

Scheduled Coastal Maritime Passenger Services in the European Union: A Comparative Legal Analysis of Croatia, Greece and Italy

Obalni linijski putnički prijevoz u Europskoj uniji: usporedna pravna analiza Hrvatske, Grčke i Italije

Antonija Mišura*

University of Split
Faculty of Maritime Studies
Croatia
E-mail: amisura@pfst.hr

Tony Vuković

University of Split
Faculty of Maritime Studies
Croatia
E-mail: tvukovic@pfst.hr

Marina Brodarić Ivačić

Brodospas d.d.
Split, Croatia
E-mail: marina.brodaric@gmail.com

<https://doi.org/10.17818/NM/2026/1.4>
UDK 347.79:656.61(EU)

Preliminary communication / *Prethodno priopćenje*
Paper received / *Rukopis primljen*: 17. 11. 2025.
Paper accepted / *Rukopis prihvaćen*: 3. 4. 2026.



This work is licensed under a
Creative Commons Attribution
4.0 International License.

Abstract

This paper analyses the EU regulatory framework governing scheduled coastal maritime passenger services, focusing on the design and implementation of public service obligations and public service contracts in maritime cabotage. This paper adopts a normative and comparative legal approach by outlining the relevant EU legal context and examining Croatia, Greece and Italy – selected for their pronounced island dependency and distinct governance arrangements. The analysis compares competent authorities, public service instruments, tendering logic and transparency requirements, and key parameters relevant to service continuity and public compensation. The findings confirm that a common EU baseline permits differentiated national solutions: Croatia relies on a centralised model with a specialised public body for tendering and contract supervision, Greece applies a tender-based public service obligations system administered by the competent ministry, and Italy operates within a multi-level framework in which regional contracting practice is complemented by stronger regulatory oversight, including methodological standards relevant to compensation and reasonable profit. It is concluded that safe and legally regulated connectivity between islands and the mainland is a prerequisite for sustainable island development.

Sažetak

Ovaj rad analizira regulatorni okvir EU-a koji uređuje obalni linijski putnički prijevoz, s naglaskom na oblikovanje i provedbu obveza javne usluge i ugovora o javnoj usluzi u pomorskom kabotažnom prijevozu. Rad primjenjuje normativni i komparativnopravni pristup prikazujući relevantni pravni kontekst EU-a te ispituje Hrvatsku, Grčku i Italiju – odabrane zbog njihove izražene ovisnosti o otocima i različitim načina upravljanja. U okviru analize uspoređuju se nadležna tijela, instrumenti javne usluge, logika provedbe postupaka javne nabave i zahtjevi transparentnosti te ključni parametri relevantni za kontinuitet usluge i javnu naknadu. Rezultati potvrđuju da zajednička osnova EU-a dopušta diferencirana rješenja: Hrvatska se oslanja na centralizirani model s posebnim javnim tijelom za provođenje postupaka javne nabave i nadzor ugovora, Grčka primjenjuje sustav obveza javne usluge koji se temelji na natječajima koje provodi nadležno ministarstvo, a Italija djeluje unutar višerazinskog okvira u kojem je ugovorna praksa regija dopunjena jačim regulatornim nadzorom, uključujući metodološke standarde relevantne za naknadu i dobit. Zaključuje se da je sigurna i pravno uređena povezanost između otoka i kopna preduvjet održivog razvoja otoka.

KEY WORDS

maritime cabotage
scheduled coastal maritime
passenger services
public service obligations
public service contracts
sustainable island development

KLJUČNE RIJEČI

pomorski kabotažni prijevoz
obalni linijski putnički prijevoz
obveze javne usluge
ugovori o javnoj usluzi
održivi razvoj otoka

1. INTRODUCTION / Uvod

The European Union (hereinafter: EU) has an extensive and highly indented coastline, shaped by the Mediterranean Member States as well as by those bordering the Baltic and the North Seas. In broad terms, northern European ports are predominantly oriented towards international seaborne trade, while many Mediterranean ports play a stronger role in passenger transport [1]. Most maritime passenger transport in the EU, 65% in 2024 (excluding cruise passengers), takes place between ports within national borders, which confirms the predominance of national ferry services in EU maritime

passenger transport [2]. Scheduled coastal services therefore represent an important segment of EU maritime transport, particularly in insular regions, where continuity, reliability and service quality are essential for everyday mobility and economic activity [3].

Ferry services are essential for peripheral areas, particularly islands and peninsulas, as they often provide the only regular connectivity between islands and the mainland, as well as between islands [4]. While the EU framework is built on freedom to provide services and market access, scheduled coastal maritime passenger services (hereinafter: scheduled coastal

* Corresponding author

services) in insular regions are frequently complemented by public service intervention through public service obligations (hereinafter: PSO)/public service contracts (hereinafter: PSC) instruments and related state aid control mechanisms [5]. Scheduled coastal services support sustainable island development by enabling island residents to achieve a standard of living comparable to that of mainland populations and by helping to mitigate out-migration from the islands.

In that context, this paper examines scheduled coastal services in three EU Member States: Croatia, Greece and Italy. The selection is deliberate: although these States operate under the same EU cabotage framework, they apply notably different governance and regulatory solutions to ensure service continuity in insular contexts. This allows an assessment of how EU principles are translated into national PSO/PSC arrangements, including the allocation of institutional responsibilities and supervisory practice.

Although EU maritime cabotage has been liberalised for decades, the organisation of scheduled coastal passenger services continues to depend on the design and implementation of PSO/PSC instruments as mechanisms for services of general economic interest. Existing contributions often address either EU-level rules or single-country arrangements, while comparative legal analyses focusing on the design and operation of PSO/PSC schemes across Member States remain limited. This paper seeks to contribute to that comparative perspective by analysing Croatia, Greece and Italy through a common set of governance and regulatory parameters relevant to service continuity and public compensation.

The paper proceeds as follows. After outlining the scientific background and previous research, it examines the relevant EU legal context for maritime passenger transport and maritime cabotage. It then provides a country-by-country analysis of Croatia, Greece and Italy, followed by a comparative synthesis focused on PSO/PSC design and governance implications. The concluding section summarises the findings and outlines study limitations and directions for future research.

2. RESEARCH METHODOLOGY / *Metodologija istraživanja*

To achieve the stated research goals, the paper applies a normative and comparative legal methodology. The normative analysis examines the EU legal framework for maritime cabotage, focusing on Council Regulation (EEC) No 3577/92, and its reflection in the national frameworks of Croatia, Greece and Italy.

For comparability, the national frameworks are analysed against a uniform set of criteria reflecting the practical design of public service intervention in scheduled coastal services. The criteria include: (1) the competent authority and the allocation of institutional responsibilities; (2) the legal form of intervention (public service obligations and/or public service contracts); (3) tendering logic and transparency requirements; (4) key service-continuity parameters relevant to insular connectivity; and (5) the general approach to public compensation and supervisory control.

The study is qualitative in nature and is based primarily on legal sources (EU and national legislation and implementing instruments), complemented by official policy and administrative documents, as well as selected publicly available sectoral data

where relevant for contextualisation. Analytical–synthetic procedures are used to interpret and systematise the identified legal rules and institutional arrangements and to integrate them into a coherent comparative presentation. Inductive–deductive reasoning is applied to move from individual national findings to general comparative conclusions regarding regulatory alignment with EU law and the development prospects of scheduled coastal services in the European context.

3. PREVIOUS RESEARCH / *Dosadašnja istraživanja*

Previous research on scheduled coastal services in the European context can be grouped into several thematic strands. These strands reflect their economic and organisational features, as well as the regulatory issues associated with public intervention, passenger protection and state aid control. In line with the objectives of this paper, the review below is not intended as a systematic literature review, but as a thematic overview of the contributions most relevant to understanding PSO/PSC design choices and regulatory practice within the EU framework.

Scheduled coastal services occupy a distinct place in the European transport system, particularly in Member States with indented coastlines and pronounced insular connectivity needs. Against this background, the literature relevant for this paper is presented under three headings: (1) public service intervention through PSO/PSC arrangements, (2) passenger rights and safety, and (3) state aid and market competition. Studies in Greece and Croatia, for example, indicate that the availability of reliable services is directly linked to quality of life and population retention on islands [6,7].

3.1. Public service intervention through PSO/PSC arrangements / *Intervencija javne usluge na temelju obveza javne usluge (PSO) i ugovora o javnoj usluzi (PSC)*

The first strand of research addresses public service intervention through public service obligations and public service contracts (PSO/PSC), which are key instruments for ensuring the connectivity of remote islands and coastal areas. Chlomoudis and Pallis [8] analysed the effects of Regulation 3577/92, which liberalised maritime cabotage in the EU, and concluded that PSOs are crucial for the accessibility of remote regions, but are often used in a way that limits market competition. Chlomoudis, Kostagiolas, Papadimitriou and Tzannatos [9] provided a critical review of PSOs, pointing out that in practice they are often awarded without real competition, with subsidies that can exceed real needs and distort the market. These papers emphasise the need for greater transparency and uniformity of rules in the European Union.

3.2. Passenger rights and safety / *Prava putnika i sigurnost*

The second part focuses on passenger protection. The European Commission's evaluation study [10] on the implementation of Regulation (EU) No 1177/2010 found that it establishes minimum passenger rights (such as information, compensation and assistance for persons with disabilities), but that implementation differs significantly across Member States, while passenger awareness of those rights remains low. Hystad, Olaniyan and Eid [11] analysed passenger risk and safety during sea travel. Their results showed that younger passengers have less safety knowledge compared to older passengers.

Their findings suggest that travelling only short distances is associated with reduced awareness of information crucial for safety on board.

3.3. State aid and market competition / Državne potpore i tržišno natjecanje

The third strand concerns state aid and competition. Ubillos, Sainz and Payan [12] studied the application of state aid rules in maritime transport and concluded that aid is often necessary to maintain these routes, but the line between permissible compensation and prohibited subsidy remains unclear, creating legal uncertainty.

Overall, previous research confirms that scheduled coastal services in the EU constitute a complex system which economic, social, legal and environmental factors are intertwined. For this reason, the literature highlights the need for an integrated approach that considers both market logic and public interest, alongside sustainable development objectives. Previous research shows that the EU regulatory framework continues to balance market competition with the protection of the public interest. Finally, recent research increasingly links legal aspects to new challenges, such as climate regulation, decarbonisation and the requirements of the "Fit for 55" package, which raise questions about the proportionality of obligations imposed on small operators in coastal transport.

The reviewed literature confirms that scheduled coastal services in insular regions are shaped by a constant interaction between market principles and public service intervention. Nevertheless, comparative legal analyses focusing on how Member States operationalise PSO/PSC schemes within a common EU cabotage framework remain less developed. This provides the rationale for the present comparative analysis of Croatia, Greece and Italy, conducted under the same EU legal baseline but within distinct national regulatory traditions and governance arrangements.

4. FOUNDATIONS FOR THE EUROPEAN UNION LEGAL FRAMEWORK GOVERNING SCHEDULED COASTAL MARITIME PASSENGER SERVICES / Temelji pravnog okvira europske unije koji uređuje obalni linijski putnički prijevoz

This section outlines the EU legal baseline shaping national regulatory choices for scheduled coastal services, with particular focus on the permissibility and design of PSO/PSC schemes and the constraints arising from state aid discipline. This framework provides the legal context for the subsequent comparative analysis of Croatia, Greece and Italy.

4.1. Treaty on the functioning of the European Union / Ugovor o funkcioniranju Europske unije (UFEU)

The legal context for public intervention in scheduled coastal services within the internal market is framed primarily by Articles 14, 93, 106 and 107 TFEU. Article 14 establishes the role of services of general economic interest (SGEI) and the requirement that they be operated under conditions enabling the fulfilment of their tasks [13].

Article 93 recognises, in the transport sector, the compatibility of certain forms of aid, including compensation for the discharge of public service obligations. Article 106 provides that competition rules apply to undertakings entrusted with

SGEI only insofar as such application does not prevent the performance of the specific tasks assigned to them, while Article 107 sets the general state aid discipline and its exceptions [13]. Read together, these provisions provide the constitutional basis for reconciling internal market principles with continuity of service needs in insular regions, primarily operationalised through PSO/PSC mechanisms.

4.2. European Union Council Regulation 3577/92 / Uredba Vijeća Europske unije 3577/92

Council Regulation 3577/92 of 7 December 1992 on the application of the principle of freedom to provide services to maritime transport within Member States (hereinafter: Regulation 3577/92) constitutes the core EU instrument governing market access for maritime cabotage services [14]. It lays down the principle of freedom to provide maritime cabotage services within Member States on a non-discriminatory basis, subject to compliance with applicable cabotage rules, while recognising that market provision alone may be insufficient to secure regular services to, from and between islands [5]. Accordingly, Article 4 of Regulation 3577/92 allows Member States, by way of exception, to impose a PSO or to conclude PSC as a condition for the provision of island cabotage services [14]. Where PSCs are used, procedures must be transparent, publicly advertised, and must not hinder the development of competition [15].

From the perspective of state aid discipline, compensation under PSO/PSC arrangements must be structured to avoid overcompensation and ensure transparency and objectivity. This means that public service obligations must be clearly defined, criteria for calculating compensation must be determined in advance, and compensation must be limited to what is necessary to cover the net cost of fulfilling the obligation, taking into account relevant revenues and reasonable profit [16]. These principles form the legal benchmark against which national PSO/PSC arrangements in Croatia, Greece and Italy can be assessed, particularly regarding tender design, compensation parameters and supervisory practice.

4.3. Regulation 1177/2010 / Uredba (EU) br. 1177/2010

Regulation (EU) No 1177/2010 sets minimum rules on passengers' rights when travelling by sea and inland waterways, including non-discrimination in transport conditions, assistance to persons with disabilities and reduced mobility, rights in cases of cancellation or delay, information duties and complaint handling [17]. Although not cabotage specific, these rules are directly relevant for scheduled coastal services, as they set minimum passenger-protection standards that national PSO/PSC designs must operationalise through service conditions and contractual enforcement.

On this basis, Section 5 outlines the EU cabotage framework and its main flexibility mechanisms of flexibility, which then serve as the immediate legal backdrop for the country-by-country analysis in Section 6.

5. MARITIME CABOTAGE IN THE EUROPEAN UNION / Pomorska kabotaža u Europskoj uniji

Maritime cabotage involves the transport of goods and passengers between points located in the same country. Within the EU maritime cabotage framework, shipowners

established in one Member State may provide scheduled coastal passenger services in another Member State on a non-discriminatory basis, subject to compliance with the applicable legal requirements. Member States may, however, restrict this freedom in three principal ways: through rules on ship crews, through the imposition of PSOs and the conclusion of PSCs to secure adequate services to, from and between islands, and by requesting the Commission to introduce safeguard measures in the event of a serious disturbance of the internal market [15]. In this paper, PSO/PSC instruments are of particular relevance, as they represent the main legal mechanism for safeguarding the continuity of island connectivity within the cabotage framework.

As regards crew matters, the cabotage framework recognises a degree of national regulatory autonomy, while requiring that such requirements remain compatible with internal market principles and do not impose disproportionate restrictions on the freedom to provide services [15]. The core rule remains the prohibition of discrimination between EU shipowners in access to cabotage services, subject only to the limited exceptions permitted under EU law.

Against this baseline, Section 6 examines how Croatia, Greece and Italy operationalise cabotage liberalisation through national PSO/PSC frameworks, institutional competences and supervisory practice.

6. REPRESENTATIVE EXAMPLES OF SCHEDULED COASTAL MARITIME PASSENGER SERVICES IN THE EUROPEAN UNION / *Reprezentativni primjeri obalnog linijskog putničkog prijevoza u Europskoj uniji*

Croatia, Greece and Italy are used as representative examples of scheduled coastal services in the EU. Operating under the same EU cabotage framework, they nonetheless apply different national governance models and PSO/PSC mechanisms to secure the continuity of island connectivity. The following overview provides the factual and regulatory basis for the comparative synthesis presented at the end of this section.

6.1. Republic of Croatia / *Republika Hrvatska*

The Republic of Croatia has a highly indented coastline and one of the largest archipelagos in the Mediterranean, encompassing almost all islands of the eastern and central Adriatic. Islands are recognised as areas of special national interest and of significant natural, economic and tourist potential, and investment in their development has increased in recent years. Croatia counts 1,246 islands, islets and reefs, occupying 5.75% of the mainland area. Due to pronounced indentation, the islands account for 69.5% of the coastline. The indentation coefficient is 11.1 [18]. Forty-nine islands are permanently inhabited [19], and regular connections are ensured through a network of scheduled coastal services, linking 73 islands with 22 mainland ports [20].

Regular and occasional coastal maritime passenger transport is governed by a set of laws and implementing instruments, with the Act on Transport in Regular and Occasional Coastal Maritime Transport (hereinafter: the Maritime Transport Act) as the central statute [21]. The Act regulates the system of public scheduled maritime transport ensuring regular maritime connections between inhabited islands and the mainland, as well as between inhabited islands, and is aligned with the EU

regulatory framework, including Regulation (EEC) No 3577/92 and Regulation (EU) No 1177/2010.

The Maritime Transport Act entered into force in February 2022. Its Article 1 defines the subject matter and scope of application, and the Act also regulates the activities, powers and operation of the Agency for Coastal Scheduled Maritime Transport [21], the national body responsible for tendering, contracting and supervising the provision of public scheduled services on state ferry, ship and high-speed boat lines within the scheduled coastal services system [22].

The principle of freedom to provide services in maritime transport is reflected in Article 9 of the Croatian Maritime Code and Article 5(4) of the Maritime Transport Act, which equate Croatian shipowners with shipowners from other Member States as regards access to maritime cabotage in Croatia [21,23]. The performance of cabotage is also subject to specific national requirements concerning crew composition, working language and living and working conditions on board, notably for ships up to 650 GT in coastal cabotage and for ships engaged in island cabotage, with specific exceptions for certain cargo voyages. These requirements are further specified in the Ordinance on the conditions for performing maritime cabotage in the Republic of Croatia [24].

The application of PSO/PSC mechanisms within the Croatian system is governed, in particular, by Articles 19, 21 and 23 of the Maritime Transport Act. These provisions require that state, county, inter-county and local lines, as lines of general economic interest, be established only after public consultation with the island population and shipowners and after research assessing whether the public interest can be achieved without imposing a public service obligation on shipowners or concluding a public service contract [13]. In this sense, the statutory framework prioritises market provision, while PSO/PSC instruments are applied where commercial incentives do not ensure the required level and continuity of service.

The Maritime Transport Act further prescribes the conditions for providing public transport services under a public service obligation, including the requirement that the shipowner be established within the European Economic Area [21]. Additional technical requirements for vessels and shipowners providing public transport in scheduled coastal services are laid down in the Ordinance on the conditions to be met by a ship and a shipowner [25], including parameters such as service speed, passenger capacity and vehicle capacity, as well as line-specific requirements applicable to vessels operating on state, county, inter-county and local lines.

State support for economically unprofitable state lines is governed by the State Aid Act [26]. Within its statutory competences, the Agency for Coastal Scheduled Maritime Transport applies the State Aid Act and the relevant implementing rules when administering support linked to state lines.

A key implementing instrument for the practical application of the EU cabotage framework in Croatia is the Ordinance on the conditions for performing maritime cabotage in the Republic of Croatia [24]. It sets the conditions for cabotage by foreign-flagged ships, including ships flying the flag of EU/EEA Member States, in Croatian internal waters and the territorial sea, and between Croatian ports and offshore facilities on the Croatian continental shelf. Under Article 3(1), a foreign ship must obtain a certificate from the Ministry of the Sea, Maritime

Affairs and Infrastructure confirming its technical suitability for cabotage. A separate written application is required for each ship, including basic information on the shipowner and the vessel, planned ports of call and the intended period of cabotage, together with the documents and certificates specified in the Ordinance [24].

The Regulation on the conditions and evaluation of criteria for granting concessions and concluding public service contracts is also relevant for the Croatian of scheduled coastal services system [27]. It contributed to aligning national remuneration for services of general economic interest with EU *acquis* criteria, including state aid discipline [28]. The Regulation distinguishes between concession contracts for profitable lines (governed by the Concessions Act) and public transport contracts for economically unprofitable lines (governed by the Public Procurement Act). In particular, Articles 7 and 9 specify the technical and economic-financial elements that must be demonstrated in the tendering procedure for a state line [27].

Finally, the Croatian Maritime Code remains the central statute governing maritime navigation and related legal relations in Croatia, and therefore forms part of the legal basis relevant for scheduled coastal services. Its provisions cover, *inter alia*, the maritime domain and legal relations within it, navigation safety, environmental protection, core legal rules relating to vessels, contractual and other obligations concerning ships, vessel registration, limitation of liability, and enforcement and insurance on ships [23].

Taken together, the Maritime Code, the Maritime Transport Act and the associated by-laws provide a coherent national framework aligned with the EU baseline for the regulation of scheduled coastal services in Croatia.

6.2. Greece / Grčka

Greece, an EU Member State with more than 200 inhabited islands, relies heavily on scheduled coastal services to ensure regular connections between the islands and the mainland, as well as between islands [18]. Although the Greek insular space is often described through several major island groups, this paper focuses on the scheduled coastal network and the PSO/PSC mechanisms used to secure service continuity. The indentation coefficient for Greece is 3.84 [18]. Most maritime passenger transport in Greece is domestic, highlighting the systemic importance of scheduled coastal services for national connectivity [18].

According to available data, the Greek maritime passenger transport network combines commercially operated services with subsidised routes maintained under public service contracts [30]. Routes that are not commercially viable are co-financed through public tenders. The competent authority defines route and service requirements and sets a maximum level of support, while shipowners compete by offering the lowest compatible level of requested compensation [31]. Tender documentation typically specifies service conditions, including capacity and operational reliability parameters, with safety compliance as a baseline requirement [31].

The Ministry of Maritime Affairs and Insular Policy is the competent authority responsible for the organisation and supervision of scheduled coastal services, including the designation of public service routes, the launching of tenders,

the conclusion of contracts and supervising implementation.

The legislative framework in Greece has undergone significant changes over the past two decades, primarily to align it with the EU cabotage baseline. A key step in the legal regulation of scheduled coastal services was the adoption of Law 2932/2001 on the freedom to provide services in the maritime transport of passengers and cargo between Greek ports (hereinafter: Law 2932/2001) [32]. The Law initiated gradual liberalisation in accordance with Regulation 3577/92, while retaining certain regulatory requirements linked to vessel characteristics and service quality. Subsequent amendments, implemented in 2011, further strengthened alignment with the EU framework, particularly regarding the award of public service contracts and the removal of remaining restrictions affecting market access conditions.

Given its geographical specificities, Greece relies heavily on PSO/PSC arrangements to ensure the accessibility of remote and less connected islands. Public service contracts are awarded through tendering procedures, while their duration and renewal arrangements may vary depending on the characteristics of the route and the tender conditions. Selection criteria typically include the level of remuneration requested, vessel characteristics and compliance requirements, and service parameters such as frequency and reliability, with price-related elements where applicable. The State subsidises shipowners to cover the net cost of providing the required service under the PSO/PSC regime, subject to transparency and proportionality considerations under EU law. Despite the tendering model, the market structure in practice is characterised by the presence of larger shipowners alongside smaller local operators, which highlights the importance of effective supervision and transparent contracting practices.

Notwithstanding progress in regulatory alignment, the Greek coastal liner shipping system continues to face structural challenges, particularly in relation to fleet renewal and port infrastructure on smaller islands. Where port infrastructure remains insufficient to accommodate modern vessels, service reliability and system efficiency may be affected, underscoring the importance of coordinated investments in port facilities and management arrangements [33]. At the same time, ongoing modernisation efforts, including investments in faster and newer vessels, reflect a focus on improving service quality and reducing pronounced seasonality, with particular relevance for smaller island groups [31,34].

Taken together, the Greek framework illustrates a model in which a central ministry operationalises cabotage liberalisation through tender-based PSO/PSC intervention, while remaining confronted with structural challenges linked to fleet renewal and port infrastructure. Greece therefore provides a relevant comparator for assessing how Member States translate the EU cabotage baseline into national PSO/PSC frameworks and supervisory practice.

6.3. Italy / Italija

Italy has a long coastline and a pronounced insular dimension, most notably through Sicily and Sardinia, as well as numerous smaller island groups. This geographical setting creates a sustained need for well-organised scheduled coastal services [18].

Cabotage in Italy supports both the daily mobility of island communities and the tourism and logistics system. or

the purposes of this paper, Italy is relevant because island connectivity is organised through PSO/PSC instruments in a multi-level framework, in which state rules interact with regional competences. Regulation 3577/92 has been applied in Italy in line with its temporal scope and, as regards island cabotage, has been applicable since 1 January 1999 [16].

The general statutory baseline for maritime transport is provided by the Codice della Navigazione (1942), as amended, which sets the core legal framework for maritime operations, including cabotage, and reflects the role of public authorities in ensuring accessibility and safety [35]. Against this baseline, more specific instruments and institutional mechanisms have been developed to operationalise public service intervention and to organise scheduled coastal services. In this context, Legislative Decree No. 169/2016 is relevant as it restructured the system of port authorities and port governance [36]. In addition, Law No. 616 on navigation safety and the protection of human life at sea remains pertinent as a safety baseline. Although it does not regulate PSO/PSC design, it sets minimum safety conditions without which ships cannot be authorised to carry passengers [37].

A particularly significant element of the Italian cabotage system is the use of public service contracts to connect Sicily, Sardinia and smaller islands with the mainland. Historically, the key role in this was played by the state-owned shipping company Tirrenia di Navigazione, which for decades held a dominant position on many lines. The liberalisation process began in the 1990s, but Tirrenia remained the holder of long-term public service contracts until its privatisation and transfer to Compagnia Italiana di Navigazione (CIN) in 2012. The European Commission has examined the compliance of such contracts with State aid rules, particularly regarding the proportionality of public compensation, which has contributed to increased attention to transparency and to a clearer definition of public service obligations. Public service contracts are also awarded to regional shipowners for specific island connections, such as Laziomar for routes to the Pontine Islands.

Regional authorities play an important role in organising maritime services, including decisions on service levels and parameters of public compensation. The system is often presented as an alternative to road transport for islands and coastal areas, with the aim of improving public transport accessibility and mitigating negative externalities of transport [38]. The amount of financial support is fixed and paid quarterly, while the regional body responsible for implementing the contract collects the revenue inflows from ticket sales. Contracts are concluded for a fixed term, commonly five years [16].

Fare-setting in the Italian system reflects a division into low, medium and high seasons, linked to fare levels and service frequency. Island fares are more affordable and are applied on lines of public interest, while seasonal commercial lines operate with a single fare price [16]. The ratio of revenue generated from ticket sales to the costs of maintaining the line determines the level of support needed for economically unprofitable services.

An important regulatory and supervisory role is performed by the Transport Regulatory Authority (Autorità di Regolazione dei Trasporti) (hereinafter: ART). ART adopted Resolution 44/2024, which initiated a review of the methodology for determining reasonable profit in

PSO cabotage contracts [39]. The Resolution follows on from Resolution 22/2019, which established the basic methodology for calculating the profit margin, and foresees its adaptation to situations in which the value of the regulated capital is very low or non-existent, for example in the case of an old fleet or significant public subsidies [39]. The revision is aimed at strengthening transparency, standardisation and predictability in PSO contracting, reduce the scope for arbitrary interpretations and support fair and proportional public allocations.

Despite significant reforms, the Italian coastal liner system faces several challenges. The level of public compensation in PSO contracts remains subject to scrutiny, particularly in relation to proportionality and competition. The market shows a tendency towards concentration, and the liberalisation process is often described as slower than in some other Member States.

Taken together, the Italian case illustrates how PSO/PSC instruments operate within a governance structure that combines a general maritime code with sector-specific instruments, regional responsibilities and an independent regulatory authority (ART) with a focus on methodology and oversight. These features make Italy a useful comparator for Croatia and Greece, particularly with regard to the allocation of responsibilities, the structuring of compensation parameters and the role of regulatory oversight in ensuring transparency and proportionality.

6.4. Comparative synthesis of PSO/PSC governance and design (Croatia – Greece – Italy) / Usporedna sinteza načina upravljanja i osmišljavanja u okviru PSO-a/PSC-a (Hrvatska – Grčka – Italija)

To make the comparative dimension explicit, Table 1 summarises the main institutional and legal features of scheduled coastal services and the related PSO/PSC arrangements in Croatia, Greece and Italy. The parameters cover the competent authorities, the key national legal bases, the instruments used to secure continuity of service, and the main characteristics of tendering and oversight. The table provides a structured reference for the comparative observations that follow.

The information in Table 1 is drawn exclusively from the preceding sections and is presented here in comparative form to facilitate synthesis. This overview confirms that all three Member States operate under the same EU cabotage baseline, yet apply materially different PSO/PSC governance arrangements. Table 1 serves as the reference point for the concluding observations in the final section.

7. CONCLUSION / Zaključak

The research confirms the strategic importance of scheduled coastal services within the European Union, particularly for Member States with pronounced island dependence. Within the EU cabotage framework, the principle of freedom to provide services is combined with the possibility of public intervention where market provision is insufficient to secure continuity and accessibility of essential island routes.

A comparative analysis of Croatia, Greece and Italy shows that, although all three Member States operate under the same EU legal framework, their national solutions differ significantly

Table 1 Comparative overview of PSO/PSC governance and core design parameters (Croatia, Greece, Italy)
Tablica 1. Usporedni pregled upravljanja i ključnih parametara u okviru PSO-a/PSC-a (Hrvatska, Grčka, Italija)

Comparative parameter	Croatia	Greece	Italy
Competent authority / contracting authority (PSO/PSC)	Agency for Coastal Scheduled Maritime Transport, tendering, contracting and supervision under the Maritime Transport Act.	Ministry of Maritime Affairs and Insular Policy, designation of public service routes, tendering, contracting and supervision.	Multi-level setting, regional authorities organise services and define key contract parameters, while the Transport Regulatory Authority (ART) provides methodological guidance and supports oversight.
Primary national legal basis for scheduled coastal services	Act on Transport in Regular and Occasional Coastal Maritime Transport (in force since Feb 2022) and the Croatian Maritime Code, with implementing by-laws.	Law 2932/2001 as the key cabotage liberalisation instrument aligned with Regulation 3577/92, with tender-based PSO practice under the competent ministry.	Codice della Navigazione (1942, as amended), Legislative Decree no. 169/2016 related to port governance and Law no. 616 relating to safety of navigation and protection of human life at sea.
Instrument used to secure continuity of service (PSO and/or PSC)	The statutory framework prioritises market provision; where this is insufficient, continuity is ensured through PSO measures and, PSC contracting.	PSO/PSC intervention is the principal instrument for remote and less commercially attractive routes, implemented through public tenders.	PSO/PSC contracts connect islands with the mainland. Long-term contracting practice (Tirrenia/CIN) exists alongside contracts awarded to regional shipowners, with oversight and methodological input associated with ART.
Route designation and tendering logic	Lines of general economic interest are established after consultation and assessment of whether the public interest can be achieved without PSO/PSC. Shipowners are selected through tenders and contracts supervised by the Agency.	Ministry designates which lines have public service status and issues tenders. Tender documentation defines route and service requirements and seeks continuity of service under the lowest compatible level of public compensation.	Regional authorities organise tenders and define tender parameters. Contracts are concluded for a fixed term. The ART carries out oversight, including methodological guidelines relevant to compensation parameters.
Award criteria and core service requirements (high-level)	Eligibility and technical requirements are set out in the Maritime Transport Act and the technical Ordinance. Capacity and operational parameters are line-specific. Articles 7 and 9 of the Regulation on concessions/PSC criteria specify the technical and economic-financial elements to be demonstrated in tendering procedures.	Selection criteria typically include requested compensation, vessel characteristics and compliance requirements, and service parameters such as frequency and reliability, alongside price-related elements where applicable.	Contract content reflects regional service planning. Price and service patterns incorporate seasonality and public-interest lines. ART contributes methodological guidance and service-quality evaluation.
Compensation logic and oversight (general)	State aid rules apply for economically unprofitable state lines. The Agency applies the State Aid Act and implementing rules within its statutory competences.	State support covers the difference between market revenues and actual costs, with proportionality and transparency considerations. Oversight and supervision by the competent ministry, with emphasis on effective monitoring of PSO performance.	Public compensation remains subject to scrutiny in terms of proportionality and competition. ART monitors subsidy levels and methodology and evaluates service quality. Commission scrutiny noted in relation to state aid compliance and transparency.

in the governance design and operational use of PSO/PSC instruments. Croatia reflects a framework that formally prioritises market competition and then relies on PSO/PSC mechanisms where market provision does not ensure the required level of service, with a specialised agency playing a central role in tendering, contracting and monitoring. Greece illustrates a ministerial model in which tender-based PSO intervention is the main tool for maintaining island connectivity, with structural constraints linked to fleet renewal and port infrastructure on smaller islands. Italy demonstrates a multi-level environment in which regional responsibilities for organising services and defining key parameters of public compensation operate within the general framework of the Maritime Code and the supervisory role of the independent regulator (ART), including recent attention paid to the definition of compensation parameters in PSO contexts.

Accordingly, the analysis supports the conclusion that the organisation of coastal services connecting islands to the mainland and between islands is not uniform across the EU. The differences observed are primarily driven by the allocation of competences between institutions, the structure of contracting practice, and the intensity and form of oversight through which PSO/PSC obligations are specified, monitored and financed. From a regulatory perspective, the comparison

points to three persistent priorities that emerge across the examined frameworks: transparency and contracting discipline, safeguarding effective competition where feasible, and pursuing fleet and infrastructure modernisation in a manner consistent with the wider requirements of European transport and environmental policy.

This study is grounded in normative and comparative analysis of the EU cabotage baseline and the national regulatory and governance frameworks examined for Croatia, Greece and Italy. Its focus is therefore placed on the legal framework and institutional design. The paper does not provide a comparable empirical assessment of operational performance, including subsidy efficiency, cost-effectiveness, service reliability, or user satisfaction. Rather, it analyses how PSO/PSC mechanisms are structured and supervised under differing national arrangements.

Future research could extend this work in three directions. First, a comparative empirical assessment of PSO/PSC schemes, based on harmonised datasets and tender and contract documentation, would allow testing how different governance and monitoring models are linked to measurable service outcomes. Second, a more detailed examination of contract design and implementation practices – in particular monitoring tools, compliance mechanisms and sanctioning practices –

would further clarify how EU principles are operationalised in everyday service provision. Third, extending the comparison to additional Member States with pronounced needs for insular or peripheral connectivity would allow a broader assessment of whether the patterns identified in this work hold across the EU and which elements of PSO/PSC governance can be considered as robust regulatory practices.

Author contributions: Conceptualization, A.M., T.V. and M.B.I.; Methodology, A.M. and T.V.; Validation, A.M. and T.V.; Formal analysis, T.V.; Research, A.M., T.V. and M.B.I.; Resources, A.M. and T.V.; Data preparation, A.M. and T.V.; Writing – Preparing the original draft, A.M.; Writing - Review and Editing, T.V. and M.B.I.; Visualization, M.B.I.; Supervision, A.M. and T.V.; Project administration, A.M. and M.B.I.

Funding: The research presented in the manuscript did not receive any external funding.

Conflict of interest: None.

REFERENCES / Literatura

- Stupalo, V., Jugović, A., & Mrvica, A. (2016). Quantitative Analysis of Maritime Passenger Transport in Europe. *Naše more*, 63 (4), 256-263. <https://doi.org/10.17818/NM/2016/4.2>
- Eurostat (2026, February 13). Retrieved from <https://ec.europa.eu/eurostat/data/database>
- Mišura, A. (2023). *Prilog optimizaciji sustava obalnog linijskog pomorskoputničkog prometa* (Doktorska disertacija, Pomorski fakultet Rijeka, Rijeka, Hrvatska). Retrieved from https://www.pfri.uniri.hr/web/hr/dokumenti/Doktorski_studij/radovi/Doktorska_disertacija_Antonija_Misura.pdf
- Opačić, V. T. (2002). Geografski aspekt proučavanja trajektnog prometa: primjer hrvatskog otočja. *Geoadria*, 7 (2), 95-109. <https://doi.org/10.15291/geoadria.91>
- Chlomoudis, C. I., Pallis, P. L., Papadimitriou, S., Tzannatos, E. S. (2007). The liberalisation of maritime transport and the island regions in EU. Evidence from Greece. *European Transport / Trasporti Europei*, 37, 1-15. <http://hdl.handle.net/10077/5955>
- Mendes, Z. (2015). Tracing socio-economic impact of ferry provision in Zadar Island archipelago. *Journal of Marine and Island Cultures*, 4 (1), 10-26. <https://doi.org/10.1016/j.jimic.2015.06.002>
- Mišura, A., Sopta, D., & Perić Hadžić A. (2020). Impact of traffic connectivity on island development. *Naše more*, 67 (1), 69-77. <https://doi.org/10.17818/NM/2020/1.10>
- Chlomoudis, C. I., & Pallis, A. A. (2002). *European Union port policy: The movement towards a long-term strategy*. Cheltenham: Edward Elgar Publishing. <https://doi.org/10.4337/9781035304837>
- Chlomoudis, C., Kostagiolas, P. A., Papadimitriou, S., & Tzannatos, E. S. (2011). A European perspective on public service obligations for island transport services. *Maritime Economics & Logistics*, 13 (3), 342-354. <https://doi.org/10.1057/mel.2011.9>
- European Commission (2021, October 18). Directorate-General for Mobility and Transport and Steer, Study on the EU Regulatory Framework for Passenger Rights. Part C, Evaluation of Regulation (EU) No 1177/2010 on the rights of passengers travelling by sea and inland waterways – Final report. Retrieved from <https://data.europa.eu/doi/10.2832/269525>
- Hystad, S. W., Olaniyan, O. S., & Eid, J. (2016). Safe travel: Passenger assessment of trust and safety during seafaring. *Transportation Research Part F: Traffic Psychology and Behaviour*, 38, 29-36. <https://doi.org/10.1016/j.trf.2016.01.004>
- Ubillos, J. B., Sainz, A. F., & Payan, R. (2021). State aid, EU maritime transport policies and competitiveness of EU country fleets. *European Transport Research Review*, 13 (1). <https://doi.org/10.1186/s12544-020-00463-1>
- Anić Mikleč, I., Mandić, N., & Petrinović, R. (2023). Implementation of European Union law in the new act on liner shipping and seasonal coastal maritime transport. *10th International Maritime Science Conference, Book of Proceedings*, Pomorski fakultet Split, 546-558.
- Uredba vijeća (EEZ) br. 3577/92, Službeni list Europske unije L 364/7. (2025, September 1). Retrieved from <https://eur-lex.europa.eu/legal-content/HR/TXT/?uri=CELEX%3A31992R3577>
- Pecotić Kaufman, J. (2007). Pomorska kabotaža u pravu Europske zajednice: Uredba vijeća (EEZ) br.3577/92 i relevantna sudska praksa. *Zbornik Pravnog fakulteta u Zagrebu*, 57 (4-5), 789-820. <https://hrcak.srce.hr/file/27019>
- Agencija za obalni linijski pomorski promet (2009, June 26). *Sustavi obalnog linijskog pomorskog prometa u mediteranskim zemljama članicama Europske unije*. Retrieved from <https://agencija-zolpp.hr/>
- Uredba (EU) br. 1177/2010 Europskog parlamenta i Vijeća od 24. studenoga 2010. o pravima putnika kada putuju morem ili unutarnjim plovnim putovima i o izmjeni Uredbe (EZ) br. 2006/2004, Službeni list Europske unije L 334. (2025, September 5). Retrieved from <https://eur-lex.europa.eu/legal-content/HR/TXT/?uri=celex%3A32010R1177>
- Ridanović, J., & Bičanić, Z. (1993). Hrvatski Jadran i novi teritorijalni ustroj (prostorni pojam, duljina i razvedenost hrvatske obale). *Acta Geographica Croatica*, 28 (1), 85-96. <https://hrcak.srce.hr/file/125707>
- Otoci, Ministarstvo regionalnog razvoja i fondova Europske unije, Republika Hrvatska. (2025, September 8). Retrieved from <https://razvoj.gov.hr/o-ministarstvu/djelokrug-1939/otoci-i-priobalje/3834>
- Strategija pomorskog razvitka i integralne pomorske politike Republike Hrvatske za razdoblje od 2014. do 2020. godine (2025, September 8). Retrieved from <https://mmpi.gov.hr/more-86/projekti-113/strategija-pomorskog-razvitka/15768>
- Zakon o prijevozu u linijskom i povremenom obalnom pomorskom prometu. *Narodne novine*, 19/22. <https://www.zakon.hr/z/441/zakon-o-prijevozu-u-linijskom-i-povremenom-obalnom-pomorskom-prometu>
- Agencija za obalni linijski pomorski promet (2025, September 9). Retrieved from <https://agencija-zolpp.hr/>
- Pomorski zakonik Republike Hrvatske. *Narodne novine*, 181/04., 76/07., 146/08., 61/11., 56/13., 26/15., 17/19. <https://www.zakon.hr/z/310/pomorski-zakonik>
- Pravilnik o uvjetima za obavljanje pomorske kabotaže u Republici Hrvatskoj. *Narodne novine*, 109/19. https://narodne-novine.nn.hr/clanci/sluzbeni/201911_109_2198.html
- Pravilnik o uvjetima koje mora ispunjavati brod i brodar za obavljanje javnog prijevoza u linijskom obalnom pomorskom prometu. *Narodne novine*, 26/14. https://narodne-novine.nn.hr/clanci/sluzbeni/2014_02_26_465.html
- Zakon o državnim potporama. *Narodne novine*, 47/14., 69/17., <https://www.zakon.hr/z/464/zakon-o-drzavnim-potporama>
- Uredba o uvjetima i vrednovanju kriterija za davanje koncesije i sklapanje ugovora o javnoj usluzi za obavljanje javnog prijevoza u linijskom obalnom pomorskom prometu. *Narodne novine*, 31/14. https://narodne-novine.nn.hr/clanci/sluzbeni/2014_03_31_537.html
- Mandić, N., & Amžić Jelovčić, P. (2014). Novine u Zakonu o prijevozu u linijskom i povremenom obalnom pomorskom prometu iz 2013. g. *Pomorsko poredbeno pravo*, 53 (168), 127-142. Retrieved from <https://hrcak.srce.hr/file/202556>
- Hrvatska enciklopedija*, Leksikografski zavod Miroslav Krleža. <https://www.enciklopedija.hr/natuknica.aspx?id=28030>
- Gratsos, G. A. (2014). Greek shipping and the maritime economy. Presentation at E. U. CCM Seminar on Maritime Industrial Sectors, Athens.
- Baird, A. J., & Wilmseier, G. (2011). Public tendering of ferry services in Europe. *European Transport / Trasporti Europei*, 49, 90-111.
- Zakon 2932/2001 o slobodnom pružanju usluga u pomorskom prijevozu putnika i tereta između grčkih luka. *Službene novine Hellenic Republike*, 145, 27. 6. 2001. <https://www.kodiko.gr/nomothesia/document/184769/nomos-2932-2001>
- Lekakou, M. B. (2007). The eternal conundrum of Greek coastal shipping. *Maritime Transport: The Greek Paradigm, Research in Transportation Economics*, 21, 257-296. [https://doi.org/10.1016/S0739-8859\(07\)21008-X](https://doi.org/10.1016/S0739-8859(07)21008-X)
- The Greek Council of Coastal Shipping adds new ship schedules, H. B. C. B. (2025, September 20). Retrieved from <https://www.hbcbg.com/the-greek-council-of-coastal-shipping-adds-new-ship-schedules/file/20246>
- Codice della navigazione. *Službeni list Republike Italije*, 93, 18. 4. 1942. <https://www.fog.it/legislaz/cn-indice.htm>
- Decreto Legislativo. *Službeni list Republike Italije*, 169, 14. 8. 2016. <https://www.normattiva.it/atto/caricaDettaglioAtto?atto.dataPubblicazioneGazzetta=2016-08-31&atto.codiceRedazionale=16G00182&atto.articolo.numero=0&atto.articolo.sottoArticolo=1&atto.articolo.sottoArticolo=1=10&qld=&tabID=0.9923387633967455&title=lbl.detttaglioAtto>
- Zakon br. 616 o sigurnosti plovidbe i ljudskog života na moru. *Službeni list Republike Italije*, 5. 6. 1962. <https://www.normattiva.it/uri-res/N2L5?urn:nir:statollegge:1962-06-05:616vig>
- Papa, E. (2009). Le vie del mare: i servizi di trasporto marittimo per la fruizione della costa. *Journal of Land Use Mobility and Environment*, 2 (3), 53-58. <https://doi.org/10.6092/1970-9870/88>
- Rezolucija 44/2024., Agenzia delle Entrate. <https://www.fiscoetasse.com/download-file/18801/ris-n-44-del-02-08-2024>