Directorate-General for Energy and Transport

Fifth report on maritime cabotage

CPMR Islands Commission Workshop

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Agenda

- **Maritime cabotage. The legal framework**
- **Regulation 3577/92. The basics**
- **The structure and the content of the fifth report**
- **The way forward**

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Maritime cabotage. The legal framework

- Council Regulation (EEC) **No 3577/92** of 7 December 1992 applying the principle of freedom to provide services to maritime transport within Member States (maritime cabotage), OJ L 364, 12.12.1992

- Interpretative Communications: **Com/2003/595** and **Com/2006/196**

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Regulation 3577/92. The basics (1/3)

Regulation 3577/92 liberalises maritime cabotage services

- Regulation applies freedom to provide maritime cabotage services within Member States (MS)
    - to Community shipowners operating vessels registered in and flying the flag of a MS
    - provided that those vessels comply with all conditions for carrying out cabotage in that MS

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Regulation 3577/92. The basics (2/3)

Regulation allows for public service for island cabotage

- Public Service Obligations (PSO) and Public Service Contracts (PSC)
- Market failure and necessity of the service
- Transparent and non-discriminatory selection of operator
- Possible compensation for PSC

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Regulation 3577/92. The basics (3/3)

Regulation allows application of host State rules to manning conditions

- Vessels carrying out island cabotage
- Vessels smaller than 650 gt

Obligation to submit to the Council a report on the implementation of the Regulation

- Every two years
- Last report in 2002

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Fifth report. The overview (1/3)

- After the end of the derogations (until **1999** for the Mediterranean and **2004** for Greece) the cabotage market has been liberalised
- Report is intended to assess that **full liberalisation**
- And more broadly, the finalisation of the report as an opportunity to analyse the impact of the Regulation on the cabotage markets over 15 years after its entry into force

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Fifth report. The overview (2/3)

- Based on a study by an independent consultant (Ecorys and Gomez-Acebo & Pombo)

- Subject to broad consultation of **maritime administrations** of MS and **stakeholders**:

  - **ECSA** - European Community Shipowners' Association
  - **E.T.F**.-Fédération Européenne des Travailleurs des Transports
  - **CRPM** - Conference of Peripheral Maritime Regions
  - **ESIN** - European Small Islands Network
  - **ESPO**- European Sea Ports Organisation

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Fifth report. The overview (3/3)

- Covers period 2001-2009 or as limited by the availability of information
- Indicates the relevant case-law and administrative practice within the period of reference
- Difficulties in collection of market-related information
- Very limited data available on crew-related issues

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Fifth report. The structure

- **Legislative developments in the EU and EFTA countries:**
  - Access to the provision of maritime cabotage services
  - Rules on manning
  - Public service obligations (PSO) and public service contracts (PSC)
- **Market developments**
  - Traffic developments
  - Cargo transport
  - Total traffic
  - Categories of freight transported
  - Passenger transport
  - Island cabotage
  - Distinction between mainland and island traffic
  - Transport to small islands
  - Respective market shares of the first and second registers
  - Foreign flag penetration
  - Maritime cabotage and Short Sea Shipping
- **Crew: manning costs and proportion of EEA personnel**
  - Employment
  - Manning costs
- **Consultation**
- **Conclusions**

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Fifth report. The legislative developments

- **Market access**
  - Greece was the last MS to open its cabotage market on **1.11.2002**
- **Host State rule**
  - Applied in 5 MS: **France, Italy, Spain, Portugal and Greece**
- **PSO/PSC**
  - More transparency in their attribution
  - Rather successful application in most Member States
  - Recapitulated in Annexes

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Fifth report. The market developments (1/7)

- **Opening to the competition**
  - Market stabilised, both in passenger and cargo traffic
  - As in previous years, the greatest market for **cargo** traffic is that of the **UK**, followed by that of **Italy, Spain** and **Greece** (75% of total traffic)
  - **Liquid bulk** continues to lead in terms of cargo transported
  - **Passengers'** cabotage: **Greece** has the greatest traffic, followed by **Italy** and the **UK** (more than 70% of the total)

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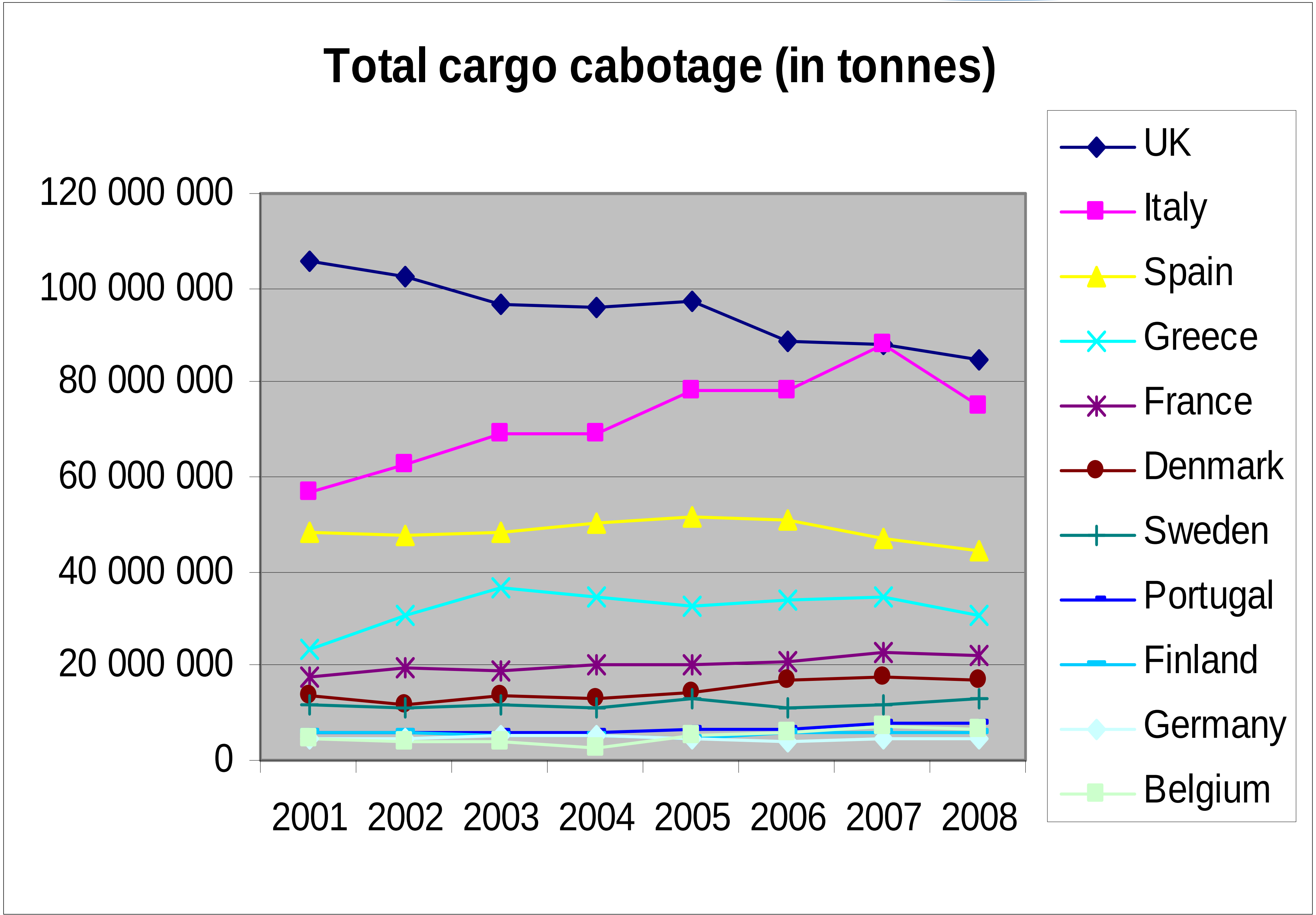
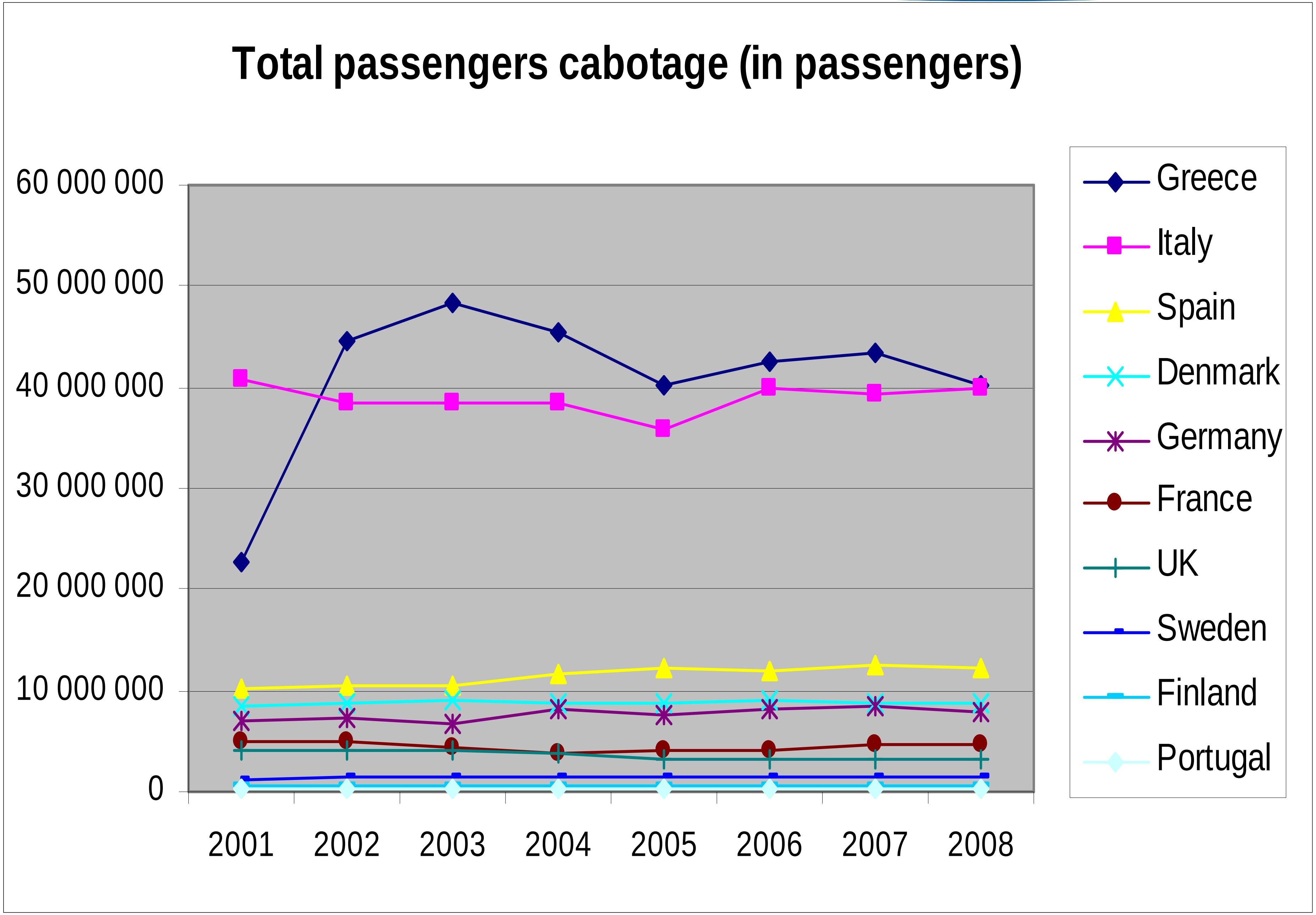


Total cargo cabotage (in tonnes)
120 000 000
100 000 000
80 000 000
60 000 000
40 000 000
20 000 000
0
2001
2002
2003
2004
2005
2006
2007
2008
UK
Italy
Spain
Greece
France
Denmark
Sweden
Portugal
Finland
Germany
Belgium


Total passengers cabotage (in passengers)
60 000 000
50 000 000
40 000 000
30 000 000
20 000 000
10 000 000
0
2001
2002
2003
2004
2005
2006
2007
2008
Greece
Italy
Spain
Denmark
Germany
France
UK
Sweden
Finland
Portugal

Fifth report. The market developments (4/7)

- **Mainland vs. island cabotage**
  - Cargo traffic between mainland ports is decreasing
  - Mainland cabotage of passengers rarely exists except in tourist season
  - Transport of passengers between the mainland and islands maintains itself for short routes
  - Most dynamism in transport of passengers between islands
- **Island cabotage**
  - Two categories of lines: financially viable and under PSO/ PSC
  - Market not homogenous as regards the quality of service
  - Transport to small islands: high seasonality

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Fifth report. The market developments (5/7)

- **Penetration of domestic markets**
  - Very limited (with the exception of the UK)
  - Predominance of national carriers
  - Capital flows between shipowning companies
- **Cabotage and Short Sea Shipping (SSS)**
  - Cabotage is a small part of SSS - common point is mainly mainland freight cabotage
  - Contrary to SSS, the mainland cabotage records slight reduction of volumes transported

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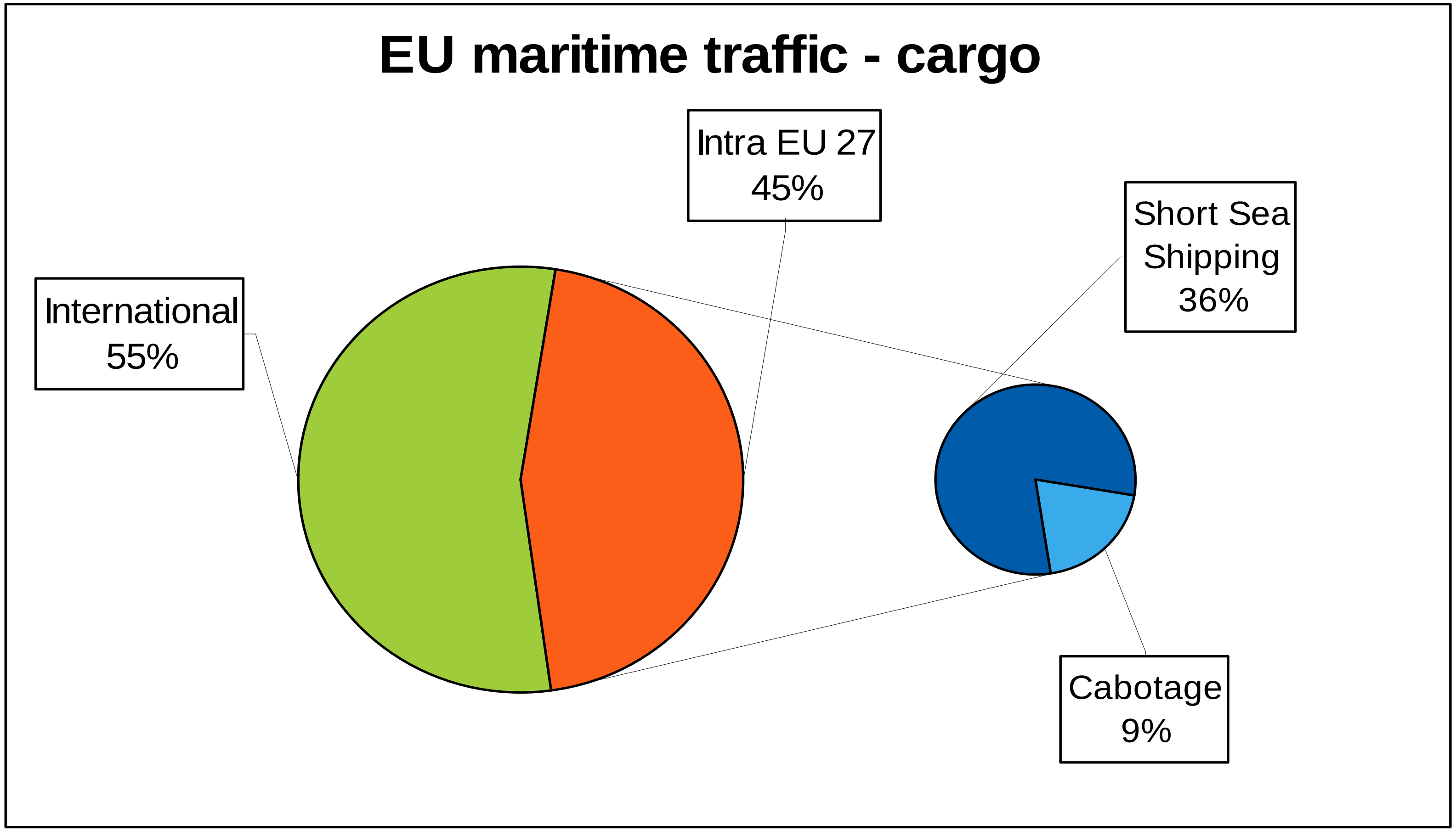
Cabotage and SSS- cargo



SOURCE: **EUROSTAT, 2007**

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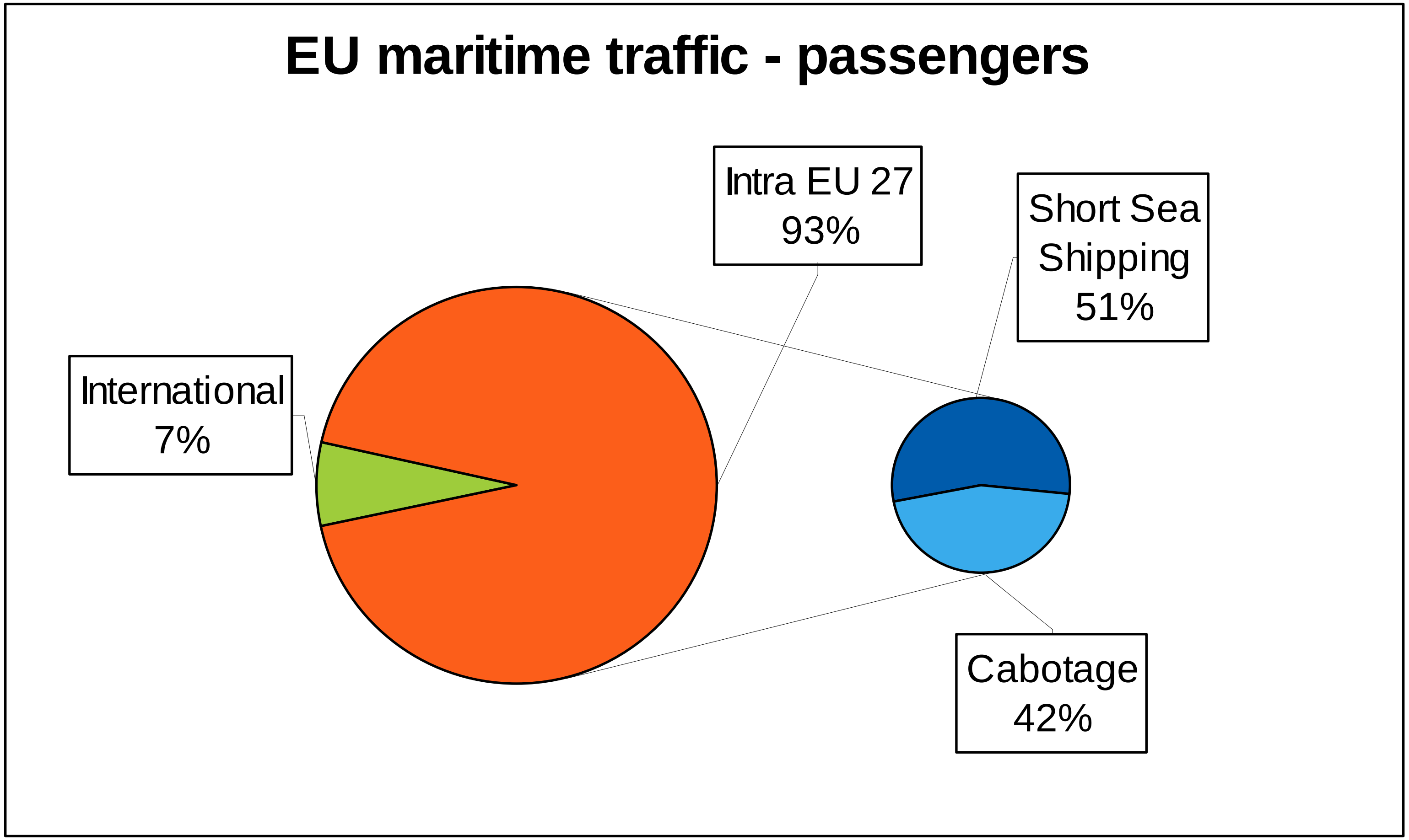
Cabotage and SSS- passengers



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SOURCE: **EUROSTAT, 2007**

Consultation- conclusions:

- Regulation 3577/92 is a result of a **political compromise;** strikes the balance between northern and southern models of cabotage
- Regulation provides a **good legal framework** for liberalisation of cabotage services and for introduction of public service
- Current wording of the **host State rule** of great importance to several MS
- Liberalisation in several cases led to **modernisation of fleets**
- Regulation quoted as a reason behind the rise in passenger fees, but:
  - Liberalisation of fares required only on the commercial routes with significant traffic throughout the year and effective competition between carriers
  - Where private initiative insufficient to ensure satisfactory prices-public service requirements may be imposed
- **Further clarifications** on the interpretation of the Regulation needed

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The way forward

- The adoption and publication of the fifth report in the following months
- Next report only in the case of significant legal and economic developments
- Review of the interpretative consultation in the course of 2010 to:
  - Update it in line with the experience gained during practical application of the Regulation
  - Provide further clarification to the interpretation questions
  - Include recent developments in the EU law and case-law

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Thank you for your attention

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