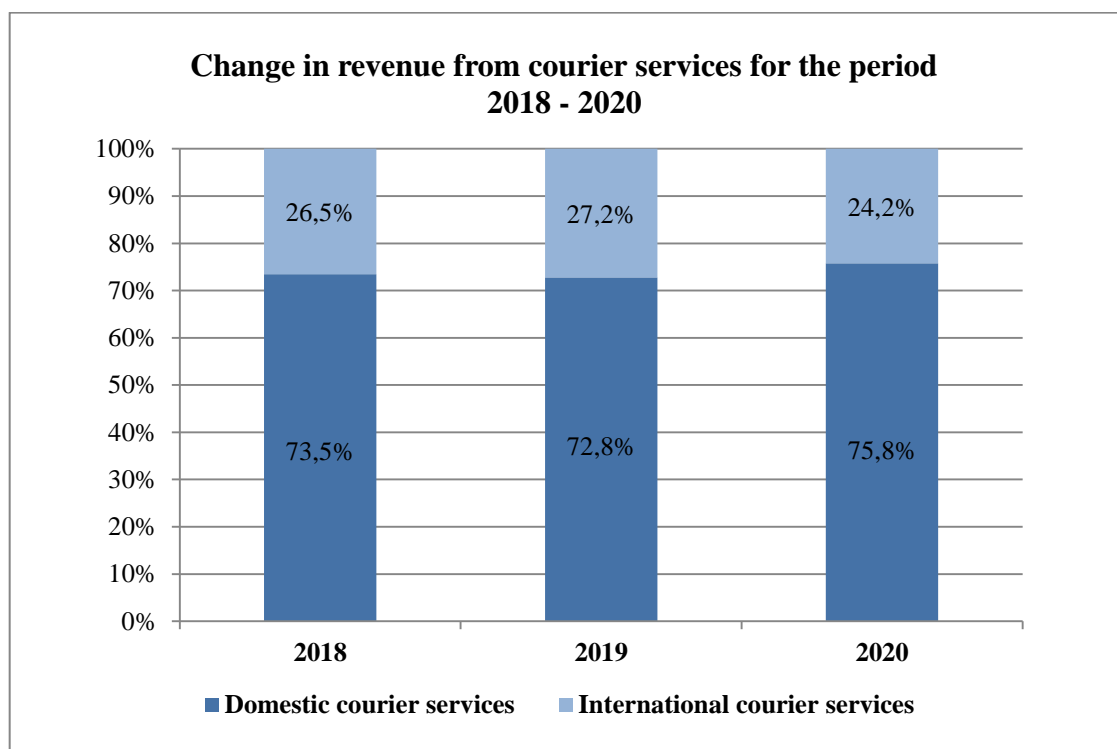


Figure 5

Source: Data submitted to CRC

The Figure clearly shows that, for the period under consideration, the amount of revenue from courier services was mainly formed by domestic courier services, as their amount rose in relative terms by 3 percentage points. Although the revenue from international courier services increased in absolute terms by 12% in 2020, their relative share of the total revenue from courier services was down by 3 percentage points compared to 2019.

On-line shopping continued to be the main driver for courier services development in 2020. According to the data submitted by the postal operators, revenue from delivery of items generated from e-commerce grew by 40% in 2020 versus 2019.

In 2020, revenue from the hybrid mail service occupied a share of 3% in the total revenue from non-UPS which, compared to 2019, remained almost unchanged.

Despite the observed increase in absolute terms of the revenue from of the PMO service (by 10.5%) compared to 2019, 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 2020 amounted to nearly BGN 16 million, occupying a relative share of 2.6% of the revenue in the non-UPS segment.

Over the past year, revenue from the direct mail service held an insignificant share of 0.1% of the total revenue from non-UPS. Year-on-year, revenue generated from this service dropped by 15% in absolute terms, following the trend of the last three years. The negative trend in the development of this service over the past year was further reinforced by the social distance measures introduced in Bulgaria to combat the Covid 19 pandemic, which has led businesses to focus their advertising activities mainly on-line.

In 2020, the total number of processed items and services in the non-UPS segment was 218 million, up by 3.2% since 2019. Information on the number of items and services in the non-UPS market segment for the period 2018-2020 is presented in Table 7.

Table 7

non-UPS			
	2018	2019	2020
1. Courier services	57.0	94.0	102.4
1.1. Domestic courier services	53.8	87.6	92.0
1.2. International courier services	3.2	6.4	10.4
2. Hybrid mail	76.6	96.0	94.6
3. Direct mail	4.1	3.1	2.7
4. Postal money orders	17.8	18.4	18.7
TOTAL	155.5	211.5	218.2

Source: Data submitted to CRC

Compared to the year before, the following changes in the number of items and services within the scope of non-UPS were observed in 2020:

- ✓ A growth in the number of domestic courier items by 5.1% in absolute terms;
- ✓ A growth in the number of international courier items by 61.9% in absolute terms
- ✓ The number of hybrid mail items fell by 1.5%;
- ✓ The number of direct mail items dropped significantly by 14.7% which confirmed the negative development trend in this service;

✓ Postal money orders registered a growth of 1.5%, which, as in 2019, is due to the higher number of cash-on-delivery PMO in on-line shopping.

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 three postal operators in the non-UPS segment (except for the PMO service), of BP and all other operators in total.

Table 8

Operators in the non-UPS segment	Market share (based on revenue)		
	2018	2019	2020
Econt Express EOOD	23.6%	29.8%	42.4%
Speedy AD	33.2%	29.3%	30.1%
DHL Express Bulgaria EOOD	9.0%	7.5%	8.5%
Bulgarian Posts EAD	1.6%	2.8%	2.0%
All others	32.7%	30.5%	17.0%

Source: Data submitted to CRC

The share of BP in the segment decreased by 0.8 percentage points and maintained the trend of the previous years at a level below 3%. The decline in the share of the "all other operators" group was maintained, with a reduction of 13.5 percentage points over a one-year period. Simultaneously, the three operators holding the greatest market shares in 2020 made up 81% of this market segment, as their share grew by 14.4 percentage points over a one-year period.

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 HHI index⁶ and the concentration ratio (CR). The values of both indicators (HHI – 2640 and CR5 – 84%) in 2020 for the first year defined the non-UPS market segment as poorly competitive with a high level of concentration. To calculate the CR5 value, the market shares of the first five operators were used. The change in the state of competition in the segment is largely the result of 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 determined by courier services and nearly 50% of the sector's active players in 2020 expect⁷ an increase in revenue from the provision of courier services in the following year. The regulatory barriers to the entry on the market segment, except for the PMO service, are minimal, as CRC's regulatory intervention as regards the services under Article 38, points 1, 2 and 3 of the PSA, is directed to compliance with the requirements for postal security, secrecy of correspondence and consumer rights' protection. In these circumstances, the 2021 assessment will be indicative of the trend of competition in the segment.

As regards the PMO service, in 2020, the three operators holding the highest share in revenue in 2020 were Econt Express EOOD (50.2%), followed by Speedy AD (25.1%), and BP (17.4%). The revenue of BP from the provision of PMO was down in absolute terms by 7%, which also resulted in reduction in its relative share of the total revenue from PMO (by 3 percentage points). Over a one-year period, mainly Speedy AD reported an increase in absolute terms by 62% 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

⁶ HHI (Herfindahl-Hirschman Index) - measurer of the market concentration; CR5 - (CR - Concentration Ratio) - indicator for concentration that characterises not the whole market but only the position of the biggest players.

⁷ According to data submitted to CRC with the annual questionnaires on operators' activities in 2020.

over compliance with the obligations arising from the Measures Against Money Laundering Act (MAMLA). The service is provided in a poorly competitive environment with high level of concentration (the HHI value was 3466 and that of CR3 was 92.7%).

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

The courier sector is one of the few to which the pandemic provided additional opportunities for development and profit-making, and probably the past year was one of the busiest years since the start of this business in history. The impact of the pandemic, which has inevitably led to an increase in the couriers' workload and an extremely rapid change in the attitudes of traders and consumers' habits, was also added to the courier sector drivers, which existed so far.

Over the last years, the courier sector has been developing at a rapid pace thanks to e-commerce, which is no longer a novelty but an important sector in the economy. However, the global epidemiological situation has changed consumer habits and has led to a new increase in on-line purchases. During the Covid-19 pandemic, the need of small businesses and traders to sell their products and services in a virtual environment as well increased, creating a new dynamic in the courier business.

According to data from the Bulgarian E-commerce Association (BEA),⁸ the growth of e-commerce in the last 5 years was between 21% and 35%, while the growth in B2C sales (business to individual consumers) was 8.8% compared to 2019. In 2020, more than 1.6 million Bulgarians went shopping on-line. The survey shows that, in the past year, 31% of on-line consumers made on-line shopping a habit and their trust in the process is rising. One of the options for meeting the needs of products and goods in times of complicated epidemiological situation in the country required rapid mobilisation of couriers.

Since the beginning of last year, there have been some changes that have increased the turnover of certain courier companies, but have hampered the work of others. The activity of postal operators carrying out deliveries generated by e-commerce was dynamic. A leading courier company on the Bulgarian market recorded a 186% increase in international items due to the closure of shopping centres in the country and the redirecting of trade on-line.⁹

The decline in economic activity in the country as a result of the closure of shopping centres, the restrictive measures on the movement at the beginning of the emergency situation, the redirection of a significant proportion of employees to teleworking has led to an increase in the delivery of goods to the recipient's address.

According to another of the leading courier companies in the industry, several trends in the delivery of courier items were outlined during the last year's lockdown, namely: increase in the share of items delivered to address, which is one of the most expensive components of the delivery, increase in the average delivery time of an item to address and decrease in the average number of items delivered to one address (due to increased home address deliveries at the expense of the business ones).¹⁰ On the one hand, the restrictive movement measures at the beginning of the emergency have contributed to a decline in the economic activity and thus lower revenue from the business segment, but at the end of the year, this decline was compensated through items delivered between the divisions of companies in certain segments due to the distance work introduced.¹¹

According to a BEA study,¹² the percentage of payment methods used in the delivery of e-commerce items was as follows: 60% of consumers preferred cash-on-delivery, 32% - card payment and 8% used bank transfer.

Although traditionally Bulgarian consumers use the cash-on-delivery as a means of payment, the pandemic situation and the related appeals of traders and service providers to use the contactless method of payment will change the ratio of payment methods used in the coming years.

The data received by CRC from 83% of operators who provided non-UPS in 2020 indicate that they have taken all sanitary and hygiene measures during the pandemic situation in Bulgaria.

⁸ Passport 2020 of Bulgaria's e-commerce industry

⁹ Annual questionnaires on operators' activity for 2020

¹⁰ Annual report of Speedy AD for 2020 and an interview in Money.bg <https://money.bg/companies/kak-izglezdashe-2020-g-prez-pogleda-na-kurierite.html>

¹¹ http://www.capital.bg/biznes/kompanii/2020/08/04/4098928_online_turgoviata_vdiga_prihodite

¹² Passport 2020 of Bulgaria's e-commerce industry

Measures have been taken to protect employees by transitioning to work from a distance where possible and where the nature of the work permits. Personal protective equipment, disinfectants and plexiglass shield were ensured for those who continued working in the office.

As a result of the pandemic, the following trends can be discerned with regard to the courier business in our country:

- over a one-year period, courier companies which indicated that they were not active increased by 24%;
- postal operators who, in the last three years, formed over 60% of the revenue from the non-UPS, recorded an increase in the number of courier items delivered (domestic, international outgoing and incoming);
- on-line trade is the driver of the increased number of courier items, as the number of items in the B2C segment have grown as a result of this increase;
- nearly 50% of the responding operators indicated that there was no change in the number of employees over the past year compared to 2019;
- one third of the responding operators indicated that they kept their postal network unchanged, with an increase in the number of offices registered only by operators involved in the delivery of items generated by on-line trade;
- during the pandemic, no changes in the tariffs of the services offered were observed, except for several operators that introduced additional charges to make up for the increased costs of companies¹³ and one operator who reduced the prices for the delivery of certain items.¹⁴

Summary:

In 2020, the following trends 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 and from abroad);
- ✓ An increase in the number of postal operators licensed to provide the postal money orders service;
- ✓ A growth in the number and revenue from postal money orders.
- ✓ Entry of new players in the segment who use platforms based on artificial intelligence. The pandemic situation has created prerequisites for new players to enter the courier sector in Bulgaria. This approach combines the technological solution of the platform with the courier service, with companies operating in this niche being practically sub-contractors to on-line traders delivering the products that consumers have ordered digitally to their physical addresses and providing a technological software service for all along the chain – traders, couriers and consumers.¹⁵

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;

¹³ reduction of commercial flights, increased costs related to anti-pandemic measures such as disinfection of vehicles, infrastructure, etc.

¹⁴ with a maximum length 120 cm x width 80 cm x height 180 cm and a weight of up to 1000 kg.

¹⁵ https://www.capital.bg/biznes/predpriemach/2021/02/26/4179350_kato_uber_no_zh_dostavki/

- additional “registered” and “declared value” services.

In the Public Register¹⁶ of Operators are registered postal operators licensed to perform the services under Art. 39, points 1 and 2¹⁷ of the PSA. As of 31.12.2020, a total of 14 UPS providers were entered in this Register, with 6 of them actually providing the service during the year:¹⁸

Table 9

Licensed providers		Services provided
1	Bulgarian Posts EAD	obligation to provide all services within the scope of UPS on the entire territory of the country pursuant to Art. 34 (1) PSA
2	Econt Express EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
3	Tip-Top Courier AD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
4	M&BM Express OOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
5	Star Post OOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
6	Terra Post Services EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
7	Speedy AD?	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
8	Fasto Courier EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
9	Tavex EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art.34(1), points 2 and 4 PSA**
10	Toyota-Tixim EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
11	A1 Trade EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1), points 1 and 4 PSA**
12	Arii EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
13	GT Logistics EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection with Art. 34(1) PSA
14	DV Post EOOD	services within the scope of UPS pursuant to Art. 36b(1), in connection 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; secogrammes 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 the UPS. Unlike BP, on which, 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), an obligation to provide the UPS was imposed, postal operators licensed by CRC offer consumers services within the scope of UPS voluntarily, guided by their economic interest. The provisions of Art. 32 and Art. 33, as well as the rules under Art. 66 of the PSA, do not apply to the provision of services within the scope of UPS.

¹⁶ http://crc.bg:8080/ords/f?p=923:210:3133643455831550::NO::P210_ADV,P210_REGION_CONTROL,P210_X:0,0,1

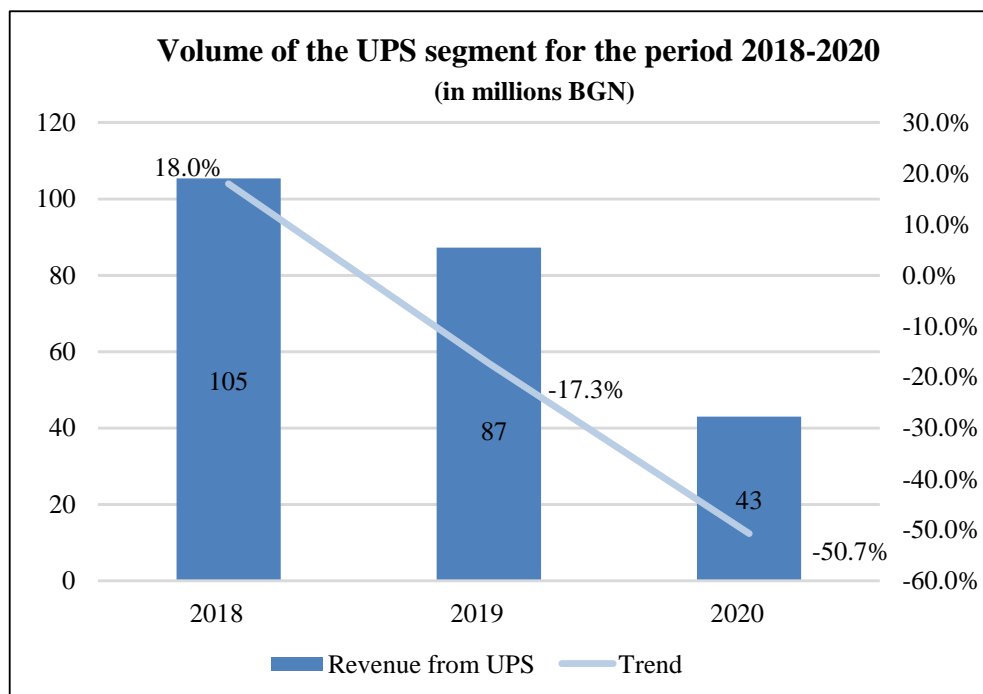
¹⁷ An individual license within the meaning of the PSA is an individual administrative deed issued: for the performance of UPS on the entire territory of the country by an operator assigned with the obligation to perform this service; for the performance of services included in the scope of UPS.

¹⁸ Terra Post Services EOOD, Toyota Tixim EOOD, Fasto Courier EOOD, A1 Trade EOOD, Arii EOOD, and GT Logistics OOD. Speedy EAD and DV Post EOOD declared that they have not operated in 2020 in accordance with the individual licenses issued to them.

3.2. Volume and structure of the UPS market segment

In 2020, the volume of the UPS market segment amounted to BGN 43 million, with a negative downward trend maintained for a second consecutive year - a decline of 50.7% was registered compared to 2019.

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



Source: Data submitted to CRC

Figure 6

Over a one-year period, the main players in the segment have experienced a fall in the revenue from the provision of services within the scope of UPS, as follows: BP by 19%; Econt Express EOOD - 82%; M&BM Express OOD - 55%, Tip Top Courier AD - 62%, while Speedy AD reported zero revenue from these services.

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

Table 10

UPS	Revenue (in millions BGN)		
	2018	2019	2020
Domestic postal items	77.8	59.7	23.9
1. Items of correspondence up to 2 kg	17.3	13.6	13.7
2. Small packets up to 2 kg	0.1	1.1	1.2
3. Printed matters up to 5 kg	0.4	0.1	0.1
4. Items for blind and partially sighted persons up to 7 kg	0.001	0.001	0.002
5. Postal parcels up to 20 kg	60.0	44.9	9.0
International postal items	27.6	27.5	19.2
1. Priority and non-priority postal items	24.0	23.5	16.2
2. International postal parcels up to 31.5 kg	3.6	3.9	3.0
TOTAL	105.4	87.2	43.2

Source: Data submitted to CRC

Compared to the previous year, the following changes were observed in 2020 in the revenue from the UPS market segment, which were largely related to the Covid 19 pandemic and to a change in the consumer attitudes toward the use of courier services at the expense of postal parcels:

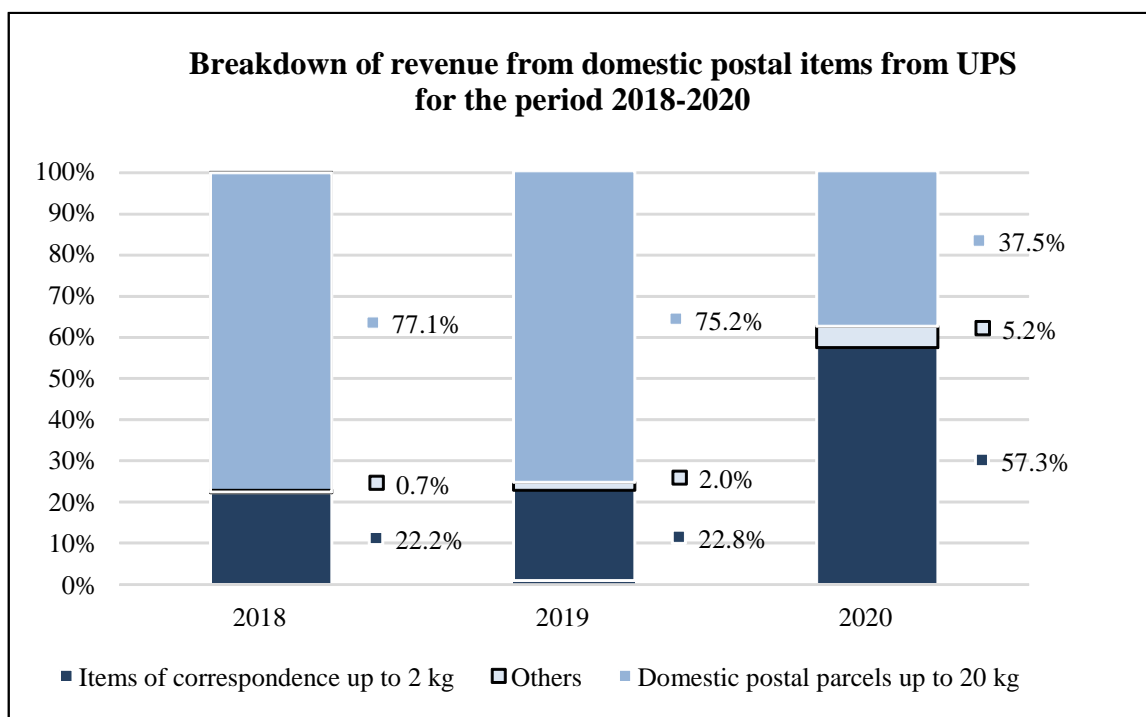
✓ Almost unchanged remained the revenue from items of correspondence up to 2 kg, printed matters up to 5 kg and small packets up to 2 kg;

✓ A fall of 80% in the revenue from domestic postal parcels up to 20 kg due to lower revenue generated from these services by the alternative UPS postal operators. According to operators, this trend has been in place since 2019 and is largely linked to the convergence of courier and UPS services prices as a result of their VAT treatment.

✓ A reduction in the revenue from international postal items of 23% for international postal parcels up to 31.5 kg and 31% for priority and non-priority international postal items, respectively. The recorded decline in revenue from these items is due to the closure of borders, the cessation of flights and the difficulties in land transport due to the outbreak of the Covid 19 pandemic.

3.2.1. Breakdown of revenue from domestic postal items

Figure 7 displays the structure of revenue generated from domestic postal items for the period 2018-2020.



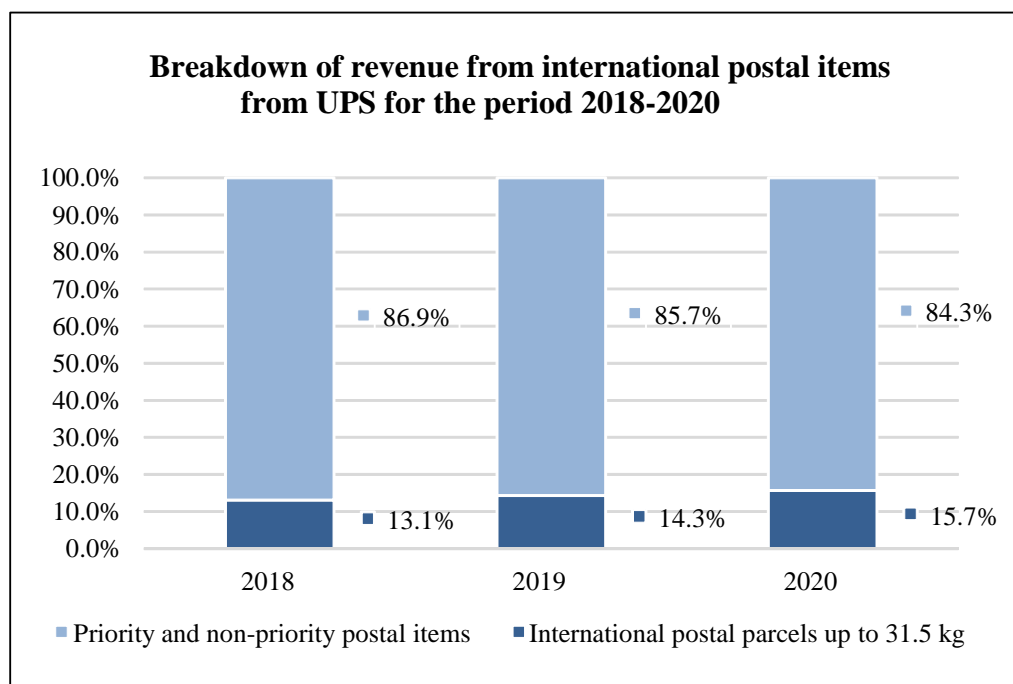
Source: Data submitted to CRC

Figure 7

A significant change in the structure of revenue from domestic postal items was observed in 2020. The trend of the two previous years of growth in the share of postal parcels up to 20 kg was interrupted. Although the revenue from domestic items of correspondence remained unchanged over a one-year period, they made up the largest share (57.3%) of the total amount of revenue from UPS in the country. Compared to 2019, the share of postal parcels up to 20 kg decreased by 37.7 percentage points and ranked second with 37.5% in the country's total revenue from postal items. An increase in relative terms (by 3.2 percentage points) was observed in the group of services shown in the "Others" section, which includes: small packets up to 2 kg, printed matters up to 7 kg, and items for blind and partially sighted persons up to 7 kg. The increase was driven by the reported increase in revenue from small packets up to 2 kg and printed matters up to 5 kg, compared to 2019, mainly by BP.

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 2018 - 2020.



Source: Data submitted to CRC

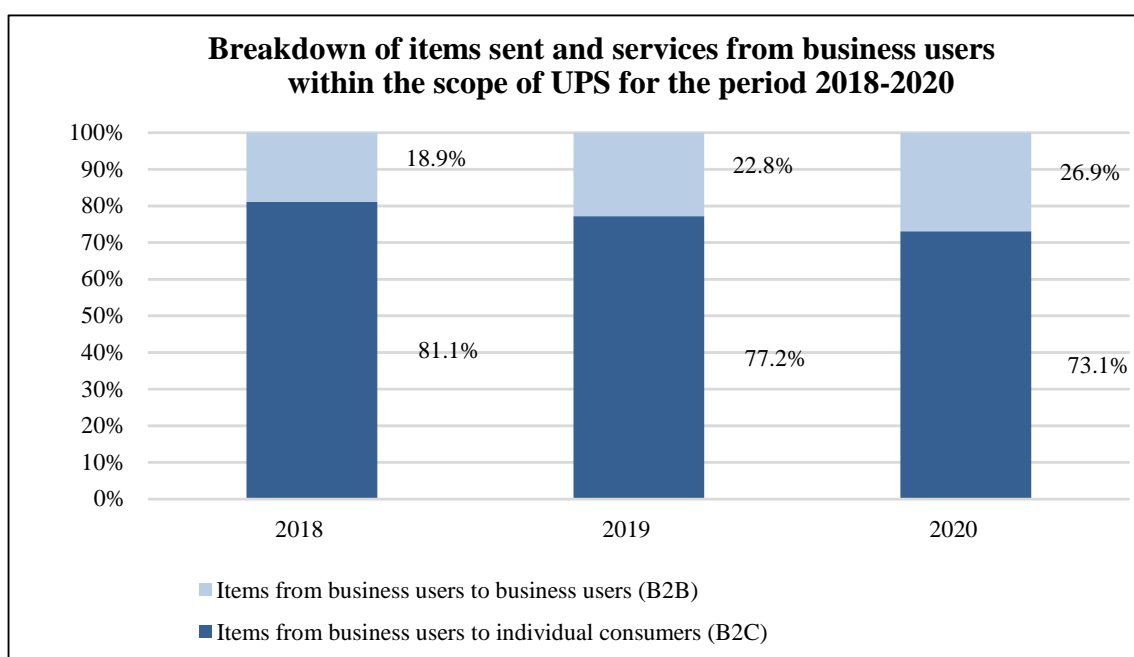
Figure 8

According to the Figure, for the period, the proportion of the share of priority and non-priority postal items to the share of international postal parcels up to 31.5 kg in the structure of revenue from international postal items within the scope of UPS remains relatively steady. Traditionally, the share of international priority and non-priority postal items is higher than that of postal parcels up to 31.5 kg, making up 84.3% in 2020. 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

The change in the structure of the number of domestic items during the reporting period reflects on the structure of consumption of services. Over a one-year period, the share of items sent by individual consumers dropped by 3.2 percentage points to 41.5%. Despite the reduction, consumption was dominated by business users with 58.5% of the total share of postal items.

Figure 9 shows the structure of items sent by business users in the UPS segment.



Source: Data submitted to CRC

Figure 9

The data presented on Figure 9 confirm the trend observed in the recent years of prevalence of the share of items and services within the scope of UPS provided by business users that were intended for individual consumers (business to consumer B2C). This share occupied 73.1% in 2020 and 77.2 % in 2019. The share of items sent by business users and addressed to other business users (business to business, B2B) was 26.9 %, up by 4.1% over the reporting period compared to 2019.

Based on the data submitted to CRC, in 2020, 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 used domestic and international unregistered and registered items of correspondence up to 2 kg and registered items with advice of delivery.

For the same period, the services performed by Econt Express EOOD were used by business consumers in the following ratio: B2C – 83% against B2B – 17%, respectively. In the case of M&BM Express OOD, the share of B2C was 100%.

The services provided by Econt Express EOOD 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.

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 2020.

Table 11

Operators in the UPS segment	Market share (based on revenue)		
	2018	2019	2020
Bulgarian Posts EAD	40.2%	48.5%	79.1%
Econt Express EOOD	53.1%	48.1%	17.6%
M&BM Express OOD	2.1%	1.5%	2.3%
Speedy AD	4.0%	1.4%	0.0%
All others	0.5%	0.5%	1.0%

Source: Data submitted to CRC

The data shows that, in 2020, there was a decrease in the market share of Econt Express EOOD by 30.5 percentage points, which was compensated by an increase in the market share of BP up to 79.1%. The share of M&BM Express OOD was 2.3%, up by 0.8% compared to the previous year. All other postal operators formed a total share of 1%.

BP is the leader in most services in the UPS segment - it reported 90% 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 99% of all revenue from printed matters up to 5 kg. In addition, nearly 99% of the revenue from international postal items were formed by the incumbent operator.

Econt Express EOOD held the largest share in the provision of domestic postal parcels up to 20 kg - 90% of all revenue reported from this service for the country.

The values of both indicators – HHI – 6569 and concentration ratio CR3 – 99.0% 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

Pursuant to 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 this regard, CRC, in an emergency pandemic situation, regularly collected information from BP and monitored the provision of UPS.

As of 13 March 2020, a crisis unit was set up in BP to monitor the situation and to provide all the necessary actions of the company, and the necessary sanitary and hygiene measures were taken, namely:

- in some post offices, where possible, barriers were installed between the counters and distances between them increased; the working premises and vehicles used by the employees were disinfected regularly; disinfectants, face masks, gloves and helmets were provided to the employees;
- the work was organised in such a way as to prevent concentration of too many employees; a limit on the number of visitors to the premises at the same time and a recommendation to keep physical distance were introduced to avoid the concentration of customers in post offices; some post offices were temporarily closed and others operated at reduced working hours.

As a result, there was no disruption of the provision of UPS throughout the country during the period.

An interruption of the provision of UPS for abroad was registered due to flight cancellations and border closures. The acceptance of outgoing international registered items of correspondence, small packets,

postal parcels and EMS¹⁹ items to all destinations was temporarily suspended and gradually resumed, with the list of destinations updated regularly and published in due time for information to consumers. With some exceptions, only outgoing unregistered items were accepted. In view of the situation, BP, through the Universal Postal Union²⁰ (UPU), informed the other members of the Union that it cannot guarantee compliance with the standards for the provision of services (including delivery times and other quality parameters) applicable under the UPU Regulations and other bilateral and multilateral agreements. Similar notifications were sent to the UPU by a number of member states of the Union.

During the pandemic, BP preserved the size of its postal network and the number of its employees, but reported:

- ✓ a decrease of nearly 6.6% in the number of domestic postal items and a decline of 4.3% in the number of domestic postal parcels;
- ✓ a reduction of 34.5% in the number of international items and of 22.3% in the number of international postal parcels;
- ✓ a drop of around 18.9% in the number of incoming international items due to temporarily suspended flights;
- ✓ a reduction of nearly 25% in the revenue from UPS;
- ✓ an increase of 6.4% in the costs of the provision of UPS, which also led to an increase in the amount of compensation requested for the provision of UPS in 2020 by 7.8%²¹ compared to the previous year 2019.

Summary:

In 2020, the following trends were observed in the UPS segment:

- ✓ A reduction in the reported revenue and in the number of items within the scope of UPS;
- ✓ A decrease in the reported revenue and in the number of domestic and international postal parcels;
- ✓ BP is the market leader in the provision of UPS;
- ✓ Replacement of the services within the scope of UPS with services with declared value.

¹⁹ International courier service

²⁰ The Universal Postal Union is a specialised agency of the United Nations, which coordinates the postal policy among the member states of the Union

²¹ According to data from the intent submitted by letters Ref. No 11-00-51/28.02.2020, 11-00-47/25.02.2021 and 11-00-71-7/08.04.2021 of BP to apply for compensation for the unfair financial burden from performing UPS in 2020.

4. Prospects for development of the postal services market

The trends in the postal market development at a European level are also relevant to the Bulgarian postal market, which is determined by the development of e-commerce.

The digital transformation has an impact on the postal sector. On the one hand, there has been a change in consumer attitudes, registering a decline in the demand for items within the scope of UPS as a result of electronic interchangeability. On the other hand, digitization and automation, along with innovations in end devices (e.g. smart phones), stimulate e-commerce and the offer of a variety of methods for the delivery of postal items.

The postal market in the recent years has been less and less oriented toward the sender and more toward the recipient. Postal services have been increasingly focusing on the needs of the recipient, as for e-commerce purchases the recipient is the one who orders the product. Moreover, the recipients of postal items have been increasingly influencing the delivery process compared to the traditional postal services where the sender normally determines the conditions of delivery.²²

In the past year, the Covid-19 pandemic proved to be an exceptional challenge for the postal sector, with sudden changes in the market environment and dynamics in supply and demand. The responsibility of the sector for supplying the population with essential goods following the occurrence of force majeure circumstances has proved to be crucial. The impact of the pandemic had the most significant impact on UPS (decrease in volumes and revenue from postal items, change in the quality of UPS and in the behaviour of postal services users).

The trends observed in 2020, which are expected to continue in the following year as well, are as follows:

- An increase of the participants on the postal market in the non-UPS segment;
- A growth in the number and in the revenue from courier services generated by e-commerce;
- A growth in the number and revenue from postal money orders;
- A decline in the services provided within the scope of UPS;
- An increase in the market share of the incumbent postal operator BP in the UPS segment;
- Development of the infrastructure of postal operators and services offered by them, with the aim of improving the delivery of postal items and granting the most favourable logistic solutions to customers.
- Enhanced role of postal operators in emergency situations in providing vital services to consumers.

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

²² https://ec.europa.eu/growth/sectors/postal-services/ergp_en

BP is the postal operator entrusted, through the PSA, with an obligation to perform UPS throughout the country, including in difficult-to-access areas, of a certain quality and at affordable prices. According to the imposed obligation, UPS is ensured by the incumbent operator BP every working day, at least 5 days a week, and provides for at least one collection of postal items on every working day from the access points and one delivery to recipients. 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 criteria²³ (List).

To inspect the fulfilment of the obligation 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 2020, the control bodies of CRC carried out inspections in a certain sample of 57 post offices of BP throughout the country.²⁴ The inspections were carried out at post offices in settlements not included in the List. As a result of the inspections, no significant deviations from the compliance with the provisions of Article 33 of the PSA were found. It was found that, during the past year, in the context of the emergency epidemiological situation, as a temporary measure, the operator has reduced the working time of certain post offices and has stopped the activity of others for different periods of time. The main factors for these actions taken were: increased numbers of diseased and quarantined postal employees and increased demographic depopulation in some regions of the country.

The incumbent operator undertook to take actions in 2021 to ensure post office employees in small settlements as well as to develop a strategy to develop its postal network. The results of the actions undertaken will be provided in a timely manner for analysis by CRC.

BP fulfils the obligation to perform UPS throughout the country, while continuing to be the operator with the largest postal network.

As of 31.12.2020, 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, 240 were located in settlements with population of less than 150 residents, 1,304 were in settlements with population of over 150 and below 800 residents, and 796 were in settlements with population over 800 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 5,165.

There are 4,729 letterboxes for collection of unregistered items of correspondence in use. For the country, the average population serviced by one post office is 1,600 residents.

In 2020, there was no change in the number and location of access points to the BP's postal network compared to 2019. BP submitted proposals to CRC to change the number of working days in which UPS is provided in 21 settlements meeting the difficult-to-access criteria. As a result, the Commission took decisions to endorse the changes to the List.

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,²⁵ (the Ordinance), the Methodology for determination of the affordability of the universal postal service price²⁶ (the Methodology) and Article 66(2) of the PSA.

In 2020, CRC prepared drafts and conducted a public consultation of decrees amending and supplementing the Ordinance and the Methodology. The amendments made updated the provisions of the two deeds in line with the latest changes to the PSA,²⁷ with a view to reducing the administrative burden for

²³ Criteria for determining the difficulty of accessibility of the areas in the country and the settlements located there, adopted by CRC Decision No 964 of 26.08.2010, prom. SG, no. 72 of 14 September 2010.

²⁴ The sample includes 3rd, 4th and 5th category post offices from the BP network in accordance with the information provided by the operator in the application for compensation of the unfair market burden from the provision of UPS in 2019.

²⁵ Prom. SG, no. 28 of 6 April 2021

²⁶ Prom. SG, no. 29 of 9 April 2021

²⁷ Prom. SG, no. 53 of 5 July 2019

the operator obligated to perform UPS and ensuring a reasonable profit, in the UPS services prices, subject to Article 5 of the European Commission Decision of 20 December 2011.

In the past year, BP did not submit a proposal 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, for the second successive year, CRC carried out an evaluation for compliance of cross-border single piece parcel tariffs with the principles of Article 12 of the Postal Directive.²⁸

For the purposes of the evaluation, an analysis was prepared to what extent the prices of 6 BP services²⁹ (a 500 g registered letter; a 1 kg registered letter; a 2 kg registered letter; a 1 kg postal parcel; a 2 kg postal parcel and a 5 kg postal parcel) 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 6 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 2020, BP submitted to CRC an application for compensation of the net cost and the unfair financial burden of providing the service in 2019, in accordance with the provision of Article 29a of the PSA. The amount of the requested compensation for the provision of UPS in 2019 grew by 8.5% compared to that for 2018, which, according to BP, is due to an increase in the net costs resulting from an increase in the costs for personnel, maintenance of the company's outdated stock of buildings and vehicle fleet.

In compliance with its powers under Article 29a (4) and (5) of the PSA, CRC concluded a contract³⁰ with Global Audit Services OOD with subject: "Inspection of the implementation of the cost allocation system of Bulgarian Posts EAD and audit of the submitted documents related to the calculation of net costs from the provision of the universal postal service for 2019". Based on the factual findings from the performed audit, CRC adopted the following decisions:

- Decision No 325 of 10.09.2020 on coordination of the results obtained from the cost allocation system by types of services of BP;
- Decision No 326 of 10.09.2020 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 2019.

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" - Posts.

On the basis of the audit report and the analysis carried out, CRC set the net costs of performing UPS in 2019 at BGN 26,894, which represent an unfair financial burden from the universal service provision for 2019. In compliance with Article 29a (7), the Commission extended to the Minister of Transport, Information Technology and Communications a proposal to include the amount of compensation for the unfair financial burden in the draft Law on the State Budget of the Republic of Bulgaria for 2021.

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 2020, CRC sent to BP letters containing the recommendations given in the course of the audit as well as instructions for the operator to submit to the Commission an opinion on the recommendations given, together with clarifications concerning the measures to be taken by BP and the respective time limits within which the auditor's recommendations

²⁸ Directive 97/67/EC

²⁹ The services have been designated for assessment by CRC in the EC's PARCEL application

³⁰ No. 03-08-16/05.06.2020

will be fulfilled. In reply, the operator committed to fulfil the given recommendations by carrying out an analysis of the opportunity for their application in the calculation of the net costs for the provision of UPS for 2020.

II. FULFILMENT OF UPS QUALITY TARGETS AND SERVICE EFFICIENCY

With Decision No 154 of 9 April 2020 (prom. SG, no. 39 of 28 April 2020), CRC adopted an amendment and supplement to the quality targets for the universal postal service and the efficiency of service adopted by CRC Decision No. 655 of 14.07.2011 (prom. SG, no. 64 of 19 August 2011). The main changes concern a change in the regulatory time for delivery of postal parcels and the regularity of the collection and delivery of postal items in the postal network of the incumbent operator. The amendments aim to optimise the entire work process, to enable a more effective and quality control, leading to an improvement in the quality of the services provided.

In accordance with the provisions of Art. 15(1)(7) of the PSA, in 2020, CRC conducted a procedure and selected the contractor³¹ 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 2020.” The change in the targets was taken into account in the measurement results presented in the tables below.

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

With quality target for the transit time for domestic unregistered priority postal items for D+1 - not less than 80% of and D+2 - not less than 95% of postal items, at an annual basis (2020), the results from the measurement were 53.4% and 79.6%, respectively. The comparison was made with the results of the 2018 measurement, since in 2019, CRC did not award the measurement of the fulfilment of the universal postal service targets and the efficiency of service due to the lack of candidates in the open tender procedure.

Table 12

End-to-end transit time for priority mail	Quality targets³²	Results 2018	Results 2020
D+1 ³³	Not less than 80% of the postal items	49.0%	53.4%
D+2	Not less than 95% of the postal items	73.8%	79.6%

Source: Data received by CRC

The table shows that there was a slight improvement in quality in 2020 compared to 2018 in terms of the end-to-end transit time of domestic priority postal items. The observed increase in the D+1 indicator was 4.4 percentage points and for D+2 it was 5.8 percentage points.

³¹ Global Metrics EOOD

³² 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 CR Decision No. 154 of 9 April 2020, SG, no. 39 of 28.04.2020;

³³ 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.

- **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 13

End-to-end transit time for non-priority mail	Quality target	Results 2018	Results 2020
D+2	Not less than 80% of the postal items	80.5%	80.1%
D+3	Not less than 95% of the postal items	91.6%	89.5%

Source: Data received by CRC

The table shows that the D+2 target was met for domestic non-priority items. The D+3 target was not achieved and the results reported for 2020 are close to the results obtained for this type of items in 2018.

- **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.

Table 14

End-to-end transit time for postal parcels	Quality target	Results 2018	Results 2020
D+1/D+2	Not less than 80% of the postal parcels	41.5%	74.4%
D+2/D+3	Not less than 95% of the postal parcels	79.4%	85.0%

Source: Data submitted to CRC

During the measurement for 2020, the quality targets were changed in relation to the time taken for the transit of domestic postal parcels. For the purpose of monitoring the performance, it was calculated what the results are for the D+1 target for the period in which this target was in force (until 28.04.2020) and the results for delivered items in the D+2 target in the following period - from 29.04.2020 until the end of 2020, in which the new target was in force.

The results reported for the end-to-end transit time for postal parcels for 2020 are considerably higher compared to 2018, but they have not yet met the set quality targets for the service.

The results from the measurement of the end-to-end transit time for single domestic priority and non-priority mail and postal parcels within the network of the operator obliged to provide the universal postal

service in 2020 (with the exception of the D+2 indicator for non-priority items) show non-fulfilment of the quality targets for the said postal services.

In this regard, in fulfilment of its powers, CRC took the following measures:

- ✓ 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 2020 were presented and discussed of 2020;
- ✓ Once the measurement was completed, BP was made acquainted with the final results for the entire year 2020 and with the recommendations of Global Metrics EOOD;
- ✓ In accordance with its powers under Art. 105b of the PSA, CRC took administrative penal actions.

• **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 so obtained results are official for all operators from the EU member states and serve as a basis for payments between them. They are 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 requirements³⁴ (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 authorities³⁵, 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.

Postal operators licensed for the provision of the PMO service are obliged³⁶ 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 22 inspections performed by CRC to different postal operators, 6 AOA’s were drawn up to BP for violations found concerning non-compliance with Article 10 (2) of Ordinance No 6 (lack of recording technical device

³⁴ Prom. SG, no. 90 of 15.11.2011, amended and supplemented, SG, no. 78 of 4 October 2019

³⁵ Article 22 of Ordinance No 6

³⁶ 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.

for video surveillance of the access to desks intended for acceptance of valuable items or performance of cash operations). The 3 AOAs drawn up were in relation to inspections carried out in November 2019. Also, for non-compliance with Article 10 (2) and (3) of Ordinance No 6, two AOAs were drawn up to Easypay AD.

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.

The preventive measures most commonly taken by the leading courier companies and operators licensed to provide services within the scope of UPS to prevent prohibited items and substances from entering the postal network, which they indicated in their 2020 activity questionnaires on the provision of postal services, are: carrying out of technical inspection of domestic postal items and cargo using their own technical devices and software or under contract with other postal operators; placing of information about forbidden objects and substances in a prominent place in post offices; conducting monthly instructions 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 strict measures to control the access to warehouses and offices via permanent video surveillance, signing contracts with licensed private security companies for all offices and warehouses, performing physical inspection of the items by the employees who accept them, preparing daily risk analysis by employees from the security departments, etc.

The most common objects and substances that operators forbid to be placed in the postal items are: narcotic substances, weapons and ammunition; precursors and their analogues; excise goods without excise stamps; tobacco; goods infringing intellectual property rights (replicas of trademarks). In all cases, postal operators notify the MoI and/or the customs authorities.

IV. CONTROL ACTIVITY AND CONSUMER PROTECTION

In 2020, 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 309 inspections, of which:

- 68 inspections of postal operators in relation to tips received in CRC, the predominant part of them being over undelivered postal items or over problems in the delivery. In this respect, 3 AOAs were drawn up for infringement of Article 105c, in conjunction with Article 6(3) of the PSA, Article 105 (item delivered to another person), 1 AOA for infringement of Article 105c (2), in conjunction with Article 105c(1), in conjunction with Article 60(4) of the PSA (conveyance of an item without a declared value), and 1 AOA for infringement of Article 21(8) of the PSA, in conjunction with Article 105c(2), in conjunction with Article 105c(1) of the PSA (absence of general terms and conditions in the operator's post office);
- 57 inspections were carried out in points of access to the BP's network related to compliance with the obligation to provide UPS on all working 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;
- 22 inspections were carried out for compliance with Ordinance No 6 on the postal security requirements in the BP's post offices - 6 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);
- 3 inspections of post offices (POs) of Star Post Ltd. for compliance with the license conditions for the provision of services within the scope of the universal postal service. 19 AOAs were drawn up for violations found during the inspections as well as during inspections carried out in 2019, of which: for prices of services not displayed in an accessible location of the PO; absence of the

general terms and conditions of the contract concluded with the users in a prominent place of the PO; absence of date stamp and postage stamps, non-acceptance of postal items from senders – natural persons; no declared working time;

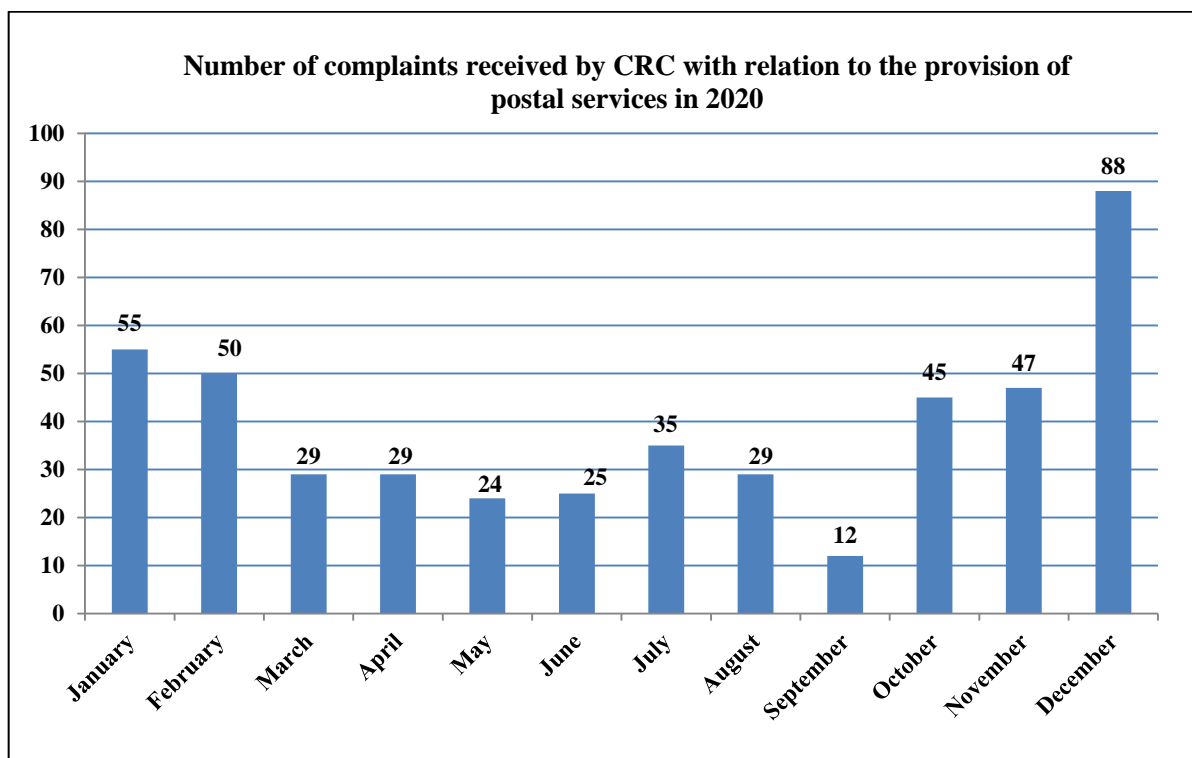
- 15 inspections of postal operators who have not submitted any activity report for 2019 to CRC - 7 AOAs were drawn up for violations found.
- 43 inspections of postal operators in relation to decree of Sofia City Public Prosecutor's Office for the award of an immediate inspection under Article 145 (1) (5) and (6) of the Judicial System Act under adm. No 210/2020 as per the record of Sofia City Public Prosecutor's Office on the imposition of an additional charge related to the emergency situation declared in the country. During the inspections, a series of violations of the PSA were found, such as: prices of services not displayed in an accessible location of the PO, absence of the general terms and conditions in a prominent place of the PO, unpublished prices of the services on the operator's website, additional temporary charge not displayed in a location accessible to the consumers, information about the emergency charge introduced not provided to CRC, lack of general terms and conditions. For the violations found, 14 AOAs were drawn up;
- 92 scheduled inspections of postal operators licensed to provide postal money orders concerning the compliance with the provisions of the Measures Against Money Laundering Act and Measures Against the Financing of Terrorism Act. During the inspections, no violations of the PSA were found;
- 6 scheduled inspections of postal operators providing the hybrid mail service. During the inspections, no violations of the PSA were found;
- 3 scheduled inspections of postal operators licensed to provide services within the scope of the universal postal service licensed in the 2017-2018 period. During the inspections, no violations of the PSA were found.

In the reporting period, CRC passed judgements by 3 decisions on formal requests for the Commission's opinion on a rejected complaint under Article 86(4), in connection with Article 15(1)(17) of the PSA:

- 1. Decision No. 203 of 04.06.2020:** An international item, DPD ECONOMY service (Collection Request) was sent to be picked up from an address - an Austrian airport - and to be delivered to an operator's office. The item has travelled with declared additional 'declared value' service and declared content 'computer', marked as fragile. Due to the absence of part of the weight, a complaint was submitted which was rejected on the grounds that the postal operator accepted the item in Austria with the lower weight and the record on the waybill was a system error. According to the operator, there is no evidence of any tampering or other circumstances that would lead to the falling, theft, damage or any other manipulation with the contents. After examination of all the evidence submitted, CRC obliged the operator to pay the missing contents of the item.
- 2. Decision No. 205 of 04.06.2020:** An item was sent to a recipient with an address in the village of Banya. The item travelled with the 'PALLET ONE - BG PREMIUM' courier service with declared 'cash-on-delivery', but without the additional 'declared value' service. The declared content was 'car parts'. On the day of delivery, the item was refused by the recipient because of damage found. The complainant claims the damage actually suffered. With its abovementioned decision, CRC ruled that Speedy AD had calculated the compensation under its General Terms and Conditions for provision of the service and the relevant provisions of the PSA. The payment of compensation by the operator does not preclude the possibility of seeking compensation under the general procedure.
- 3. Decision No. 306 of 27.08.2020:** An item was sent to a recipient with an address in the town of Razlog. The item travelled with the 'Standard 24 hours' courier service without additional services declared, including 'declared value'. The declared content was 'honey'. Upon receipt, some of the content has been found to have leaked. The complainant claims the damage actually suffered. With its abovementioned decision, CRC ruled that Speedy AD had calculated the compensation under its General Terms and Conditions for provision of the service and the provisions of the PSA. The payment of compensation by the operator does not preclude the possibility of seeking compensation under the general procedure.

CRC carefully monitors the causes of complaints made by postal users and analyses the trends in the tips submitted against postal operators. In 2020, a total of 468 complaints and claims were considered by the Commission.

The Figure below provides information on complaints received by CRC, by number and by months of 2020.



Source: Data submitted to CRC

Figure 10

The Figure shows that the highest number of complaints were submitted in December and January, resulting from the workload of postal operators due to the increased consumption of postal items in the period of Black Friday, Christmas and New Year.

Out of a total of 468 complaints submitted to CRC concerning various postal services, 182 were found to be justified, while 64 were partly respected. The analysis of handled complaints shows that around 19% of them concerned late delivery of postal items. They are followed by about 13% related to undelivered and lost items. The remaining tips were related to damaged items, while a small portion concerned various issues related to improper charging, quality of users' service, etc.

According to data from the submitted annual questionnaires for 2020 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 2020 was 25,359, of which 2,424 were justified. For a one-year period, the total number of submitted complaints dropped by 39%, and the number of justified complaints was down by 85%. In 2020, as in 2019, 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. According to the operator's data, these are items 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 2020, 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.

CONCLUSION

In 2020, the postal sector's activity was influenced by the Covid pandemic and the force majeure circumstances caused by it. In addition to the challenges facing the sector, the social importance of postal services in times of crisis was also highlighted.

Despite this abnormal work situation, CRC continued to work toward the achievement of its main goals in the sector over the past year: to ensure a competitive postal market, provide quality postal services, ensure sustainable development and affordability of UPS.

The Commission's work in these main fields is carried out annually and involves 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.

By the end of this year, the Commission carried out a review of the implementation of BP's obligation to perform UPS for the period 2016-2020. On the basis of the results of the analysis, CRC will prepare a report on the continuation, modification or cancellation of the obligation to provide UPS.

At the same time, CRC will continue its cooperation with all national European bodies involved in the provision of postal services: the Commission for Consumer Protection, the Ministry of Transport, Information Technology and Communications, consumer and trade organisations, the Universal Postal Union, ERGP, etc.

This report takes account of the work carried out in 2020 and outlines the Commission's forthcoming work in the sector to ensure consistency in the implementation of the regulatory functions in the postal sector.