



The liberalisation of maritime transport and the island regions in EU. Evidence from Greece

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Abstract

The liberalisation of maritime transport constitutes a substantial and vital progress not only in the maritime transport market but also in influencing the development of distant island regions. In the European Union (EU), the establishment of the legal framework and policy regarding the liberalisation is standing from the year of 1992. In Greece, the first attempt to harmonize the inevitable political and state framework was in 2001 (2932/2001 Act). Prevailing factors encumbered the liberalisation planning and implementing, mainly because of the incoherent procedures applied and the partial cover of principal issues regarding impingement of public interests and goods relative to island development.

In our paper, we provide strongly support to the argument that the major initiative considering the development of island regions throughout European territory is that European Policy for the liberalisation of maritime transport should be oriented to the distinctive needs of island regions. Moreover, we provide a “road map” for completion of the liberalisation procedures. Hence, we address specific proposals and measures towards the healing of the inadequate regional development.

Keywords: Maritime transport; Liberalisation; EU policy; Island regions.

1. Introduction

The general aim of this paper is to discuss the EU maritime policy and its relation to the islands regions across EU. The Greek Institute for Local Authorities (GILA) report for ‘The Inter-Island Transport problem, counter measures and the role of local Authorities’ ((2006), Chlomoudis, C. et al.) composed a substantial resource for our study.

As more than 90% of the EU’s external trade and some 43% of its internal trade is transported by sea, international maritime transport ought to be a liberalised activity. If it were not, nobody would benefit from the role this mode of transport plays in international trade¹. However, it is only since 1st January 1993 that cabotage by sea² has

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¹ <http://europa.eu/scadplus/leg/en/lvb/124040.htm>

started to be phased in, as agreed in 1992. The introduction of cabotage and the need for the Community to help improve the conditions for international maritime transport have resulted in the adoption of measures relating to the competition policy, to the prevention of unfair pricing practices, to standards for ships engaged in the transport of dangerous goods and to the working conditions³. Furthermore, maritime transport policy is specifically required to take into account the overriding EU principles of social solidarity and cohesion between central and peripheral regions (CEC, 1994a, 1996a), which are concerned primarily with measures to reduce regional inequalities in economic and social people's well-being factors.

The physical characteristics and natural conditions of island communities, are a drawback to their economical and social development. Maritime liberalisation adapted to these regions could serve as a basis for specific policies designed to offset these natural handicaps providing the islands with adequate supply and quality of services which could serve to foster territory continuity and the well being of the island population. The aim is to provide the proper mix of measures and policies adjusting them to the island peculiarities, that would offer the islands a real chance of competing, in the near future, with the mainland and in particular with the most accessible and most developed Regions (Eurisles, 1998).

In this paper, the main features of liberalisation on maritime transport are outlined as essential preliminaries to the understanding of how cabotage constitutes a substantial and vital progress not only in the maritime transport market but also in influencing the development of distant island regions. Various models of cabotage adjustment across the countries of Europe are then examined, with particular attention to address how each country considers sea transport as a public service obligation. The adequacy of the current situation of Greece is analysed in terms of the maritime liberalisation adjustment, the domestic market conditions and the necessity of considering sea transport as public service. The most notable feature of our study is that even though EU established the legal framework and the policy regarding the liberalisation, EU countries – including Greece – have not applied all the necessary procedures and policies in order to be completely harmonized with the EU directives. Finally, we propose some significant measures and characteristics that all the island regions across Europe should bear in mind as a common basis towards a rational and effective development.

2. The liberalisation of maritime transport in the European Union

In general, liberalisation involves the exposure of the transport market to *laissez-faire*, or free market, achieved through the removal of most regulatory controls over pricing, while permitting carriers to enter and leave the markets at will.

Council Regulation (EEC), No 3577/92, of 7th December 1992, applied the principle of freedom to provide services to maritime transport within Members States (maritime cabotage)⁴. The regulation grants freedom to provide maritime transport services within

² Council Regulation (EEC) No 3577/92 of December 1992 applying the principle of freedom to provide services to maritime transport within Member States (maritime cabotage) [Official Journal L 364 of 12.12.1992]

³ <http://europa.eu/scadplus/leg/en/lvb/124040.htm>

⁴ <http://europa.eu/scadplus/leg/en/lvb/124040.htm>

a Member State for Community ship-owners operating ships registered in a Member State and flying the flag of a Member State. A substantial article of the regulation deals with the right that Member States have to provide transport services subject to public service obligations (PSO) in the interest of maintaining adequate cabotage services between the mainland and its islands and between the islands themselves.

Under European Commission guidelines, a PSO in ferry services may only be declared to provide services needed to address problems of peripherality, insularity and/or economic disadvantage that would not normally be addressed without public intervention. The definition of a PSO is set out as: “any obligation imposed upon a carrier to ensure the provision of a service satisfying fixed standards of continuity, regularity, capacity and pricing, which standards the carrier would not assume if it were solely considering its economic interest”.

Consequently, there is a time-lag between the implementation of domestic and international liberalisation, the former being much easier to implement, either at the scale of the individual country or in a trading bloc such as the EU. For this reason, safeguard measures may be taken by the Commission where the internal market would seriously be disrupted by the liberalisation of cabotage or where countries whose domestic island ferry cabotage rules and contracting procedures are in violation⁵ of Council Regulation EEC 3577/92. In the case of France, Italy, Greece, Portugal and Spain mainland cabotage was gradually liberalised according to a specific timetable for each type of transport service. Mainland-island and inter-island cabotage for these countries was liberalised in 1999⁶.

3. Island regions in European Union and ferry services

Our aim is to demonstrate that the island space has inherent characteristics which affect the economic development of the European island regions. Matters of size, dependence and distance imply different consequences, as do historical issues or economic systems, but overall, there are specific island characteristics which determine the type of economic development of a territory.

⁵ (Spain) In December 1998, the European Commission opened an investigation into state financing made available to the publicly-owned Spanish company *Compania Trasmediterranea S.A. (Transmed)*. Following the investigation Spain was required to re-tender the ferry services. Spain C-205/99 Royal Decree No 1466 was inconsistent with Community law, in particular Articles 1, 2 and 4 of Council Regulation (EEC) No 3577/92. (Portugal) An infringement procedure was started against Portuguese decree-law No 194/98 of 10 July 1998 on maritime cabotage. The Commission sent a reasoned opinion to the Portuguese authorities inviting them to amend the text to bring it into line with Council Regulation (EEC) No 3577/92. (France) The European Commission initiated a formal investigation procedure into the proposed restructuring aid to *Société Nationale Corse-Méditerranée (SNCM)*. (Greece) The Greek legislation of 2000 did not appropriately reflect the EU basic principle according to which public service obligations can be imposed on ship-owners performing island cabotage in the event of market failure to provide adequate services. (Italy) In 1999, the European Commission opened a State aid investigation against Italian ferry company *Gruppo Tirrenia di Navigazione* with regard to subsidies paid by the Italian authorities to the six companies of the ferry group *Gruppo Tirrenia di Navigazione*.

⁶ This exemption was prolonged until 2004 for scheduled passengers and lighter services and services involving vessels of less than 650 gross tonnages in the case of Greece.

The island system⁷ has the following characteristics «*One fact which always holds true is that the islands are smaller than the mainland areas. While this seems to be stating the obvious, it nevertheless leads to a very simple first level of reasoning. Because of its endemism to the islands, smallness implies rarity. While this rarity manifests itself in various ways, it is measured mainly by the scarcity and paucity of resources (raw materials, infrastructures, human potentialities, etc.). In order to manage these rare resources, the island economies adopt a specific management system. This is based on the need to have access to a major network of exchange with the outside. From colonialism to today's trade deficits, this phenomenon is a constant factor of the economic history of all the island economies. Rarity and openness to the outside are factors which lead to a high degree of dependence, due to a virtual single-product export activity and a high level of imports. This dependence, which is due to the weakness of the domestic economy and the dominant role of external trade, is significantly aggravated if, in addition, the island is remote and located far from its markets.*»

The “Regional disparity indicators in the European Union” report identifies three sources of disparities which affect inter-regional cohesion within the European Union:

- Disparities which are linked to the natural conditions and physical characteristics of the regions;
- Disparities which are indicative of an unequal development of production potential;
- Disparities which highlight the great differences in income and living standards from one region of the European Union to another.

While not denying the importance of the second and third category, the first type of disparity is obviously the one which is of primary concern to the islands. Moreover, this type of disparity is concerned with the insularity as a phenomenon which weights most socio-economic data and the phenomenon of physical discontinuity. (Eurisles, (1998))

Nevertheless, island communities have a special inheritance, a way of life that is to be cherished and valued. Their peripheral location can make it difficult to share equally in the economic and social life of the nation, and they face particular barriers in ensuring full participation arising from their location (Malachy Walsh and Partners in association with Posford Haskoning, Raymond Burke Consulting, McCaig Watson and Seosamh Mac Donnacha).

Our study aims to point out those islands communities that face special difficulties that need to be addressed and, where possible, sustainable solutions must be designed and implemented in the light of available resources.

It has been observed that due to their geographical isolation, inadequate transport infrastructure and irregular transport services, island communities have greater difficulty in traveling and must bear relatively higher transport costs. It is recommended that the provision of a socially desirable minimum level of transport be a priority for all islands, and that there should be all-year round services to ensure the importation of essential supplies, to provide reliable means of exporting island produce and to gain access to the mainland for social, employment and/or education purposes. It also noted that every effort should be made to ensure that the services take into account the needs

⁷ Eurisles, 1998, regional disparities: statistical indicators linked to insularity and ultra-peripherality.

of people with disabilities in terms of easy access to vessels and subsequent disembarkation (Malachy Walsh et al).

Therefore, the importance of Ferry Services to the Islands has been substantially investigated⁸. Ferry services are the lifeblood of the islands and the need for ferry services to the islands has been confirmed under numerous studies and EU regulations (Malachy Walsh et al.). Moreover, from a socio-economic perspective, the availability of regular and guaranteed services provides substantial improvement to the quality of life for islanders, reduction of relative remoteness and enrichment of the island populations which remain together and sustain the community identity. Finally, the availability of a ferry service also fosters a vibrant tourism industry which contributes to local economic well-being, and to an enhanced awareness and positive appreciation of local traditions, way of life and cultural heritage (Malachy Walsh et al.). We summarize the services offered in the EU countries⁹ as follows.

The contracted services on the sea routes are operated by domestic private shipping companies or local government companies, but in the most cases are not exclusive and the authorities of each country are at liberty to procure other services on the same routes. Particularly, contracted services on the 14 routes in Ireland, are operated by domestic private shipping companies. Moreover in Denmark, at Bornholm, there are three maritime lines: a subsidized direct line with Copenhagen, one with Sweden (Ystad) which has recently become entitled to a subsidy and one with Germany (Sassnitz) the subsidy of which was abolished on foot of a complaint by a private company.

In Netherlands, there are six domestic Dutch ferry services currently operated by private operators. Finally, in Scotland, passenger, vehicle and shipping services are provided by Caledonian MacBrayne (CalMac) to twenty-two islands and four peninsulas spread over the West Coast of Scotland and in the Clyde Estuary.

On the other hand, in Sweden, inter-island maritime traffic managed by the local authorities consists essentially of ferries belonging to local government companies.

In Finland, all domestic ferry services are supported by the government either through procurement or direct ownership.

Moreover, ferry services are regulated by state (Laender) governments in Germany. The two states with island ferry services are Lower Saxony and Schleswig Holstein each with their own sets of laws governing ferry operations.

In addition, in France, links between Corsica and the French mainland are subsidized on the principle of territorial continuity. This gives preference to national companies.

In Spain, responsibility for inter-island shipping is regional, while responsibility for Balearic Islands/Mainland sea transport lies with the national authorities.

In Malta, ferry services between Malta and Gozo are subsidized by the Malta Ministry of Communications on the basis that they would not have otherwise been commercially viable. These consist of roll-on/ roll-off passenger service for foot passengers, car and car passengers as well as cargo vehicles, including hazardous cargo. Gozo Channel

⁸ Luis, J. A. H. (2002), Robert Y Canava (2004), Rutz, W. O. A. and Coull, J. R. (1996), Werner, O., Rutz, A. and Coull, J. R. (1996).

⁹ Steer Davies Gleeve, (2005) "Research and advice on risk management in relation to the subsidy of Ferry services", The Scottish executive, Enterprise, transport & lifelong Learning & Malachy Walsh and Partners In association with Posford Haskoning, Raymond Burke Consulting, McCaig Watson and Seosamh Mac Donnacha, (2004), "Review of Certain Subsidized Ferry Services to the Islands" Department of Community, Rural and Gaeltacht Affairs.

Shipping Line, a wholly owned subsidiary of Malta Government Investments Limited, provides the services.

In general, subsidized ferry contracts are granted to operators on the condition of compliance with the marine regulations, health and safety rules, and by-laws set by the relevant local authorities. The subsidized services are not set up as PSOs in all the cases. This is because some of the islands generate a small number of trips per year; hence they are not bound by the European Union's public procedures.

The operators, on the other hand, must meet minimum levels of service, in light of the following:

- Determine the frequency (and regularity/continuity) of the services on offer, with the minimum of weekly services for continental transport. For some services, the itinerary must include a fortnightly inter-island stop;
- Operators could also be obliged to undertake a stop at all islands, or provide intra-island services, if it is found that the islands are not regularly and sufficiently supplied;
- Demonstrate that they are able to run the services;
- Run services and itineraries with the scheduled regularity, for at least one year
- Comply with EU legislation;
- Utilize exclusively crew formed by nationals or from a European member state.

Additional services, however, are provided according to demand. Passenger and cargo charges are often capped, with further discounts for island residents. To avoid the problem of defining "residents", the principle of a direction-based subsidy is applied in France.

4. The case of Greece

Law 2932 of 2001 was brought in to open up the Greek maritime market and to bring ferry services in Greece in line with the Regulation. This legislation, however, was deemed to conflict with the spirit of the Regulation. A number of disputes have emerged and been resolved with regards to the interpretation of the Regulation and its application in the Greek context. Following the opening of the maritime cabotage market, services are open to any operator that complies with the EU requirements and provides some basic documentation confirming their capacity to provide services. No requirements are set with regards to the service provided apart from the fact that the vessel has to comply with the safety requirements of the ports they serve, and be in service for a minimum of 10 months per year. Domestic ferry services in Greece continue to be provided by domestic operators who keep serving their traditional routes, albeit in some cases also expanding to others.

Greece has a significant number of islands to which services would not be commercially viable, especially in the winter months, due to the low demand. Currently,

lifeline¹⁰ services operate on some 70 island routes. Islands for which applications to provide free market services are not made in January of each year are those islands for which services need to be provided in a Public Service Contract (from now on, PSC) framework under annual contracts. The requirements for the provision of the PSC services are as follows:

- Frequency: determined number of crossings per week.
- Period of operation: the ferry has to be in operation for a minimum of 10 months a year.
- Back-up: A replacement ferry has to be made available for the remaining two months a year. The details of this have to be made available at the stage of submitting the bid.
- Ferry standards: passenger capacity, car parking surface, total length. A standard type of service is required (i.e. conventional passenger-car ferry).
- Safety: The ferry has to be suitable for safe use of the port facilities and safe service provision.
- Fares: A maximum fare is set for standard/ economy class. Also discounts are imposed for concessionary travelers.
- Vehicle age: Needs to be less than 35 years.

The national budget supplies the funding for the lifeline services. In addition, a 3% surcharge is imposed on all other ferry services (not subsidized) in order to subsidize the thin routes (Malachy Walsh et al).

Even though, the liberalisation has been in effect for many years, some components should be rationalized. A notable characteristic, in Greek coastal market, is the vessel age. The findings of the GILA report ((2006), Chlomoudis, C. et al.) pinpoint the fact that during the previous decade (1996-2005), as shown in the Table 1, the average age of the vessels, has been substantially decreased and as a consequence the average speed of ships has constantly increased. Particularly, according to the Figure 1, 35,7% of ships are 12 years old or less, 20,8% of ships are between 13-24 years old and the 43,5% of ships are between 25 and 35 years old.

Table 1: ship characteristics of Greek coastal market.

CHARACTERISTICS	YEAR				
	1996	1998	2000	2002	2005
Average Speed	14.9	15.3	15.8	17.4	19.1
Average Age	23.6	21.7	20.4	18.4	18.1

(The GILA report for 'The Inter-Island Transport problem, counter measures and the role of local Authorities' ((2006), Chlomoudis, C. et al.)

¹⁰ Lifeline services are defined as those that would not have been provided by the free market.

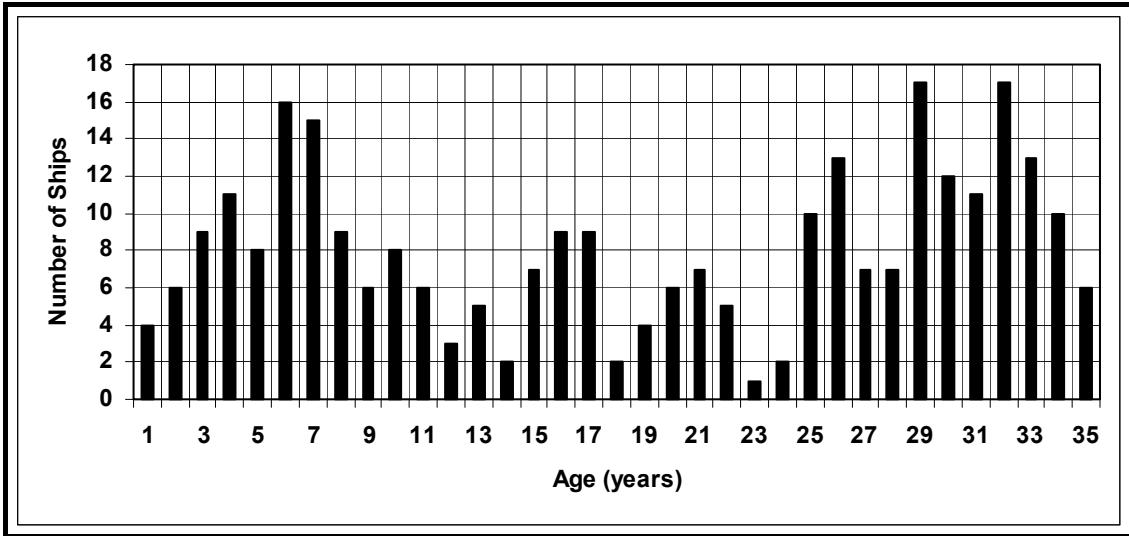


Figure 1: age distribution of Greek coastal markets' ships.
 (The GILA report for 'The Inter-Island Transport problem, counter measures and the role of local Authorities' ((2006), Chlomoudis, C. et al.)

National legislation imposes the withdrawal of ships over 35 years old (Figure 2), Act 187/1973 (30 years old from the year of 2008, Act 2932/2001). This legislation is instituted only by Greece and creates several problems at the Greek Coastal market, which entitles 350 ships of all modes and is operated through main and secondary sea routes in a total number of 1500 connections between 40 and 100 mainland and island ports respectively.

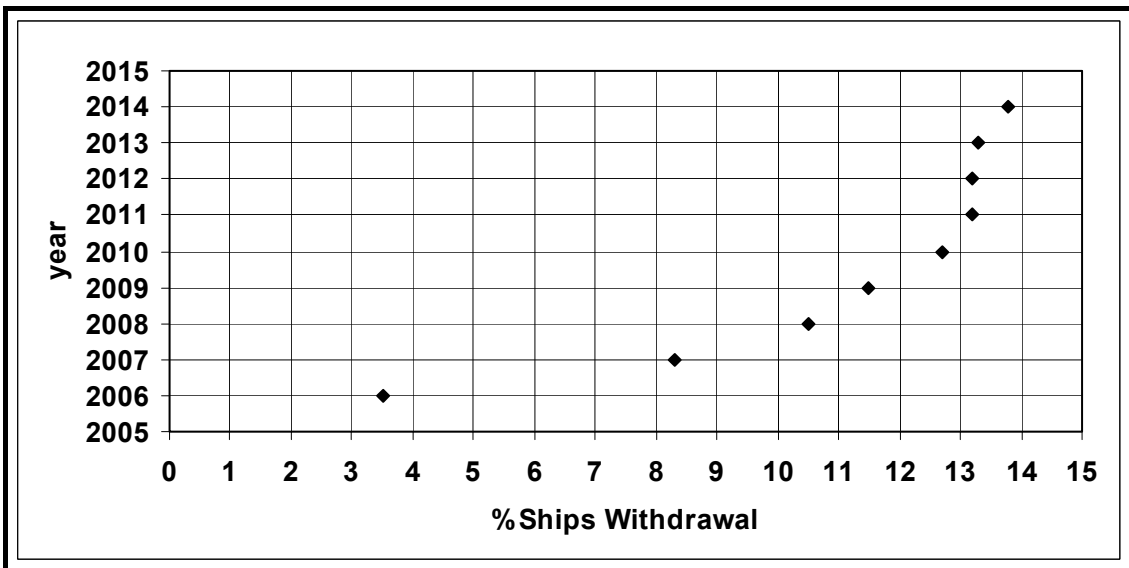


Figure 2: ships withdrawal.
 (The GILA report for 'The Inter-Island Transport problem, counter measures and the role of local Authorities' ((2006), Chlomoudis, C. et al.)

Moreover, as highlighted in the table 2, the demand for coastal services, during the winter, decreases over 80% as regards to summer period. Approximately 40% of inter-island connections for the summer period do not operate during the winter period. This

situation is aggravated by the fact that because a lot of scheduled trips are cancelled in the winter due to the bad weather conditions. For this reason, the Greek Government should provide PSO for all the sea routes during the year and particularly for these sea routes which are not commercially viable.

Table 2: ferry services frequency (August vs January).

<i>Service Frequency</i>	<i>August</i>	<i>January</i>
At least once a day	50,5%	40 %
2-6 times per week	40 %	47 %
Once a week	9,5 %	13 %
TOTAL	100 %	100 %

(The GILA report for ‘The Inter-Island Transport problem, counter measures and the role of local Authorities’ ((2006), Chlomodis, C. et al.)

The government subsidizes PSO routes under the following financial sources, the national budget and the 3% increase of the ticket price.

The maximum amount of subsidy is calculated on a basis of route distance. As shown in the Figure 3, the amount of the subsidy for the year 2003-2004 was 37,1 million Euros. The overall amount of subsidy between the years 2001-2006 was 100 million Euros with an annual growth rate of 74%.

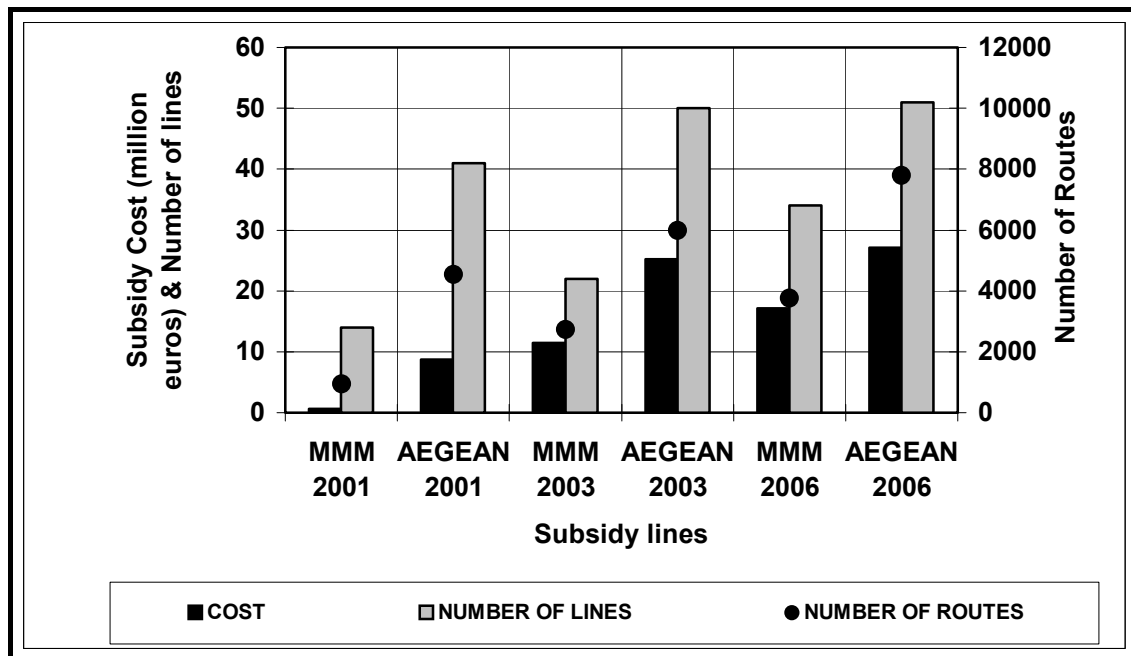


Figure 3: subsidy cost and routes (Ministry of Mercantile Marine Vs. Ministry of Aegean). (The GILA report for ‘The Inter-Island Transport problem, counter measures and the role of local Authorities’ ((2006), Chlomodis, C. et al.)

5. A “road map” towards liberalisation completion

The government undertakes the responsibility to fulfil the needs of the society in areas of public goods such as transportation, energy provision, water supply and telecommunications and the concept of Universal Service is closely attached to that mission. In particular, Universal Service is a defined set of services at a certain quality, available to any user without geographical constraints with an affordable price.

Potential aims of the Universal Service, as they are set at the GILA report ((2006), Chlomoudis, C. et al.) are as follows:

- Availability and adequacy of the provided services
- Basic access to goods and services
- Affordability of the prices
- Provision for quality of service
- Adequate public service obligations routes.

According to the international experience (Malachy Walsh et al.), in network industry markets, universal services obligations were established in order to facilitate the smooth transfer to liberalisation. In particular, EU determined Universal Service Obligations for all the key infrastructure networks as telecommunications, energy and surface transport systems.

For the Central and Western Europe, where island regions are absent, Universal service obligations addressed the needs for the rail and road networks and inland waterways.

On the contrary, EU has not yet proceeded to determine Universal service obligations in sea passenger transport. However, the necessity for such a provision covering the needs of the Greek territory is obvious since its implementation would safeguard an adequate level of public service provision for the islands and address a fully defined negotiation platform with the stakeholders (maritime companies, local authorities, proper ministries).

The solution to the transportation problem in the island regions and the implementation of an effective and efficient strategy requires an integrated approach which while considering the political and social environment at the European and national levels would search for solutions parameters on the basis of their impact on the economic development of the islands and social welfare of the islanders.

The two basic parameters - economic development and political aiming- define generally the external or socio-economic environment. In order to investigate further the relationship between the external environment and the transportation system, the external environment has to be categorized into several dimensions, such as, territorial, institutional, economical and social.

As Chlomoudis, C. et al. mention, there are many alternative scenarios which address concrete lines of prerequisites and which highlight different financially viable solutions. In particular, these scenarios address a ‘road map’ with distinct choices under specific circumstances. However, due to the absence of a clearly formulated development national policy but also due to the lack of a clear political mandate from EU, the determination of alternative scenarios has to be formulated through the acknowledgement of two different measures and their corresponding indicators:

- Economic development using the GDP indicator and
- The social state status applying the social state principles indicator or the global market indicator.

Regarding the first measure, two scenarios are considered: one characterized by low and one with a high rate of development. Particularly, high development is considered when the GDP indicator is 2.5% and more, while low development is considered when the GDP indicator is less than the European average, of 2.5%.

Regarding the second measure, it reflects on the choices and decisions in the European level that affect significantly the national development policies. The two basic hypotheses are:

- “Reinforcement of social state”. In the EU, the dominating opinion is that the reinforcement of the social state constitutes the primary strategy. Therefore, the policy of enhancement of the European *aquis communautaire* is supported and thus particular emphasis is provided to persons with disabilities, isolated regions, and reduction of insularity and improvement of social cohesion.
- “Emphasis on globalisation”. In the EU, the liberal approach is dominating. This means that extra measures for the enhancement of competitiveness of the European economy in the demanding new global market would be required.

According to the Table 3, there are four major scenarios that emerge for EU development:

Table 3: “Road map” scenarios.

	<i>High Development</i>	<i>Low Development</i>
Reinforcement of Social State	High Development - Social State Scenario	Low Development - Social State Scenario
Emphasis on globalization	Globalization - High Development Scenario	Globalization - Low Development Scenario

(The GILA report for ‘The Inter-Island Transport problem, counter measures and the role of local Authorities’ ((2006), Chlomoudis, C. et al.)

(a) *High Development - Social State Scenario*

This scenario is characterized by high economic growth while placing strong emphasis in the social state. Its basic hypothesis considers that under specific circumstances (adequacy of means), the state (government) supports financially selective interventions targeting equal development throughout the European regions.

(b) *Low Development - Social State Scenario*

It is a scenario which is also characterized with high emphasis in the social state however it has to deal with low development. In this case, the state cannot support the desirable interventions for the equivalent multi central development.

(c) *Globalization - High Development Scenario*

It is a scenario characterised by high development with emphasis on competitiveness and globalization. Its central idea is that due to the shifts in the priorities of the European policy, there will be a substantial deceleration in the regional development.

(d) *Globalization - Low Development Scenario*

It is a scenario characterised by low development with emphasis on globalization.

It is concerned as the most probable to be followed. In particular, this scenario consists of following:

- *Territorial dimension*: It will sustain the urban centralized pattern. The existent infrastructure is enforced through an adequate inter modal transportation system.
- *Institutional dimension*: Due to the dominant role of the market and the dependence of the entrepreneurs for boosting competitiveness, the market is deregulated and the services are provided from the private companies.
- *Economical dimension*: In order to cover the accessibility of all possible passengers, even the residents of small and isolated islands, a significant program of subsidies is applied. The cost of that program is disproportional large for the government, since the whole environment is market oriented.
- *Social dimension*: The state attempts to intervene in the market by allocating resources fairly among social groups and geographical regions. Additionally, there is limited intervention in the fares charged (only in PSO routes) and there is no consideration for equal distance pricing with other modes of transport based on the principle of territorial continuity.

6. Our proposals towards island regions development

Therefore, in order to highlight the need to establish distinct measures and policies towards islands regions development, we state the following proposals:

Insularity

The provision of sea transport services should be treated in the same manner for all the islands. The extent of insularity in Greece, as well as in other countries, differs from island to island, since it is based on the size of an island, the distance from the mainland and various others characteristics.

Moreover, efforts towards the creation of a favourable and positive climate towards the islands should be enhanced, aiming at the issuance of a decision regarding “priority to the disparity island regions”. This decision should be incorporated to the principles and policies of EU and the normative and administrative simplification be encouraged. In addition, special financial programs should be provided for the island regions towards the period of 2007-2013.

For that reason, the development of an “Observatory for the Islands of Europe” is required, which will systematically record data regarding the transportation system, the quantity and quality of the services offered and the problems encountered. In general, the observatory will have the responsibility for tracking, monitoring and evaluating the prevailed conditions in the island transport market and providing corrective and effective solutions.

Transport equivalent

One of the most significant tasks and objective in the field of transportation policy is the issue of ‘equity’ or ‘justice’, regarding the proper distribution of both positive and negative impacts (benefits and costs) to the citizens. Decisions taken in the field of transportation have a high degree of correspondence to the ‘equal’ treatment of citizens:

- The quality of services affects the quality of life and the opportunities of people for travelling, finding a job etc.
- Transportation expenses cover a significant percentage of the family budget.
- Prices charged should be consisted with the cost of providing the specific service and the level of service provided.
- Transportation investments are a vital instrument for economic development. Their distribution throughout the country should be fair.

Analysing and safeguarding the appropriate ‘equality’ to all citizens, mainly regarding the quantity of the services offered to them and the price to be paid, is a complex task since there are different types of ‘equality’ and different ways of classifying citizens into certain categories (i.e. on the basis of residency, family income, other demographic characteristics, mode of transport in use).

For the islanders, it has been examined and accepted that the previous principles have not been applied in various degrees and that their “unequal” treatment is a fact. For this reason it has been proposed that based on the principle of territorial continuation, the cost for travelling to the islands should equivalent to the cost by road and rail transportation for travelling the same distance on the mainland, taking also into account the time duration and other quality provisions of the offered services. Therefore, the principle of “transport equivalent” should be adopted by the State with the aim of harmonizing the cost of travelling by sea with that of travelling by road or rail, offering the same, adequate quality of service.

In addition, there should be a policy shift in the planning and tendering of services, away from the unimodal nature of the ship, to one which considers the development of an integrated transport system with the coordination of all other modes of transport (boats, airplanes, hydroplanes and helicopters).

Public service obligations

The current policies in Greece, regarding the establishment and operation of subsidized lines and the EU policies for PSOs have not yet attributed to deliver the appropriate accessibility to the residents of the islands, even though the public funds for subsidizing the PSO lines have been increased substantially. It should also be noted though, that a significant portion of this increase has been provided by other island travellers through a ticket surcharge. In particular, the cost for all subsidized lines for the period 2005-2006 exceeded 44 million euros while from that amount 25 millions euros were covered though a 3% surcharge which was imposed on the price of the tickets. Therefore, only 20 millions euros were paid directly through the national budget, in order to safeguard the viability of the Greek islands. The Greek government has a valid point in requesting further funds from the EU in order to cover a substantial

portion of this cost, since Greece is the only European country with so many islands to be served under the PSO framework.

Ship Financing

It is obvious that in the near future more ships will be required to cover the increased demand for coastal services. Therefore, the Greek Government should find the proper measure to increase the supply of ships. One noticeable instrument is that of the SPVs. A Special Purpose Vehicle would manage and coordinate all the necessary resources and assets available for providing PSOs. There are many ways to develop the SPV model. The two most acknowledged methods are:

- PPPs (Public Private Partnerships),
- PFIs (Private Finance Initiatives).

Segregation of passenger and freight transportation

Almost all of sea transport is provided by Ro-Ro ships, thus combining passenger and freight transport. The option to segregate passenger and freight transport services through the use of different types of vessels, provided there is sufficient demand, could be a realistic prospect in finding a solution to the reduced boat supply.

6. Conclusions

The European Union Regulations regarding sea transport appear to have adequate provisions to safeguard the islands interests. The key issue today does not seem to be European Union legislation itself, but the amount of influence an island community may exert in its own country over the way transport operators servicing the island are licensed, over the way their public service obligations are drafted and over the way funds are used to subsidize transport costs.

In our study, we present the various adjustment procedures and models of sea transport servicing across the EU countries. Moreover, we examined the case of Greece and pointed out the delay of the harmonisation with the EU directives. Consequently, we set a number of substantial measures and policies, regarding insularity, transport equivalent, public service obligations and distinction between passenger and freight transportation that each country in the EU, should bare in mind and apply towards its harmonisation to maritime cabotage. This set of policies, examined in Greece, could implement throughout European island regions as a common “road map”.

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