

ANNUAL REPORT

by

**THE COMMUNICATIONS REGULATION
COMMISSION**

for 2023

ANALYSIS OF THE POSTAL SERVICES MARKET

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INTRODUCTION

The Communications Regulation Commission (CRC, the Commission) is a specialised state body implementing the policies in the field of postal service regulation in the Republic of Bulgaria.

The Commission's activities in the field of postal services in 2023 followed the strategic objectives set for ensuring a competitive market and protecting the interests of postal services users in accordance with the European regulatory mechanisms, good practices, and the implementation of adequate regulation, dictated by the entry of digital services and the introduction of new models in the provision of postal services.

In 2023, through its participation in an interdepartmental working group, CRC contributed to the update of the postal sector policy so as to reflect the new trends in the policy of the European Union and the Universal Postal Union in the field of postal services and to create conditions for providing modern, efficient and quality postal services, consistent with the new market realities.

Another important activity during the year was the inclusion of the Communications Regulation Commission as a supervisory authority for prevention and countering money laundering and the financing of terrorism. Through the Law on amendment and supplement of the Measures Against Money Laundering Act and the amendments to the Postal Services Act, the control powers of CRC have been extended with regard to the operators licensed to provide the postal money order (PMO) service in connection with the implementation of the Recommendations of the Report on Bulgaria of the Fifth Evaluation Round of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe (MONEYVAL). The requirements for persons applying for a license to carry out PMO have also increased.

In respect of fulfilling the legal requirement to ensure conditions for effective competition on the postal market, the Commission registered 11 new operators for the provision of non-universal postal services under Article 38, points 1-3 of the Postal Services Act (PSA), and the total number of postal operators in 2023 was 180.

In the exercise of its powers to protect consumers' interests, in close cooperation with all stakeholders and institutions, CRC examined 423 complaints and tips, carried out 348 inspections and drew up 11 penal decrees for violations of the legislation in the field of postal services.

A leading aspect in the implementation of the policy and regulation of postal services is the provision of reliable, affordable and quality services for all citizens of the Republic of Bulgaria. The Commission continued its activity of ensuring 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.

The measurement of the fulfilment of the quality targets of the UPS provided by the incumbent postal operator Bulgarian Posts EAD is assigned by CRC to an independent external contractor on an annual basis. The results of the measurement, as well as the recommendations made to improve the quality of the UPS, are presented in this report.

The report was prepared in accordance with Article 17 (1) PSA and contains an analysis of 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.

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).

I. ANALYSIS OF THE POSTAL SERVICES MARKET, PROSPECTS FOR DEVELOPMENT, STATE OF COMPETITION

1. POSTAL SERVICES MARKET IN BULGARIA

1.1 Market players

Methodological notes

The information presented is based on data received by CRC as of 31 May 2024 from 84% of the operators registered as of 31.12.2023.

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 2023, the total number of postal operators licensed/registered under PSA was 180, presented by services in Table 1 below.

Table 1

Licenses and certificates issued under PSA	Number of licensed/registered operators in 2023
Licenses for UPS and services within the scope of UPS	13
Licenses for postal money orders	35
Entered in the register of operators performing non-universal postal services	164

Source: *Data submitted to CRC*

In 2023, the number of postal operators actually providing postal services was 87.

1.2 Volume and structure of the Bulgarian postal market

For the purposes of analysis of the postal market, it is 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)¹ 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 service.²

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)		
	2021	2022	2023
1. Universal postal service and services within the scope of UPS	36.1	31.7	32.7
2. Non-universal postal services	646.9	744.5	801.6
TOTAL	683.0	776.2	834.3

Source: Data submitted to CRC

In 2023, the volume of the postal market, measured by the indicator revenue from the provision of postal services, grew by 7.5% compared to the previous year and reached BGN 834.3 million, continuing the trend of the last twelve years. Figure 1 displays the growth in market volume over the past three years.

¹ 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 PSA (prom. SG, no. 102 of 2010)

² 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.

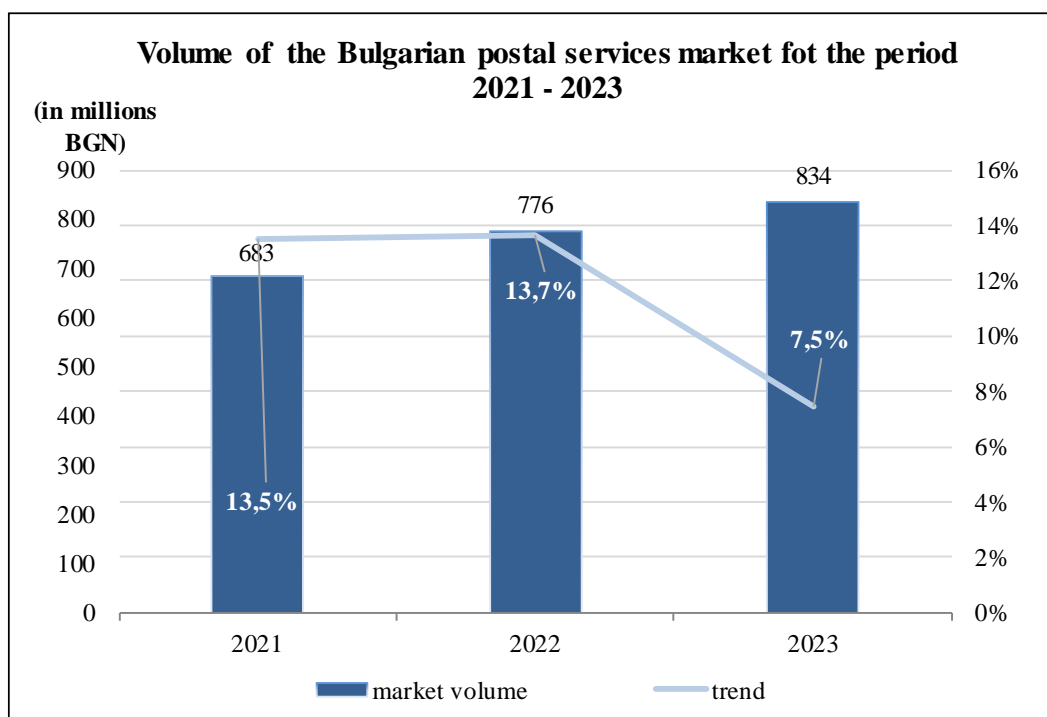


Figure 1

Source: Data submitted to CRC

The total volume of the market is mainly formed by the revenue generated from the non-UPS segment, as its share remains unchanged compared to the previous year, forming 96% of the postal market in 2023. In absolute terms, the revenue in the non-UPS segment increased by 7.7% in the current year compared to 2022. The downward trend of revenue in the UPS segment in recent years was disrupted in 2023 and the revenue reached a growth of 3.3% compared to the previous year.

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

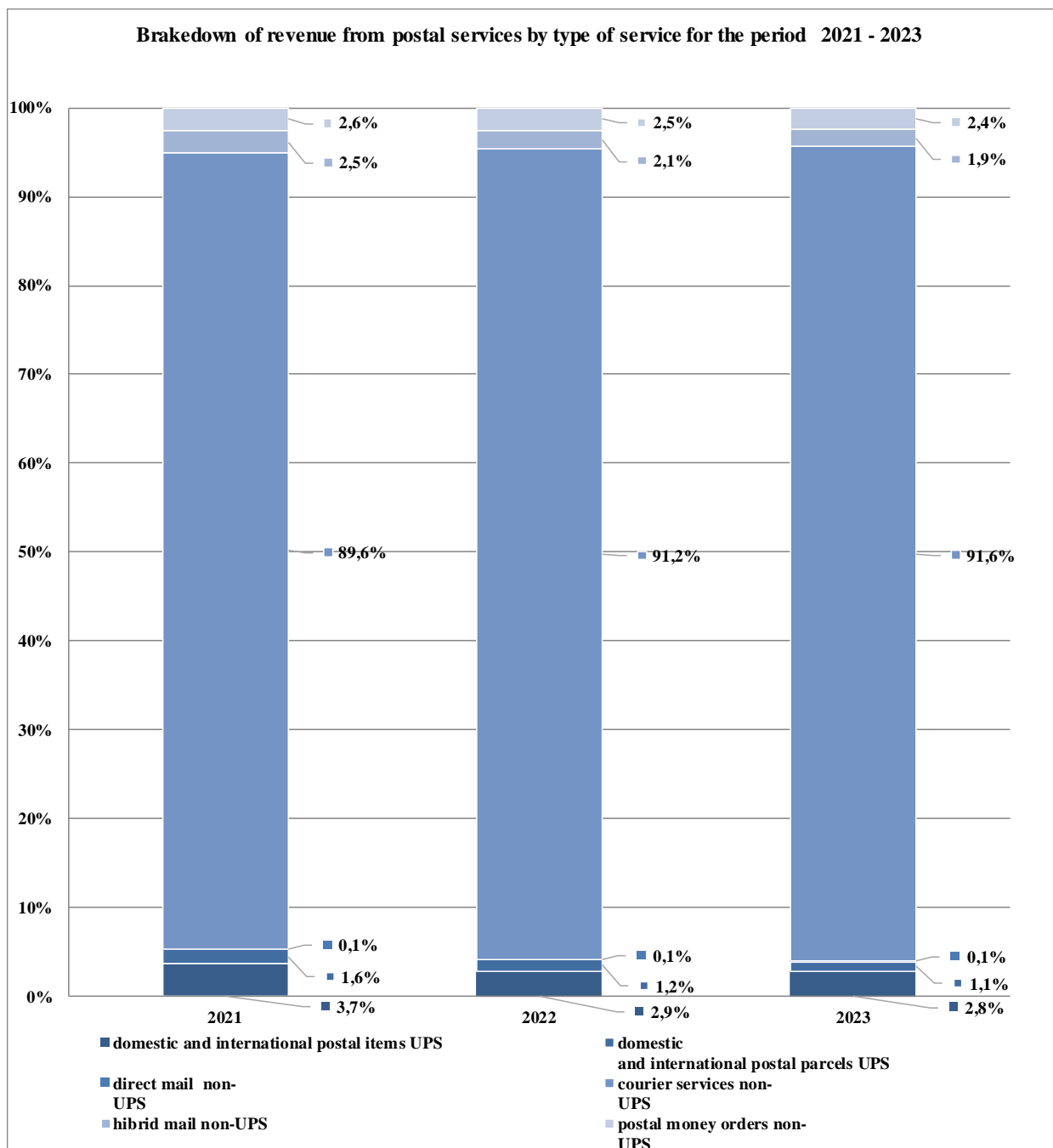


Figure 2

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 2023, the leading role of courier services was preserved, following the trend of sustainable growth of revenue from this service within the total revenue, with its share reaching 91.6%. Compared to 2022, the relative share of revenue from courier services increased by 0.4 percentage points, while all other services registered a decline in their share. In absolute terms, the revenue from courier services increased by 8% in 2023 compared to the year before.

Revenue from domestic and international postal items, which occupied second place with a relative share in the total revenue of 2.8%, registered a growth of 4.8% in absolute terms compared to 2022, and its relative share in the total volume of the market in 2023 dropped by 0.1 percentage points.

The revenue from the postal money order service, which occupied the third place in terms of a relative share in the total revenue of 2.4%, grew by 2.8% in absolute terms, while their relative share in the total revenue in 2023 decreased by 0.1 percentage points compared to 2022.

The relative share of the revenue generated from the hybrid mail service in 2023 fell by 0.2 percentage points compared to 2022 and reached 1.9% of the total revenue, registering a decrease of 0.4% in absolute terms.

The share of revenue from the domestic and international postal parcels service in 2023 dropped by 0.1 percentage points, occupying only 1.1% of the total revenue, and in absolute terms decreased by 0.3% compared to 2022.

The direct mail advertising service accounted for the lowest relative share of 0.1% in 2023 and revenue generated from it dropped by 4.1% versus 2022.

In 2023, the volume of postal services market measured by the number of items indicator amounted to 238.9 million items, registering a drop of 4% on a one-year basis. Compared to the previous year, courier services and postal money orders registered a growth, but it cannot make up for the overall decline of all other services.

Table 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)		
	2021	2022	2023
Postal items UPS	18,2	14,8	14,6
incl. domestic and international letter mail UPS	16,2	13,6	13,5
incl. domestic and international postal parcels UPS	1,9	1,2	1,1
direct mail non-UPS	2,6	2,9	2,7
courier services non-UPS	129,3	127,8	138,6
hibrid mail non-UPS	95,3	81,6	60,6
postal money orders non-UPS	21,3	21,8	22,3
Total	266,7	248,9	238,9

Source: Data submitted to CRC

In 2023, the following changes in the number of items and services on the postal market were observed compared to the year before:

- ✓ A growth in the number of courier services by 8.5%;
- ✓ A growth in the number of postal money orders by 2.4 %;

- ✓ A drop in the number of hybrid mail items by 25.8%;
- ✓ A drop in the number of direct mail advertising items by 5.4%;
- ✓ A drop in the number of domestic and international postal parcels by 5.1%.
- ✓ A drop in the number of domestic and international postal items by 1.1%.

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 31.12.2023, the number of operators registered for the provision of non-universal postal services under Art. 38, p. 1-3 PSA³ was 164, of which 79 were active during the period under consideration.

The companies that provided the hybrid mail service are Bulgarian Posts EAD, Direct Services OOD, DV Post OOD, Evropat 2000 AD, Kolbis International Transfer AD, M&BM Express OOD and Star Post OOD.

The market of direct mail advertising remains unchanged, and the service is provided only by Bulgarian Posts EAD and M&BM Express OOD.

In 2023, CRC did not issue new individual licenses for the provision of PMO.⁴ In the period under consideration, there was one early terminated individual license (IL) for the provision of PMO at the request of the operator LEO EXPRESS EOOD as of 18.10.2023 by CRC Decision No 296/19.10.2023. With this termination of the IL, the number of postal operators licensed to carry out PMO dropped to 35, one less than the year before. Of them, in 2023, activity was carried out by 18 postal operators (versus 20 in 2022) which are listed in Table 4.

Table 4

Operators that performed the PMO service in 2023		
1	BULGARIAN POSTS	EAD
2	DELIVERY SOLUTIONS	EOOD
3	EVROPAT 2000	AD
4	ECONT EXPRESS	AD ⁵
5	EXPRESS PAY	EOOD
6	EUROVET BULGARIA	EOOD
7	EASYPAY	AD
8	IN TIME	OOD
9	INTERCAPITAL GROUP	AD
10	INTERNATIONAL MAIL & PARCEL	EOOD
11	CASH CREDIT	EAD

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

⁴ For the purposes of §1 of the Additional Provision of 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.

⁵ On 21.05.2024, the change in the legal form of the company was entered in the Commercial Register and the Register of Legal Entities - transformation from a limited liability company (OOD) into a joint-stock company (AD).

12	M&BM EXPRESS	OOD
13	NOVATIO	OOD
14	POSTABIL	EOOD
15	CVC	EOOD
16	SPEEDY	AD
17	TRANSPRESS DELIVERY	EOOD
18	FACTOR I.N.	AD

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

In 2023, the volume of the non-UPS market segment, measured by the indicator revenue⁶ from provision of non-UPS, amounted to BGN 801.6 million, with an increase of 7.7% compared to 2022 (Figure 3).

Figure 3 presents the breakdown of revenue generated for the period 2021-2023.

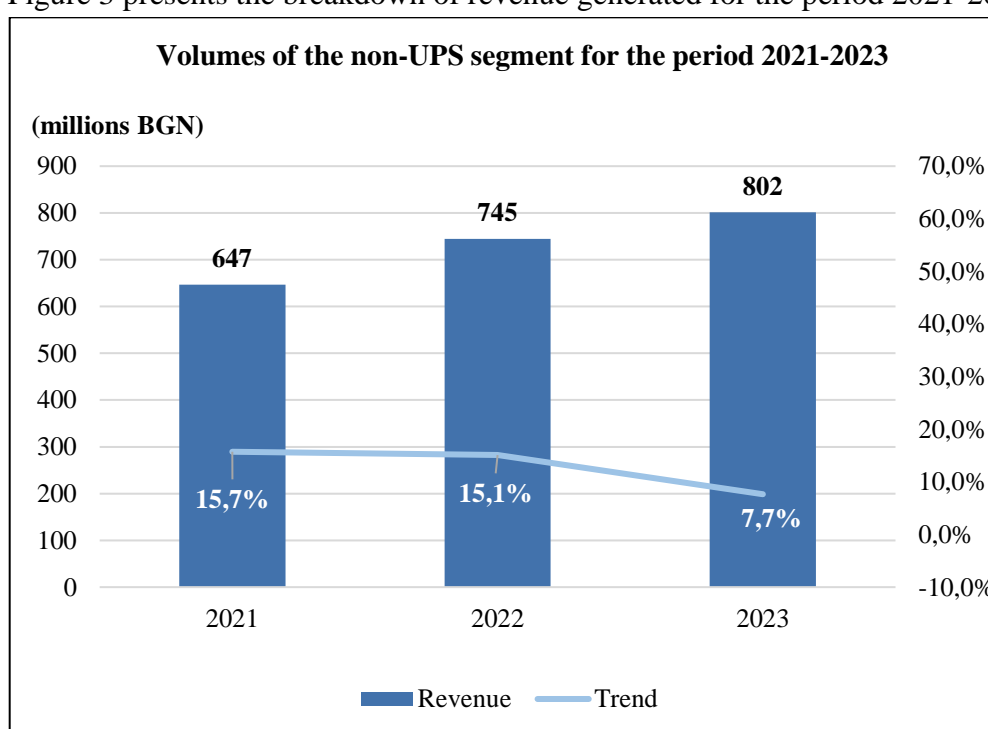


Figure 3

Source: Data submitted to CRC

The 2023 figures presented in Figure 3 confirm the trend of growth in the segment volume observed in recent years, albeit at a slower pace than the previous year – from 15.1% in 2022 to 7.7% in the past year, which is mainly due to the decline in revenue from international courier services.

In 2023, the total number of processed items and services in the non-UPS segment was 224.3 million. The continuous upward trend in this indicator was first disrupted in the previous period and this was repeated in 2023, with a reported drop of 4.2%. The main reason for this retreat continued to be the registered decline in the number of processed items and services in the hybrid

⁶ Includes revenue from the provision of domestic and international courier services, hybrid mail, direct mail advertising and postal money orders.

mail sub-segment, which decreased by 25.8% compared to the previous period (from 81.6 million in 2022 to 60.6 million in 2023). A drop of 5.4% was also registered in direct mail advertising, while the PMO service retained its growth rate, registering a growth of 2.4%.

Information on the breakdown of revenue from non-UPS by services for the period 2021-2023 is presented in Table 5.

Table 5

Non-UPS	Revenue (millions BGN)		
	2021	2022	2023
1. Courier services	611.7	707.9	764.5
1.1. Domestic courier services	453.7	536.0	604.3
1.2. International courier services	158.0	171.9	160.2
2. Hybrid mail	16.8	16.0	16.0
3. Direct mail advertising*	0.71	0.83	0.79
4. Postal money orders	17.6	19.8	20.3
TOTAL	646.9	744.5	801.6

Source: Data submitted to CRC

Compared to the year before, the following changes in the revenue from the non-UPS segment were observed in 2023:

- ✓ A growth in revenue from courier services by 8.0%;
- ✓ A growth in revenue from postal money orders by 2.8%;
- ✓ A drop in revenue from direct mail advertising by 4.1%;
- ✓ A drop in revenue from hybrid mail by 0.4%.

The breakdown (structure) of revenue from non-UPS for the period 2021-2023 is presented in Figure 4.

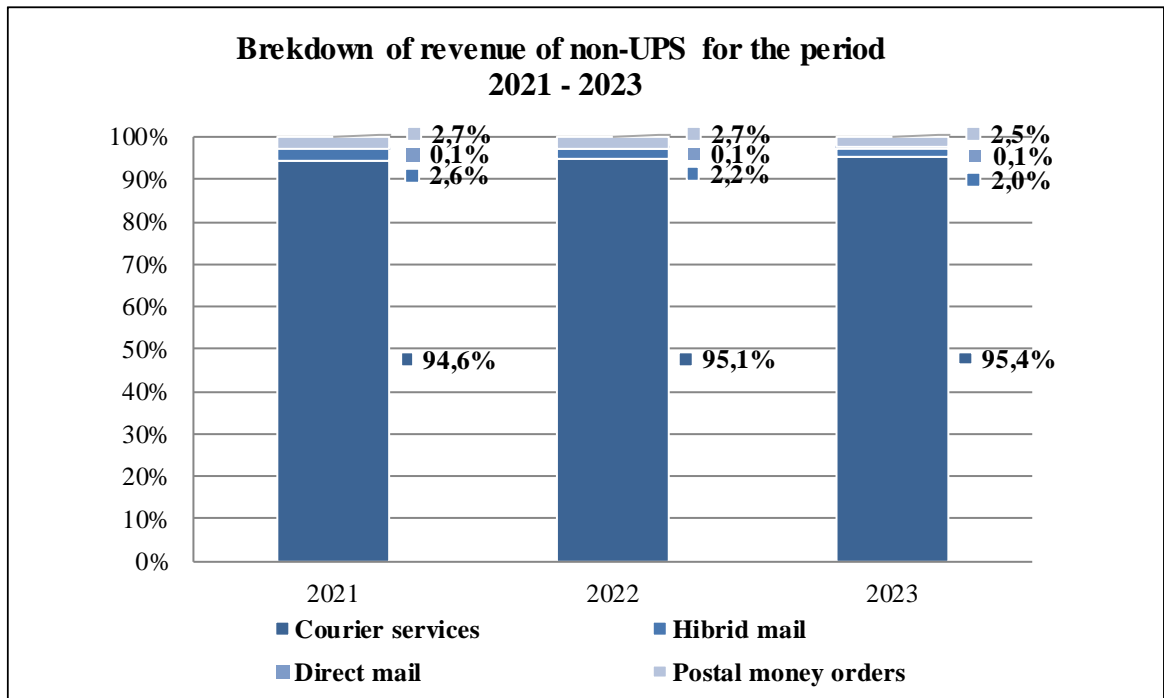


Figure 4

Source: Data submitted to CRC

At the end of 2023, 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 2023, as in the previous two years, revenue from courier services continued to affirm its dominant role, forming as much as 95.4% of the segment and registering a slight growth of 0.3 percentage points compared to 2022.

Despite the observed increase in absolute terms of the revenue from the PMO service (by 2.8% compared to 2022), its relative share of the total amount of non-UPS revenue registered a slight decrease of 0.2 percentage points over the one-year period considered. According to the data summarised by CRC, revenue reported from the PMO service in 2023 amounted to BGN 20.3 million, occupying a relative share of 2.5% of the revenue in the non-UPS segment.

In 2023, the revenue from the hybrid mail service continued to decline, occupying a share of 2% in the total amount of the revenues from non-UPS, with the reported decline amounting to 0.2 percentage points compared to the previous year.

The revenue from the direct mail advertising service retained its share from the previous reporting period, occupying a negligible share of 0.1% of the total amount of revenue from non-UPS.

Figure 5 displays the change in revenue from courier services for the period 2021-2023.

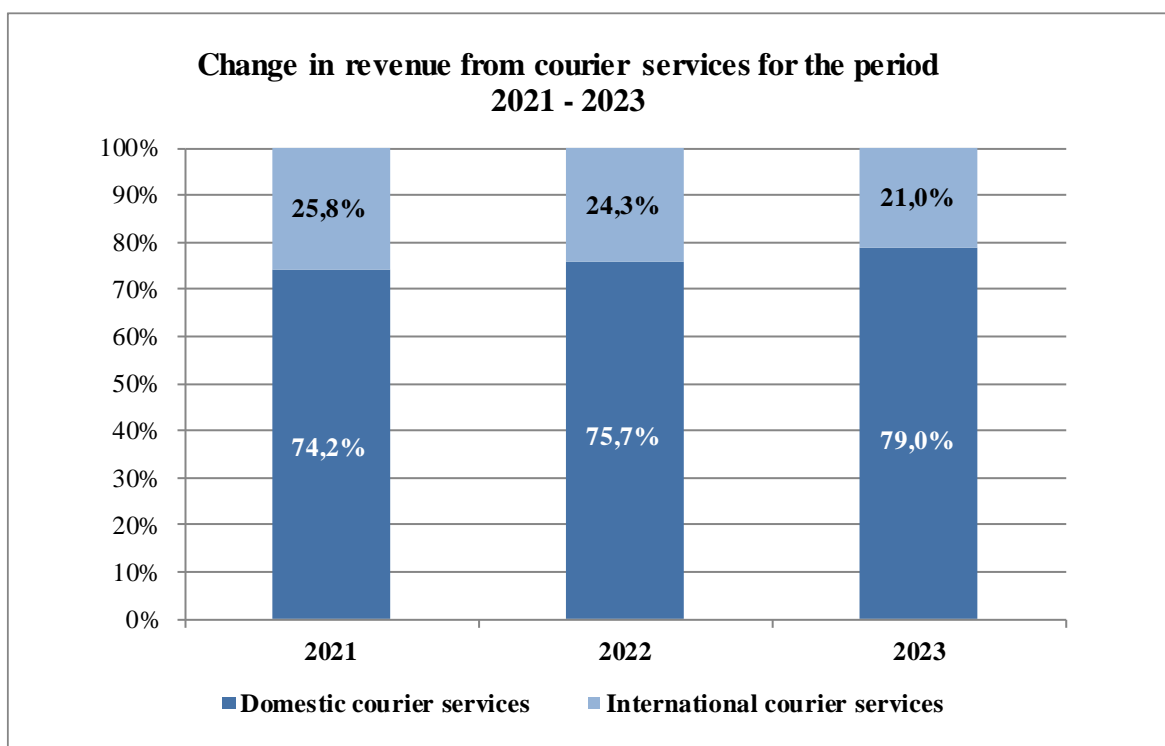


Figure 5

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 3.4 percentage points compared to 2022. In the past year, the revenue from domestic courier services grew by 12.7%, while the revenue from international courier services dropped by 6.8% as a result of the decrease in the number of processed items in this sub-segment by 11.6%. The observed trends for change in the number and revenue over a one-year period, especially those concerning the sub-segment of international courier services, are largely the result of high inflation rates in the last two periods considered, which inevitably affects the consumer behaviour, as well as the removal of the Covid restrictions. In 2023, as in the previous period, 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 10.1%.⁷

On-line shopping continued to be the main driver for courier services development in 2023. According to data provided by the postal operators, in 2023, the revenue from items generated by e-commerce increased by approximately 66% compared to 2022. According to forecast data of the European E-Commerce Report 2023, published by the Bulgarian E-Commerce Association (BEA),⁸ the share of e-commerce from the GDP of the country in 2023 will be approximately 2.11%, reaching EUR 1.95 billion,⁹ and the level of development of e-commerce is determined by the proportion of the volume of e-commerce to the country's GDP.

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

⁸ <https://passport.beabg.com/wp-content/uploads/2023/12/PASSPORT-2023-the-e-commerce-industry-in-Bulgaria.pdf>

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

During the reporting period, according to data provided by the National Statistical Institute (NSI), 45.2% of all consumers have shopped on-line,¹⁰ which is an increase of nearly 5 percentage points compared to 2022. Of them, 95.5% have shopped¹¹ from Bulgarian on-line traders, 27.4% from e-traders in the EU, and 12.9% from non-EU traders, as the trend here towards increase of the share of goods purchased from abroad is reversing - a drop of 4.6 percentage points for on-line sales from the EU and 5.1 percentage points for on-line sales from non-EU countries. The reason for the decline in e-commerce from abroad is due to two interrelated factors: the growing trust in Bulgarian on-line traders and their services combined with the increase in their competitiveness against their competitors from abroad. The inflation rate during the reporting period and the reduced purchasing capacity of the population should also be taken into account.

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 top three postal operators in the non-UPS segment (excluding the PMO service) and all other operators in total.

Table 6

Operators in the non-UPS segment	Market share (revenue based)		
	2021	2022	2023
Econt Express AD	37.9%	38.4%	39.9%
Speedy AD	32.6%	34.6%	33.8%
DHL Express Bulgaria EOOD	8.0%	8.2%	7.6%
All other	21.4%	18.8%	18.7%

Source: Data submitted to CRC

In the past year, as in the previous reporting periods, the main competitors in the courier services, namely Econt Express AD with 39.9% and Speedy AD with 33.8%, played a decisive role in the formation of the volume in the segment, measured on the basis of revenue from the non-UPS. Econt Express AD retained its positive trend, increasing its market share by 1.5 percentage points. The second largest market player reported a slight decrease of 0.8 percentage points compared to 2022. DHL Bulgaria EOOD ranked next with a market share of 7.6%, by 0.6 percentage points less than the previous period. In 2023, the number of postal operators holding a market share of more than 1% increased by one compared to the previous year, reaching a total of 11. Over a one-year period, the share of the incumbent operator Bulgarian Posts EAD remained unchanged at 1.6%.

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

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

The competition in the non-UPS market segment (with the exception of the PMO service) is measured through the concentration ratio CR5.¹² In 2023, the CR5 value remained relatively stable compared to that in 2022, which was driven by the absence of significant changes in the segment.

Although the market for courier services seems saturated, there are opportunities for growth and development. The growth of e-commerce and the intensive development of the postal parcels market stimulate innovation in delivery, creating favourable conditions for the entry of new players in the field of courier services, who are capable of offering innovative solutions and adapting to the changing consumer preferences. Along with traditional home delivery services, out-of-home delivery solutions are becoming increasingly important, offering convenience and flexibility to customers. The market for domestic courier services also reflects this trend, and in 2023 there was an intensive growth both in the construction of networks of delivery lockers for courier items and in the number of items delivered through them:

- A significant growth in the number of delivery lockers for courier items compared to the previous reporting period – 3.3 times;
- A sharp increase in the number of items delivered through the network of lockers of postal operators compared to the previous reporting period – 27 times.

Table 7 shows the evolution of the market shares of the top three postal operators in the PMO segment and all other operators in total.

Table 7

Operators in the PMO segment	Market share (revenue based)		
	2021	2022	2023
Econt Express AD	52.0%	53.4%	50.5%
Speedy AD	29.2%	31.8%	33.8%
Bulgarian Posts EAD	13.3%	9.3%	8.2%
All other	5.5%	5.5%	7.4%

Source: Data submitted to CRC

In the past year, as in the previous reporting periods, the three leading postal operators holding the largest share in the revenue from providing the PMO service continued to be Econt Express AD (50.5%), followed by Speedy AD (33.8%), and Bulgarian Posts EAD (8.2%). The leader on the postal money order market, Econt Express AD, discontinued its upward growth rate on the basis of market share of revenue, registering a decrease of 2.9 percentage points on a one-year basis at the expense of its biggest competitor, namely Speedy AD, which increased its market share by 2.0 percentage points. The revenue of Econt Express AD registered a decline in absolute terms by 2.8%, while that of Speedy AD grew by 9.3%. The revenue from the provision of PMO

¹² (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 2023.

generated by Bulgarian Posts EAD maintained its negative growth rate, decreasing in absolute terms by 9%, which leads to a decrease in its relative share in the total amount of revenue from PMO (by 1.1 percentage points). The aggregate market share of other postal operators providing the PMO service had a limited impact on market dynamics with a share of 7.4%. However, for the first time during the period considered, they recorded a slight increase of 1.9 percentage points.

Summary:

In 2023, as regards the non-UPS segment, the following was observed:

- ✓ A growth in the total volume of the revenue from non-UPS, which is mainly due to the increase in the revenue generated by courier services, and in the domestic courier services segment in particular;
- ✓ The growth of e-commerce continued to be the main driver for courier services development;
- ✓ A growth in the number and revenue from postal money orders, which is mainly due to the revenue generated from the cash on delivery service with PMO;
- ✓ A significant decline in the number of items and revenue generated from hybrid mail due to the increasing digitisation and changes in consumer behaviour;
- ✓ A decline in items and revenue generated from direct mail advertising due to the growing popularity of digital marketing, the changing consumer preferences and environmental considerations.
- ✓ 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 points of access 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 both through the entry of new players to the market and through the building of such access points by already established market players.

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:

a. 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.

b. Additional “registered” and “declared value” services.

As of 31.12.2023, the number of postal operators¹³ licensed to perform the services under Art. 39, p. 1 and p. 2 PSA, which are entered in the Public Register,¹⁴ remained unchanged - 13.

In 2023, seven of these undertakings declared that they did not operate under their individual licenses: Toyota Tixim EOOD, Fasto Courier EOOD, A1 Trade EOOD, Arii EOOD, GT Logistics OOD, Speedy AD, and Tip Top Courier AD.

Table 8

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 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
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:

¹³ 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.

¹⁴ <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 2023, the volume of the UPS market segment, measured by the revenue from UPS and services within the scope of UPS indicator, registered a growth of 3%, reaching BGN 33 million.

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

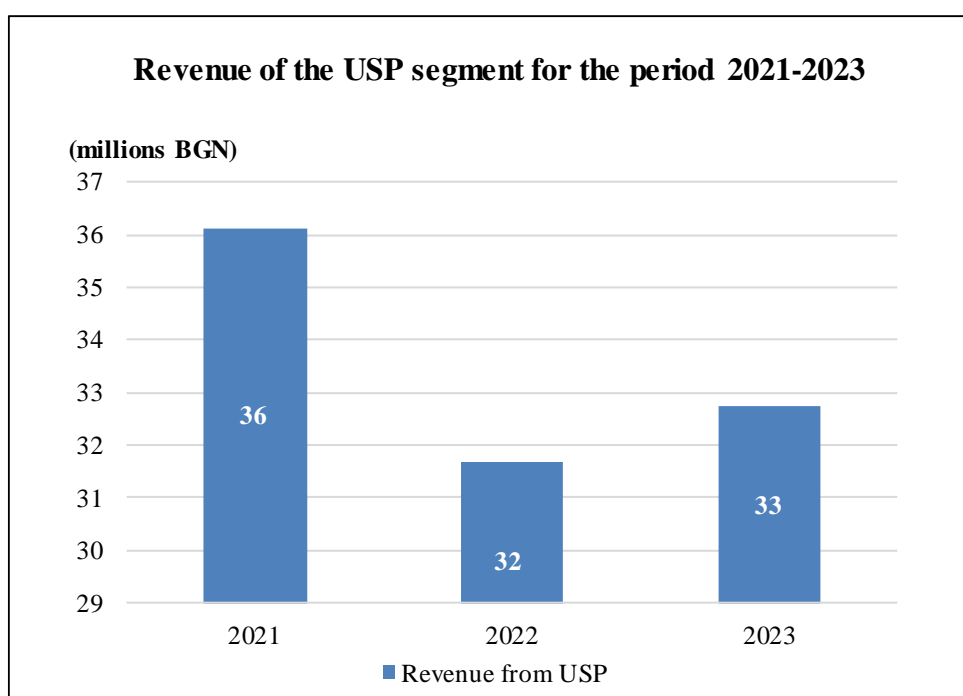


Figure 6

Source: Data submitted to CRC

In the current reporting period, the downward trend in the UPS segment of the last four years was disrupted, with a growth of 3.3% compared to 2022.

Despite the reported growth in revenue, it should be noted that in 2023 the total number of processed items and services in the UPS segment was 14.6 million, registering a decrease of 1.4% compared to 2022. Therefore, the main reason for the reported growth in revenue was due to the price increase in the UPS segment in 2022,¹⁵ which had an impact on the revenue generated in 2023. Over the three-year period considered, consumer attitudes remained unchanged, with preferences continuing to be directed toward non-universal postal services which offer greater speed, reliability, flexibility, and more advanced technology solutions for delivery of postal items. In the past year, as in the previous reporting periods, no new individual license for the performance

¹⁵ By Decision No 204 of 23.06.2022, CRC coordinated the prices of BP, which entered into force on 1.08.2022.

of UPS was issued. Only six of all licensed operators have declared that they provide such services, and the operator Tip Top Courier AD has been declared bankrupt. These facts confirm the trend of lack of interest in entering the market segment. Revenue in this segment continue to be formed mainly by the operator with the obligation to perform the UPS – BP. A key factor in changing trends in the segment is both the identification of a new, more flexible UPS range¹⁶ to meet the changed needs of users, and the introduction of changes that meet the increasing demands for speed, reliability and convenience to increase the competitiveness of the segment.

Table 9 provides information on the structure of revenue from the provision of services within the scope of UPS.

Table 9

UPS	Revenue (millions BGN)		
	2021	2022	2023
Domestic postal items	17.7	16.7	17.5
1. Items of correspondence up to 2 kg	10.1	10.7	11.6
2. Small packets up to 2 kg	0.9	1.0	1.2
3. Printed matters up to 5 kg	0.07	0.08	0.09
4. Items for blind and visually impaired persons up to 7 kg	0.001	0.001	0.005
5. Postal parcels up to 20 kg	6.7	4.9	4.7
International postal items	18.4	15.0	15.2
1. Priority and non-priority postal items	14.1	10.7	10.7
2. International postal parcels 31.5 kg	4.3	4.3	4.5
TOTAL	36.1	31.7	32.7

Source: Data submitted to CRC

In 2023, the following changes were registered in terms of revenue from services in the UPS market segment:

- ✓ a growth of 11.9% in revenue from domestic small packets up to 2 kg;
- ✓ a growth of 10% in revenue from printed matters up to 5 kg;
- ✓ a growth of 8.6% in revenue from items of correspondence up to 2 kg;
- ✓ a growth of 4.8% in revenue from international postal parcels up to 31.5 kg;
- ✓ a growth of 0.2 % in revenue from international priority and non-priority postal items;
- ✓ a decrease of 4.7% in revenue from domestic postal parcels up to 20 kg.

3.2.1. Breakdown of revenue from domestic postal items

¹⁶ 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.

Figure 7 presents the breakdown of revenue generated from domestic postal items for the period 2021-2023.

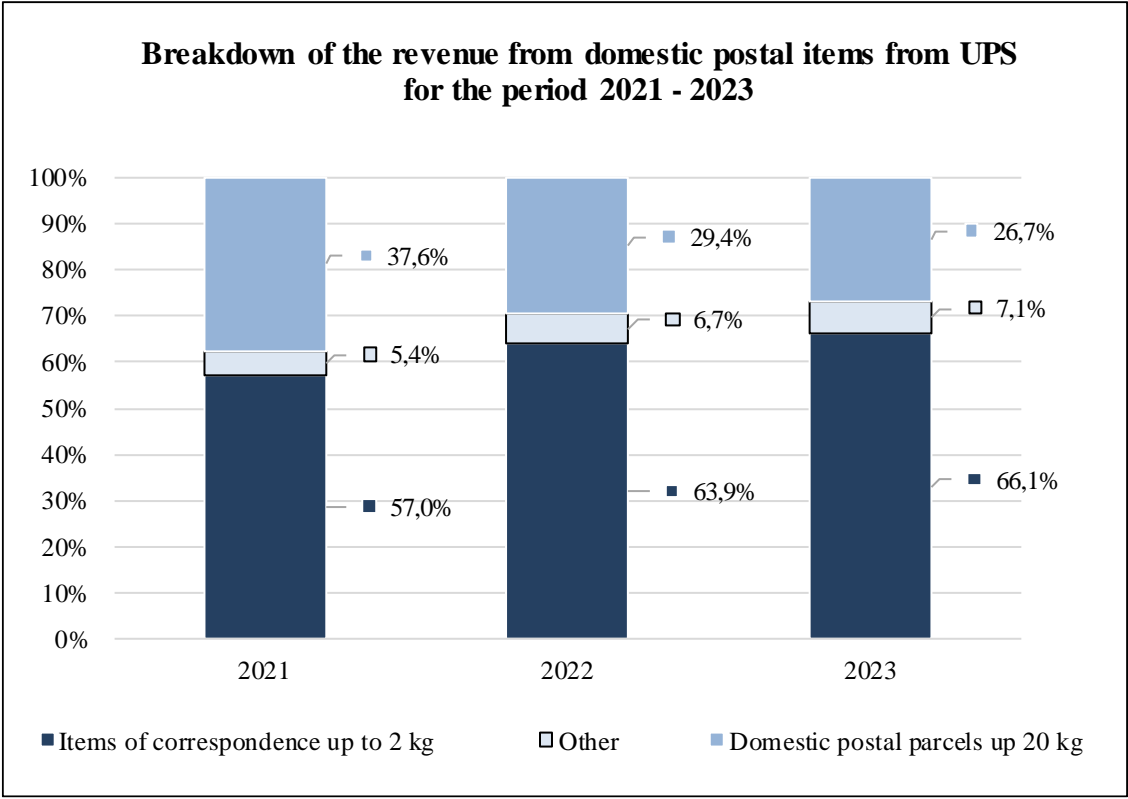


Figure 7

Source: Data submitted to CRC

In 2023, there was no significant change in the structure of revenue from domestic postal items compared to previous years. Items of correspondence up to 2 kg reinforced their leading position, with revenue up by 2.2 percentage points to reach 66.1%. Postal parcels up to 20 kg remained the second largest source of revenue, although with a negative trend. Their share in the total revenue from domestic postal items decreased by 2.7 percentage points in 2023 and by a total of 10.9 percentage points for the period 2021-2023.

The revenue from small packets up to 2 kg, printed matters up to 5 kg, and items for blind people up to 7 kg formed 7.1% of the total revenue in 2023 and, compared to 2022, its share rose by 0.4 percentage points (shown in the "Other" column in the figure).

3.2.2. Breakdown of revenue from international postal items

The breakdown of the revenue generated from international postal items for the period 2021 – 2023 is presented in Figure 8 below.

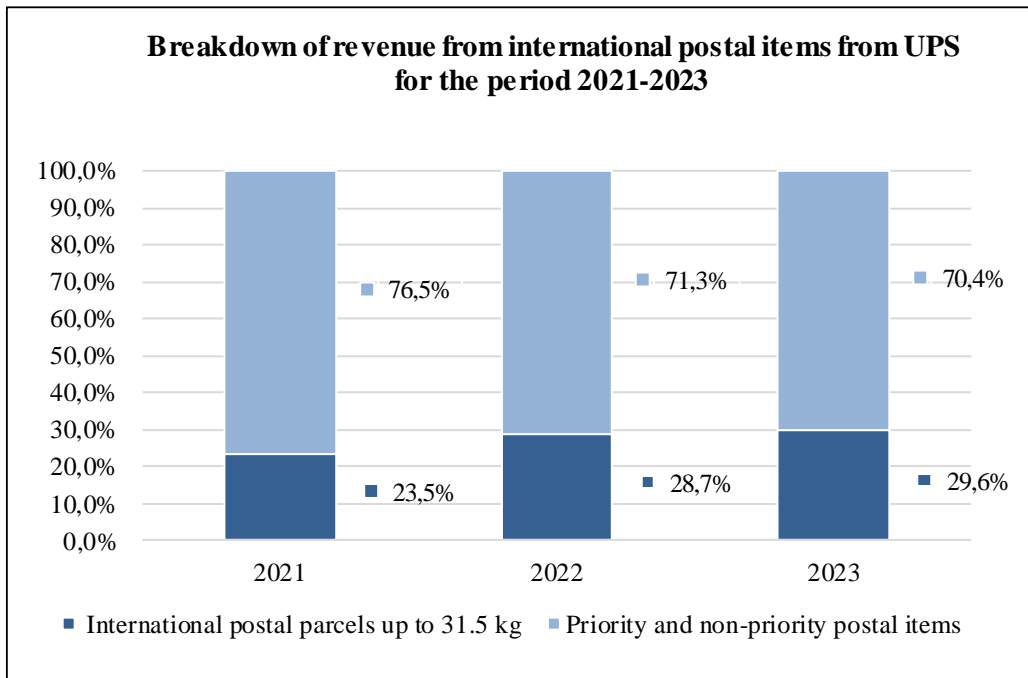


Figure 8

Source: Data submitted to CRC

Although the change in the structure of revenue in the period between 2022-2023 was smaller than in the three-year period, the upward trend in the share of international parcels up to 31.5 kg and the reduction of the share of priority and non-priority postal items was maintained. The share of priority and non-priority postal items in the total revenue decreased from 71.3% in 2022 to 70.4% in 2023. This represents a decrease of 0.9 percentage points over the one-year period and the share of international postal parcels up to 31.5 kg also rose from 28.7% in 2022 to 29.6% in 2023.

3.3. Users of services in the UPS market segment

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

In 2023, according to CRC data, the share of items submitted by individual users in the UPS market segment continued to decline, down by 1.5 percentage points to 39.3%.

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

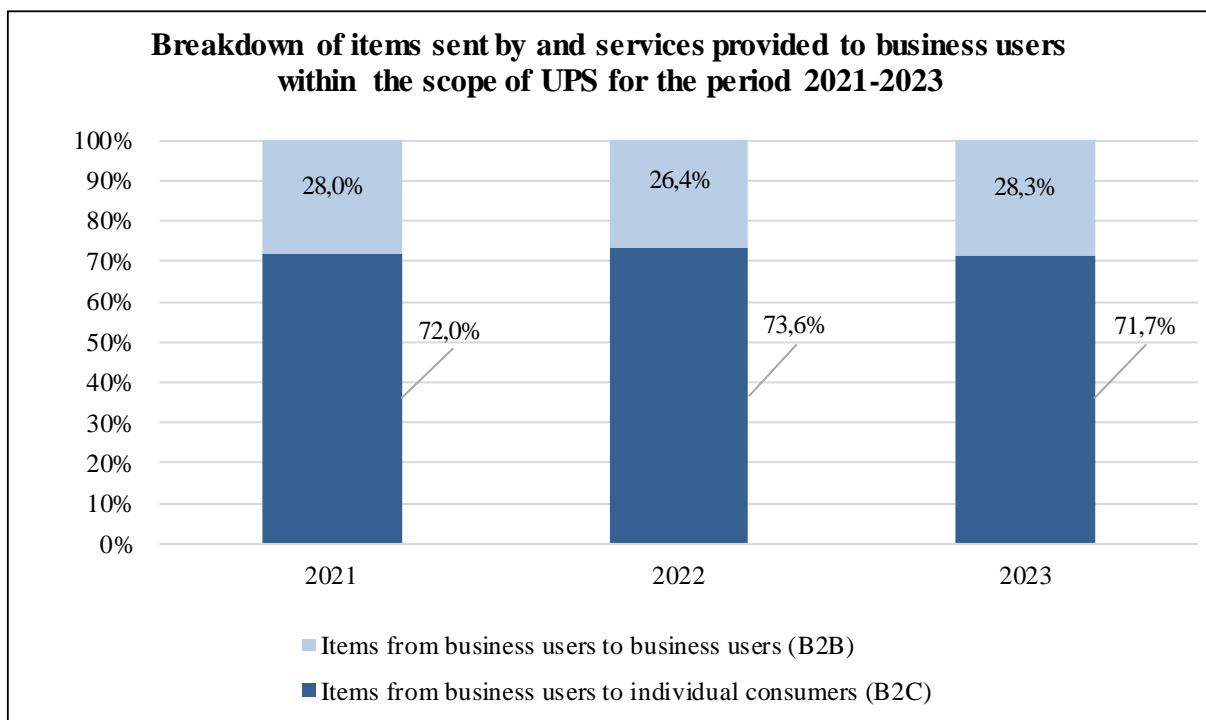


Figure 9

Source: Data submitted to CRC

Although with slight fluctuations, the structure of items sent by and services provided to business users within the scope of UPS remained relatively stable during the period 2021-2023. The share of items sent from business users to individual users (business to consumer B2C) continued to play a leading role, but an increase of 1.9 in percentage points was observed in the share of items sent from business users to other business users (business to business B2B) in 2023 compared to the previous reporting period.

The data for 2023 show that the ratio between the types of UPS postal items provided by Bulgarian Posts EAD remained unchanged compared to the previous reporting period – 70% share for B2C services vs. 30% share for B2B, respectively. Among the individual users of the incumbent operator, the most popular are the non-registered items of correspondence up to 2 kg, small packets up to 2 kg, and postal parcels up to 20 kg (with and without declared value). The UPS business users preferred non-registered and registered items of correspondence, both domestic and international.

During the same period, Econt Express AD reported a ratio of 64% B2C to 36% B2B items, with a trend of slow growth of the share of B2B items observed in recent years.

3.4. Market shares and competition in the UPS market segment

The table below presents the market shares of the postal operators providing UPS on the basis of their reported revenue for the period 2021-2023.

Table 10

Operators in the UPS segment	Market share (revenue based)		
	2021	2022	2023
Bulgarian Posts EAD	81.2%	82.5%	85.2%
Econt Express AD	15.2%	13.8%	12.2%
All other	3.6%	3.6%	2.6%

Source: *Data submitted to CRC*

Over the period 2021-2023, BP strengthened its dominant position in the market by increasing its market share in each of the reporting years, by 1.3 percentage points in 2022 and by 2.7 percentage points in the current reporting period, respectively. At the same time, the share of Econt Express AD decreased in each of the two reporting periods, registering a drop of 1.6 percentage points in 2023. The aggregate market share of the other postal operators that reported revenue in the UPS segment in 2023 (M&BM Express OOD, Star Post OOD, Tavex EOOD and DV Post EOOD) did not have a significant impact on the market dynamics, having a relatively small market share. After retaining their share in 2022, the current reporting period saw a decrease of 1.0 percentage points to 2.6%. The decline in the share of these operators is partly due to the fact that in 2023 Tip-Top Courier AD ceased its activity and the company was declared bankrupt.

The reported revenue figures in 2023 show that BP increased its market share in revenue from items of correspondence up to 2 kg by 4.0 percentage points, reaching 94%. For the small packets up to 2 kg, printed matters up to 5 kg as well as international postal items, the share of the historical operator is 100%.

Econt Express AD occupied the largest share of the revenue from the provision of domestic postal parcels up to 20 kg – 81% of all reported revenue, although in 2023 its share decreased by 4.0 percentage points year-on-year.

Summary:

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

- ✓ A growth of 3.3% of the revenue from UPS compared to the previous year;
- ✓ A decrease in the total number of processed items and services in the UPS segment by 1.4%;
- ✓ A continuing trend in the attitudes of users of postal services toward replacing the services within the scope of UPS with non-universal postal services;
- ✓ A stronger leadership position of BP in the provision of UPS;
- ✓ 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

The following conclusions and trends regarding the development of the postal market in recent years have been outlined as a result of the preparation of this report:

- 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 that meet the growing demands for speed, reliability and convenience;
- An increase in investments related to innovation in delivery of postal items, allowing the recipient to choose the place and time interval for receipt of the item;
- Taking action by postal service providers to increase environmental sustainability in the sector;
- A lack of interest in the provision of services under Art. 39, p. 1 and p. 2 PSA on part of new participants in this market segment.

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;
- 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 post lockers as an economic, logistic and environmentally friendly solution;
- Maintaining the leadership position of BP in the UPS market segment;
- Reduction in the number of postal items 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 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

By a special provision of PSA (Art. 24 PSA and § 70 of the Transitional and Final Provisions of the Law on amendment and supplement of PSA, prom. SG, no. 102 of 2010), an obligation to perform UPS was awarded to BP for a period of 15 years, which expires on 31.12.2025.

The obligation to perform UPS requires from BP to provide the service 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 entire territory of the 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 targets 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 entire territory of the country, including the provision of UPS free of charge in the cases under Art. 80 PSA.

To inspect the fulfilment of the assigned 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 2023, authorised employees of CRC carried out 77 scheduled inspections in a certain sample of post offices of BP throughout the country. As a result, no deviations were found regarding compliance with the provisions of Art. 33 PSA. The inspections were carried out in post offices in settlements not included in the List of settlements located in difficult-to-access areas.

According to data provided by the operator, as of 31.12.2023, the number of post offices of the company was 2,971.¹⁷ Of them, 631 were located in urban areas, and 2,340 were located in rural areas. Out of the post offices in rural areas, 773 were located in settlements with population of over 800 residents, 1,300 were in settlements with population of over 150 and below 800 residents, and 267 were in settlements with population of less than 150 residents.

Apart from post offices, postal services in settlements in the country are also provided through postal agencies and inter-settlement postmen. The number of settlements serviced in any of the above manners totalled 5,119. There are 4,330 letterboxes for collection of unregistered items of correspondence in use. For the country, the average population serviced by one post office is 1,581 residents.

In 2023, there was no significant change in the number and location of the points of access to the BP’s postal network compared to 2022. CRC received proposals from the incumbent operator for changes in the number of working days in which UPS is provided in a total of 41 settlements meeting the difficult-to-access criteria, according to the provision of Art. 33, Para 1, p. 2 PSA. As a result, the Commission adopted decisions for amendment and supplement of the proposed 41 settlements included in the List of settlements and settlement formations located in difficult-to-access areas. 23 settlements were proposed for inclusion in the List of settlements and settlement formations located in difficult-to-access areas, of which 7 settlements were approved and 16 settlements were denied approval, since they did not meet the difficult-to-access criteria.

The List of settlements and settlement formations located in difficult-to-access areas is available on the CRC’s website at the following address: <https://crc.bg/bg/rubriki/226/regulirane-naposhtenskite-uslugi> .

¹⁷ By CRC Decision No 433 of 25 October 2018, Post Office Sofia 1756 was closed, but it ceased operation in 2023.

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;
- the additional domestic “registered” universal service;
- domestic parcels up to 20 kg.

By Decision No 297 of 19.10.2023, 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 2023, for the fifth 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 its Protocol Decision No 2 of 29.06.2023, CRC adopted an assessment according to which the prices of five services covered each of the elements included in Article 6(2) of the Regulation and that it had no reason to believe that the prices of Bulgarian Posts EAD by category of items by country are unreasonably high. The assessment was prepared on the basis of calculations made in applying the filter mechanism based on the median tariffs.¹⁸

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

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 BP will 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 provision of Art. 29a PSA, in 2023, BP submitted to CRC an application for compensation of the net costs and the unfair financial burden of providing the service in 2022.

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

¹⁸ A filter mechanism described in the EC Guidelines for the assessment of cross-border tariffs, which compares the median values of the tariffs for sending different types of items from Bulgaria to other countries with the median values of the tariffs at which other countries send items to Bulgaria

from the provision of the universal postal service for 2022". Based on the factual findings from the performed audit, CRC adopted the following decisions:

Decision No 289 of 12.10.2023 on coordination of the results obtained from the cost allocation system by types of services of BP in 2022;

Decision No 290 of 12.10.2023 concerning the total amount of net costs from the provision of the universal postal service and the presence of unfair financial burden for BP due to the provision of UPS in 2022.

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 2022 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

The requirement for independent measurement of the end-to-end transit time for postal items is in line with the applicable standard of the European Committee for Standardisation (CEN) EN13850 Postal Services. In accordance with the provisions of Art. 15, Para 1, p. 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 on the basis of Art. 15, Para 1, p. 7 of the Postal Services Act in 2023. The results of the measurement of the “end-to-end” transit time for single-piece domestic priority postal items in the network of the operator obliged to perform the universal postal service in 2023 do not reach the specified targets.

Priority domestic postal items

As is evident from Table 11, 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 for timely delivered postal items in 2023 were 51.8% and 84%, respectively.

Table 11

End-to-end transit time for priority mail	Quality targets¹⁹	Results 2021	Results 2022	Results 2023
D+1 ²⁰	Not less than 80% of the postal items	50.0%	67.1%	51.8
D+2	Not less than 95% of the postal items	80.6%	91.0%	84.0

Source: Data submitted to CRC

During the measurement period from 01.01.2023 to 31.12.2023, priority mail failed to reach the quality target, with only 51.8% of the items delivered within D+1 with a quality target of minimum 80%, and within D+2 – 84.0% with a minimum target of 95%.

Cumulative percentage²¹ of priority items delivered within D+1 to D+10. Percentage of timely delivered priority items in the period 2021 -2023

¹⁹ 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;

²⁰ D+n is the end-to-end transit time where D is the date of submission and n is the number of working days between the date of submission and the date of receipt.

²¹ The results are cumulative, i.e. include the entire measurement period from January to December 2021, 2022, 2023.

In 2023, as in 2022 and 2021, the requirements of targets regarding the time for conveyance of priority postal items were not met.

Information on priority postal items delivered between D+1 and D+10 from January to December for the years 2021 to 2023 is presented below, where the lower and upper limits of items delivered are shown, according to the established target.

In the case of priority postal items, the largest increases in the cumulative share were observed between D+1 and D+2 – from 51.8% to 84.0%.

The data obtained for 2023 (Figure 10) show that between 81.22% and 86.78% of these items can be claimed to have been delivered within the norm with a 95% probability. For the period January - December 2023, 99.7% of these items were delivered within D+10.

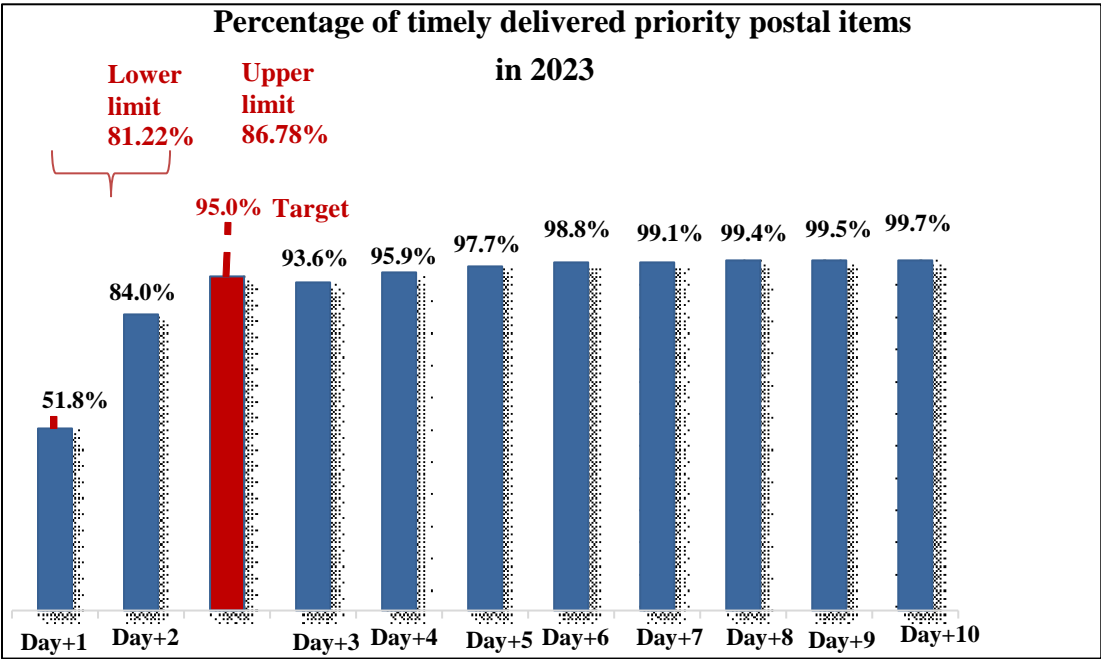


Figure 10

Source: Report of Global Metrics EOOD

From the 2022 data shown in Figure 11 below, it is apparent that between 88.68% and 93.31% of the items can be claimed to have been delivered within the norm with a 95% probability.

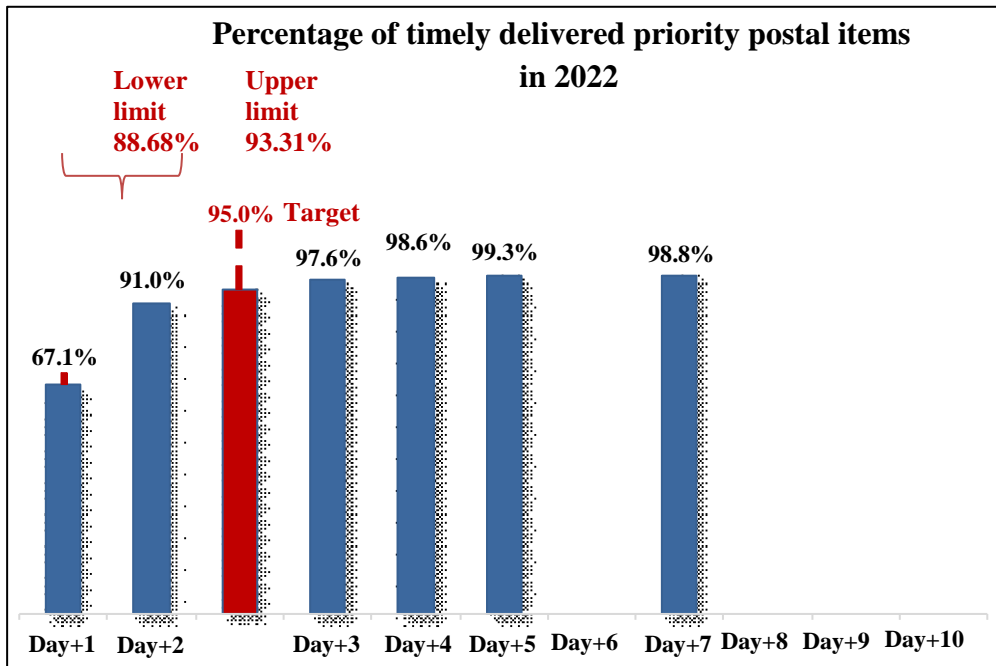


Figure 11

Source: Report of Global Metrics EOOD

According to the 2021 data (Figure 12), it can be confirmed with 95% that between 77.41% and 83.79% of priority items have been delivered within the norm.

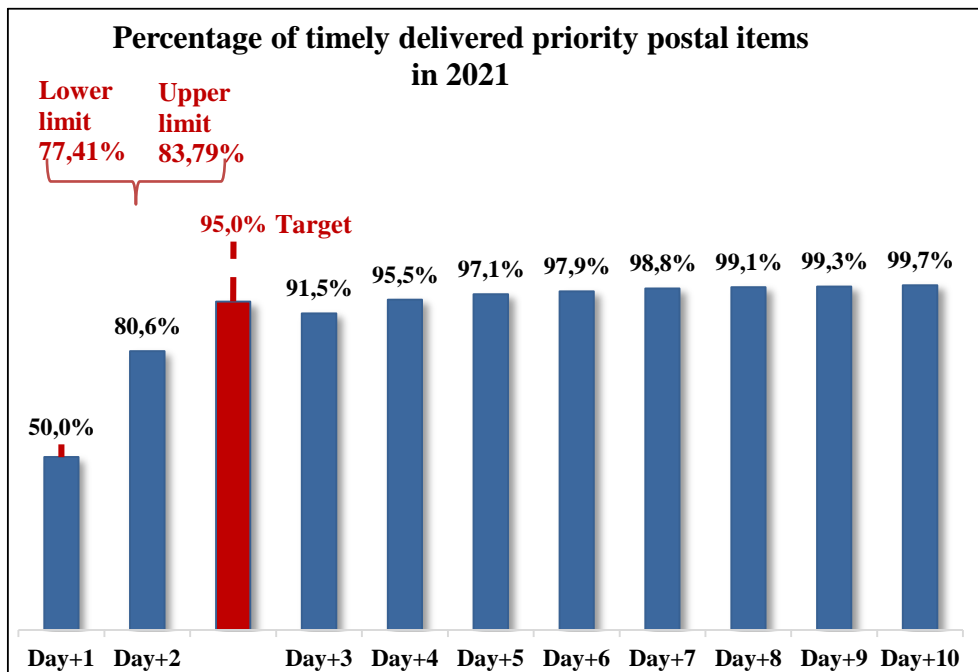


Figure 12

Source: Report of Global Metrics EOOD for 2021

It is evident from the above that the reported results for 2023 are close to the measurement results in 2021.

Time for conveyance of international priority items

The end-to-end transit time for international priority items is measured using the UNEX²² system of the International Post Corporation (IPC) which was joined by BP in the beginning of 2008. The scope of measurement included postal operators obliged to provide UPS from all EU Member States. The measurement 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) EN13850 Postal Services.

The results obtained are official for all operators of the EU Member States and are summarised in the document “International priority letter mail external quality of service monitoring”, 2023 results.

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

Summary:

It is clear from the above that the objectives set out in the provision of Article 3 of the quality targets of the universal postal service regarding the end-to-end transit time for priority mail in 2023 were not achieved.

Three virtual meetings were held at expert level with the participation of representatives from Global Metrics EOOD and BP, during which the interim results of the quarters in 2023 were presented and discussed. After the measurement was completed, BP was acquainted with the final results of the quality measurement for the whole year 2023, as well as with the recommendations given by Global Metrics EOOD for quality improvement. In order to achieve the statutory time limit for performance of UPS, BP has stated that it has taken the following actions:

- An inspection has been carried out on the validity of the specified times for collection of mail from the letterboxes in all settlements in the country;
- An ongoing monitoring is carried out for observance of the days/times for collection of postal items from letterboxes which are located on the territory of small settlements and of letterboxes which are not on the territory of a given post office;
- Priority items are marked to avoid delays in the processing by different employees in the delivery chain;
- Additional instructions are given to employees engaged in the delivery of postal items in terms of checking of and delivery at the delivery addresses specified;
- Additional instructions are given to post officers carrying out postal delivery activities regarding the requirements for the delivery of priority domestic postal items;
- Examines the possibilities for introducing a system to stimulate postal employees to comply with standards and internal rules of work as well as for increasing the customer satisfaction from the provided UPS.

The results of the actions taken by BP to improve the quality of the services provided UPS in 2024.

²² UNEX is an international priority item delivery system within the European Union, run by the International Post Corporation (IPC).

III. ENSURING POSTAL SECURITY

1. COMPLIANCE WITH THE PROVISIONS OF ORDINANCE No 6 OF 1 NOVEMBER 2011 ON POSTAL SECURITY REQUIREMENTS

The general requirements related to ensuring postal security, as well as the penalties for their violation, are regulated by PSA. 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 inviolability of correspondence, protection of personal data, assistance in detecting violations and offences performed against or through the postal network.

A secondary regulation - Ordinance No 6 of 1 November 2011 - on the postal security requirements²³ (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 employees 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, transport 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 Three²⁴ and Chapter Six²⁵ 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.

According to 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. By Ordinance No 6, the competent state authorities, including CRC, are obliged to control the compliance and application of the postal security requirements. In this regard, during the reporting period, 84 inspections were carried out on 14 postal operators at different access points in the cities of Sofia, Plovdiv, Burgas, Varna, Veliko Tarnovo and Vratsa concerning compliance with Article 60, p. 5 of the Postal Services Act and Art. 10 of Ordinance No 6/ 2011 on the requirements for postal security (the Ordinance). The results of the inspections show that most of the inspected postal operators either possess their own technical means and/or software, or use devices and/or

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

²⁴ Ordinance No 6, Chapter Three "Security and protection of cash and valuables. prevention of money laundering through the postal network";

²⁵ Ordinance No 6, Chapter Six "Protection of postal traffic and prevention of the acceptance, transport and delivery through the postal network of prohibited objects and substances"

software of other postal operators against payment. The access points of postal operators, which have designated special desks for the reception of valuable items and for carrying out cash activities, are equipped with video surveillance systems. Some of the inspected facilities of Bulgarian Posts EAD on the territory of the country have installed video surveillance systems, while others are planning to build such systems in the preparation of a new public procurement in 2024.

Other measures to protect postal traffic and prevent the distribution through the postal network of prohibited objects and substances, which the leading courier companies and licensed operators for the provision of services within the scope of UPS have indicated in their activity report questionnaires in 2023: carry out inspections through physical control; provide available information in a prominent place in the post offices on prohibited objects and substances; conduct periodic briefs and training of employees in the post offices; draw up and introduce rules for the actions of employees in case of finding or suspecting prohibited content of an item; introduce measures for controlled access to warehouses and offices, through video surveillance systems, conclude contracts with licensed private security companies; prepare daily analysis and risk assessment for security, etc. Also, in connection with the provision of Art. 13, p. 4 of Ordinance No 6, postal operators develop internal rules of action of employees in case of suspected presence of weapons, ammunition, pyrotechnic articles, explosive, incendiary or other dangerous substances and objects in postal items. The above are agreed with the competent authorities of the Ministry of Interior (MoI) and SANS.

2. COMPLIANCE WITH THE PROVISIONS OF THE LAW ON MEASURES AGAINST MONEY LAUNDERING (LMML) AND THE LAW ON MEASURES AGAINST FINANCING OF TERRORISM (LMFT)

In implementation of Order No R-45/10.03.2023 of the Council of Ministers, an interdepartmental working group was established to draft a Law on amendment and supplement of the Law on Measures against Money Laundering (LMML), in connection with the Plan adopted by Council of Ministers Decision No 998 of 12.12.2022 for the implementation of the recommended actions included in the Report on the Republic of Bulgaria of the Fifth Evaluation Round of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL Committee) of the Council of Europe. CRC representatives also took part in the work of the interdepartmental working group, given the powers of the supervisory authorities under Art. 108, Para 6 of the Law on Measures against Money Laundering.

With the adoption of the Law on amendment and supplement of LMML and the Law on amendment and supplement of PSA, promulgated on 6 October 2023 in SG, no. 84, CRC controls the compliance with the requirements of Art. 7 - 9, Art. 72, Chapter Two, Chapter Three, Section I, Chapter Seven, Section II, and Chapter Eight of LMML, exercising control by applying a risk-based approach pursuant to Art. 114, Para 1 of the same Act to the persons under Art. 4, p. 7 of LMML (postal operators licensed to carry out postal money transfers under PSA). The adopted amendments to the Law on amendment and supplement of PSA introduced the following requirements for the issue of licenses for the provision of postal money orders:

- introduction of a legal basis for refusal or withdrawal of a license due to concerns about fitness and integrity in the performance of the obligations under LMML;
- specific requirements to be met by the applicants before the issue of a license;
- specification of the status and obligations of postal agencies;

- pre-licensing control regarding the fitness and integrity of the owners, controllers or managers of companies applying for a license;
- introduction of sanctions for non-performance of obligations under LMML by persons providing postal cash services, provision of the service without a license, etc.

In connection with the implementation of the above mentioned provisions of the two acts, in 2023, CRC took the following actions:

- Creation of a section on the CRC’s website containing information about obliged entities within the meaning of Art. 4, p. 7 LMML ;²⁶
- Development of the following documents:
 - Uniform methodology of the Financial Intelligence Directorate of the State Agency for National Security (FID-SANS) and CRC for applying a risk-based approach in carrying out inspections of obliged entities under Art. 4, p. 7 LMML – operators licensed to perform the PMO service;
 - Internal procedure to carry out inspections on postal operators licensed to carry out postal money orders under the Postal Services Act for compliance with the provisions of the Law on Measures against Money Laundering and the Law on Measures Against Financing of Terrorism;
 - Instruction on the information that will be required by CRC in order to carry out risk-based supervision of obliged entities within the meaning of Art. 4, p. 7 of the Law on Measures against Money Laundering;
 - Instructions for the construction of a money laundering risk prevention system, which contain the mandatory measures under LMML for the persons under Art. 4, p. 7 - postal operators licensed to carry out PMO under PSA and their representatives under Art. 22 of the same act;
 - Preparation of “Instructions for the procedure for carrying out joint on-the-spot inspections of the persons under Art. 108, Para 6, p. 4 LMML by the FID-SANS and CRC for the implementation of the measures for prevention of the use of the financial system for the purposes of money laundering”.
- Carrying out an assessment of the risk of money laundering and terrorist financing through a “Risk Matrix” and an analysis of the collected information and statistics as of 30.09.2023. The information was presented by all active participants licensed to carry out PMO. On the basis of the results of the analysis, a risk profile was established for each postal operator performing the PMO service.
- Creation and maintenance of an up-to-date list of the persons assigned with the task to perform the postal money order service under Art. 22 PSA in connection with monitoring of the obligation of the postal operators under Art. 20, Para 1, p. 12 PSA;
- Integration of a button on the CRC’s website in connection with inquiries/tips related to anti-money laundering and countering the financing of terrorism (AML/CFT):
 - A button added on the CRC’s website entitled “COOPERATION IN AML/CFT”²⁷, which leads to a contact form in English for inquiries related to the international cooperation in the field of AML/CFT;

²⁶ The section is available at the following address: crc.bg/bg/rubriki/736/informaciq-za-zadaljenite-subekti-po-smisala-na-chl-4-t-7-ot-zakona-za-merkite-sreshtu-izpirane-na-pari

²⁷ <https://crc.bg/en/contacts/anti-money-laundering-and-combating-the-financing-of-terrorism>

- A button added on the CRC's website entitled „COOPERATION IN AML/CFT”²⁸, which leads to a contact form in Bulgarian language, enabling Bulgarian citizens and organisations to report a violation of the AML/CFT measures.

²⁸ <https://crc.bg/bg/kontakti/izpirane-na-pari-finansirane-na-terorizam>

IV. CONTROL ACTIVITY, CONSUMER AND ENVIRONMENTAL PROTECTION

1. CRC'S CONTROL ACTIVITY

The control over the observance of PSA and the application of the regulations issued on the basis of it is carried out by CRC.

In fulfilment of its obligations, in 2023, a total of 348 inspections were carried out by authorised employees of the Monitoring and Control of Communications Directorate General of CRC, according to the provision of Art. 95 PSA. Of these, 139 inspections were carried out in connection with tips received by CRC regarding undelivered postal items or items with problems in delivery, and 209 of the inspections carried out were scheduled. As a result, a total of 11 administrative offence acts (AOAs) were drawn up.

The summary results of the inspections are as follows:

- 77 scheduled inspections were carried out at different points of access to the BP's network regarding compliance with the obligation to provide UPS on all working days, "at least five days a week", as well as compliance with the requirement to carry out "at least one collection" and "one delivery" of postal items every working day. The inspections were carried out at access points in settlements not included in the List of settlements and settlement formations located in difficult-to-access areas, meeting the criteria adopted by CRC for determining the difficult-to-access areas in the country and the settlements in them, according to Art. 15, Para 1, p. 10 PSA. No violations of PSA were found during the course of inspections;

- 84 inspections were on compliance with the provisions of Art. 60, p. 5 PSA and Art. 10 of Ordinance No 6²⁹ of 1 November 2011 on the requirements for postal security in the head offices and at various access points in the cities of Sofia, Plovdiv, Burgas, Varna, Veliko Tarnovo, and Vratsa of 14 postal operators;

- 20 inspections were carried out on postal operators who did not submit to CRC an activity report for 2022 and/or a report containing information in connection with the performance of the activities for provision of postal services in 2022 under the individual licenses issued to them. As a result, 2 AOAs were drawn up to two postal operators for violation of the provision of Art. 100, Para 1 PSA, in conjunction with p. 12.1 of the individual licenses issued to them for carrying out postal money orders;

- 12 inspections were carried out in connection with the activity of providing services within the scope of UPS.

For the violations found during the inspections performed, the following were drawn up;

- 3 AOAs for administrative violations of the postal operator for non-compliance with the provision of Art. 21, Para 8 PSA, namely lack of General Terms and Conditions of the contract with the users of services within the scope of the UPS and non-UPS at the access points;

- 1 AOA for non-compliance with the provision of Art. 68 PSA on undeclared prices of the postal services provided at an access point of the postal operator;

- 3 AOAs for violation of the provision of Art. 68 PSA in conjunction with Art. 22 of the same law, undeclared prices of the services performed at points of access to the operator's network;

²⁹ Prom. SG, no. 90 of 15 November 2011, amended and suppl. SG, no. 78 of 4 October 2019.

- 1 AOA for violation of the provision of Art. 105, letter “c” PSA, in conjunction with Art. 6, Para 3 of the law, in conjunction with § 1, p. 18 of the Additional Provisions PSA for undelivered mail to the recipient;
- 1 AOA for violation of Art. 95, letter “c”, p. 2 PSA, namely non-provided information and documents related to control.

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 items; 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 2023, CRC coordinated a total of 9 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 2023 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 2023 was 5,246, of which 1,458 were justified.

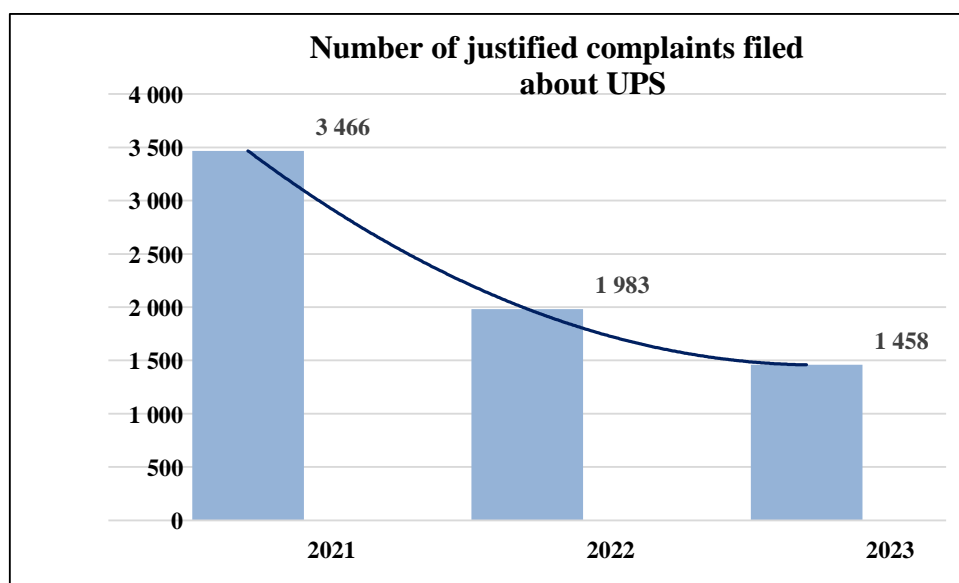


Figure 13

Source: *Data submitted to CRC*

Over a one-year period, the total number of complaints filed decreased by 31% and the number of complaints accepted as valid dropped by 26%.

In 2023, as in 2022, complaints holding the greatest relative share in the total number of complaints were those that refer to lost items.

According to data submitted to CRC, in 2023, 4,871 complaints and claims were filed to and processed by BP, of which only 81 were for domestic items and 4,790 for international items. These are mainly lost international items 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 2023, a total of 423 complaints and tips were filed by users of postal services and considered by the Commission – about UPS, services within the scope of UPS and non-UPS. Of those, 210 were justified. Compared to 2022, the number of complaints received by CRC remained unchanged. Of the total number of complaints received by CRC, 149 were against Speedy AD, 103 were against M&BM Express OOD, against Bulgarian Posts EAD – 70, against Econt Express AD – 54, against Delivery Solutions OOD – 20, the remaining 27 complaints were against other operators.

The analysis of the complaints examined shows that about 13% of the tips concern delayed items, 30% - undelivered items, about 8% relate to damaged or lost items, about 32% relate to customer service, 5% - 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 complaints/tips received in connection with postal services or as a result of inspections carried out by the Monitoring and Control of Communications Directorate General of CRC – for 2023, 9 penal decrees were issued under PSA.

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. In the past year, CRC monitored the actions taken by postal operators to protect the environment and the new technological solutions for the development of postal services.

Green energy and green solutions in the provision of postal services in Bulgaria are becoming increasingly important due to the growing awareness of climate change and the need to adapt to sustainable practices. The main directions related to the green transformation of the industry in which the postal operators in Bulgaria are developing are related to:

➤ **Deployment of alternative fuel vehicles in the postal chain**

Transport is among the biggest producers of harmful carbon emissions associated with postal services. A growing number of postal operators³⁰ operating on the Bulgarian market declare in their activity reports for the past year replacement of their car fleets with electric vehicles, vehicles using alternative fuels or having a high environmental class (Euro 4, 5 and 6);

➤ **Installation of solar panels at post offices and renovation of buildings**

Investing in green industrial buildings is an important and growing trend in modern business. The aim of these buildings is both to reduce the negative impact on the environment and to optimise their energy efficiency by reducing operational costs on electricity, water and other resources. The production and use of energy from renewable sources, installation of photovoltaic power plants for own needs are only part of the ecological investments made by the postal operators³¹ on the Bulgarian market.

➤ **Use of recycled packaging materials and replacement of paper forms**

The use of biodegradable and recyclable packaging materials in the postal business will undoubtedly reduce the environmental footprint. However, their mass use by postal operators in Bulgaria remains a challenge due to the relatively higher costs of these packaging materials compared to the ones used so far. However, an increasing number of operators on our market report another positive trend – digitisation of documents.³² It applies in the digitisation of forms for the provision of postal services, digitisation of the operational documentation of operators, application of on-line customs document handling, use of electronic receipts, digital payment and sending of receipts directly to the users' telephone;

➤ **Introduction of alternative delivery methods - automated letterboxes (automated lockers)**

In recent years, automated letterboxes in Bulgaria have been continuously growing in number and more and more users of postal services choose to receive their items in a contactless manner from an automated locker, both because of its greater convenience and ease of use and the ability of users to control their personal time, eliminating the need to wait in queues at post

³⁰ A 1 Trade EOOD; Courier Today OOD; Direct BG OOD; Econt Express OOD; Speedy AD; Bulgarian Posts EAD; Evropat 2000 AD; Express Delivery OOD; Geniki Taxydromiki OOD; Interlogistica Courier EOOD; OK Express EOOD; Ramus Medical EOOD; Transpress Delivery EOOD; Velit EOOD; Delivery Solutions EOOD.

³¹In Time OOD, OK Express EOOD, Toyota Tixim EOOD, Transpress Delivery EOOD, eMag

³² Activity report questionnaires for postal operators for 2023

offices.³³ The largest number of automated lockers is offered by the postal operator Delivery Solutions EOOD (Sameday), which, according to the data of the operator, had about 403 automated letterboxes - EasyBox, on the territory of the whole country at the end of 2023. The automated lockers are of different sizes, equipped with electronic locks and a built-in video surveillance system.

Another postal operator with a large number of automated letterboxes is Speedy AD. The company declared in its activity report for 2023 that it had 94 automated lockers with 24/7 delivery. Econt Express AD reported that it had 37 Econtomats. Apart from great convenience for postal services users, the use of automated lockers for sending and/or receiving postal items is also associated with the concept of environmentally friendly provision of postal services aimed at the care for nature.

➤ **Partnership with companies that support logistics and delivery in order to implement more sustainable working methods**

An example of good practice in this aspect are fulfilment services, which have become a key component of e-commerce business. They are, in their essence, an export of logistics activities to a third party that will take care of the storage, packaging and dispatch of the goods. Postal operators are a key component in the overall fulfilment services process through their delivery networks. Operators such as In Time OOD, Transpress OOD, DHL, Econt Express AD, E Mag International OOD (eMag) are already part of the activities of these companies.³⁴ In the past year, the first electronic platform registered as a postal operator in Bulgaria, eMAG, launched the fulfilment service (FBE - Fulfilment by eMAG), which frees traders from all the logistics of the sales process and takes up the whole process of acceptance, storage, packaging, delivery, customer relations or return of the goods.³⁵ The logistics premises of fulfilment companies are usually exported outside the big cities and are built so that the energy consumption is optimised.

➤ **Training and awareness of postal workers regarding the measures and ways of implementing the European Green Deal in the postal field**

In the past year, the Green Posts project was finalised in support of environmental and social activities with proven benefits for the environment, the region and local municipalities, with the participation of Bulgarian Posts EAD, Hellenic Post (ELTA), Cyprus Post, and Future Needs Management Consulting.³⁶ The aim of the project is to develop green skills and knowledge of postal workers by providing a training course for the implementation of the European Green Deal. It was developed in response to the need to reduce the carbon footprint of the postal sector in view of its car fleet, the use of different means of transport, the large number of buildings and the significant consumption of electricity, water and paper. Very often, the implementation of technologies in the postal industry is related to saving resources and achieving environmental sustainability. The implementation of technological solutions in the provision of postal services plays a fundamental role in the development of a successful business, which can adapt to both the digital environment, needs and requirements of postal users, and to the improved efficiency of postal operators. Such technological solutions can be:³⁷

³³ <https://forbesbulgaria.com/2024/02/22/sameday-shte-investira-nad-17-1-mln-lv-v-balgariya/>;

³⁴ https://eushipments.com/?gad_source=1&gclid=Cj0KCQjwIN6wBhCcARIsAKZvD5hC2Rv-8UZZGgDsyQfQwsPWeKGMCKNGY_H3-0_kN6f7M-JTZTBKiGYaApNQEALw_wcB;

³⁵ <https://money.bg/business/emag-shte-dostavya-porachki-v-balgariya-po-razlichen-nachin-eto-kakvo-se-promenya.html>;

³⁶ <https://greenposts.eu/> <https://www.bgpost.bg/projects>;

³⁷ <https://direx.bg/news/badeshteto-na-kurierskite-uslugi-tendencii-i-prognozi-za-biznesa/>;
<https://cibolabg.com/bg/Stimulirane-vnedryavaneto-na-inovatsii-v-predpriyatiyata.c187>;

- Implementation of smart systems for real-time tracking of postal items through mobile applications and by installing tracking sensors on postal items, which will improve transparency of deliveries, facilitate communication between postal operators and postal services users;

- The application of artificial intelligence in the postal activity can analyse the data about the delivery routes and their optimisation, taking into account factors such as traffic, customer preferences, weather conditions and, based on these factors, determine the estimated time of delivery. Artificial intelligence can offer customised services and offers based on analysis of postal operator customer profiles, can be used to automate customer service processes through virtual assistants, and to prevent fraud. In view of the growing threats of cyberattacks, postal operators can invest in more reliable data security systems to protect both their customers' personal information and their operational information. By performing transaction data analysis, artificial intelligence can detect unusual or suspicious activities that could help secure postal traffic.

- The use of a network of devices that communicate with each other without human intervention or IoT (Internet of Things) is another technology that can successfully be applied in the postal chain. The concept of computer networks of devices, physical objects, vehicles, etc., which have built-in electronic devices for interaction with each other or with the external environment can successfully reorganise economic processes so as to exclude the need for the participation of personnel in certain actions or operations. Furthermore, IoT could be used by postal operators to monitor, diagnose and maintain vehicles and their safety systems, thereby reducing the risk of accidents and unplanned stops of vehicles;

- Implementation of robotic systems for sorting large volumes of postal items. Robotics and automation is another technological solution by which the integration of robots into logistics can increase the speed and accuracy of delivery processes. Combining postal chain activities such as transportation, sorting and packaging between robotic machines and people will increase efficiency in the provision of postal services.

CONCLUSION

In 2023, the CRC's leading objectives in the field of postal services were related to ensuring a competitive market of postal services, guaranteeing affordable and quality UPS, sustainable development of the postal market, ensuring fast and reliable delivery of postal items, and protecting the end-users of postal services.

The activities set out in the CRC's Strategic Plan for 2023 in relation to the postal sector have mostly been achieved.

An important priority in 2023 for the Commission is to bring legislation in line with the requirements of the Council of Europe in the field of anti-money laundering and terrorist financing measures, which is directly related to the supervisory powers of CRC for the implementation of MAMLA and MATFA. The objective of this priority has been achieved by amending and supplementing the Postal Services Act and the transitional and final provisions of MAMLA (prom. SG, no. 84 of 06.10.2023), thus regulating the supervisory powers of CRC for the application of MAMLA and MATFA.

Another aspect of the Commission's work of priority importance in 2023 was to increase the satisfaction of citizens and business with the quality and speed of the postal services provided. In this regard, CRC concluded a contract for the award of the preparation of a technical specification for the development of a system for the formation of postal codes, which allows for accurate identification of the location of postal service users.

An upcoming task for the Commission is to conclude a contract with an external contractor to develop a system for the formation of postal codes in the Republic of Bulgaria, through which all risks related to the precise location of delivery points will be eliminated and this will support the process of providing quality and reliable postal services for all users of postal services in the country.

This report contains an analysis of the postal services market for 2023 and reflects trends and prospects for its development. The report provides information on the more important objectives achieved by the Commission over the past year and outlines the guidelines for the forthcoming work related to achieving an effective and forward-looking regulatory environment, a sustainable competitive market, protecting consumers and ensuring faster and more reliable deliveries to end-users of postal services.