

**ANNUAL REPORT**

**of**

**THE COMMUNICATIONS REGULATION  
COMMISSION**

**for 2022**

***ANALYSIS OF THE POSTAL SERVICES MARKET***

**June 2023**

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## INTRODUCTION

In 2022, the Communications Regulation Commission (CRC, the Commission) continued to implement its strategic objectives to ensure a sustainable competitive postal market, protection of consumers' interests, effective regulation and control in the sector.

The achievement of the Commission's strategic objective of a sustainable competitive postal market requires continuous monitoring of the factors affecting the provision of postal services, from European regulatory mechanisms, technological innovations, to the emergence of new business models in the postal market.

Digitalisation in the postal sector and the trend to define the delivery of goods generated by e-commerce as one of the fastest growing and efficient postal services, as well as the changed consumer attitudes, have created prerequisites for the emergence of new players in the postal sector - on-line platforms.

To increase the efficiency of regulatory activity, in 2022, CRC performed an analysis of European practices and monitoring of on-line platforms in Bulgaria and, by its Decision No 16/12.01.2023, adopted a position on criteria for the designation of on-line platforms as postal operators.<sup>1</sup>

The adoption of the position aims to increase the efficiency of the regulatory activity of CRC in terms of the market segment of the non-universal postal services (non-UPS) by ensuring:

- equality among players providing postal delivery services generated by on-line commerce in terms of meeting regulatory requirements;
- fair competitive conditions;
- increased transparency for end-users regarding the prices of postal delivery services generated by e-commerce and delivery conditions.

In 2022, CRC registered the first on-line platform in Bulgaria – EMAG International OOD - which meets the criteria for the designation of on-line platforms as postal operators.

Following its strategic objective of providing a competitive environment in the sector, CRC registered 10 new operators for the provision of non-UPS under Art. 38, p. 1-3 of the Postal Services Act (PSA) and issued three individual licenses for the provision of the 'postal money order' service. The total number of postal operators was 178 in 2022.

In the exercise of its powers to protect consumers' interests, the Commission works in close cooperation with all stakeholders and institutions, having examined 440 complaints and tips from users of postal services, carried out 230 inspections and drawn up 13 penal decrees for violations of the legislation in the field of postal services.

A leading aspect in the CRC activity as a state body implementing the policy in the field of postal services is to ensure the provision of the universal postal service (UPS) throughout the country, within certain working hours and with a certain quality, at affordable prices, and the possibility of using the service by any user on the territory of the country, regardless of their geographic location.

Each year, CRC assigns to an external contractor the task to measure the fulfilment of the quality targets of UPS provided by the incumbent postal operator Bulgarian Posts EAD, the results of which are presented in the main part of this report.

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

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<sup>1</sup> [https://crc.bg/files/Pozition\\_CRC\\_on\\_line\\_platforms\\_za\\_Web\\_CRC\\_fine.pdf](https://crc.bg/files/Pozition_CRC_on_line_platforms_za_Web_CRC_fine.pdf)

The report was prepared in accordance with Article 17 PSA and contains information about the development of the postal market in Bulgaria over the past year, as well as information about the CRC's activity in accordance with its legal functions and powers.

# I. STATUS, DEVELOPMENT AND PROSPECTS OF THE 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 CRC as of 31 May 2023 from 89% of the operators registered as of 31.12.2022.

When summing rounded amounts and percentage data, rounding-based calculation differences may occur due to the use of standard spreadsheet and chart functions.

The relative shares are presented with rounding up to the first decimal place. As a result of such rounding, it is possible that the sum of the relative shares exceeds or does not reach 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.

According to the provisions of PSA, postal services in Bulgaria are provided on the basis of authorisation (licensing) and notification regimes.

Postal operators are persons who carry out one or more postal services and are registered under the legislation of the Republic of Bulgaria, another EU Member State, or a state that is a party to the EEA Agreement and perform postal services on the basis of individual licenses issued for the performance of services that are included in the scope of the UPS and/or for the provision of postal money orders (PMOs) pursuant to Art. 39, p. 1, 2 and/or 3 PSA, while the provision of non-universal postal services under Art. 38, p. 1 – 3 PSA requires a duly submitted written notification.

At the end of 2022, the total number of postal operators authorised/registered under PSA was 178, presented by services in Table 1 below.

**Table 1**

Licenses and certificates issued under PSA	Number of licensed/registered operators in 2022
Licenses for UPS and services within the scope of UPS	13
Licenses for postal money orders	36
Entered in the register of operators performing non-universal postal services	163

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

In 2022, a total of 81 postal operators actually provided postal services.

## 1.2 Volume and structure of the Bulgarian postal market

For the purposes of analysis of the postal market, it was divided into two main segments - UPS and non-UPS. The UPS segment covers the universal postal service awarded for provision to Bulgarian Posts EAD (BP/incumbent postal operator/historical operator)<sup>2</sup> under 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 the hybrid mail services.<sup>3</sup>

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

**Table 2**

Postal services	Revenue (millions BGN)		
	2020	2021	2022
1. Universal postal service and services within the scope of UPS	43.2	36.1	31.7
2. Non-universal postal services	558.4	646.9	744.5
<b>TOTAL</b>	<b>601.6</b>	<b>683.0</b>	<b>776.2</b>

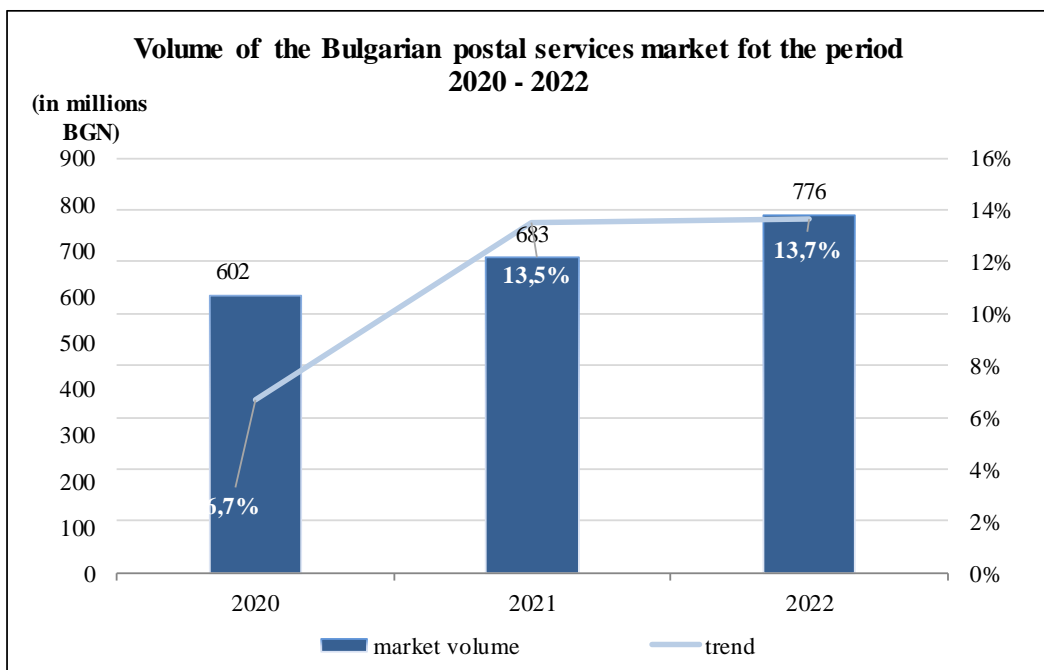
*Source: Data submitted to CRC*

In 2022, the market volume measured by the revenue from the provision of postal services indicator reached BGN 776.2 million, maintaining a relatively stable growth rate invariably since 2012, registering a growth of 13.7% since the year before. Figure 1 displays the growth in market volume over the last three years.

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<sup>2</sup> 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)

<sup>3</sup> The postal service of acceptance of messages submitted in a physical or electronic form by the sender, processing and transmitting them by electronic means, and delivery of these messages to the addressee as postal items, defined in §1, p. 35 of the Additional Provisions of PSA.



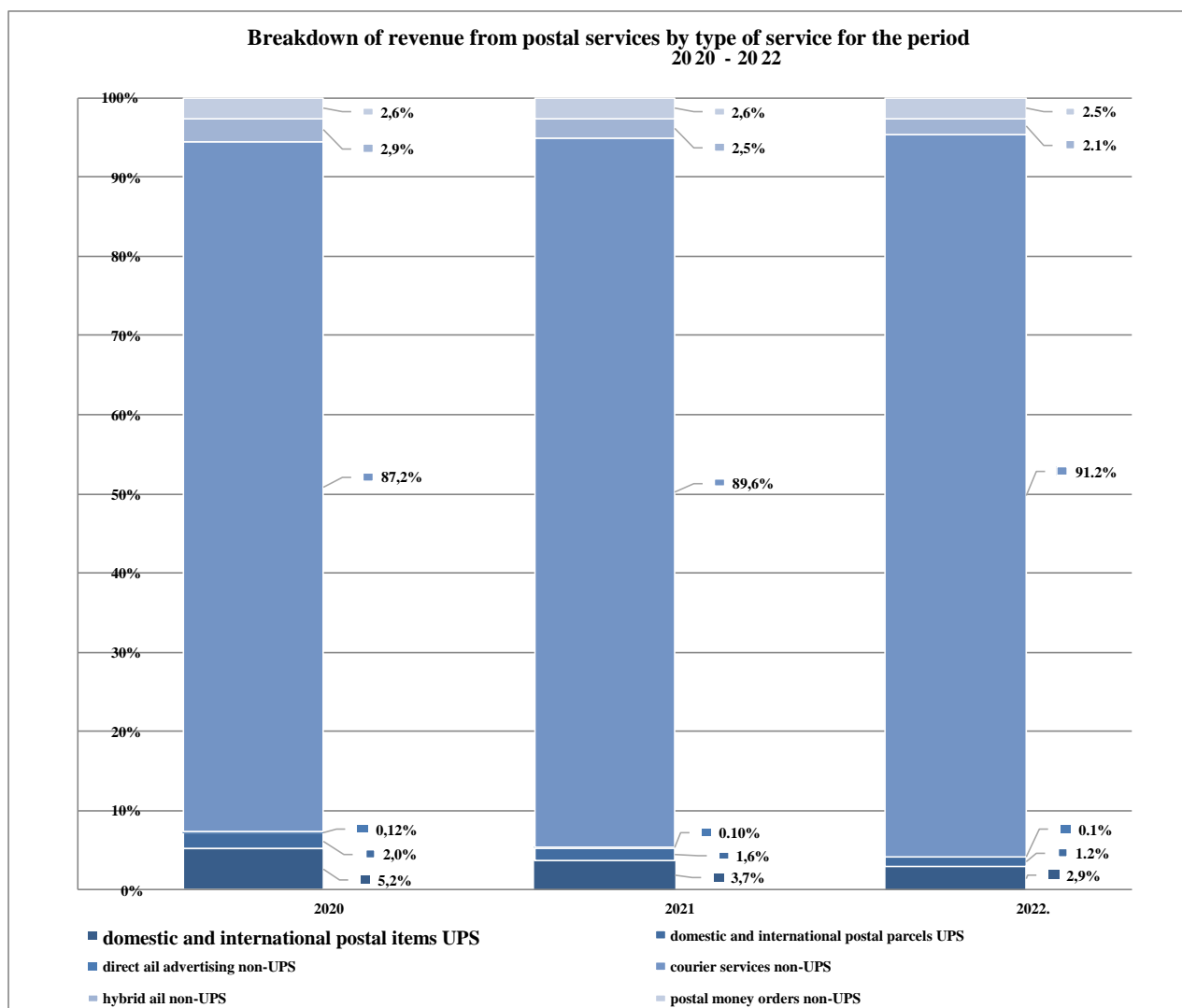
**Figure 1**

*Source: Data submitted to CRC*

The growth rate in 2022 remained almost unchanged compared to the previous year, with a registered growth of 0.2 percentage points.

Viewed by services, the total volume of the market is mainly determined by revenue generated by the non-UPS segment. In 2022, the non-UPS segment accounted for 96% of the postal services market, with its share in the total market increasing by one percentage point compared to 2021, at the expense of the share of the UPS segment, and in absolute terms the increase was by 15.1%. In the UPS segment, the downward trend continued, as in 2022, revenue decreased by 12.3% compared to the previous year, holding a relative share of 4% in the total market.

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 2022, compared to 2021, the share of revenue from courier services rose by 1.6 percentage points and reached 91.2% of the total revenue, with a decrease being observed in almost all other services (only the revenue from direct postal advertising has retained its share since 2021). The dominant role of courier services is enhanced by an increase in revenue in absolute value by 15.7% in 2022, compared to the previous year, while maintaining the structure of the market.

Revenue from postal items for the country and abroad, which occupied second place with a relative share in the total revenue of 2.9%, decreased in absolute terms by 10.6% compared to 2021, and its relative share in the total volume of the market in 2022 dropped by 0.8 percentage points.

Revenue from the postal money order service whose relative share in the total revenue in 2022 decreased by 0.4 percentage points, compared to 2021, registered an increase of 12.1% in absolute terms.

Revenue from the hybrid mail service in 2022 retained its relative share of 2.5% in the total revenue, but it reported a decrease of 4.7% in absolute terms compared to 2021.



Revenue from the direct mail advertising service, which accounted for the lowest relative share of 0.1%, in 2022, reported a growth of 15.9% in absolute terms compared to 2021.

The volume of the postal services market, measured by the number of items indicator, amounted to 248,9 million items in 2022 and marked a decrease of 6.7% year-on-year, mainly due to the decrease in the number of items from the UPS segment and the number of items sent as hybrid mail. A slight decrease of 1.2% was also registered in the number of items sent as courier services. A growth in the number of services realised in the non-UPS segment was observed in the direct mail advertising and postal money order services, but it does not make up for the overall decrease during the one-year period considered.

Figure 3 presents the dynamics 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)		
	2020	2021	2022
Postal items UPS	25,0	18,2	14,8
incl. domestic and international letter mail UPS	22,4	16,2	13,6
incl. domestic and international postal parcels UPS	2,5	1,9	1,2
direct mail non-UPS	2,7	2,6	2,9
courier services non-UPS	102,4	129,3	127,8
hibrid mail non-UPS	94,6	95,3	81,6
postal money orders non-UPS	18,7	21,3	21,8
Total	<b>243,2</b>	<b>266,7</b>	<b>248,9</b>

*Source: Data submitted to CRC*

In 2022, compared to the year before, the following changes in the number of items and services on the postal market were observed:

- ✓ A 10.1% increase in the number of direct mail advertising items;
- ✓ A growth in the number of postal money orders by 2%;
- ✓ A decrease in the number of domestic and international postal items by 15.9%;
- ✓ A fall in the number of domestic and international postal parcels by 38.5%.
- ✓ A drop in the number of hybrid mail items by 14.3%.

Detailed information on the state and trends of development of both market segments (UPS and non-UPS) is presented in p. 2 and p. 3 of this report.

## **2. PROVISION OF NON-UNIVERSAL POSTAL SERVICE (non-UPS)**

### **2.1. Players in the non-UPS market segment**

As of 31.12.2022, the number of operators registered for the provision of non-universal postal services under Art. 38, p. 1-3 PSA<sup>4</sup> was 163, of which 73 were active during the period under consideration.

The companies providing the hybrid mail service in the past year were Bulgarian Posts EAD, Direct Services OOD, DV Post OOD, Evropat 2000 AD, M&BM Express OOD and Tip Top Courier AD, down by 1 operator compared to the previous period.

In 2021, the direct mail advertising service was provided only by Bulgarian Posts EAD, while M&BM Express OOD joined the historical operator in this sub-segment of the market in the past year.

CRC issued 3 new individual licenses for the provision of PMO<sup>5</sup> to Novatio OOD, Fast Pay HD AD and Delivery Solutions EOOD. With the above newly licensed undertakings, the number of postal operators licensed to provide PMO reached 36. Of them, in 2022, activity was carried out by 20 postal operators which are listed in Table 4.

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<sup>4</sup> According to Art. 38, p. 1-3 PSA, direct mail advertising, hybrid mail and courier services fall within the scope of non-UPS.

<sup>5</sup>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 4**

<b>Operators that performed the PMO service in 2022</b>		
1	BULGARIAN POSTS	EAD
2	DELIVERY SOLUTIONS	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	INTERNATIONAL MAIL AND PARCEL	EOOD
11	CASH CREDIT	EAD
12	LEO EXPRESS	EOOD
13	M&BM EXPRESS	OOD
14	POSTABIL	EOOD
15	CVC	EOOD
16	SPEEDY	AD
17	TIP-TOP COURIER	AD
18	TOYOTA TIXIM	EOOD
19	TRANSPRESS DELIVERY	EOOD
20	FACTOR I.N.	AD

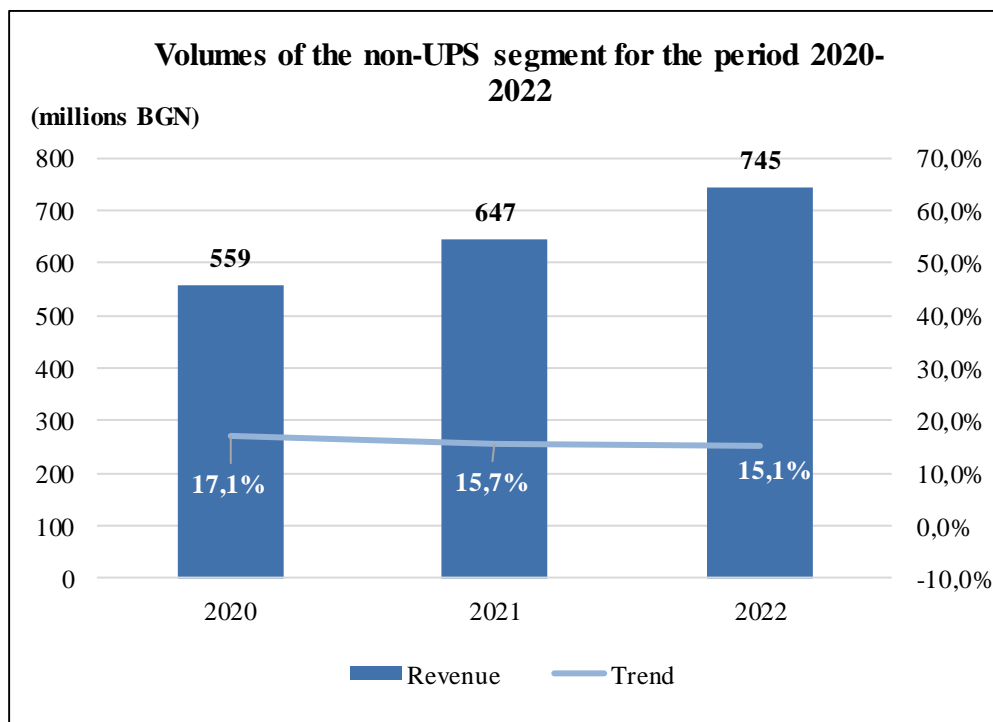
## **2.2. Volume and structure of the non-UPS market segment**

In 2022, the volume of the non-UPS market segment, measured by the revenue<sup>6</sup> from provision of non-UPS indicator, amounted to BGN 744.5 million, with an increase of 15.1% compared to 2021 (Figure 3).

Figure 3 presents the breakdown of revenue generated for the period 2020-2022.

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<sup>6</sup> Includes revenue from the provision of courier services for the country and abroad, hybrid mail, direct mail advertising and postal money orders.



**Figure 3**

*Source: Data submitted to CRC*

The data presented in Figure 3 in 2022 confirm the trend of growth in the volume of the segment (by 15.1%) observed in recent years, which is mainly due to the increase in absolute terms of revenue from domestic courier services, compared to 2021.

In 2022, the total number of processed items and services in the non-UPS segment was 234.1 million, breaking the continuous upward trend in this indicator and, compared to 2021, a drop of nearly 5.8% was registered. The main reason for this retreat is the registered decline in the number of processed items and services in the hybrid mail sub-segment, which decreased by 14.3% compared to the previous period (from 95.3 million in 2021 to 81.6 million in 2022).

Information on the breakdown of revenue from non-UPS by services for the period 2020-2022 is presented in Table 5.

**Table 5**

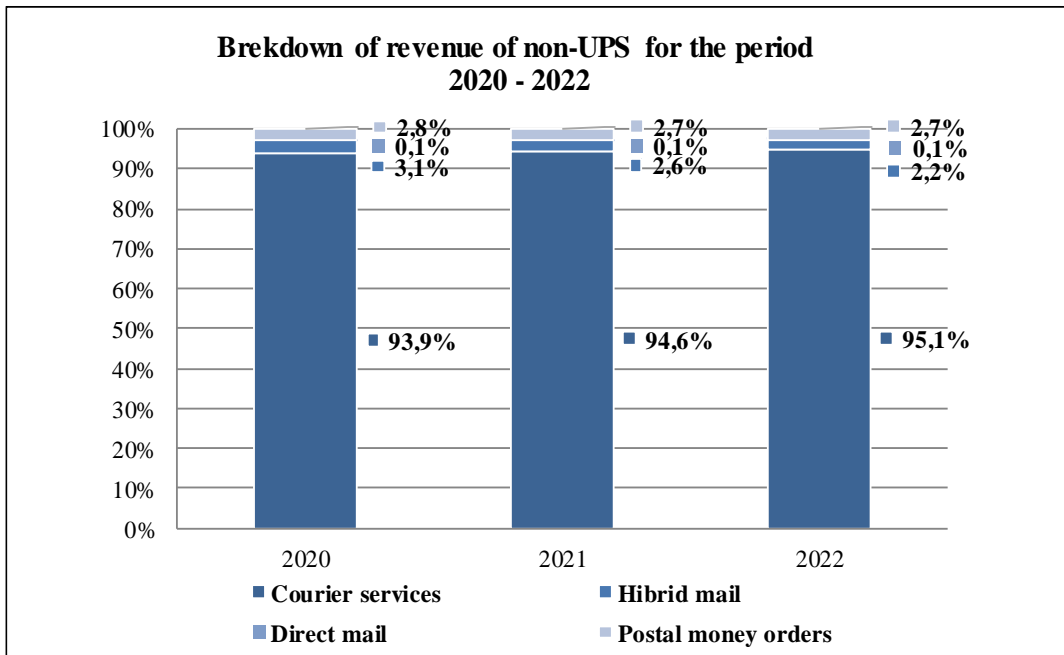
Non-UPS	Revenue (millions BGN)		
	2020	2021	2022
1. Courier services	525.1	611.7	707.9
1.1. Domestic courier services	389.5	453.7	536.0
1.2. International courier services	135.6	158.0	171.9
2. Hybrid mail	17.6	16.8	16.0
3. Direct mail advertising*	0.72	0.71	0.83
4. Postal money orders	15.5	17.6	19.8
<b>TOTAL</b>	<b>558.9</b>	<b>646.9</b>	<b>744.5</b>

*Source: Data submitted to CRC*

Compared to the year before, the following changes in the revenue from the non-UPS segment were observed in 2022:

- ✓ An increase in revenue from courier services by 15.7%;
- ✓ An increase in revenue from postal money orders by 12.1%;
- ✓ An increase in revenue from direct mail advertising by 15.9%;
- ✓ A drop in revenue from hybrid mail by 4.7%

The breakdown (structure) of revenue from non-UPS for the period 2020-2022 is presented in Figure 4.

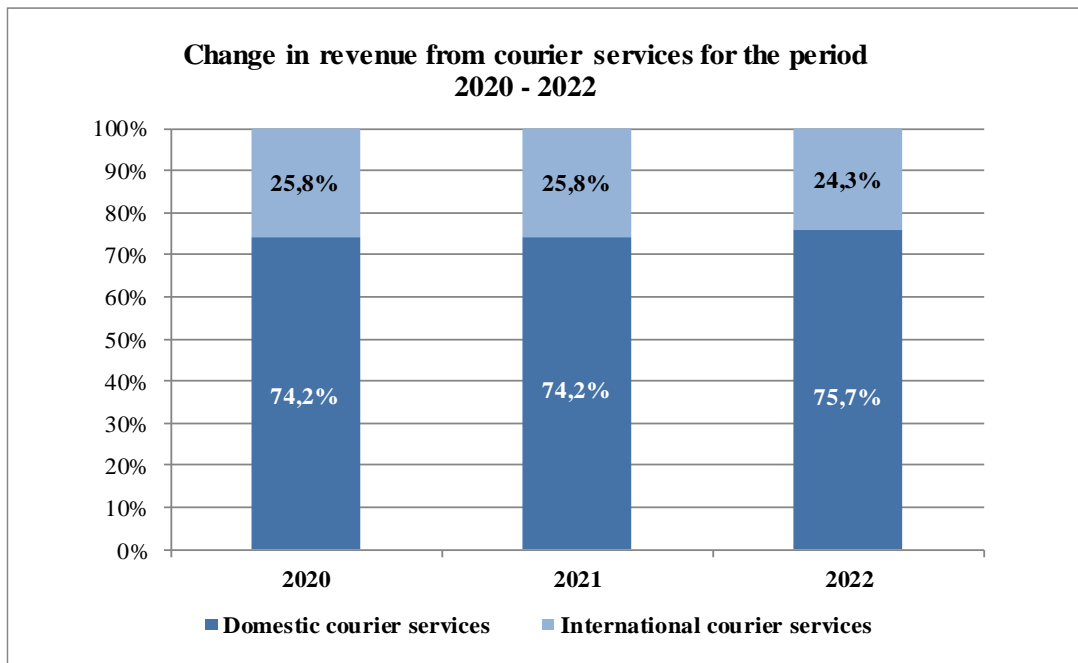


**Figure 4**

*Source: Data submitted to CRC*

At the end of 2022, there was no significant change in the overall structure of revenue in the segment, as it remained relatively constant over the three-year period considered. In 2022, as in the previous two years, revenue from courier services continued to affirm its dominant role, forming 95.1% of the segment and registering a growth of 0.5 percentage points compared to 2021.

Figure 5 displays the change in revenue from courier services for the period 2020-2022.



**Figure 5**

*Source: Data submitted to CRC*

As shown by the figure, for the period considered, the amount of revenue from courier services was mainly formed by domestic courier services, with their share in the total amount of revenue from courier services up by 1.5 percentage points compared to 2021. In the past year, the revenue from domestic courier services grew by 18.1% and the revenue from international courier services increased by 8.8%, while the total number of processed items and services decreased by 1.2% year-on-year. The observed trends in the number and in revenue over a one-year period are largely the result of supply chain problems caused by the war in Ukraine and high inflation rates, which inevitably affect consumer behaviour. In 2022, there was an increase in prices in the sub-segment and, according to NSI data, the average annual inflation rate in the field of postal services was 10.8%.<sup>7</sup>

On-line shopping continued to be the main driver for courier services development in 2022. According to data provided by the postal operators, in 2022, the revenue from items generated by e-commerce increased by approximately 23% compared to 2021. According to the European E-Commerce Report 2022, published by the Bulgarian E-Commerce Association (BEA),<sup>8</sup> the share of e-commerce from the GDP of the country in 2022 was 2.14%, reaching EUR 1.64 billion,<sup>9</sup> and the level of development of e-commerce is determined by the proportion of the volume of e-commerce to the country's GDP.

During the reporting period, according to data provided by the National Statistical Institute, 40.5% of all consumers have shopped on-line,<sup>10</sup> which is an increase of 7 percentage points compared to 2021, of which 94.4% have shopped<sup>11</sup> from Bulgarian on-line traders, 32% from e-traders in the EU, and 18% from non-EU traders, as the trend here is towards increasing the share of goods purchased from abroad.

Despite the observed increase in absolute terms of the revenue from the PMO service (by 12.1%) compared to 2021, their relative share of the total amount of non-UPS revenue remained unchanged over the one-year period considered. According to the data summarised by CRC, revenue reported from the PMO service in 2022 amounted to BGN 19.8 million, occupying a relative share of 2.7% of the revenue in the non-UPS segment.

In 2022, the revenue from the hybrid mail service continued with its negative growth rate, occupying a share of 2.2% in the total amount of revenue from non-UPS, with the reported decline amounting to 0.4 percentage points compared to the previous year.

The revenue from the direct mail advertising service has retained its share of 2021, occupying a negligible share of 0.1% of the total amount of revenue from non-UPS. The development of this service over the three-year period concerned depended largely on the social distancing measures put in place to combat the COVID 19 pandemic, which resulted in businesses redirecting their advertising activities mainly on-line, and the lifting of the strict restrictive measures in 2022 had a positive impact on the sub-segment, which, for the first time in many years, registered an increase of 15.9% in absolute terms compared to the year before.

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<sup>7</sup> <https://nsi.bg/bg/content/2518/средногодишни-ипц-предходната-година-100>

<sup>8</sup> [https://mcusercontent.com/e9e6352adc573daf690ebf78f/files/1403cf2b-c2c2-d4c3-0e59-2d6444cb6ea8/BookletBEA\\_BOOKLET\\_2022\\_ready.pdf](https://mcusercontent.com/e9e6352adc573daf690ebf78f/files/1403cf2b-c2c2-d4c3-0e59-2d6444cb6ea8/BookletBEA_BOOKLET_2022_ready.pdf)

<sup>9</sup> The total annual revenue generated by the sale of goods/services via the Internet.

<sup>10</sup> <https://www.nsi.bg/bg/content/2831/лица-които-са-купували-стоки-и-услуги-по-интернет-за-лични-цели-през-последните-12-месеца>

<sup>11</sup> <https://www.nsi.bg/bg/content/2835/закупуване-на-стоки-от-лицата-по-местонамиране-на-продавача>



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

Table 6 shows the evolution of the market shares of the first three postal operators in the non-UPS segment (excluding the PMO service) and all other operators in general.

**Table 6**

Operators in the non-UPS segment	Market share (revenue based)		
	2020	2021	2022
Econt Express OOD	37.4%	37.9%	38.4%
Speedy AD	30.9%	32.6%	34.6%
DHL Express Bulgaria EOOD	8.7%	8.0%	8.2%
All other	23.0%	21.4%	18.8%

*Source: Data submitted to CRC*

In the past year, the main competitors in the courier services, Econt Express OOD and Speedy AD, had a decisive role in the formation of the volume in the segment, measured on the basis of revenue from non-UPS, which increased their market share by 0.5 and 2 percentage points respectively. After them ranks DHL Express Bulgaria EOOD with a market share of 8.2%. In 2022, the number of postal operators with a market share of more than 1% was 10, as it remained unchanged compared to 2021. Over a one-year period, the share of the historical operator Bulgarian Posts EAD remained almost unchanged at 1.6%.

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 index and the concentration ratio CR5.<sup>12</sup> The CR5 indicator value grew by 2 percentage points compared to 2021, reaching 85%, which is an indication of a high concentration level in the non-UPS market segment. In 2022, courier services were provided by 72 postal operators, down by five compared to 2021. Participants in this market segment have invested 8% less for the development of postal networks and for the introduction of new services compared to 2021, and this retreat can be explained by the unforeseen investments that postal operators were forced to make in the pandemic years 2020 and 2021, and the normalisation of the segment in the past year. Despite the above, in the coming years, new players are expected to enter the courier services sub-segment as a result of the expansion of e-commerce. The changed consumer attitudes create new business models – on-line platforms that combine technology solutions with courier services. The first prerequisites for change are there – in 2022, EMAG International OOD became the first on-line platform registered as a postal operator, and Delivery Solutions OOD managed in a short time to become the postal operator with the largest network of lockers for delivery of courier items.

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<sup>12</sup> (CR - Concentration Ratio) is a concentration indicator that characterises not the entire market, but only the position of the largest participants in it. When calculating CR5, the market shares of the first five operators were taken, according to data submitted to the CRC with the annual questionnaires for the operators' activity in 2022.

As regards the PMO service, the three operators with the highest share in revenue in 2022 were Econt Express OOD (53.6%), followed by Speedy AD (32%) and Bulgarian Posts EAD (9.4%). The leaders on the postal money order market, Econt Express OOD and Speedy AD, who play a decisive role in the formation of the volume in the segment measured on the basis of revenue, continue with their upward growth rate. Their relative share of the total amount of revenue from PMO increased by 1.6 and 2.8 percentage points on a one-year basis, respectively. The revenue of Econt Express OOD registered an increase in absolute terms by 15% and those of Speedy AD - by 22%. The revenue from the provision of PMO generated by Bulgarian Posts EAD maintained their negative growth rate, decreasing in absolute terms by 21.3%, which leads to a decrease in their relative share in the total amount of revenue from PMO (by 3.9 percentage points). 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).

### *Summary:*

In 2022, as regards the non-UPS segment, the following changes were observed:

- ✓ A growth in the total volume of revenue from non-UPS, which is mainly due to the increase in the revenue generated by courier services;
- ✓ On-line shopping was the main driver for courier services development;
- ✓ A growth in the number and revenue from postal money orders;
- ✓ A decrease in the number of items and revenue generated by hybrid mail;
- ✓ An increase in items and revenue generated by the direct mail advertising service;
- ✓ Entry of new participants in the segment, situated as on-line platforms, that combine the technological solutions of on-line platforms with standard courier services;
- ✓ An increase in the number of automated access points to operators' postal networks (delivery lockers) in order to optimise the reception and delivery of items and increase the environmental sustainability in the postal sector.

### 3. PROVISION OF UNIVERSAL POSTAL SERVICE (UPS) AND SERVICES WITHIN ITS SCOPE

#### 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 the following domestic and international postal items: items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg; items for blind and visually impaired persons up to 7 kg; domestic and international postal parcels up to 20 kg;

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

Thirteen is the number of postal operators<sup>13</sup> licensed to perform the services under Art. 39, p. 1 and p. 2 PSA, which were entered in the Public Register<sup>14</sup> as of 31.12.2022. Of these, the following six: Toyota Tixim EOOD, Fasto Courier EOOD, A1 Trade EOOD, Arii EOOD, GT Logistics OOD, Speedy AD have declared that in the past 2022 they had not operated under their individual licenses.

**Table 7**

Licensed providers		Services provided
1	Bulgarian Posts EAD	obligation to provide all services within the scope of UPS on the territory of the whole country pursuant to Art. 34 (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), p. 2 and p. 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), p. 1 and p. 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:

<sup>13</sup> An individual license within the meaning of the PSA is an individual administrative act 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.

<sup>14</sup> <https://crc.bg/ords/f?p=723:90:6719594838111:::90::>

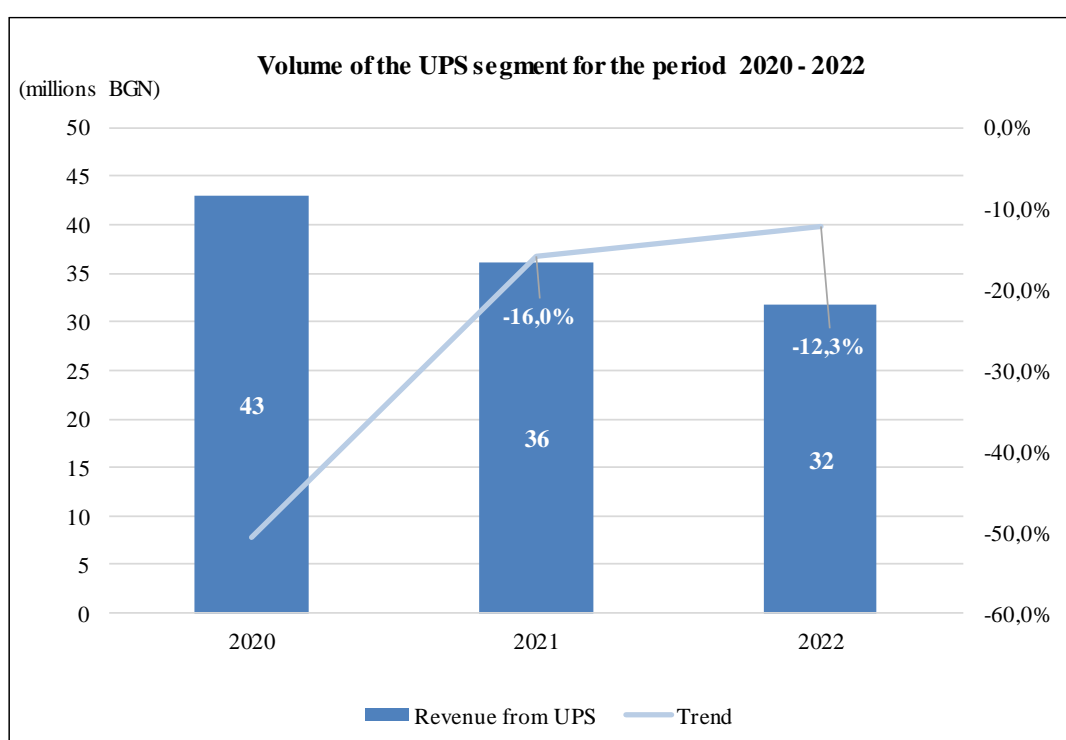
\* The provisions of Art. 32, Art. 33, Art. 65, Para 2 and Para 3, as well as the rules under Art. 66 PSA are applied

\*\* 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 postal items: items of correspondence up to 2 kg; small packets up to 2 kg; printed matters up to 5 kg; items for blind and visually impaired persons up to 7 kg; and the additional “registered” and “declared value” services.

### 3.2. Volume and structure of the UPS market segment

In 2022, the volume of the UPS market segment, measured by the revenue from UPS and services within the scope of UPS indicator, amounted to nearly BGN 32 million. Figure 6 shows the dynamics in revenue generated from services included in the UPS segment over a three-year period.



**Figure 6**

*Source: Data submitted to CRC*

The data presented in the figure shows preservation of the downward trend, with the registered decrease compared to 2021 being 12.3%.

The trend for negative growth of revenue in the UPS segment is largely the result of the change in the attitudes of postal service users whose preferences are focused on non-universal postal services, providing greater speed and flexible delivery of postal items. There is also a lack of interest in entering this segment. In the past year, no new individual licenses were issued for the provision of services within the scope of UPS, and only 7 of all licensed operators have declared that they have actually provided the services. Over the past three years, revenue in this segment has been formed mainly by the operator with an obligation to perform UPS. A key factor for change in

development trends in this segment is the definition of a new scope of UPS,<sup>15</sup> which is flexible enough to meet the changed needs of users.

In 2022, the total number of processed items and services in the UPS segment was 14.8 million, down by 18.3% since 2021.

Information on the structure of revenue from the provision of services within the scope of UPS is presented in Table 8.

**Table 8**

UPS	Revenue (millions BGN)		
	2020	2021	2022
<b>Domestic postal items</b>	<b>23.9</b>	<b>17.7</b>	<b>16.7</b>
1. Items of correspondence up to 2 kg	13.7	10.1	10.7
2. Small packets up to 2 kg	1.2	0.9	1.0
3. Printed matters up to 5 kg	0.08	0.07	0.08
4. Items for blind and visually impaired persons	0.002	0.001	0.001
5. Postal parcels up to 20 kg	9.0	6.7	4.9
<b>International postal items</b>	<b>19.2</b>	<b>18.4</b>	<b>15.0</b>
1. Priority and non-priority postal items	16.2	14.1	10.7
2. International postal parcels 31.5 kg	3.0	4.3	4.3
<b>TOTAL</b>	<b>43.2</b>	<b>36.1</b>	<b>31.7</b>

*Source: Data submitted to CRC*

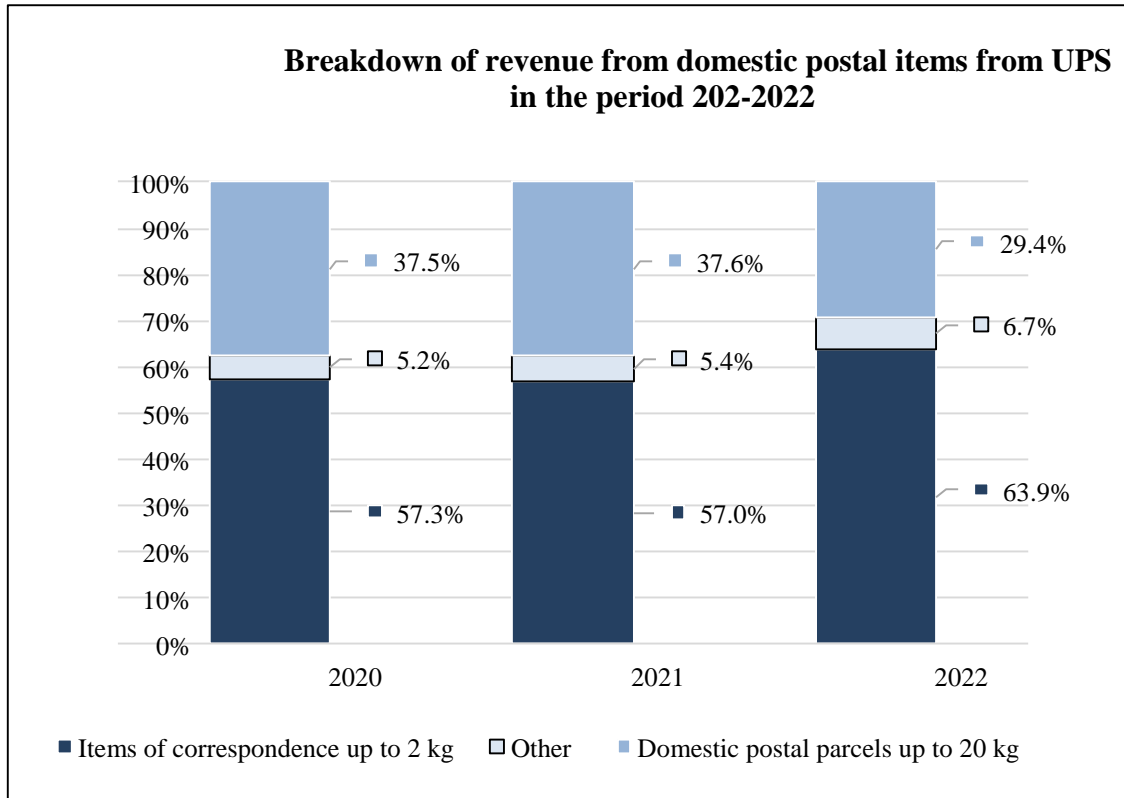
The main changes reported in terms of revenue generated from services in the UPS market segment in 2022 are as follows:

- ✓ a growth of 5.7% in revenue from items of correspondence up to 2 kg;
- ✓ a growth of 16.8% in revenue from domestic small packets up to 2 kg;
- ✓ a decrease of 26.3% in revenue from domestic postal parcels up to 20 kg;
- ✓ a decrease of 24.1 % in revenue from international priority and non-priority postal items;
- ✓ no change in revenue from international postal parcels up to 31.5 kg;
- ✓ no change in revenues from printed matters up to 5 kg, which in recent years have formed a negligible relative share of the revenue in the segment.

<sup>15</sup> The scope of UPS in Bulgaria has not been changed since the beginning of the assignment of the obligation to perform the service – since 30.12.2010.

### 3.2.1. Breakdown of revenue from domestic postal items

Figure 7 below presents the breakdown of revenue generated from domestic postal items for the period 2020-2022.



**Figure 7**

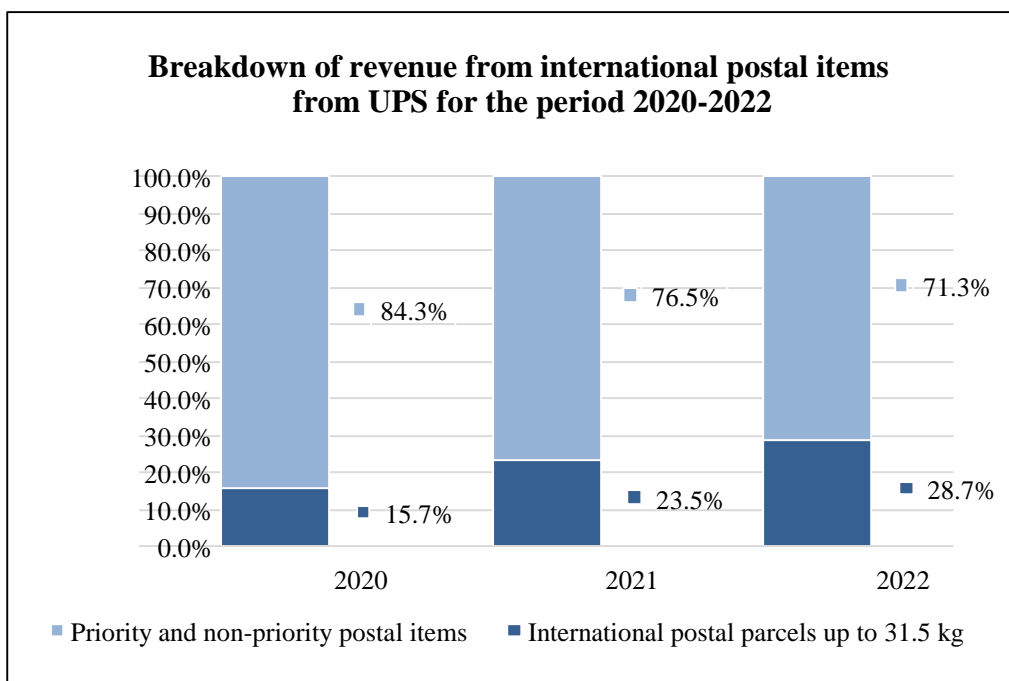
*Source: Data submitted to CRC*

It is evident from the figure that, during the period 2020 – 2022, there was no change in the structure of revenue from domestic postal items. The share of revenue from items of correspondence up to 2 kg increased by 6.9 percentage points and reached 63.9%.

Revenue from parcels up to 20 kg occupies second place in the total revenue from domestic postal items and, compared to the previous year, its relative share dropped by 8.2 percentage points. The share of revenue from small packets up to 2 kg, printed matters up to 5 kg and secogrammes up to 7 kg is shown in the “Other” sector and occupies 6.7%.

### 3.2.2. Breakdown of revenue from international postal items

Figure 8 below presents the breakdown of revenue generated from international postal items for the period 2020-2022.



**Figure 8**

*Source: Data submitted to CRC*

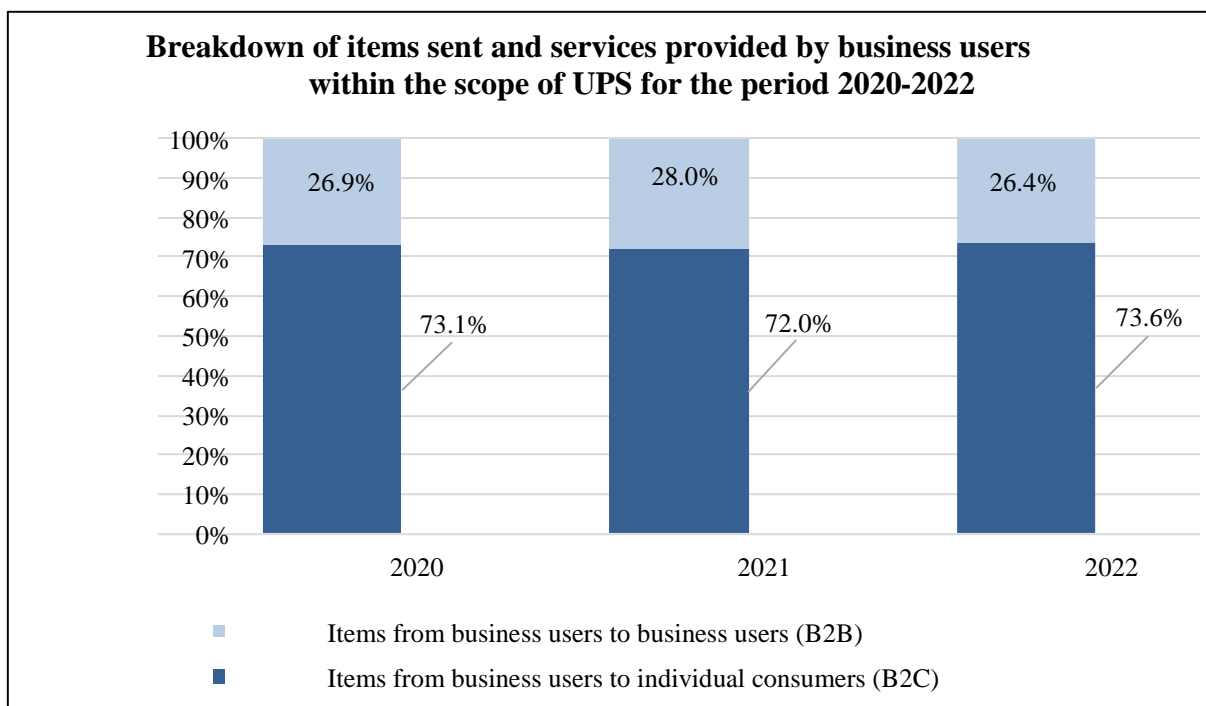
It is evident from the figure that the structure of revenue from international postal items was maintained unchanged during the period 2020 - 2022, with the revenue from these items being formed mainly from priority and non-priority postal items. The share of revenue from international postal parcels retained its second place with a share of 28.7%.

### **3.3. Users of services in the UPS market segment**

According to § 1, p. 13 of the Additional Provisions of PSA, a “user” is any natural or legal person who uses postal services as a sender or recipient. For the purposes of this report, users of services in the UPS market segment are classified as individual consumers and business users.

According to the data provided to CRC for 2022, in this market segment, the share of items sent by individual consumers dropped by 1.7 percentage points to 40.8%.

Figure 9 shows the structure of the total items sent and services provided by business users in the UPS segment.



**Figure 9**

*Source: Data submitted to CRC*

The data presented in Figure 9 shows that, for the period considered, the larger share was formed by services within the scope of UPS provided from business users to individual consumers (business to consumer, B2C). The share of items sent from business users to other business users (business to business, B2B) in 2022 was 26.4 %, down by 1.6 percentage points over the reporting period, compared to 2021.

According to the data submitted for 2022, the quantities of UPS postal items delivered by Bulgarian Posts EAD to users were respectively: 70% share of B2C services against 30% share of B2B. The individual consumers of the incumbent operator most often used unregistered items of correspondence up to 2 kg, small packets up to 2 kg, postal parcels up to 20 kg "with and without declared value", while the business users of UPS preferred the unregistered and registered domestic and international items of correspondence services.

For the same period, the services that Econt Express OOD performed were used by business users in the following proportion: B2C – 67% vs. B2B – 33%.

### **3.4. Market shares and competition in the UPS market segment**

Based on revenue reported for 2022, the table below shows the market shares of Bulgarian Posts EAD and Econt Express OOD that mainly provided services in this market segment.



**Table 9**

Operators in the UPS segment	Market share (revenue based)		
	2020	2021	2022
Bulgarian Posts EAD	79.1%	81.2%	82.5%
Econt Express OOD	17.6%	15.2%	13.8%
All other	3.3%	3.6%	3.6%

*Source: Data submitted to CRC*

The data from revenue reported in the UPS segment shows that, during the period 2020-2022, BP remained a leader in the services provided by the UPS segment. The market share of Bulgarian Posts EAD in the UPS segment increased to 82.5% compared to 2021, with a growth of 1.3 percentage points. The share of Econt Express OOD marked a fall of 1.4 percentage points. The aggregate market share of the other postal operators that reported revenue in the UPS segment in 2022 (Tip Top Courier AD, M&BM Express OOD, Star Post OOD, Tavex EOOD and DV Post EOOD) is 3.6%.

Bulgarian Posts EAD is a leader in most services in the UPS segment, as it reported 90% of all revenues reported for the country from items of correspondence up to 2 kg and 100% of all revenue from small packets up to 2 kg and printed matters up to 5 kg. In addition, 99% of the revenue from international postal items were generated by the incumbent postal operator.

Econt Express OOD held the largest share in the provision of domestic postal parcels up to 20 kg - 85% of the revenue reported from this service for the country.

***Summary:***

In terms of the UPS market segment, the following was observed over the period considered:

- ✓ A decrease of 12.3% of the revenue from UPS compared to the previous year;
- ✓ For the third consecutive year, BP is a leader in the provision of UPS;
- ✓ A change in the attitudes of users of postal services toward replacing the services within the scope of UPS with non-universal postal services;
- ✓ A lack of interest in the provision of services under Art. 39, p. 1 and p. 2 PSA by new participants in this market segment.

#### **4. Prospects for development of the postal services market**

This report outlines the main conclusions and trends in the development of the postal market in the recent years:

- The postal market is growing steadily, its main driver being e-commerce and, in particular, courier services.
- The changed consumer attitudes create new business models – on-line platforms that combine technology solutions with courier services;
- A decline in the consumption of traditional postal services (acceptance, transport and delivery of items of correspondence up to 2 kg, small packets up to 2 kg, and printed matters up to 5 kg);
- A lack of interest in the provision of services under Art. 39, p. 1 and p. 2 PSA by new participants in this market segment;
- Taking measures to ensure sustainability in the postal sector.

Based on the outlined trends, we may derive the following prospects for development of the postal market for a one-year period:

- An increase in the volume of the postal market;
- A growth in the number and revenue from courier services;
- A growth in the number and revenue from items generated through e-commerce, especially in the B2C segment;
- An increase in the number of participants in the postal market - in the courier services segment and in the provision of the postal money orders service;
- The development of the infrastructure of postal operators and of the services they offer in order to improve the delivery of postal items and the use of automated parcel lockers as an economic, logistic and environmentally friendly solution;
- Maintaining the leadership position of BP in the UPS market segment;
- Reduction of volumes and revenue in the UPS segment;
- Launching various initiatives by postal operators to reduce the harmful carbon emissions when providing postal services.

#### **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 compensating 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**

Within the meaning of a special provision of PSA (Art. 24 PSA and § 70 of the Transitional and Final Provisions of PSA, prom. SG, no. 102 of 2010) and an obligation imposed on BP for a period of 15 years - up to 31.12.2025, 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. PSA allows an exception to the frequency of delivery and collection of postal items for the settlements that meet the criteria adopted by CRC

on the basis of Art. 15, Para 1, p. 10 of PSA: Criteria for determining the difficult-to-access areas in the country and the settlements located there.

On the basis of the provisions of PSA and the defined requirements regarding the performance of UPS by BP, CRC monitors the implementation of:

- provision of UPS on the territory of the whole country, ensuring the possibility of its use by any user, regardless of their geographic location;
- provision of UPS at the points of access to the postal network of the incumbent operator within the working hours and with frequency of collection and deliveries, corresponding to the requirements of Art. 33 PSA;
- provision of UPS with a quality corresponding to the norms under Art. 15, Para 1, p. 7 PSA;
- provision of the services within the scope of UPS at affordable prices, equal for the same services on the territory of the whole country, including the provision of UPS free of charge in the cases under Art. 80 PSA;

As of 31.12.2022, based on data submitted by the incumbent operator, the number of the company's post offices was 2,972. Of them, 632 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 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 number of settlements serviced in any of the above manners totalled 5,119. There are 4,533 letterboxes for collection of unregistered items of correspondence in use. For the country, the average population serviced by one post office is 1,580 residents.

In 2022, there was a change in the number and location of the points of access to the BP's postal network compared to 2021. By CRC Decision No 347 of 20.10.2022, post office Sofia 1377 was closed.<sup>16</sup>

CRC has received proposals from the incumbent operator for changes in the number of working days in which UPS is provided in a total of 2 settlements meeting the difficult-to-access criteria, according to the provision of Art. 33, Para 1, p. 2 PSA. As a result, the Commission has adopted a decision to amend the working days in which UPS is provided in those settlements included in the List of settlements and settlement formations located in difficult-to-access areas. This list is available on the CRC's website at: <https://crc.bg/bg/rubriki/226/regulirane-naposhtenskite-uslugi>

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

According to the current legislation, only the prices for UPS 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.

In the past year, BP submitted to CRC a proposal to change the prices of the UPS services, as the change covered:

- domestic "priority/non-priority" letter mail, format P, G and E;

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<sup>16</sup> The office is located in Central Sofia Market Hall at 25, Knyaginya Maria Luiza Blvd.

- international “priority/non-priority” letter mail, format P, G and E;
- the additional “registered” universal service for the country and abroad;
- the additional “declared value” universal service for the country and abroad;
- domestic parcels up to 20 kg.

By Decision No 204 of 23.06.2022, CRC coordinates the prices of UPS services.

Pursuant to Article 6 of the Regulation of the European Parliament and of the Council on cross-border parcel delivery services (EU) 2018/644 (the Regulation), in 2022, for the fourth consecutive year, CRC carried out an assessment of the conformity of cross-border tariffs for single parcels of the incumbent operator with the principles in Article 12 of the Postal Directive.

For the purpose of the assessment, an analysis was made of the extent to which the prices of 5 services of Bulgarian Posts EAD (registered letter mail up to 500 g; registered letter mail up to 1 kg; registered letter mail up to 2 kg; parcel up to 1 kg and parcel up to 2 kg) can be defined as unreasonably high, taking into account the provisions of Article 6 (2) of the Regulation.

By decision of 30.06.2022, CRC accepted the assessment made that the quoted prices for the five services cover each of the elements included in Article 6 (2) of the Regulation and that there is no reason to believe that these prices are unreasonably high.

Subject to the requirements of the Regulation, the Commission's assessment was sent to the European Commission in due time.

To achieve one of its strategic objectives for the period 2022-2024 (sub-objective 2.2 “Market monitoring and ensuring an appropriate level of transparency”), CRC carried out a study<sup>17</sup> on the level of transparency and clarity of the postal delivery prices under the Regulation. Within the framework of the study, a review and analysis of the existing national practice on the application of Article 5 and Article 6 of the Regulation and the European practice (of the EU Member States) was carried out in the part of the implementation of the provisions of Article 6 of the Regulation. As a result, an evaluation was carried out concerning: the applicability of the web-based application “PARCEL”<sup>18</sup>; the level of transparency regarding the prices applied for cross-border shipments at European level by postal operators; proposals for amendment and supplement of the web-based application “PARCEL”, and assessment of the mechanism implemented by CRC for preparation of an assessment of the prices of the universal postal service, pursuant to Article 6 of the Regulation.

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

UPS is a service of general economic interest and is provided under conditions other than normal commercial conditions. Therefore, the law provides that the incumbent operator Bulgarian Posts EAD shall receive compensation from the state budget when the obligation leads to net costs and represents an unfair financial burden for it.

In accordance with the provisions of Art. 29a PSA, in 2022, Bulgarian Posts EAD submitted to CRC an application for compensation of the net costs and the unfair financial burden of providing the service in 2021.

In compliance with its powers under Art. 29a, Para 4, and Art. 29b, Para 5 PSA, CRC concluded a contract with KPMG AUDIT OOD with subject: “Inspection of the implementation of the cost allocation system of BP and audit of the submitted documents related to the calculation of

<sup>17</sup> Awarded by Contract No 03-08-80/18.11.2022 concluded between CRC and Global Metrics EOOD

<sup>18</sup> [https://crc.bg/files/PARCEL\\_PRICE\\_Transparency\\_Tool\\_Page\\_CRC\\_2022-1.pdf](https://crc.bg/files/PARCEL_PRICE_Transparency_Tool_Page_CRC_2022-1.pdf)

net costs from the provision of the universal postal service for 2021". Based on the factual findings from the performed audit, CRC adopted the following decisions:

Decision No 331 of 13.10.2022 on coordination of the results obtained from the cost allocation system by types of services of Bulgarian Posts EAD in 2021;

Decision No 332 of 13.10.2022 concerning the total amount of net costs from the provision of the universal postal service and the presence of unfair financial burden for Bulgarian Posts EAD due to the provision of UPS in 2021.

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", column "Regulation of postal services" - "Results from inspections by independent auditors".

On the basis of the audit report and the analysis carried out, in accordance with the provision of Art. 29A (7) PSA, the decision concerning the size and presence of an unfair financial burden from the provision of UPS in 2021 and the materials attached to it were presented to the Minister of Transport and Communications in order to include the amount of funds for compensation of the unfair financial burden in the draft law on the state budget of the Republic of Bulgaria for the following year.

## II. FULFILMENT OF UPS QUALITY TARGETS

In accordance with the provisions of Art. 15(1)(7) PSA, following a public procedure, CRC selected Global Metrics EOOD as the contractor of a public procurement with subject: “Measurement of the fulfilment of the quality targets of the universal postal service and the efficiency of service” on the basis of Art. 15(1)(7) of the Postal Services Act, in 2022.

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 the period 2020-2022 show an increased share of items delivered in time. According to the contractor, this trend is related to a decrease in the total number of items sent within the scope of UPS, which shows that, with lower workload, the BP’s network manages to deliver the respective share of items in time.

### Priority domestic postal items

As is evident from Table 10, with quality target for the end-to-end transit time for priority mail for D+1 - not less than 80%, and for D+2 - not less than 95%, the results from the measurement were 67.1% and 91%, respectively.

**Table 10**

<b>End-to-end transit time for priority mail</b>	<b>Quality targets<sup>19</sup></b>	<b>Results 2020</b>	<b>Results 2021</b>	<b>Results 2022</b>
D+1 <sup>20</sup>	Not less than <b>80%</b> of the postal items	<b>53.4%</b>	<b>50.0%</b>	<b>67.1%</b>
D+2	Not less than <b>95%</b> of the postal items	<b>79.6%</b>	<b>80.6%</b>	<b>91.0%</b>

**Source: Data submitted to CRC**

In a three-year period, in this category of items, there is an improvement in the fulfilment of targets, which is more significant in the second target (delivery within D+2). However, the target of 80 % of priority items arriving within D+1 and 95 % of this category of items to be delivered by the second day of their submission has not yet been met.

<sup>19</sup> The quality targets for the universal postal service were 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 28.04.2020;

<sup>20</sup> 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 with regard to the end-to-end transit time of domestic unregistered non-priority mail are presented in the table below:

**Table 11**

<b>End-to-end transit time for non-priority mail</b>	<b>Quality target</b>	<b>Results 2020</b>	<b>Results 2021</b>	<b>Results 2022</b>
D+2	Not less than <b>80%</b> of the postal items	<b>80.01%</b>	<b>83.1%</b>	<b>86.1%</b>
D+3	Not less than <b>95%</b> of the postal items	<b>89.5%</b>	<b>93.5%</b>	<b>95.3%</b>

*Source: Data submitted to CRC*

In the case of non-priority mail, a clear fulfilment is observed for the first target (80% of the items to be delivered within D+2), but the second target was convincingly reached only in 2022 (95.3% of the items to be delivered within D+3).

### Transit time for domestic postal parcels

The results from the measurement of the end-to-end transit time for postal parcels are

**Table 12**

<b>End-to-end transit time for postal parcels</b>	<b>Quality target</b>	<b>Results 2020</b>	<b>Results 2021</b>	<b>Results 2022</b>
D+1/D+2	Not less than <b>80%</b> of the postal items	<b>74.4%</b>	<b>87.8%</b>	<b>93.3%</b>
D+2/D+3	Not less than <b>95%</b> of the postal items	<b>85.0%</b>	<b>94.5%</b>	<b>96.3%</b>

*Source: Data submitted to CRC*

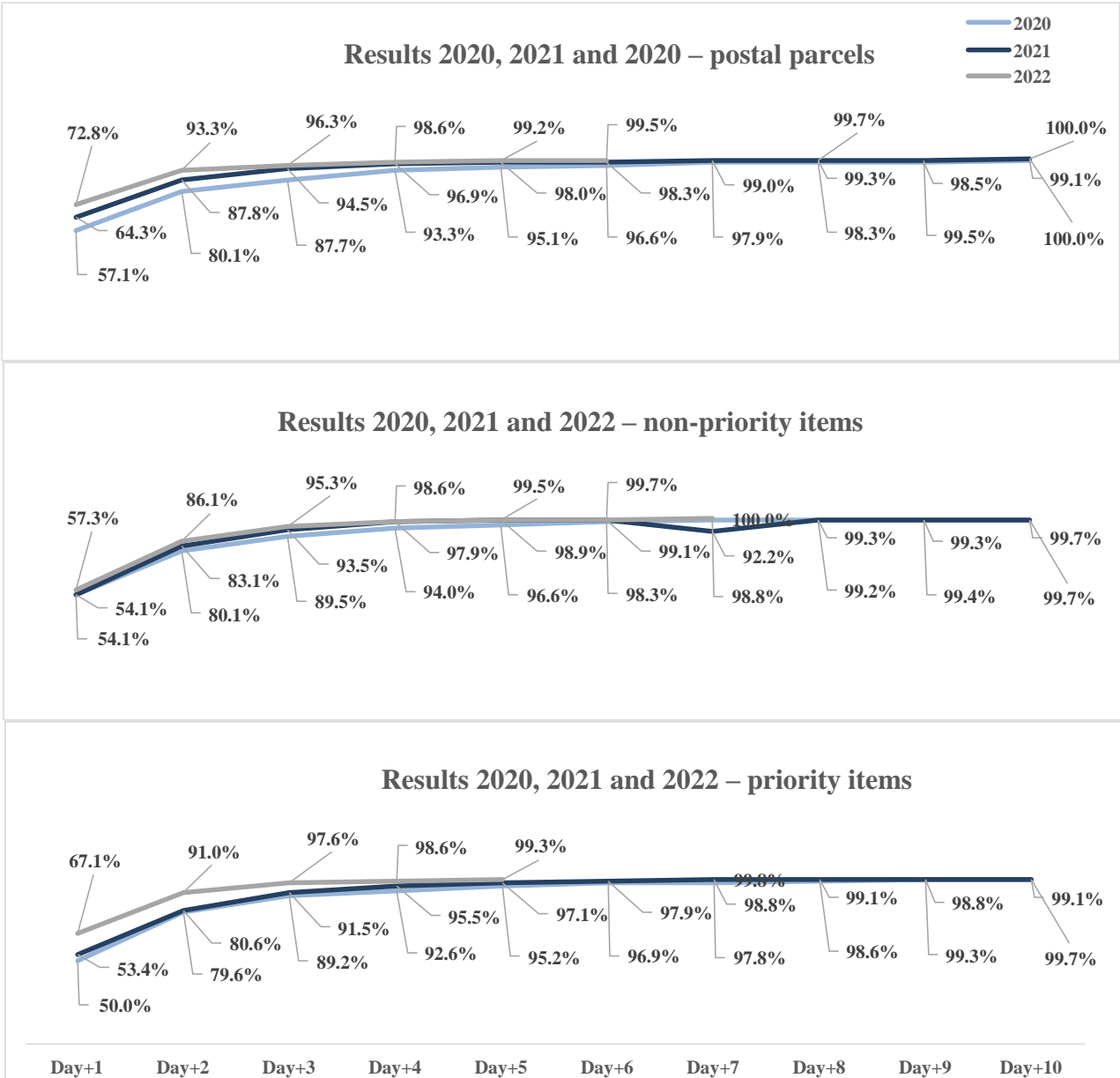
As is evident from the data, after the change of the quality target<sup>21</sup> in 2020, there was an improvement in the delivery of this category of items, as in 2022, 93.3% of postal parcels were

<sup>21</sup> By CRC Decision No 154 of 9 April 2020, SG no. 39 of 28.04.2020, the quality targets of the universal postal service were amended with regard to the time of delivery of postal parcels.

delivered on the second day of their submission. According to the contractor, apart from the reduced consumption of parcels and the change in the regulation, this improvement is also due to the optimisation of the BP’s work, such as notification by e-mail.

Figure 10 shows the cumulative percentage of items delivered within D+1 to D+10 - comparison of 2020/2021/2022.

**Cumulative percentage of items delivered within D+1 to D+10**



**Figure 10**

**Source:** Data submitted to CRC

As shown by the figure, over a three-year period, all measured types of postal items show an improvement in delivery rates for D+3 (speed indicator) and D+5 (reliability indicator).<sup>22</sup> Data regarding speed and reliability indicators show that the quality of UPS is increasing, with more than

<sup>22</sup> The International Post Corporation (IPC) defines D+3 as (speed indicator) and D+5 as (reliability indicator).



95% of all items delivered by the third day, and more than 99% of items delivered by the fifth day in 2022.

**Summary:**

From the above results, it is clear that the fulfilment covers the objectives set out in Articles 4 and 5 of the Targets regarding the time for conveyance of non-priority items and the time for conveyance of parcels. The results show that only the objectives set out in the provisions of Article 3 of the Targets have not been achieved regarding the end-to-end transit time for priority mail, where, however, significant improvement has been observed.

Within the measurement, 3 expert-level virtual meetings were held with the participation of representatives of Global Metrics EOOD and BP during which the interim quarterly results for 2022 were presented and discussed.

After the end of the measurement, BP was made acquainted with the final results of the quality measurement for the whole year 2022, as well as with the recommendations extended by Global Metrics EOOD for quality improvement.

In order to achieve the statutory deadline, the following recommendations were given to Bulgarian Posts EAD:

- to draw the attention of the employees carrying out the delivery activities according to the established standards of work, emphasising the importance of meeting the quality standards and targets;
- to conduct additional instructions to the employees engaged in the delivery of postal items in terms of checking of and delivering at the delivery addresses specified;
- further instructions to be given to postal workers as to what are the requirements for the provision of the domestic priority unregistered postal items service and of the domestic non-priority unregistered postal items service;
- to carry out periodic monitoring for compliance with the procedures for notifying recipients of parcels received;
- to monitor, on an ongoing basis, the observance of the days for collection of postal items from letterboxes which are located on the territory of smaller settlements and of letterboxes which are not in the territory of a given post office;
- to introduce a system stimulating postal workers to comply with standards and internal rules of operation.

**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 Committee for Standardisation (CEN) 13850 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”, 2022 results.

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

### III. ENSURING POSTAL SECURITY

#### 1. Compliance with the provisions of Ordinance No 6 of 1 November 2011 on postal security requirements

Postal security is a combination of measures and actions for security and protection of postal items, money, the property of the postal operators, the life and health of postal employees and the users of postal services, keeping the confidentiality and integrity of correspondence, protection of personal data, assistance in detecting violations and offences performed against or through the postal network.

The general requirements related to ensuring postal security, as well as the penalties for their violation, are regulated by PSA.

A secondary regulation - Ordinance No 6 of 1 November 2011 - on the postal security requirements<sup>23</sup> (Ordinance No 6) specifies the actions that must be taken by postal operators concerning:

- security and protection of postal items, money and valuables, the property of the postal operators, the life and health of postal workers and the users of postal services, keeping the confidentiality of correspondence, ensuring the inviolability of postal items, protection of personal data and prevention of money laundering through the postal network;
- protection of postal traffic and prevention of the acceptance, transfer and delivery through the postal network of prohibited objects and substances;
- prevention of the acceptance, transfer, and delivery of postal items that have been prepaid by forged or out-of-use postage stamps, or by invalid postage prints, as well as forged postal products;
- storage, preservation and destruction of official documents, postal stamps and date stamps.

The control over the compliance and application of the postal security requirements is carried out by CRC pursuant to PSA, with the exception of Chapter Three<sup>24</sup> and Chapter Six<sup>25</sup> of Ordinance No 6. The control and compliance with the application of the above postal security requirements is carried out jointly with other competent state authorities.

In fulfilment of the provision of Article 10 of Ordinance No 6, postal operators, in accordance with the requirements of the competent state authorities, designate the post offices in which it is necessary to designate and equip special desks for the reception of valuable items and for carrying out cash activities. Access to the desks is necessarily monitored by recording technical means for video surveillance. Post offices must also be equipped with a physical protection system.

Postal operators must also draw up and apply internal rules for the security and protection of cash and valuables (Internal Rules) in compliance with the provision of Article 6 of Ordinance 6 containing:

- requirements for the buildings, premises and equipment for storing cash and valuables;
- procedure of storage, transmission and periodic change of the codes and/or keys of the cash desks and safes, as well as procedure of transmission and change of the codes and/or keys of the cash desks and safes when changing the employees having access to them, or in other cases where necessary;

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<sup>23</sup> prom. SG, no. 90 of 15.11.2011, amended and supplemented, SG no. 78 of 4 October 2019

<sup>24</sup> Ordinance No 6, Chapter Three 'Security and protection of cash and valuables. prevention of money laundering through the postal network';

<sup>25</sup> Ordinance No 6, Chapter Six 'Protection of postal traffic and prevention of the acceptance, transfer and delivery through the postal network of prohibited objects and substances'

- security requirements for the reception, transfer and delivery of cash and valuables;
- requirements for the equipment, tracking and connections with the means of transport carrying cash and valuables, as well as for the overall organisation of the security during their transportation;
- requirements for the employees responsible for the reception, transfer, storage and delivery of cash and valuables;
- the procedure and manner of interaction with the competent authorities;
- requirements for compliance with the cash limits.

According to the data submitted to CRC for 2022,<sup>26</sup> a large part of the postal operators have introduced a system for monitoring and control of the premises for processing and storage of domestic and international postal items and/or for PMO. Access to the premises is necessarily monitored by recording technical means for video surveillance. Postal operators have also indicated that they have drawn up and implemented Internal Rules on the security and protection of cash and valuables.

In compliance with the provisions of Regulation No 6, postal operators are obliged to inform CRC in writing about any violations of the postal security requirements they have found. In 2022, no such information was submitted to the Commission.

## **2. Compliance with the requirements of the Measures Against Money Laundering Act (MAMLA) and the Measures Against Terrorist Financing Act (MATFA)**

In accordance with the provision of Article 102 MAMLA and in connection with the fulfilment of the conditions of the issued individual licenses, postal operators licensed to perform the PMO service are obliged to draw up and adopt internal rules for control and prevention of money laundering and terrorist financing according to the requirements of the provisions of MAMLA and MATFA.

In 2022, CRC, as a supervisory authority within the meaning of §1, p. 11 of the additional provisions of MAMLA, carried out 68 scheduled inspections of all postal operators licensed for provision of the PMO service for compliance with the requirements of MAMLA and MATFA. The results of the inspections showed that there were no violations of MAMLA and MATFA. Information on the inspections carried out and the results thereof were sent to the State Agency for National Security in a timely manner.

On 18.05.2022, in the framework of the 63rd Plenary Session of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL Committee) of the Council of Europe held in Strasbourg, France, a Report on the Republic of Bulgaria by the Fifth Evaluation Round was adopted. In view of the need to take action to address the identified weaknesses, by Decision No 998 of 12 December 2022, the Council of Ministers of the Republic of Bulgaria approved a Plan for the implementation of the recommended actions included in that report. The Plan envisages the adoption of the Law on Amendment and Supplement of MAMLA which will overcome the gaps identified in the national legislation and in the PSA in particular. In this regard, together with the State Agency for National Security and other state supervisory bodies, CRC experts took part in training seminars organised by representatives of the Council of Europe in order to implement the future expansion of the CRC's control activity and its powers under MAMLA and MATFA.

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<sup>26</sup> Annual questionnaires on the activities of postal operators

## **IV. CONTROL ACTIVITY, CONSUMER AND ENVIRONMENTAL PROTECTION**

### **1. CRC's monitoring activity**

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 230 inspections and drew up 23 administrative offence acts (AOAs), of which:

- 67 scheduled inspections at post offices of BP category 3, 4, and 5 regarding compliance with the obligation under Article 33 PSA to provide the universal postal service during all working days, “at least five days a week”, as well as for “at least one collection” and “one delivery” of postal items every working day, except for settlements meeting the difficult-to-access criteria. The inspections were carried out in post offices in settlements not included in the List of settlements meeting the difficult-to-access criteria approved by CRC. No violations of PSA were found during the course of inspections;
- Forty-seven inspections of postal operators for compliance with the PSA in connection with tips received by CRC, the majority of which concern undelivered postal items or items with problems in delivery;
- Nine inspections of postal operators which have not submitted to CRC an activity report for 2021, as a result of which 1 AOA was drawn up to Post One Group OOD for violation of Article 105(1) PSA, in conjunction with p. 5, in conjunction with p. 4 of Decision No 44/26.01.2022; 68 scheduled inspections of all postal operators licensed to provide the PMO were carried out for compliance with the Measures Against Money Laundering Act and the Measures Against Terrorist Financing Act. No violations were found during the inspections;
- a due diligence (consisting of 39 inspections) was carried out of 1 postal operator regarding the provision of services within the scope of the universal postal service. During the inspections, violations of the conditions of the individual license issued to it were found, for which 20 AOAs were drawn up and served upon it for violation of Art. 100 (1) PSA.

One AOA was drawn up and served upon for violation of Article 105, letter “d”, Para 6 PSA in connection with non-compliance with the provision of Article 5, Para 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 01.01.2022 for the supply of single parcels other than items of correspondence). One AOA was drawn up for violation of the provision of Article 100, Para 1 PSA in connection with violation of a license condition under p. 8.7 of an individual license (for not completing the “unjustified complaint” field for all complaints received in the register of complaints).

By Decision No 289/18.08.2022, CRC revoked individual license No 2-003/25.03.2010, amended No 2-003-1/14.12.2010, amended No 2-003-01/09.06.2011, amended 2-003-02/14.11.2013, amended 2-003-03/26.07.2018, amended 2-003-003/16.07.2020, for the provision of services included in the scope of the universal postal service on the territory of the Republic of Bulgaria, issued to Star Post OOD. The legality of the CRC's decision was confirmed at first instance by Decision No 979/16.02.2023 of the Administrative Court of Sofia City, Second Division, 48th Panel in administrative case No 9314/2022.

## **2. Protection of postal services users**

Postal operators ensure equal access for consumers to access points for the use of postal services and draw up general terms and conditions of the consumer contract. It is not necessary to sign individual contracts with consumers. In their general terms and conditions of the consumer contract, they must include information on: scope and characteristics of the services they perform, requirements for shape, size, weight and packaging of postal items; conditions for access and conditions for reception and delivery of postal items and postal money orders; time for delivery of postal items and postal money orders; time limit for reimbursement of the amount of the payment on delivery to the sender; method of payment; rights and obligations of users and postal operators; information about the prohibited substances and objects in postal items; complaint and compensation procedures of specific amounts and time limits for the payment of compensations for justified complaints for delayed, lost, wholly or partly damaged or robbed postal items and parcels and returned postal parcels, where there are no reasons for their non-delivery, and non-return of the amount of the payment on delivery to the sender, procedure for resolving disputes between them and the users of postal services, and other essential conditions for the performance and use of postal services. The draft General Terms and Conditions of Consumer Contracts (General Terms and Conditions) are submitted by the postal operators for coordination by CRC after an opinion on them is provided by the Commission for Consumer Protection. The General Terms and Conditions agreed by CRC should be placed at prominent and accessible places in all fixed post offices and published on the operator's website.

In 2022, CRC coordinated a total of 19 General Terms and Conditions provided by different postal operators. In compliance with the provision of Art. 21 (9) PSA, CRC sends information about the agreed General Terms and Conditions for information to the Commission for Consumer Protection.

## **3. Complaints reported by postal operators regarding the UPS services**

CRC carefully monitors the reasons for the complaints made by users of postal services and analyses the trends in the tips submitted against postal operators.

According to data from the submitted annual questionnaires for 2022 by BP and by operators performing services within the scope of UPS, the total number of complaints for postal items and services provided within the scope of the UPS in 2022 was 7,617, of which 1,983 were justified. Over a one-year period, the total number of complaints submitted decreased by 36% and the number of complaints accepted as valid dropped by 43%.

In 2022, as in 2021, complaints 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's network, forwarded by BP, which could not be localised by the foreign postal administrations. Subsequently, these administrations consented to the payment of compensations to the recipients.

### **3.1. Complaints filed with CRC**

In 2022, a total of 440 complaints were received and examined by the Commission. Compared to 2021, their number is preserved. Of the total complaints received in CRC for different

postal services, about half of them were satisfied. The analysis of the complaints examined shows that about 30% of the tips concern delayed or undelivered items, about 27% relate to damaged or lost items, about 30% relate to customer service or customs representation and fees, and the remaining complaints are related to other cases.

There are cases of engaged administrative and criminal liability in connection with tips received over postal services and, following the inspections carried out under PSA by authorised employees of CRC, in 2022, 13 penal decrees were issued – 12 against Star Post OOD and 1 against another postal operator.

#### **4. Environmental protection**

In compliance with Article 20, Para 1, p. 9 PSA, postal operators are obliged to comply with the requirements for the protection of the environment, life, and health of persons.

##### **4.1 The European Green Deal and the achievement of a sustainable environment in the postal sector**

The aim of the European Green Deal (Green Deal, Green Pact) is to transform European Union (EU) climate, energy, transport, industry and taxation policies so that, by 2030, net greenhouse gas emissions will be reduced by up to 55% compared to the 1990 levels and Europe will become the first continent to achieve climate neutrality by 2050.<sup>27</sup>

Achieving climate neutrality on the continent by 2050 requires a new industrial strategy in the EU Member States on the use of less raw materials in production, re-use of resources, recyclability, increasing the energy efficiency and transforming all industries to reduce greenhouse emissions. Achieving Europe's climate neutrality will require significant contributions from all sectors of the economy, including the postal sector. The Green Deal will have a huge impact on the postal sector, as measures to decarbonise the transport sector, energy efficiency and the circular economy will have a direct impact on how the sector works.<sup>28</sup>

The postal sector operates the largest distribution network on Earth comprising 600 thousand offices, approximately 660 thousand cars, 250 thousand motorcycles and daily mail delivery planes, travelling billions of kilometres each year.<sup>29</sup> Post offices and about 5.5 million postal workers consume daily finite natural resources, such as electricity, water and paper. All these aspects of the provision of postal services worldwide and the successful implementation of the Green Deal emphasize the need for transformation of the work processes in the sector.

In 2022, the European Regulators Group for Postal Services released a report on the environment sustainability of the postal sector (ERGP PL II (22) 16) which aims to examine the measures applied by postal operators in the Member States to reduce carbon emissions when providing postal services. The main actions taken by EU postal operators to reduce carbon emissions are related to the introduction of electric vehicles, reusable packaging, green buildings and educational materials for postal workers.

According to the ERGP report, all incumbent postal operators in the Member States have replaced a large part of the vehicles with electric ones, some of them have introduced the use of

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<sup>27</sup> [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal\\_bg](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_bg)

<sup>28</sup> PL II (22)16 “ERGP Report on environmental sustainability in postal sector”

<sup>29</sup> GreenPosts project “Green skills and practices for postal services to implement the European Green Pact – Newsletter No. 1



renewable energy for their post offices, have established waste management programmes, use the technology for last-mile routing,<sup>30</sup> develop environmental management systems. In the case of courier companies, in addition to all these measures, the express deliveries on the same business day, which generate the most harmful emissions, due to the waiting time at the address for acceptance and/or delivery of the item and not always using the most efficient and combined route, the use of bicycles or electric mopeds is recommended.

An EC study on the environment and an analysis of the impact of transport and the delivery of parcels generated by e-commerce on air pollution<sup>31</sup> considers the last-mile delivery of items as one of the significant factors for carbon emissions in the sector. However, this process does not depend solely on postal operators, but also on the choice of consumers where the delivery of their postal items is to be carried out. This decision of postal service users determines the need for commitment to the green process and awareness that they can contribute to the protection of the environment by selecting delivery through the so-called "collective method" - in an automated post office/sorting locker or other collection point for the reception or delivery of items.

With regard to automated parcel lockers and green transformation, the possibilities for using the same automated parcel locker by various operators should be analysed, and the benefits of such solution can be not only environmental, but also economic.

The introduction of measures to implement the Green Deal in the sectoral legislation will inevitably cause a number of difficulties for postal operators. The challenges and prospects for both operators and national regulatory authorities (NRAs) in the Member States are related to:

- Building a clear regulatory framework allowing NRAs to intervene in the environmental sustainability of the postal market and provide incentives for postal operators to adopt specific measures;
- Carrying out analysis and assessment of the impact of environmental sustainability measures on the development of competition in the sector;
- Informing consumers of postal services about the option of choosing an environmentally friendly delivery (to a parcel locker, collection point, etc.);
- Adapting the regulatory regimes in the Member States to the accelerated technological innovations in the postal sector and the environmental problems.

#### **4.2. The Green Deal in Bulgaria and the achievement of a sustainable environment in the postal sector**

The leading postal companies in Bulgaria, similar to the European postal operators, have taken action on the green transformation of the processes related to the provision of postal services and the launch of various projects for the implementation of the objectives set out in the European Green Deal.

In 2022, the Green Skills and Practices for Postal Services to Implement the European Green Deal project was launched, in which the historical postal operator Bulgarian Posts EAD participated as part of an international consortium. The project is funded by the Erasmus+ Programme of the European Commission and its main objective is to provide a framework for the development of

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<sup>30</sup> Finalization of the delivery to the recipient's address

<sup>31</sup> <https://ec.europa.eu/docsroom/documents/49415?locale=en>



specific skills and knowledge that will contribute to the implementation of the Green Deal and the achievement of its intentions at a local level.<sup>32</sup> The project's main objective will be achieved through training of employees in the postal sector on the practical implementation of the Green Deal by improving the technical capacity, acquiring knowledge and values, supporting sustainable social activities to achieve economic and environmental results.

The postal operator Econt Express OOD has developed a five-year programme "We deliver with care for nature" to improve the environmental practices.<sup>33</sup> The objectives set for the implementation of the programme are to optimise the processes of providing postal services by reducing the use of resources, re-using all materials or products, using recyclable materials, separate collection and recycling of waste.

In the processes of providing postal services, the company has included ten digitised processes, 147 facilities of Econt Express OOD use energy from renewable sources, 575 offices of the operator support environmental causes in which people from all over the country have the opportunity to join.

The company has replaced 70% of its light-duty vehicles with such having EuroStandard 5 and 6, and 90% of its heavy-duty trucks have EuroStandard 4, 5 and 6. The postal operator has 34 Econtomats (automated parcel lockers), with the share of items submitted through Econtomats being 0.22% of all services (or 127,144 items), and the share of items delivered through Econtomats being 0.14% of all services (or 78,902 items).<sup>34</sup>

As a component of the green cities of the future, the postal operator Speedy AD has launched a pilot project for the use of electric vehicles for the delivery of items. These vehicles, designed and built by the Norwegian company Paxster AS, are used in several major cities, contributing to a cleaner environment and more efficient postal delivery.<sup>35</sup> The company is a member of the Green Circle of the Manager Magazine which brings together socially responsible companies in the field of environmental protection.

The use of emission-free electric vehicles, biodegradable packaging envelopes, recycled paper and paperless solutions in the provision of postal services are part of the development of the company's corporate sustainability.

The postal operator Speedy AD has 85 automated parcel lockers in 32 settlements.<sup>36</sup>

Bulgarian postal operators that are part of international postal companies, such as DHL Express Bulgaria EOOD, have established a group corporate sustainability strategy which envisages investments of more than EUR 7 billion in climate-neutral logistics by 2030.<sup>37</sup> This includes the commissioning of 80,000 electric cars for end deliveries, which will lead to electrification of 60% of the corporation's transport globally. The company has two automated parcel lockers.

An integral part of the vision for development of the business of Transpress Delivery EOOD is the care for the environment through the building of a modern and efficient car fleet and constant optimisation for reducing fuel costs and carbon emissions, respectively.<sup>38</sup> In recent years, the company has indicated that it has reduced fuel consumption by more than 30 %, which is emerging as a sustainable trend. The postal operator is planning to implement and apply renewable energy,

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<sup>32</sup> <https://www.bgpost.bg/bg/643>

<sup>33</sup> <https://www.econt.com/with-care-for-nature>

<sup>34</sup> Activity report questionnaire for 2022

<sup>35</sup> Logistica Magazine 4/20

<sup>36</sup> Activity report questionnaire for 2022

<sup>37</sup> Annual activity report questionnaire for 2022

<sup>38</sup> Activity report questionnaire for 2022 of Transpress Delivery EOOD

software solutions and monitoring in the work processes, innovative solutions for own lightweight transport compositions, raising the awareness and motivation of employees for personal contribution to the protection of the environment through training and application of a bonus system.

According to information submitted to the Commission by the postal operator Delivery Solutions EOOD, the company has the greatest number of automated parcel lockers on the territory of the country - 90, which is one of the best practices for reducing harmful carbon emissions associated with the main elements of the postal service - reception and delivery.

The challenges and prospects for postal operators in Bulgaria for implementing the EU Green Deal are related to:

- A lack of a clear European regulatory framework in the postal sector with regard to measures relating to the Green Deal to support the sustainable development of postal operators;
- Maintaining the competitiveness of postal operators following the implementation of the Green Deal measures for decarbonisation of the transport sector, energy efficiency, circular economy;
- The need to implement in the activities of postal operators innovations in all stages of the activity process, cost reduction, creative solutions to improve the efficiency of deliveries.

## CONCLUSIONS

In 2022, the reporting of the implemented activities set out in the CRC's Strategic Plan in relation to the postal sector is a good starting point to upgrade and optimise them in 2023. What was done in the past year and the results indicated in this report give grounds to conclude that, for the most part, the objectives set by the Strategic Plan for the reporting year have been achieved.

During the past year, the leading activities in the work of CRC for ensuring a competitive market of postal services, ensuring affordable and high-quality UPS, sustainable development of the postal market were performed.

CRC, as an independent specialised state body fulfilling the functions related to the regulation in the field of postal services, determined its priorities and objectives in 2023.

An important priority in 2023 for CRC is to increase the satisfaction of citizens and businesses with the quality and speed of the services provided to them – by public institutions, postal operators and providers of other services. In this regard, CRC will continue its activities to develop a system for the formation of postal codes in order to accurately identify the location of postal services users.

Another aspect of the CRC's activities is to introduce regulations concerning the supervisory powers of CRC for implementation of MAMLA and MATFA in order to achieve compliance with the requirements of the Council of Europe in the field of measures against money laundering and terrorist financing.

An upcoming task for CRC is to prepare an analysis on the need to change the Tariff for fees collected by CRC under PSA in order to justify the compliance of their amount with the legislation in force after the adoption of the tariff.

In view of the extraordinary Congress of the Universal Postal Union, which will be held in 2023, the Commission will also participate in the preparation of the official position of the Republic of Bulgaria on the agenda items of the Congress.

The information in the report reflects both the achievements in 2022 and the guidelines for future hard work to achieve an effective and future-oriented regulatory environment, a sustainable competitive market, consumer protection, and to ensure increasingly faster and reliable deliveries of items from on-line shopping.