

ANNEX 1

Maintaining transport connections between the regions (domestic scheduled air services)

Services of General Economic Interest: guidance for report to be submitted following the 2012 SGEI Decision and the 2012 SGEI framework

The reporting obligations are set out in the Article 9 of the 2012 SGEI Decision:

Each Member State shall submit a report on the implementation of this Decision to the Commission every 2 years. The reports shall provide a detailed overview of the application of this Decision for the different categories of services referred to in Article 2(1), including:

- (a) a description of the application of this Decision to the services falling within its scope, including in-house activities;
- (b) the total amount of aid granted in accordance with this Decision, with a breakdown by the economic sector of the beneficiaries;
- (c) an indication of whether, for a particular type of service, the application of this Decision has given rise to difficulties or complaints by third parties; and
- (d) any other information concerning the application of this Decision required by the Commission and to be specified in due time before the report is to be submitted.

Paragraph 62 of the 2012 SGEI Framework sets in principle identical reporting obligations for aid granted under the 2012 SGEI Framework.

Please structure your report as follows:

1. EXPENDITURE OVERVIEW

Please complete the following table:

Total SGEI government expenditure by legal basis (millions EUR)		
Total compensation for Services of General	2018	2019

Economic Interest (1+2)		
	13.264	13.306
1. <i>Compensation granted on the basis of the SGEI Decision</i>	13.264	13.306
2. Total compensation granted on the basis of the SGEI Decision		
2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION		

Please structure this part of your report by the following sections:

1. Hospitals providing medical care, including, where applicable, emergency services (Art. 2(1))
- 2) Social services (Art. 2(1)(c))
 - a) Health and long term care
 - b) Childcare
 - c) Access to and reintegration into the labour market
 - d) Social housing
 - e) Care and social inclusion of vulnerable groups
 - f) Other social services (if applicable)
- 3) Air or maritime links to islands with average annual traffic not exceeding the limit set in Art. 2(1)(d)
- 4) Airports and ports with average annual traffic below the limits set in Art. 2(2)(e)
- 5) **SGEI compensation not exceeding an annual amount EUR 15 million (Art. 2(1)(a))**
 - a) Postal services
 - b) Energy supply
 - c) Waste collection
 - d) Water supply
 - e) Culture

f) Financial services

g) Other sectors (please specify) **DOMESTIC SCHEDULED AIR SERVICES**

Legal basis

- a) Decision on the obligation to operate domestic scheduled air services between 27 March 2016 and 28 March 2020, adopted by the Government of Croatia at its session held on 24 September 2015.
- b) Decision of 27 January 2016 on the selection of bids to operate domestic scheduled air services.
- c) Contract of 30 May 2016 with the air carrier Croatia Airlines d.d. on the obligation to operate domestic scheduled air services between 27 March 2016 and 28 March 2020.
- d) Contract of 30 May 2016 with the air carrier Trade Air d.o.o. on the obligation to operate domestic scheduled air services between 27 March 2016 and 28 March 2020.

The undertakings entrusted under the above contracts with the operation of an SGEI are: Croatia Airlines d.d. and Trade Air d.o.o.

According to the NACE classification (rev. 2), the economic activity of the State aid beneficiary is:

5223 – Service activities incidental to air transportation

Before concluding the contracts with the air carriers, in accordance with Article 30 of the Air Transport Act the Government of Croatia adopted, at its session held on 24 September 2015, the Decision on the obligation to operate domestic scheduled air services between 27 March 2016 and 28 March 2020, in order to maintain transport connections between the regions and further the economic and social development of Croatia. The Decision requires domestic scheduled air services to be operated on the following 10 routes:

- Dubrovnik - Zagreb – Dubrovnik; Split - Zagreb – Split; Zagreb - Zadar - Pula – Zadar; Zagreb - Zagreb - Brač – Zagreb; Osijek - Dubrovnik – Osijek; Osijek - Split – Osijek; Osijek - Zagreb – Osijek; Osijek - Pula - Split - Pula – Osijek; Osijek - Rijeka – Osijek and Rijeka - Split - Dubrovnik - Split – Rijeka. After the Decision was adopted, an Invitation to tender on the operation of scheduled air services in accordance with public service obligations was published in the *Official Journal of the European Union* (C 366) on 5 November 2015.

For each of the items outlined above please provide information in the form of the following table:

Section:
Maintaining transport connections between the regions (domestic scheduled air services)
Clear and comprehensive description of how the respective services are organized in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State.

Please list the **contents of the services entrusted as SGEI** as clearly as possible.

With a view to maintaining transport connections between the regions and furthering the economic and social development of Croatia, and after the invitation to tender on the operation of scheduled air services in accordance with public service obligations, published in the *Official Journal of the European Union* (C 366) on 5 November 2015, was conducted, contracts were concluded with the air carriers, which set out the rights and obligations of the contracting parties in connection with the operation of domestic scheduled air services as a public service and the content of the following service which air carriers are authorised to operate as an SGEI:

- The air carrier Croatia Airlines d.d.d. is required to operate domestic scheduled air services as a public service on the following six routes: Dubrovnik – Zagreb – Dubrovnik; Split – Zagreb – Split; Zagreb – Zadar – Pula – Zadar – Zagreb; Zagreb – Brač – Zagreb; Osijek – Dubrovnik – Osijek; Osijek – Split – Osijek, between 27 March 2016 and 28 March 2020.
- The air carrier Trade Air d.o.o. is required to operate domestic scheduled air services as a public service on the following four routes: Osijek – Zagreb – Osijek, Osijek – Pula – Split – Pula – Osijek, Osijek – Rijeka – Osijek, Rijeka – Split – Dubrovnik – Split – Rijeka, between 27 March 2016 and 28 March 2020.

The air carriers Croatia Airlines d.d. and Trade Air d.o.o. are required to provide the service of general economic interest to the extent and at the level and standard prescribed on those air routes, in accordance with the contracts concluded.

Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.

In this specific case: DECISIONS AND CONTRACTS

- Decision on the obligation to operate domestic scheduled air services between 27 March 2016 and 28 March 2020, adopted by the Government of Croatia on 24 September 2015, a copy of which is attached.
- Decision of 27 January 2016 on the selection of bids to operate domestic scheduled air services, a copy of which is attached.
- a) Contract of 30 May 2016 with the air carrier Croatia Airlines d.d. on the obligation to operate domestic scheduled air services between 27 March 2016 and 28 March 2020, a copy of which is attached.
- b) Contract of 30 May 2016 with the air carrier Trade Air d.o.o. on the obligation to operate domestic scheduled air services between 27 March 2016 and 28 March 2020, a copy of which is attached.

Average duration of the entrustment (in years) and the proportion of entrustments that are **longer than 10 years (in %)** per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The total duration of the entrustment is 5 years (from 27 March 2016 to 28 March 2020)

Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Direct subsidies
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
<p>Compensation takes the form of a subsidy and represents the part of revenue lost in relation to the cost of providing the public service. It may not exceed the amount required to cover the net cost incurred and revenue generated in discharging the public service obligation, taking account of such revenue, which is retained by the air carrier, and a reasonable profit.</p> <p>The compensation paid to the air carriers Croatia Airlines d.d. and Trade Air d.o.o. for the operation of their public service between 27 March 2016 and 28 March 2020 is limited and defined in the contracts.</p> <p>Article 6 of the contract concluded with Croatia Airlines d.d. sets the maximum amount of compensation for operation of the public service between 27 March 2016 and 28 March 2020 at HRK 313 500 000.00.</p> <p>Article 6 of the contract concluded with Trade Air d.o.o. sets the maximum amount of compensation for operation of the public service between 27 March 2016 and 28 March 2020 at HRK 74 555 473.00.</p> <p>The air carriers are required to submit the following to the Ministry with their written request for payment of compensation and the final accounts of the public service, for each air route under the contract: Transport effects for the accounting period; Details of the physical indicators for the form of transport operated, indicating the financial result of the public service for the accounting period; Copies of revenue and expenditure accounting books, i.e. copies of all revenue generated and all costs incurred (by type) relating to the operation of the public service, which are taken into account when calculating the financial result for the public service in the tender documentation.</p>
Typical arrangements for avoiding and repaying any overcompensation.
<p>Compensation is paid to air carriers during the current month for each public service provided during the preceding month. The air carriers are required to submit to the Ministry each month, for each public service provided, a written request for payment of compensation and the final accounts of the public service. The final beneficiary of the compensation must attach the following reports to its final accounts: transport effects for the accounting period; details of the physical indicators for the form of transport operated, indicating the financial result of the public service for the accounting period; and copies of revenue and expenditure accounting books (copies of all revenue generated and all costs incurred (by type) during the operation of the public service). The final beneficiary must also submit the documentation required for payment, which is checked before the compensation is paid and is defined in Article 8 of the contract.</p> <p>In addition, in accordance with the Public Internal Control System Act and the Fiscal Responsibility Act, the Ministry carries out administrative on-the-spot checks. The purpose of these administrative on-the-spot checks is to verify how the budget funds were spent, by taking a sample of spending and checking whether</p>

the underlying documentation is credible.

These checks also include samples of public service compensation paid from the Croatian state budget to the air carrier's bank account. After these checks have been performed, an on-the-spot check report is produced.

We would point out that the reports on the on-the-spot checks performed among the air carriers in 2018 and 2019 reveal no deficiencies; in other words, there is reasonable assurance that the air carriers' obligations under the contracts for the operation of domestic scheduled air services were met, and that the Croatian state funds were spent in line with their intended purpose.

A short explanation of how the **transparency requirements** (see *Article 7 of the 2012 SGEI Decision*) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with.

In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

S.

Amount of aid granted

Total amount of aid granted (in millions EUR)⁶. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2018	2019
13.264	13.306
A: Total amount of aid granted (in millions EUR) paid by national central authorities ⁷	
2018	2019
13.264	13.306
B: Total amount of aid granted (in millions EUR) paid by regional authorities ⁸	
2018	2019
0.00	0.00

C: Total amount of aid granted (in millions EUR) paid by local authorities ⁹	
2018	2019
0.00	0.00
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019

⁵

If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services.

If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial.

⁶ As stipulated in Article 9 b) of the 2012 SGEI Decision.

⁷

If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

⁸ See footnote **Error! Bookmark not defined..**

⁹ See footnote **Error! Bookmark not defined..**

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ¹⁰	
2018	2019

¹⁰ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

Please also fill out **Annex 2** with the total amounts per section for the whole Member State (not per region, local authority or municipality).

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

Please structure this part of your report by the following sections:

SGEI compensation exceeding EUR 15 million, falling outside the SGEI Decision (please specify the Commission decision approving each measure if applicable):

- i. Postal services
- ii. Energy
- iii. Waste collection
- iv. Water supply
- v. Air or maritime links to islands with average annual traffic above the limits set in Art. 2(1)(d)
- vi. Airports and ports with average annual traffic above the limit set in Art. 2(1)(e)
- vii. Culture
- viii. Financial services
- ix. Other sectors (please specify)

For each of the items outlined above please provide information in the form of the following table:

Section (for example <i>iii. Waste collection</i> or <i>viii. Financial services</i>)
Clear and comprehensive description of how the respective services are organized in your Member State ¹³

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State.
Please list the **contents of the services entrusted as SGEI as clearly as possible.**

Explanation of the (typical) **forms of entrustment.** If standardized templates for entrustments are used for a certain sector, please attach them.

Average duration of the entrustment (in years) and the proportion of entrustments that are **longer than 10 years (in %)** per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

Typical arrangements for avoiding and repaying any overcompensation.

A short explanation of how the transparency requirements (see Paragraph 60 of the 2012 SGEI Framework) are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some *links to websites or other references*), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted	
Total amount of aid granted (in millions EUR) ¹² . This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
A: Total amount of aid granted (in millions EUR) paid by national central authorities ¹³	
2018	2019
B: Total amount of aid granted (in millions EUR) paid by regional authorities ¹⁴	
2018	2019
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ¹⁶	

¹¹ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual

entrustments remains crucial. Since cases falling under the SGEI Framework will be limited in number, the Commission expects a detailed description of each concrete measure.

¹² As stipulated in Article 62(b) of the 2012 SGEI Framework.

¹³ If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

¹⁴ See footnote Error! Bookmark not defined..

¹⁵ See footnote Error! Bookmark not defined..

2018	2019

Please also fill out Annex 2 with the total amounts per section for the whole Member State (not per region, local authority or municipality).

4. COMPLAINTS BY THIRD PARTIES

Please provide an overview of complaints by third parties, in particular litigation before national courts, regarding measures in scope of the 2012 SGEI Decision or 2012 SGEI Framework. Please be as specific as possible in your reply and include the sector for which you have received the complaints, the contents of the complaints and the possible follow-up by your authorities or the likely outcome of the court proceedings.

THERE WERE NO COMPLAINTS BY THIRD PARTIES DURING THE REPORTING PERIOD (2018–2019).

5. MISCELLANEOUS QUESTIONS

a. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:

- drawing up an entrustment act that complies with Article 4 of the SGEI Decision;
- specifying the amount of compensation in line with Article 5 of the SGEI Decision;
- determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision;
- regularly checking overcompensation as required by Article 6 of the SGEI Decision;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

16

The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Framework, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

b. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:

- carrying out a public consultation in line with paragraph 14 of the SGEI Framework;
- complying with public procurement rules in line with para 19 of the SGEI Framework;
- determining the net avoided cost as required by paras 25-27 of the SGEI Framework;
- determining the reasonable profit level in line with paras 33-38 of the SGEI Framework;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

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c. If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.

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SGEI Decision		Total amount	
		2018	2019
Article 2(1)(b)	Hospitals providing medical care, including, where applicable emergency services		
Article 2(1)(c)	Health and long term care		
	Childcare		
	Access to and reintegration into the labour market		
	Access to and reintegration into the labour market		
	Social housing		
	Care and social inclusion of vulnerable groups		
	Other social services		
Article 2(1)(d)	Air or maritime links		
Article 2(1)(e)	Airports and ports		
Article 2(1)(a), less than EUR 15 million per year	Postal services		
	Energy supply		
	Waste collection		
	Water supply		
	Culture		
	Financial services		
	Other DOMESTIC SCHEDULED AIR SERVICES	13.264	13.306

ANNEX 1

Services of General Economic Interest: guidance for report to be submitted following the 2012 SGEI Decision and the 2012 SGEI framework

The reporting obligations are set out in the Article 9 of the 2012 SGEI Decision:

Each Member State shall submit a report on the implementation of this Decision to the Commission every 2 years. The reports shall provide a detailed overview of the application of this Decision for the different categories of services referred to in Article 2(1), including:

- (e) a description of the application of this Decision to the services falling within its scope, including in-house activities;
- (f) the total amount of aid granted in accordance with this Decision, with a breakdown by the economic sector of the beneficiaries;
- (g) an indication of whether, for a particular type of service, the application of this Decision has given rise to difficulties or complaints by third parties; and
- (h) any other information concerning the application of this Decision required by the Commission and to be specified in due time before the report is to be submitted.

Paragraph 62 of the 2012 SGEI Framework sets in principle identical reporting obligations for aid granted under the 2012 SGEI Framework.

Please structure your report as follows:

1. EXPENDITURE OVERVIEW

Please complete the following table:

Total SGEI government expenditure by legal basis (millions EUR)		
Total compensation for Services of General Economic Interest (1+2)	2018	2019
	42.7	45.7
1. Compensation granted on the basis of the <i>SGEI Decision</i>	42.7	45.7
2 Total compensation granted on the basis of the <i>SGEI Decision</i>	0	0

2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

Please structure this part of your report by the following sections:

1. Hospitals providing medical care, including, where applicable, emergency services (Art. 2(1))
- 6) Social services (Art. 2(1)(c))
 - a) Health and long term care
 - b) Childcare
 - c) Access to and reintegration into the labour market
 - d) Social housing
 - e) Care and social inclusion of vulnerable groups
 - f) Other social services (if applicable)
- 7) Air or maritime links to islands with average annual traffic not exceeding the limit set in Art. 2(1)(d)
- 8) Airports and ports with average annual traffic below the limits set in Art. 2(2)(e)
- 9) SGEI compensation not exceeding an annual amount EUR 15 million (Art. 2(1)(a))
 - a) Postal services
 - b) Energy supply
 - c) Waste collection
 - d) Water supply
 - e) Culture
 - f) Financial services
 - g) Other sectors (please specify)

For each of the items outlined above please provide information in the form of the following table:

Section (<i>for example 1, hospitals or 2b, childcare</i>)
Clear and comprehensive description of how the respective services are organized in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
Typical arrangements for avoiding and repaying any overcompensation .

A short explanation of how the **transparency requirements** (see *Article 7 of the 2012 SGEI Decision*) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with.

In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted

Total amount of aid granted (in millions EUR)⁶. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2018	2019
A: Total amount of aid granted (in millions EUR) paid by national central authorities⁷	
2018	2019
B: Total amount of aid granted (in millions EUR) paid by regional authorities⁸	
2018	2019
C: Total amount of aid granted (in millions EUR) paid by local authorities⁹	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019

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If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services.

If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial.

⁶ As stipulated in Article 9 b) of the 2012 SGEI Decision.

⁷

If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

⁸ See footnote **Error! Bookmark not defined..**

⁹ See footnote **Error! Bookmark not defined..**

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)¹⁰

2018	2019

¹⁰ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

Please also fill out **Annex 2** with the total amounts per section for the whole Member State (not per region, local authority or municipality).

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

Please structure this part of your report by the following sections:

SGEI compensation exceeding EUR 15 million, falling outside the SGEI Decision (please specify the Commission decision approving each measure if applicable):

ii. Postal services

ii. Energy

- iii. Waste collection
- iv. Water supply
- v. Air or maritime links to islands with average annual traffic above the limits set in Art. 2(1)(d)
- vi. Airports and ports with average annual traffic above the limit set in Art. 2(1)(e)
- vii. Culture
- viii. Financial services
- ix. Other sectors (please specify)

For each of the items outlined above please provide information in the form of the following table:

Section (for example <i>iii. Waste collection</i> or <i>viii. Financial services</i>)
<p>IX. Other sectors – Road sector</p> <p>The 'Istrian Y' motorway is 145 km long and links Istria with the rest of Croatia. It extends from Umag in the north-west and Pula in the south of Istria to Matulji in the north-east of the region. The concession model covers the financing, construction and maintenance of the motorway. The concession holder is Bina Istra. Bina Istra is a limited company and concession holder of the project, which is the sole activity performed by Bina Istra.</p> <p>The shareholders in Bina Istra are Bouygues Travaux Publics (16% share), Hrvatske Autoceste d.o.o. (14.8%), Istarske Autoceste d.o.o. (2.2%) and Bina-FINCOM d.d. (67%). The shareholders in Bina-FINCOM are Bouygues (50.7%), HAC (44%), Ina Industrija Nafte d.d (5%) and G.E.A (Grenobloise d'Electronique et d'Automatismes) (0.3%).</p>
Clear and comprehensive description of how the respective services are organized in your Member State ¹³
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State.</p> <p>Please list the contents of the services entrusted as SGEI as clearly as possible.</p>
<p>Croatia granted a concession to Bina Istra d.d. under a Concession contract for the financing, construction and maintenance of the 'Adriatic motorway' sections Dragonja-Pula and Kanfanar-Pazin-Matulji (First and second phase), from 25 September 1995, with five amendments to the Concession contract (the fifth and last amendment was on 5 October 2018). The concession covers the implementation of the project through the financing, construction, management and maintenance of the toll sections of the motorway that are necessary for the implementation of</p>

Phases 1A, 1B, 2A and 2B. The fifth amendment to the Contract was made in order to implement Phase 2B1 of the project. Phase 2B1 consists, in principle, of the construction of a second carriageway (another lane in each direction, as well as a hard shoulder) from the Rogovići exit to Vranja, a 28-km section at the north-eastern end of the motorway. The construction of Phase 2B1 will create a host of benefits for locals and users of the motorway, including: an increased level of safety on this section of the motorway; reduced congestion; shortened journey times; environmental benefits; an upgrade of the extensive trans-European transport network (TEN-T), providing a suitable link between Istria and the rest of Croatia; improved economic and social cohesion; and significant economic benefits. The concession holder, Bina Istra d.d., charges a fee, i.e. collects a toll from users, in accordance with Article 27 of the concession contract. The concession holder also earns revenue through secondary facilities. These secondary facilities include shops, business premises, buildings, petrol stations, restaurants, car parks, billboards, recreation parks and other facilities located on, under or linked to the toll motorway.

Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.

The Croatian Government granted a concession to Bina Istra d.d. through the concession contract concluded on 25 September 1995, which has been amended five times, on 18 September 1997, 27 August 1999, 25 February 2003, 25 August 2008 and 5 October 2018. The legal basis for the conclusion of Contract No 5 without having to initiate a new concession award procedure is Article 62(5)(2) and Article 62(8) of the Concessions Act. The relevant provisions of Croatian law were transposed from Article 43(1)(b) of Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28.3.2014). The grantor of the concession established that the increase in the value of the concession under the proposed Contract No 5 does not exceed 50% of the value of the current concession contract. The European Commission's Directorate-General for Competition issued an opinion on 14 June 2018 confirming that Contract No 5 meets the conditions under Article 43(1)(b) of Directive 2014/23/EU. As Article 43(1)(b) of Directive 2014/23/EC is transposed by Article 62(5)(2) and Article 62(8) of the Concessions Act, all arguments put forward in the European Commission's opinion of 14 June 2018, in which DG Competition established that the conditions for the application of Article 43(1)(b) of Directive 2014/23/EU to Contract No 5 are met in this specific case, also apply to Contract No 5 and justify the application of Article 62(5)(2) and Article 62(8) of the Concessions Act to the specific case of the amendment of the current concession contract. In accordance with Article 64 of the Concessions Act, Croatia, acting through the Ministry of the Sea, Transport and Infrastructure in its capacity as grantor of the concession, before adopting a decision on Contract No 5, obtained a statement from the Ministry of Finance and the opinions of other central state administration bodies with competence in the award of the concession, and from the competent public prosecutor's office. Croatia initiated a procedure on 23 March 2018 for the notification to the European Commission of State aid under No SA.48472. After the procedure was completed, the European Commission concluded that Contract No 5 for the implementation of Phase 2B1 of the project promotes growth and activates investment, with a limited effect on motorway users, in accordance with EU State aid and public procurement rules, and that the extension of the concession is proportionate to the amount required to finance the works necessary for the development and construction of Phase 2B.1.

Average duration of the entrustment (in years) and the proportion of entrustments that are **longer than 10 years (in %)** per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

Contract No 5 changes the duration of the concession and amends and consolidates the concession contract, i.e. the concession expires within 18 months of the planned date of repayment of the loan for Phase 2B1, so by 15 June 2034.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

Special rights are assigned to the undertaking.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

The aid instrument used is a direct subsidy.

Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

Under the concession contract between Croatia and the company Bina Istra d.d., a financial contribution is paid to the company, comprising the difference between estimated toll revenue and the costs defined in the concession contract. That is because there is a difference between estimated toll revenue and the costs defined in Annex 19 to the amended contract of 5 October 2018, since the estimated toll revenue (given current traffic levels) is insufficient to cover all the costs defined within the specified duration of the concession. The amount of the financial contribution is set by the concession authority, on an annual basis, according to the approved costs and the price of the toll on the Istrian Y motorway, and is calculated using a financial model. Under the terms of the concession contract, the shareholders in Bina Istra also cover 50% of the risk of a fall in toll revenue, up to a maximum amount of EUR 10 million, until the end of the concession.

Typical arrangements for avoiding and repaying any overcompensation.

The financial contribution mechanism is subject to the available cash mechanism, which is used as a corrective mechanism, taking into account the actual revenue and incurred costs of Bina Istra. Essentially, if the balance between all revenue received by Bina Istra (including the financial contribution) and the sum of all costs incurred during the same year is positive, the 'available cash' generated during year 'n' will be used to reduce any payments made by the Government under the financial contribution during year 'n+1'. This allows the financial contribution to be reduced, so as to reflect, among other things, all cost reductions and unused amounts in the budget or higher than expected revenue. If no financial contribution is paid during year 'n+1', the available cash will be shared between Bina Istra and the Government, with 70% of the available cash being paid to the Government as a concession fee and 30% to Bina Istra, up to a maximum amount of EUR 250 000 (as at 1 January 2015). 2027 is the last year for payment of the main objective (financial contribution). The concession holder will pay a concession fee to the concession authority from 2028 up to the end of the concession, in 2034.

A short explanation of how the transparency requirements (see Paragraph 60 of the 2012 SGEI Framework) are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some *links to websites or other references*), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted

Total amount of aid granted (in millions EUR) ¹². This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2018	2019
42.7	45.7

A: Total amount of aid granted (in millions EUR) paid by national central authorities ¹³

2018	2019
42.7	45.7

B: Total amount of aid granted (in millions EUR) paid by regional authorities ¹⁴

2018	2019
0	0

C: Total amount of aid granted (in millions EUR) paid by local authorities

2018	2019
0	0

Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)

2018	2019
0	0

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ¹⁶

The number of vehicles using the Istrian Y motorway is increasing each year. In 2018, Bina Istra d.d. recorded for the first time more than 10 million users of the road network (10 294 667), increasing to 10 632 043 users in 2019.

¹¹ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial. Since cases falling under the SGEI Framework will be limited in number, the Commission expects a detailed description of each concrete measure.

¹² As stipulated in Article 62(b) of the 2012 SGEI Framework.

¹³ If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

¹⁴ See footnote Error! Bookmark not defined..

¹⁵ See footnote Error! Bookmark not defined..

2018	2019
N/A	N/A

Please also fill out Annex 2 with the total amounts per section for the whole Member State (not per region, local authority or municipality).

4. COMPLAINTS BY THIRD PARTIES

Please provide an overview of complaints by third parties, in particular litigation before national courts, regarding measures in scope of the 2012 SGEI Decision or 2012 SGEI Framework. Please be as specific as possible in your reply and include the sector for which you have received the complaints, the contents of the complaints and the possible follow-up by your authorities or the likely outcome of the court proceedings.

There were no complaints by third parties during the reporting period (2018–2019).

5.

MISCELLANEOUS QUESTIONS

- d. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:
- drawing up an entrustment act that complies with Article 4 of the SGEI Decision;
 - specifying the amount of compensation in line with Article 5 of the SGEI Decision;
 - determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision;
 - regularly checking overcompensation as required by Article 6 of the SGEI Decision;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

¹⁶

The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Framework, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

- e. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:
- carrying out a public consultation in line with paragraph 14 of the SGEI Framework;
 - complying with public procurement rules in line with para 19 of the SGEI Framework;

- determining the net avoided cost as required by paras 25-27 of the SGEI Framework;
- determining the reasonable profit level in line with paras 33-38 of the SGEI Framework;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

- f. If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.

SGEI Decision		Total amount	
		2018	2019
Article 2(1)(b)	Hospitals providing medical care, including, where applicable emergency services		
Article 2(1)(c)	Health and long term care		
	Childcare		
	Access to and reintegration into the labour market		
	Access to and reintegration into the labour market		
	Social housing		
	Care and social inclusion of vulnerable groups		
	Other social services		
Article 2(1)(d)	Air or maritime links		
Article 2(1)(e)	Airports and ports		
Article 2(1)(a), less than EUR 15 million per year	Postal services		
	Energy supply		
	Waste collection		
	Water supply		
	Culture		
	Financial services		
	Other – road sector (the aid amount is greater than EUR 15 million per year)	42.7	45.7

ANNEX 1

Services of General Economic Interest: guidance for report to be submitted following the 2012 SGEI Decision and the 2012 SGEI framework

The reporting obligations are set out in the Article 9 of the 2012 SGEI Decision:

Each Member State shall submit a report on the implementation of this Decision to the Commission every 2 years. The reports shall provide a detailed overview of the application of this Decision for the different categories of services referred to in Article 2(1), including:

- (i) a description of the application of this Decision to the services falling within its scope, including in-house activities;
- (j) the total amount of aid granted in accordance with this Decision, with a breakdown by the economic sector of the beneficiaries;
- (k) an indication of whether, for a particular type of service, the application of this Decision has given rise to difficulties or complaints by third parties; and
- (l) any other information concerning the application of this Decision required by the Commission and to be specified in due time before the report is to be submitted.

Paragraph 62 of the 2012 SGEI Framework sets in principle identical reporting obligations for aid granted under the 2012 SGEI Framework.

Please structure your report as follows:

1. EXPENDITURE OVERVIEW

Please complete the following table:

Total SGEI government expenditure by legal basis (millions EUR)		
Total compensation for Services of General Economic Interest (1+2)	2018	2019
1. Compensation granted on the basis of the SGEI Decision		
2. Total compensation granted on the basis of the SGEI Decision	HRK 362 115 749.14	HRK 562 032 030.56
2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION		

Please structure this part of your report by the following sections:

1. Hospitals providing medical care, including, where applicable, emergency services (Art. 2(1)(b))

10) Social services (Art. 2(1)(c))

- a) Health and long term care
- b) Childcare
- c) Access to and reintegration into the labour market
- d) Social housing
- e) Care and social inclusion of vulnerable groups
- f) Other social services (if applicable)

11) Air or maritime links to islands with average annual traffic not exceeding the limit set in Art. 2(1)(d)

12) Airports and ports with average annual traffic below the limits set in Art. 2(2)(e)

13) SGEI compensation not exceeding an annual amount EUR 15 million (Art. 2(1)(a))

- a) Postal services
- b) Energy supply
- c) Waste collection
- d) Water supply
- e) Culture
- f) Financial services
- g) Other sectors (please specify)

g 1) Urban and suburban passenger land transport (bus procurement)

g 2) Maritime transport

For each of the items outlined above please provide information in the form of the following table:

<p>Section: SGEI compensation not exceeding an annual amount EUR 15 million (Art. 2(1)(a))</p> <p>g) Other sectors:</p> <p>g 1) Urban and suburban passenger land transport (bus procurement)</p> <p>Title of individual aid: Procurement of buses for Promet d.o.o. Split Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 04.05.2018. Duration of the aid: 04.05.2018–04.05.2018 Identity of aid recipient(s): The company Promet d.o.o. Split Total amount of aid granted: HRK 74 910 000.00</p> <p>Title of individual aid: Procurement of buses for Polet d.o.o. Vinkovci Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 21.05.2018. Duration of the aid: 21.05.2018–21.05.2018 Identity of aid recipient(s): The company Polet d.o.o. Vinkovci Total amount of aid granted: HRK 11 999 999.97</p> <p>Title of individual aid: Procurement of new buses to replace part of the fleet in order to improve the urban public transport service – Autotrolej d.o.o. Rijeka Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 23.07.2018. Duration of the aid: 23.07.2018–23.07.2018 Identity of aid recipient(s): The utility company Autotrolej d.o.o. Rijeka Total amount of aid granted: HRK 38 000 000.00</p> <p>Title of individual aid: Procurement of new buses for Pulapromet d.o.o. Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 23.08.2018. Duration of the aid: 23.08.2018–23.08.2018 Identity of aid recipient(s): The company Pulapromet d.o.o. Total amount of aid granted: HRK 18 000 000.00</p> <p>Title of individual aid: Procurement of new buses for Liburnija d.o.o. Zadar Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 29.08.2018. Duration of the aid: 29.08.2018–29.08.2018 Identity of aid recipient(s): The utility company Liburnija d.o.o. Total amount of aid granted: HRK 35 952 156.00</p> <p>Title of individual aid: Procurement of new buses for Libertas - Dubrovnik d.o.o. Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 31.08.2018. Duration of the aid: 31.08.2018–31.08.2018 Identity of aid recipient(s): The company Libertas - Dubrovnik d.o.o. Total amount of aid granted: HRK 18 000 000.00</p> <p>Title of individual aid: Procurement of new buses for Auto promet Sisak d.o.o. Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 24.09.2018.</p>
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Duration of the aid: 24.09.2018–24.09.2018
 Identity of aid recipient(s): The company Auto promet Sisak d.o.o. Total amount of aid granted: HRK 22 792 540.00
 Title of individual aid: **Procurement of 29 buses for ZET d.o.o. Zagreb**
 Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 29.01.2019.
 Duration of the aid: 29.01.2019–29.01.2019
 Identity of aid recipient(s): Zagrebački holding d.o.o. – The subsidiary ZET
 Total amount of aid granted: HRK 44 668 810.00

g 2) Maritime transport

Title of the scheme: **State aid scheme for the development of Croatian ports open to public traffic for the 2017–2020 period**

Title of the individual aid awarded under the scheme: **Construction of Tkon ferry port – Phase I, Sub-phase II**

Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 16.04.2018.

Duration of aid: 16.04.2018–16.04.2018

Identity of aid recipient(s): Zadar county port authority

Total amount of aid granted: HRK 26 360 531.80

Title of the individual aid awarded under the scheme: **Upgrading of port open to public traffic of significance at county level – port of Crikvenica**

Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 11.05.2018.

Duration of aid: 11.05.2018–11.05.2018

Identity of aid recipient(s): County port authority in Crikvenica

Total amount of aid granted: HRK 29 839 000.00

Title of the individual aid awarded under the scheme: **Reconstruction and upgrading of the western side of the port of Cres**

Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 23.07.2018.

Duration of aid: 23.07.2018–23.07.2018

Identity of aid recipient(s): County port authority in Cres

Total amount of aid granted: HRK 25 412 037.04

Title of the individual aid awarded under the scheme: **Construction of a ferry terminal at the port of Kaprije**

Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 26.10.2018.

Duration of aid: 26.10.2018–26.10.2018

Identity of aid recipient(s): Šibenik-Knin county port authority

Total amount of aid granted: HRK 9 354 994.34

Title of the individual aid awarded under the scheme: **Rehabilitation and extension of the existing ferry terminal at Unije – Phase II**

Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 26.10.2018.

Duration of aid: 26.10.2018–26.10.2018

Identity of aid recipient(s): County port authority in Mali Lošinj
Total amount of aid granted: HRK 32 051 903.76
Title of the individual aid awarded under the scheme: **Upgrading of the Sućuraj external link**
Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 26.10.2018.
Duration of aid: 26.10.2018–26.10.2018

Identity of aid recipient(s): Split-Dalmatia county port authority
Total amount of aid granted: HRK 19 442 586.23
Title of the individual aid awarded under the scheme: **Reconstruction of the Puntin breakwater – port of Korčula**
Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 29.07.2019.
Duration of aid: 29.07.2019–29.07.2019

Identity of aid recipient(s): County port authority in Korčula
Total amount of aid granted: HRK 9 113 500.00
Title of the individual aid awarded under the scheme: **Construction of maritime passenger terminal at Vela Luka**
Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 29.07.2019.
Duration of aid: 29.07.2019–29.07.2019

Identity of aid recipient(s): County port authority in Vela Luka
Total amount of aid granted: HRK 78 931 039.30
Title of the individual aid awarded under the scheme: **Upgrading of the port of Sali on Dugi otok**
Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 29.08.2019.
Duration of aid: 29.08.2019–29.08.2019

Identity of aid recipient(s): Zadar county port authority
Total amount of aid granted: HRK 48 981 150.00
Title of the individual aid awarded under the scheme: **Upgrading of the port of Baška**
Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 09.09.2019.
Duration of aid: 09.09.2019–09.09.2019

Identity of aid recipient(s): County port authority in Krk
Total amount of aid granted: HRK 36 606 525.00
Title of the individual aid awarded under the scheme: **Reconstruction and upgrading of Žigljen ferry terminal**
Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 05.11.2019.
Duration of aid: 05.11.2019–05.11.2019

Identity of aid recipient(s): Port authority in Novalja
Total amount of aid granted: HRK 68 514 128.23
Title of the individual aid awarded under the scheme: **Upgrading of the port open to public traffic at Mrtvaška on Lošinj island**
Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 22.11.2019.
Duration of aid: 22.11.2019–22.11.2019

Identity of aid recipient(s): County port authority in Mali Lošinj
Total amount of aid granted: HRK 67 698 583.75

Clear and comprehensive description of how the respective services are organized in your Member State

g 1) Urban and suburban passenger land transport (bus procurement)

The urban bus transport operators provide public transport services under a public service contract concluded with local and regional authorities or county governments that regulates the operation of the public transport service.

These contracts must be in line with Article 93 of the Treaty on the Functioning of the European Union (TFEU) and Article 106 TFEU. The detailed conditions for the operation of the public service based on the above provisions of the TFEU are laid down in Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, the Communication from the Commission on interpretative guidelines concerning Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road ('the Guidelines'), and the judgment of the Court of Justice of the European Union in the Altmark case (C-280/00 of 24.7.2003). Under Regulation (EC) No 1370/2007, the operation of public passenger transport services by an undertaking not selected on the basis of a competitive award procedure is an exception to the rule that public service contracts must be concluded on the basis of competitive tendering. Article 5(1) of Regulation (EC) No 1370/2007 explicitly states that the conclusion of contracts for (public) transport services by bus is covered by Directives 2014/24/EU and 2014/25/EU, and in that case the right to provide the public service must not be awarded in advance to a specific undertaking.

g 2) Maritime transport

Croatia has a public transport system with a public service obligation in place that is based on the following principles:

- promoting the economic development of the islands;
- continuity and regularity of transport using ships of a specific capacity and type, and providing suitable quality of transport;
- a transport service with pre-defined fares and other conditions, in particular for certain categories of passenger and certain routes;
- providing shipping companies with compensation for providing a public service, without which it would be impossible to ensure the continuity and regularity of public transport on certain routes;
- adapting scheduled public transport to actual needs;
- providing additional transport services.

The port authorities and county port authorities are owned by the state, i.e. the regional or local authorities. The ports are considered public facilities, and all activities under the port authorities' remit are public activities. Under the Maritime Domain and Maritime Ports Act (*Narodne novine* (NN; Official Gazette of the Republic of Croatia) No 98/19), the port authorities are responsible for performing the following activities:

1. building, maintaining, managing, protecting and promoting the maritime domain that is the port area;
2. building, maintaining, managing and protecting the land and buildings, devices and equipment in the port area (port substructures and superstructures);
3. ensuring the continuous and uninterrupted flow of port traffic, technical and technological integrity, safe navigation and port traffic and order at the port;
4. ensuring the provision of services of general economic interest or services for which there is no economic interest from other economic operators (port security, fire safety, etc.), receiving municipal waste from vessels and organising the collection of such waste, and other services performed by the concession holder where there is an economic interest and justification.
5. planning, directing, coordinating and supervising the work of companies performing an economic activity in the port area; coordinating and supervising the work of the concession authority in the port area; adopting a decision on the establishment and management of a free zone in the port area in accordance with regulations governing free zones; awarding concessions and permits;
6. other activities laid down in the Act.

Other economic activities include supplying ships and boats, operating passenger services, towage activities, agency and haulage activities, repair of port machinery, and maintenance and use of substructures, superstructures and the marine environment.

Scheduled public transport services are services of general economic interest to Croatia.

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State.

Please list the **contents of the services entrusted as SGEI** as clearly as possible.

g 1) Urban and suburban passenger land transport (bus procurement)

Bus operators provide services of general economic interest in the area under the jurisdiction of local and regional authorities in accordance with a public service obligation (PSO) contract laying down the mutual rights and obligations of the contracting parties (the local and regional authorities and the bus operators) associated with the operation of municipal public passenger transport services by bus on specific routes, in accordance with pre-defined quality standards such as a timetable, frequency and regularity of transport, cleanliness of vehicles, comfort of travel, passenger information material, voice announcements on the vehicle, ticket-recording devices; the number of vehicles and types of vehicle, connections with other routes, replacement buses; information for passengers on public transport services, the possibility to purchase tickets on and off the vehicle, and responding to suggestions and complaints. The undertaking is required to operate the service of general economic interest under pre-defined conditions, and the county authority is required to compensate the undertaking for any increased costs in relation to the revenue generated.

Article 2(1)(i) of Regulation (EC) No 1370/2007 defines a 'public service contract' as 'one or more legally binding acts confirming the agreement between a competent authority and a public service operator to entrust to that public service operator the management and operation of public passenger transport services subject to public service obligations; depending on the law of the Member State, the contract may also consist of a decision adopted by the competent authority:

- taking the form of an individual legislative or regulatory act, or
- containing conditions under which the competent authority itself provides the services or entrusts the provision of such services to an internal operator’.

The public service contract must also be in line with Article 4 of Regulation (EC) No 1370/2007, which lays down the mandatory content of public service contracts and general rules. Article 4 lays down the following content for public service contracts:

4(1)(a) clearly define the public service obligations with which the public service operator is to comply, and the geographical areas concerned;

4(1)(b) establish in advance, in an objective and transparent manner:

(i) the parameters on the basis of which the compensation payment, if any, is to be calculated; during the specific procurement of buses, the procurement costs must reduce the amount of compensation paid by the public body. Also, when calculating the total amount of compensation, depreciation costs may be reported only for the buses/trams procured by the undertaking itself;

(ii) the nature and extent of any exclusive rights granted, in a way that prevents overcompensation.

In the case of public service contracts awarded in accordance with Article 5(2), (4) and (5), these parameters shall be determined in such a way that no compensation payment may exceed the amount required to cover the net financial effect on costs incurred and revenues generated in discharging the public service obligations, taking account of revenue relating thereto kept by the public service operator and a reasonable profit;

4(1)(c) and 4(2) determine the arrangements for the allocation of costs and revenue connected with the provision of services. These costs may include in particular the costs of staff, energy, infrastructure charges, maintenance and repair of public transport vehicles, rolling stock and installations necessary for operating the passenger transport services, fixed costs and a suitable return on capital. Based on the aforementioned parameters, costs and revenue must be allocated to each of the categories for which the undertaking receives compensation from the competent public authority (transport services, school transport, investment in infrastructure, social services, etc.).

4(3) The duration of public service contracts shall be limited and shall not exceed 10 years for coach and bus services and 15 years for passenger transport services by rail or other track-based modes (tram).

4(4) If necessary, having regard to the conditions of asset depreciation, the duration of the public service contract may be extended by a maximum of 50% if the public service operator provides assets which are both significant in relation to the overall assets needed to carry out the passenger transport services covered by the public service contract and linked predominantly to the passenger transport services covered by the contract.

4(5) Where competent authorities require public service operators to comply with certain social standards, tender documents and public service contracts shall list the staff concerned and give transparent details of their contractual rights and the conditions under which employees are deemed to be linked to the services.

4(6) Where competent authorities, in accordance with national law, require public service operators to comply with certain quality standards, these standards shall be included in the tender documents and in the public service contracts.

Article 5 of Regulation (EC) No 1370/2007, which relates to the award of public service contracts, had to be applied from 3 December 2019. However, until that date, Croatia, like other Member States, had to take measures to gradually comply with Article 5 of the Regulation in order to avoid serious structural problems in particular relating to transport capacity, and to inform the European Commission how the gradual compliance was

proceeding, with particular emphasis on the award of public service contracts that are in line with Article 5 of the Regulation.

The county authorities are free to establish social and qualitative criteria in order to maintain and raise quality standards for public service obligations, for instance with regard to minimal working conditions, passenger rights, the needs of persons with reduced mobility, environmental protection, the security of passengers and employees as well as collective agreement obligations and other rules and agreements concerning workplaces and social protection on the public service route.

g 2) Maritime transport

The operation of the service of general economic interest is entrusted to the shipping company on the basis of an entrustment act, which lays down the public service obligations. The entrustment act is a decision on the selection of the most advantageous tenderer, i.e. the concession award decision, granting shipping companies the right to operate a public transport service on the routes covered by the proposal, and must include the following:

- (a) the content and duration of the public service obligation;
- (b) information on the shipping company and, where applicable, the territory concerned;
- (c) the nature of any exclusive or special rights assigned to the shipping company;
- (d) the parameters for calculating, monitoring and reviewing the public service compensation;
- (e) the arrangements for recovering any overcompensation for operation of the public service; and
- (f) a reference to the Decision [2012/21/EU].

The port authorities or county port authorities award a concession through which a part of the maritime domain is partially or fully excluded from general use and entrusted for special or commercial use to natural and legal persons, in accordance with spatial plans, after the boundaries of the maritime domain have been determined and entered in the land register.

The port activities for which the port authority awards a concession for existing port substructures (infrastructure) and superstructures are:

1. mooring and unmooring of ships, yachts, fishing, sporting and other vessels and floating structures;
2. the embarking and disembarking of passengers, vehicles and freight;
3. other economic activities directly linked in economic, transport or technological terms to the activities under points 1 and 2 and for which the concession was awarded (supplying ships and boats, providing passenger services, towage activities, agency and haulage activities, repair of port machinery, and maintenance and use of substructures, superstructures and the marine environment).

A concession is awarded for each of the above-mentioned activities.

Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.

N/A

<p>Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?</p>
<p>In Croatia, in accordance with Article 4(3) of Regulation (EC) No 1370/2007 ('The duration of public service contracts shall be limited and shall not exceed 10 years for coach and bus services and 15 years for passenger transport services by rail or other track-based modes'), the duration of public service contracts does not exceed 10 years for coach and bus services.</p> <p>Also, in accordance with Article 33(8) of the Public Transport Act (NN No 98/19), public transport services contracts may be concluded for a period not exceeding seven years.</p>
<p>Explanation whether (typically) exclusive or special rights are assigned to the undertakings.</p>
<p>One of the exclusive rights of the public service operator (the undertaking) to operate various public passenger transport services on certain routes and in certain areas if the county authority wishes to grant such a right to the undertaking, is the exclusion of other operators.</p> <p>Such a right may be established by a legal, regulatory or administrative instrument. More detailed conditions for exercising the right, in particular the geographical scope and duration of the exclusive right, are often specified in the public service contract.</p> <p>The exclusive right protects the undertaking from competing with other operators on a specific market by preventing any another undertaking from providing the same service.</p> <p>Undertakings awarded exclusive rights must quantify the value of those rights, which will be reflected in increased revenue from ticket sales, since awarding the exclusive right preventing other undertakings from operating the service on a particular route is bound to lead to an increase in the number of passengers.</p>
<p>Which aid instruments have been used (direct subsidies, guarantees, etc.)?</p>
<p>The award of grants from EU funds.</p>
<p>Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>
<p>g 1) Urban and suburban passenger land transport (bus procurement)</p> <p>If the public service operator also performs commercial activities, it must be ensured that the operator does not use the public service compensation it receives to strengthen its competitive position in its commercial activities.</p> <p>When setting and calculating the parameters for determining the level of compensation, it is essential to establish, for each undertaking, on the basis of its separate accounts (each undertaking should have an internal instrument providing for this), its revenue and expenditure relating to the route(s) covered by the public service obligation and all other routes and activities that can be classified as commercial activities.</p> <p>In addition to bus routes, commercial activities comprise any other activity, such as the leasing of its own premises, the provision of vehicle repair services to third parties, catering,</p>

etc.

Setting and calculating the parameters for determining the level of compensation:

1. Based on the synthetic positions of the profit and loss account, revenue and expenditure must be separated into:

- activities involving the operation of passenger transport covered by the public service obligation for which the county authority grants compensation;
- other commercial activities, which should be profit-making; if they are not, the activity must be restructured, because the public service compensation/subsidy is not allowed to spill over into commercial activities; otherwise, it is allowed to.

The balance sheet must be separated into the assets and liabilities of the subsidised public service activities and the assets and liabilities of those commercial activities.

2. Where there are profit/cost centres, direct costs must be separated for each centre, as that makes it easier to identify a direct assignment or an assignment through keys of parts of revenue and expenditure to subsidised and to other commercial activities.

3. Routes that include the transport of schoolchildren and disabled persons must be reported under subsidised activities. If the routes are not separate, and schoolchildren and disabled persons use the regular subsidised routes, then the amounts that refer to the above user categories must be reported separately.

When determining the allocation of revenue and expenditure, the general principles to be applied for the development of cost models and for the allocation of revenue and expenditure to miscellaneous services must be determined; those principles relate to:

- causality – allocate all costs and revenue to each activity, product or service;
- objectivity – costs and revenue must be objective, reliable and quantifiable through databases, statistical calculations or sampling, and are directly or indirectly linked to products or services. Where it is difficult to determine which activity costs relate to, those costs must be allocated using pre-defined objective allocation criteria;
- transparency – it must be possible to split the cost assigned to each activity or service into different types of cost, according to their nature. It must be possible to identify depreciation costs separately from other operating costs;
- audit – the cost accounting system identifies appropriate interrelationships with financial accounting records and with operating systems and statistics on which the 'causes' of the allocation of costs and revenue to services are based, to allow for the integrated auditing of cost accounting;
- consistency – year after year, regulatory accounting principles will be used consistently. In the event of a change in criteria which could have a significant effect on the data reported, dual criteria for before and after must be applied simultaneously over a single accounting period, which will show the differences that can be seen in the final value of final costs, revenue and profit;
- matching – the undertaking must submit to the county authority all necessary business and financial reports presenting the amounts and a sufficiently detailed adjustment.

If public passenger transport services are operated on the basis of various PSO contracts, costs and revenue must be separated so that the costs incurred and revenue generated by operating the public services under each of those contracts are presented clearly.

Similarly, if an undertaking has a contract for the transport of primary school pupils and a contract for the transport of disabled persons and children with disabilities, the data must be

separated so that the costs incurred and revenue generated by operating those passenger transport services under each of the contracts are presented clearly.

Indirect costs connected to two or more activities, but not fully associated with any one of them, must be allocated as follows:

- whenever possible, they are allocated on the basis of a direct analysis of the origin of the costs themselves;
- when a direct analysis is not possible, common cost categories are allocated on the basis of an indirect linkage to another cost category or group of cost categories for which a direct assignment or allocation is possible; the indirect linkage is based on similar cost structures;
- where it is not possible to allocate costs directly or indirectly, indirect costs must be allocated on the basis of pre-defined keys by the company. Cost-allocation keys must be objectively measurable, relevant for each individual cost and selected in such a way that the cost allocation does not result in unreasonably high costs for any service. Cost-allocation keys may be linked to an overall effect (e.g. the number of kilometres covered), other costs or resources spent on providing a particular service, revenue generated by the service, or other similar cost-allocation factors.

Only direct resource costs covering passenger transport services and the corresponding share of indirect costs allocated to them may be included in the calculation of compensation for operating the public service/net financial effect (the net financial effect is the difference between the overall costs incurred by operating the public passenger transport service and the total amount of revenue generated by operating the public passenger transport service).

Direct and indirect costs, except in the absolute amount, are determined for each individual route and are calculated as costs per kilometre covered. Only revenue generated from operating a public service covered by a PSO contract can be included in the calculation of the net financial effect. Direct costs of public passenger transport services include costs of raw materials consumed, energy consumed, materials and parts for maintaining facilities and equipment consumed, costs of tyres, other external costs (costs of services), direct costs of human resources, direct depreciation costs, value adjustments of assets, provisions and direct financial expenses.

Indirect costs mainly involve administration costs and the costs of raw materials consumed, energy consumed, materials and parts for maintaining facilities and equipment consumed, small inventory costs, packaging, tyres for cars and protective clothing and footwear, other external costs (costs of services), depreciation costs, e.g. administrative buildings, human resources costs, other indirect costs, provision costs, other operating expenses and financial expenses.

These direct and indirect costs are developed analytically in the accounting plan and should therefore be calculated on the basis of analytical accounts.

The county authorities may have a discretionary right to recognise just one part of the above costs. If that is the case, it must be clearly stated in the invitation to tender.

Similarly, if a PSO contract will involve the procurement of new buses by the undertaking, and some or all of the amount of the cost of the buses will be financed by the county authority, then the calculation of depreciation related to the presentation of the public service costs will be reduced by that amount.

The competent county authority is required to monitor fulfilment of the conditions of the PSO contract over the duration of the contract.

When it comes to monitoring the discharge of a public service contract, it is best to obtain the opinion of an independent auditor.

If it is determined during the discharge of a PSO contract that the current amount of compensation is too high, the county authority is entitled to request that the compensation be reduced for the current and following years.

The county authority must determine the method for calculating reasonable profit. There are also cases, especially if the transport service is allocated to an internal operator, where reasonable profit is not calculated. It should be pointed out that the accounting methods used by the undertaking may affect all indicators, even the level of reasonable profit, and it must be ensured that the undertaking's accounting practice reflects the long-term economic reality of the PSO contract. With that in mind, the level of reasonable profit should, wherever feasible, be assessed for the entire duration of the public service contract.

In any event, depending on the particular circumstances of each public service contract, the competent county authority should provide a case-by-case assessment so as to determine an appropriate level of reasonable profit.

It must take into account, among other things, the particular characteristics of the undertaking, the usual market fee for similar services and the level of risk each public service contract entails.

For example, a public service contract that contains provisions safeguarding the level of compensation in the event of unforeseen costs (a sharp rise in the fuel price) is less risky than a public service contract that does not contain such safeguards.

According to the judgment in the Altmark case, the public service compensation granted to economic operators entrusted with performing a service of general economic interest does not constitute a competitive advantage for the purposes of Article 107(1) TFEU, if all of the following conditions are met when the compensation is granted:

1. the beneficiary of the compensation has been entrusted with an obligation to provide a particular service of general economic interest by a competent state authority, the scope and content of the service having been defined clearly and in detail;
2. the parameters and criteria for calculating the compensation have been determined in advance, i.e. before the compensation is granted, in an objective and transparent manner;
3. the compensation does not exceed what is necessary to cover all or part of the costs incurred in the discharge of the public service obligation, taking into account the revenue generated by providing the service and a reasonable level of profit to be provided to the economic operator providing the public service;
4. the undertaking to which the provision of the public service has been entrusted must have been selected on the basis of a public procurement procedure; if that was not the case, the level of compensation must be determined on the basis of an analysis of the costs that would have been incurred by an undertaking performing a market activity that is well managed and has the necessary means to provide those services and achieve positive financial results according to international accounting standards relating to productivity indicators and other qualitative business indicators; in other words, the economic operator's business cost structure must be comparable to that of economic operators performing the same or a similar activity on the market.

However, public service compensation, provided it is necessary in the passenger transport sector and is compatible with Article 93 TFEU under certain conditions, must be granted, in order to ensure the operation of services of general economic interest within the meaning of the TFEU, but to prevent unjustified distortions of competition the compensation should not exceed what is necessary to cover the net costs incurred in operating the service, taking into account the revenue generated and a reasonable profit. If compensation is granted in accordance with Regulation (EC) No 1370/2007, it will be exempt from the prior notification obligation referred to in Article 108(3) TFEU.

According to Article 6(1) of Regulation (EC) No 1370/2007, compensation granted for the provision of a public service must comply in full with Article 4 'Mandatory content of public service contracts and general rules', regardless of how the contract is awarded (by competitive tendering or to an internal operator), and the calculation of the compensation itself must comply with the calculation method laid down in the Annex to Regulation (EC) No 1370/2007.

Awarding a public service contract directly does not guarantee that the level of compensation will be kept to a minimum. The compensation must therefore be in line with the calculation laid down in the Annex to Regulation (EC) No 1370/2007 ('Rules applicable to compensation in the cases referred to in Article 6(1)') so as to avoid overcompensation *ex post*.

g 2) Maritime transport

To ensure regular connections between inhabited islands and the mainland and among inhabited islands, as well as settlements on the mainland, a public transport system needs to be operated, even where shipping companies would rather pursue their own, market-based, commercial interests than provide services on such routes under specific conditions and to the specific extent. The shipping company that is awarded the public service will therefore be granted State aid by way of compensation for providing a service of general economic interest, i.e. public service compensation.

The purpose of the aid is to connect the islands with the mainland and the islands with each other, so as to improve inhabitants' mobility, to ensure uniform development across the region, to provide connectivity using various modes of transport, and to promote both the economic and sustainable development of the islands.

Compensation for operating scheduled public maritime transport is regarded as State aid for services of general economic interest, but within the category of State aid permitted under the Guidelines and in line with the objective under the Guidelines of providing end-users with an uninterrupted service of general economic interest.

The criteria and conditions for granting this permitted form of State aid are determined primarily by European Commission acts that are based on the Treaty on the Functioning of the European Union and on Council Regulations.

The objective of the compensation for operation of the public service that will be granted on the basis of this Proposal is to provide end-users – primarily island inhabitants – with uninterrupted, scheduled public maritime transport as a service of general economic interest. In accordance with the Maritime Domain and Maritime Ports Act (NN No 98/19), the concession contract regulates, in line with the concession decision, the exact purpose for granting the concession, the conditions to be met by the concession holder for the duration of the concession, the level and method of payment of the concession fee, the guarantees of the concession holder, and other rights and obligations of the concession holder.

The procedure for granting the concession and the criteria for determining the concession fee are prescribed by the Croatian Government.

In ports open to public traffic, payments are made according to port tariffs which comprise port charges and port fees. Port fees are paid by port users for the services received in ports open to public traffic. The port authority determines the maximum fee that may be charged. Concession holders providing services in ports open to public traffic are required to publish their fees for each type of activity or service. To ensure competition within the port, a port authority may, if it finds that objective circumstances indicate a lack of competitiveness in the port, lower the amount of the tariff in full or selectively, bearing in mind that concession holders may adjust their operations to the reduced tariff.

The contractually agreed amount of the concession fee is assigned as follows:

- one third is paid to the state budget;
- one third is paid to the county budget;
- one third is paid to the municipal budget.

The fee from concession permits is credited to the municipal budget.

Typical arrangements for avoiding and repaying any overcompensation.

g 1) Urban and suburban passenger land transport (bus procurement)

The public service contract must provide for regular checks (at least once a year) over the duration of the contract so as to identify at an early stage and avoid situations arising where overcompensation is likely to be paid, especially in the case of long-term contracts.

Overcompensation must be assessed separately for each public service contract so as to avoid excessive profit for individual public services spread over several contracts. The amount of compensation should not exceed that to which the undertaking is entitled according to the parameters pre-defined in the contract, even if the amount is not sufficient to cover the net financial effect.

It should be possible to include a provision in the PSO that if the public service compensation paid the previous year is 10% or less than the amount of compensation determined *ex ante*, then the county authority will reduce the amount of compensation by that amount during the current year. If the overcompensation is greater than 10%, the undertaking will be required to repay the entire amount of overcompensation to the county authority in the annual budget.

g 2) Maritime transport

If the checks determine that the shipping company has been paid a higher amount of public service compensation than the final costs and revenue determined, the Agency for Scheduled Coastal Maritime Transport will ask the company to repay the overcompensation for operation of the public service to the budget. The public service compensation is to be repaid by 1 July of the current year.

To ensure overcompensation is kept under control, the compensation granted for operating services of general economic interest must meet the conditions laid down in Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (OJ L 7, 11.1.2012), in particular that the shipping company does not receive compensation in excess of the amount determined in accordance with Article 5 of the Decision.

Evidence must be provided at the Commission's request. Regular checks are carried out, or

it is ensured that such checks are carried out, at least every 3 years during the period of entrustment and at the end of that period. Where a shipping company has received compensation in excess of the amount determined in accordance with Article 5 of the Decision, the provider of the State aid will request that the shipping company repay the overcompensation received. The parameters for the calculation of the compensation are updated for the future. Where the amount of overcompensation does not exceed 10% of the amount of the average annual compensation, such overcompensation may be carried forward to the next period and deducted from the amount of compensation payable in respect of that period.

A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with.

In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

g 1) Urban and suburban passenger land transport (bus procurement)

N/A

g 2) Maritime transport

The transparency and availability of information are ensured through the entire procedure for selecting the shipping operator/the most advantageous tenderer, from publication of the conditions to the granting of aid.

First of all, the invitation to tender is published in the form of an appropriate notice in the Croatian electronic public procurement bulletin. This ensures that the invitation is available to all interested parties and contains all relevant information on the conditions, level of aid, deadlines and documentation requested. More detailed information is provided in the tender documentation received by the tenderers. Then, once the selection procedure is concluded, the contract award decision is published in the Croatian electronic public procurement bulletin, and a notice of the contracts concluded is also published on the website of the Agency for Scheduled Coastal Maritime Transport.

Information is provided to interested parties in accordance with the Freedom of Information Act (NN Nos 25/13 and 85/15). In accordance with the Public Procurement Act (NN No 120/2016), the Agency, as the contracting authority, keeps and publishes on its website a register of public procurement contracts. Documentation of the procedures for selecting shipping operators to provide the public service (the tenders submitted by shipping operators, the decision on the outcome of the procedures, and the contracts concluded) are kept on a permanent basis, in accordance with the regulations on the storage of archive materials.

Decision 2012/21/EU provides that for compensation above EUR 15 million granted to an undertaking which also has activities outside the scope of the service of general economic interest, the provider of the State aid must publish the following information on the internet or by other appropriate means:

(a) the entrustment act or a summary which includes the elements listed in Article 4 of the Decision;

(b) the amounts of aid granted to the undertaking on a yearly basis.

The Decision lays down an obligation to keep available, during the period of entrustment and for at least 10 years from the end of the period of entrustment, all the information necessary to determine whether the compensation granted is compatible with the Decision.

On written request by the Commission, the Commission must be provided with all the information that the latter considers necessary to determine whether the compensation measures in force are compatible with the Decision. Article 12 of the State Aid Act (NN Nos 47/14 and 69/17) requires the Agency for Scheduled Coastal Maritime Transport, as the provider of State aid, to publish the State aid scheme on its website after the proposal for State aid has been approved, but before the State aid is granted.

Article 17 ('Publication and reporting') of the State aid scheme for the development of Croatian ports open to public traffic for the 2017–2020 period states that the Ministry of the Sea, Transport and Infrastructure will publish on its website information, as specified in Article 9(1)(c) of Regulation (EU) No 651/2014, on each individual aid award under the Scheme to a particular aid beneficiary exceeding EUR 500 000 per beneficiary. The information must include the following:

- 1) Name of the aid beneficiary;
- 2) Beneficiary's identifier;
- 3) Type of undertaking – small, medium-sized or large;
- 4) NUTS region;
- 5) Sector of activity according to the NACE10 classification;
- 6) Aid element, expressed in Croatian kuna.

Link: <https://mmpi.gov.hr/>

Amount of aid granted

Total amount of aid granted (in millions EUR) ⁶ . This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2018	2019
HRK 362 115 749.14 / EUR 48 282 099.88	HRK 354 513 736.28 / EUR 47 268 498.17
A: Total amount of aid granted (in millions EUR) paid by national central authorities ⁷	
2018	2019
B: Total amount of aid granted (in millions EUR) paid by regional authorities⁸	
2018	2019

C: Total amount of aid granted (in millions EUR) paid by local authorities ⁹	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019

5

If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services.

If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial.

⁶ As stipulated in Article 9 b) of the 2012 SGEI Decision.

7

If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

⁸ See footnote **Error! Bookmark not defined..**

⁹ See footnote **Error! Bookmark not defined..**

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)¹⁰

2018	2019

¹⁰ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your

Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

Please also fill out **Annex 2** with the total amounts per section for the whole Member State (not per region, local authority or municipality).

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

Please structure this part of your report by the following sections:

SGEI compensation exceeding EUR 15 million, falling outside the SGEI Decision (please specify the Commission decision approving each measure if applicable):

- iii. Postal services
- ii. Energy
- iii. Waste collection
- iv. Water supply
- v. Air or maritime links to islands with average annual traffic above the limits set in Art. 2(1)(d)
- vi. Airports and ports with average annual traffic above the limit set in Art. 2(1)(e)
- vii. Culture
- viii. Financial services
- ix. Other sectors (please specify)
- ix. 1. Urban and suburban passenger land transport (infrastructure)**

Section (for example *iii. Waste collection* or *viii. Financial services*)

ix. 1. Urban and suburban passenger land transport (infrastructure)

Title of individual aid: **Phase 1 of the modernisation of the tram infrastructure in the city of Zagreb**

Date of exercise of the beneficiary's right to the aid: The date of the grant award contract is 10.06.2019.

Duration of the aid: 10.6.2019–10.6.2019

Identity of aid recipient(s): Zagrebački električni tramvaj d.o.o
Total amount of aid granted: HRK 207 518 294.28
Clear and comprehensive description of how the respective services are organized in your Member State ¹³
<p>ix. 1. Urban and suburban passenger land transport (infrastructure)</p> <p>The conditions for the operation of the public service based on the above provisions of the TFEU are laid down in Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, the Communication from the Commission on interpretative guidelines concerning Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road ('the Guidelines'), and the judgment of the Court of Justice of the European Union in the Altmark case (C-280/00 of 24.7.2003). Under Regulation (EC) No 1370/2007, the operation of public passenger transport services by an undertaking not selected on the basis of a competitive award procedure is an exception to the rule that public service contracts must be concluded on the basis of competitive tendering. Article 5(1) of Regulation (EC) No 1370/2007 explicitly states that the conclusion of contracts for public transport services by bus or tram is covered by Directives 2014/24/EU and 2014/25/EU, in which case the right to operate the public service must not be awarded in advance to a specific undertaking.</p> <p>Awarding a public service contract directly, in accordance with Article 5 of Regulation (EC) No 1370/2007, does not guarantee that if the contract was not concluded on the basis of a competitive procedure, the level of compensation agreed between the competent authority and the operator would be kept to a minimum. In other words, the contract concluded with the undertaking confers on that undertaking a competitive advantage if it fails to meet all the criteria under the Altmark judgment (in practice, it is extremely rare in the EU for a publicly owned undertaking to be able to fulfil those criteria, in particular criterion 4).</p> <p>The public financing of public passenger transport services is compatible with Article 93 TFEU under certain conditions, i.e. State aid in the form of compensation for the operation of those services is granted on the basis of a PSO contract in order to ensure the uninterrupted provision to citizens of services of general economic interest within the meaning of the TFEU, and to prevent unjustified distortions of competition the compensation should not exceed what is necessary to cover the net costs incurred in operating the service, taking into account the revenue generated and a reasonable profit. If compensation is granted in accordance with Regulation (EC) No 1370/2007, it will be exempt from the prior notification obligation referred to in Article 108(3) TFEU.</p> <p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State.</p> <p>Please list the contents of the services entrusted as SGEI as clearly as possible.</p> <p>In accordance with Article 1 of the Utilities Act (NN Nos 68/18, 110/18 and 32/20), for the purpose of that Act 'utilities' are understood to mean the operation and financing of utility services, in particular the provision of utility services of interest to natural and legal persons and the construction and maintenance of utility infrastructure.</p> <p>In addition, Article 24 of the Utilities Act refers to scheduled passenger transport as a utility service.</p> <p>According to Article 33 of the Utilities Act, utility services may also be provided under that Act by a company established by a local authority.</p> <p>ZET is a company 100% owned by the City of Zagreb. It provides public transport services</p>

in the Zagreb city area and parts of Zagreb county and employs 3 781 staff.

ZET operates tram and bus transport services and is also responsible for operating transport by funicular and cable car. The tram system of ZET serves the centre of the city of Zagreb, which covers some 150 km², while the bus system serves the entire area covered by the ZET transport system, including that of the tram system, which it complements. It is also worth noting that ZET is the sole operator of transport by tram in the city of Zagreb, the only other operator of trams in Croatia being the company Gradski prijevoz putnika d.o.o (GPP) in the city of Osijek. According to Article 18 [sic] of Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, each local authority has the right to entrust public transport services to an internal operator, which in this case is ZET. The compliance of aid granted in the form of compensation for operating public transport services with the provisions of the above Regulation requires the legal basis for granting the compensation to be a public service contract concluded between the competent public authority and the operator selected. In this particular case, the Contract on the transfer of the contract for the provision of utility services and for the partial compensation of passenger transport costs ('the Contract') was signed between the City of Zagreb, Zagrebački holding d.o.o. and ZET on 18 January 2018, effectively transferring the Contract for the provision of utility services and the partial compensation of passenger transport costs concluded between the City of Zagreb and Zagrebački holding on 2 January 2017. The Contract and Appendix 1 to the 2018 Contract signed on 28 May 2018 establish the common interest and nature of the obligation to operate public passenger transport services of general economic interest in order to maintain the current standard of public transport service operation for a period of 15 years, in line with the Regulation, which states the following: *The duration of public service contracts shall be limited and shall not exceed 10 years for coach and bus services and 15 years for passenger transport services by rail or other track-based modes.* In addition, the aid is granted on a non-discriminatory and permanent basis, since in this particular case the City of Zagreb – in accordance with the above provisions of the Utilities Act and Article 3(1) of the Regulation, which refers to the possibility to conclude a public service contract where the competent state authority decides to grant the operator an exclusive right and/or compensation in return for the discharge of public service obligations – has done so by using its discretionary right under the Regulation, which states that the competent public authority may operate its own public transport services or entrust those services to an internal operator or third party, and it has assigned the public transport service to an internal operator, in this case ZET. If the service is entrusted to an internal operator, it may be done without competitive tendering, in strict compliance with Article 5 of Regulation (EC) No 1370/2007.

The detailed conditions for operation of the public service based on the above provisions of the TFEU are laid down in Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, the Communication from the Commission on interpretative guidelines concerning Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road ('the Guidelines'), and the judgment of the Court of Justice of the European Union in the Altmark case (C-280/00 of 24.7.2003). Under Regulation (EC) No 1370/2007, the operation of public passenger transport services by an undertaking not selected on the basis of a competitive award procedure is an exception to the rule that public service contracts must be concluded on the basis of competitive tendering. Article 5(1) of Regulation (EC) No 1370/2007 explicitly states that the conclusion of contracts for public transport services by bus or tram is covered by Directives 2014/24/EU and 2014/25/EU, in which case the right

to operate the public service must not be awarded in advance to a specific undertaking.

ZET operates public passenger transport services on the basis of a PSO contract that complies with EU regulations. The above-mentioned Contract should comply with Articles 93 and 106 TFEU, and where State aid is granted Articles 107 and 108 TFEU, as well as the criteria referred to in the Altmark judgment, especially criterion 4, so as to not qualify as unlawful aid.

According to the judgment in the Altmark case, the public service compensation granted to economic operators entrusted with performing a service of general economic interest does not constitute a competitive advantage for the purposes of Article 107(1) TFEU, if all of the following conditions are met when the compensation is granted:

1. the beneficiary of the compensation has been entrusted with an obligation to provide a particular service of general economic interest by the competent public authority, the scope and content of the service having been defined clearly and in detail;
2. the parameters and criteria for calculating the compensation have been determined in advance, i.e. before the compensation is granted, in an objective and transparent manner;
3. the compensation does not exceed what is necessary to cover all or part of the costs incurred in the discharge of the public service obligation, taking into account the revenue generated by providing the service and a reasonable level of profit to be provided to the economic operator providing the public service;
4. the undertaking to which the provision of the public service has been entrusted must have been selected on the basis of a public procurement procedure; if that was not the case, the level of compensation must be determined on the basis of an analysis of the costs that would have been incurred by an undertaking performing a market activity that is well managed and has the necessary means to provide those services and achieve positive financial results according to international accounting standards relating to productivity indicators and other qualitative business indicators; in other words, the economic operator's business cost structure must be comparable to that of economic operators performing the same or a similar activity on the market.

In order to guarantee the application of the principles of transparency and equal treatment of competing operators when compensation for the operation of public passenger transport services or exclusive rights are granted, it is essential that a public service contract between the competent authority and the chosen public service operator define the nature of the public service obligations and the agreed compensation. Article 4 of Regulation (EC) No 1370/2007 lays down the mandatory content of public service contracts and general rights, which must, among other things,

(a) clearly set out the public service obligations with which the public service operator is to comply, and the geographical areas concerned;

(b) establish in advance, in an objective and transparent manner:

(i) the parameters on the basis of which the compensation payment, if any, is to be calculated;

(ii) the nature and extent of any exclusive rights granted, in a way that prevents overcompensation. In the case of public service contracts awarded in accordance with Article 5 of Regulation (EC) No 1370/2007, these parameters must be determined in such a way that no compensation payment may exceed the amount required to cover the net financial effect on costs incurred and revenues generated in discharging the public service obligations, taking account of revenue relating thereto kept by the public service operator and a reasonable profit. The compensation must be determined in accordance with the general rules laid down in the Annex to Regulation (EC) No 1370/2007 ('Rules applicable to

<p>compensation in the cases referred to in Article 6(1)')</p> <p>(c) determine the arrangements for the allocation of costs and revenue connected with the provision of services. These costs may include in particular the costs of staff, energy, infrastructure charges, maintenance and repair of public transport vehicles, rolling stock and installations necessary for operating the passenger transport services, fixed costs and a suitable return on capital. Based on the aforementioned parameters, costs and revenue must be allocated to each of the categories for which the undertaking receives compensation from the competent public authority (transport services, school transport, investment in infrastructure, social services, etc.).</p> <p>The detailed conditions for operation of the public service based on the above provisions of the TFEU are laid down in Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, the Communication from the Commission on interpretative guidelines concerning Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road ('the Guidelines'), and the judgment of the Court of Justice of the European Union in the Altmark case (C-280/00 of 24.7.2003). Under Regulation (EC) No 1370/2007, the operation of public passenger transport services by an undertaking not selected on the basis of a competitive award procedure is an exception to the rule that public service contracts must be concluded on the basis of competitive tendering. Article 5(1) of Regulation (EC) No 1370/2007 explicitly states that the conclusion of contracts for public transport services by bus or tram is covered by Directives 2014/24/EU and 2014/25/EU, in which case the right to operate the public service must not be awarded in advance to a specific undertaking.</p> <p>Awarding a public service contract directly, in accordance with Article 5 of Regulation (EC) No 1370/2007, does not guarantee that if the contract was not concluded on the basis of a competitive procedure, the level of compensation agreed between the competent authority and the operator will be kept to a minimum. In other words, the contract concluded with ZET confers on that undertaking a competitive advantage if it fails to meet all the criteria under the Altmark judgment (in practice, it is extremely rare in the EU for a publicly owned undertaking to be able to fulfil those criteria, in particular criterion 4).</p>
<p>Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.</p>
<p>N/A</p>
<p>Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?</p>
<p>In Croatia, the duration of entrustments is determined in accordance with Article 4(3) of Regulation (EC) No 1370/2007 ('The duration of public service contracts shall be limited and shall not exceed 10 years for coach and bus services and 15 years for passenger transport services by rail or other track-based modes').</p>
<p>Explanation whether (typically) exclusive or special rights are assigned to the undertakings.</p>
<p>One of the exclusive rights of the public service operator (the undertaking) to operate various public passenger transport services on certain routes and in certain areas if the county authority wishes to grant such a right to the undertaking, is the exclusion of other operators.</p>

<p>Such a right may be established by a legal, regulatory or administrative instrument. More detailed conditions for exercising the right, in particular the geographical scope and duration of the exclusive right, are often specified in the public service contract.</p> <p>The exclusive right protects the undertaking from competing with other operators on a specific market by preventing any another undertaking from providing the same service.</p> <p>Undertakings awarded exclusive rights must quantify the value of those rights, which will be reflected in increased revenue from ticket sales, since awarding the exclusive right preventing other undertakings from operating the service on a particular route is bound to lead to an increase in the number of passengers.</p>
<p>Which aid instruments have been used (direct subsidies, guarantees, etc.)?</p>
<p>The award of grants from EU funds.</p>
<p>Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>
<p>The public financing of public passenger transport services in the case of ZET is compatible with Article 93 TFEU under certain conditions, i.e. State aid in the form of compensation for the operation of those services is granted on the basis of a PSO contract in order to ensure the uninterrupted provision to citizens of services of general economic interest within the meaning of the TFEU, and to prevent unjustified distortions of competition the compensation should not exceed what is necessary to cover the net costs incurred in operating the service, taking into account the revenue generated and a reasonable profit.</p> <p>If compensation is granted in accordance with Regulation (EC) No 1370/2007, it will be exempt from the prior notification obligation referred to in Article 108(3) TFEU. The compliance of aid granted in the form of compensation for operating public transport services with the provisions of the above Regulation requires the legal basis for granting the compensation to be a public service contract concluded between the competent public authority and the operator selected. In accordance with Article 3(1) of Regulation (EC) No 1370/2007, where a competent public authority decides to grant the operator an exclusive right and/or compensation in return for the discharge of public service obligations, it must conclude a public service contract. Subject to the relevant provisions of national law, the competent public authority may provide its own public transport services or entrust them to an internal operator or third party. If the service is entrusted to an internal operator, it may be done without competitive tendering, in strict compliance with Article 5 of Regulation (EC) No 1370/2007. In order to guarantee the application of the principles of transparency and equal treatment of competing operators when compensation for the operation of public passenger transport services or exclusive rights are granted, it is essential that a public service contract between the competent authority and the chosen public service operator define the nature of the public service obligations and the agreed compensation. Article 4 of Regulation (EC) No 1370/2007 lays down the mandatory content of public service contracts and general rights, which must, among other things,</p> <p>(a) clearly define the public service obligations with which the public service operator is to</p>

comply, and the geographical area concerned;

(b) establish in advance, in an objective and transparent manner:

(i) the parameters on the basis of which the compensation payment, if any, is to be calculated;

(ii) the nature and extent of any exclusive rights granted, in a way that prevents overcompensation.

In the case of public service contracts awarded in accordance with Article 5 of Regulation (EC) No 1370/2007, these parameters must be determined in such a way that no compensation payment may exceed the amount required to cover the net financial effect on costs incurred and revenues generated in discharging the public service obligations, taking account of revenue relating thereto kept by the public service operator and a reasonable profit. The compensation must be determined in accordance with the general rules laid down in the Annex to Regulation (EC) No 1370/2007 ('Rules applicable to compensation in the cases referred to in Article 6(1)')

(c) determine the arrangements for the allocation of costs and revenue connected with the provision of services. These costs may include in particular the costs of staff, energy, infrastructure charges, maintenance and repair of public transport vehicles, rolling stock and installations necessary for operating the passenger transport services, fixed costs and a suitable return on capital. Based on the aforementioned parameters, costs and revenue must be allocated to each of the categories for which the undertaking receives compensation from the competent public authority (transport services, school transport, investment in infrastructure, social services, etc.).

According to the judgment in the Altmark case, the public service compensation granted to economic operators entrusted with performing a service of general economic interest does not constitute a competitive advantage for the purposes of Article 107(1) TFEU, if all of the following conditions are met when the compensation is granted:

1. the beneficiary of the compensation has been entrusted with an obligation to provide a particular service of general economic interest by the competent public authority, the scope and content of the service having been defined clearly and in detail;

2. the parameters and criteria for calculating the compensation have been determined in advance, i.e. before the compensation is granted, in an objective and transparent manner;

3. the compensation does not exceed what is necessary to cover all or part of the costs incurred in the discharge of the public service obligation, taking into account the revenue generated by providing the service and a reasonable level of profit to be provided to the economic operator providing the public service;

4. the undertaking to which the provision of the public service has been entrusted must have been selected on the basis of a public procurement procedure; if that was not the case, the level of compensation must be determined on the basis of an analysis of the costs that would have been incurred by an undertaking performing a market activity that is well managed and has the necessary means to provide those services and achieve positive financial results according to international accounting standards relating to productivity indicators and other qualitative business indicators; in other words, the economic operator's business cost structure must be comparable to that of economic operators performing the same or a similar activity on the market.

Awarding a public service contract directly, in accordance with Article 5(1) of Regulation (EC) No 1370/2007, does not guarantee that if the contract was not concluded on the basis of a competitive procedure, the level of compensation agreed between the competent authority and the operator will be kept to a minimum. In other words, the contract between

the City of Zagreb and ZET confers on the undertaking a competitive advantage if the latter fails to meet the criteria under Regulation (EC) No 1370/2007 and the Altmark judgment. However, public service compensation, provided it is necessary in the passenger transport sector and is compatible with Article 93 TFEU under certain conditions, must be granted, in order to ensure the operation of services of general economic interest within the meaning of the TFEU, but to prevent unjustified distortions of competition the compensation should not exceed what is necessary to cover the net costs incurred in operating the service, taking into account the revenue generated and a reasonable profit. If compensation is granted in accordance with Regulation (EC) No 1370/2007, it will be exempt from the prior notification obligation referred to in Article 108(3) TFEU.

Typical arrangements for avoiding and repaying any overcompensation.

To prevent unjustified distortions of competition, the aid will be granted in the manner laid down in Regulation (EC) No 1370/2007, which means that State aid in the form of compensation for the operation of public passenger transport services should not exceed what is necessary to cover the net costs incurred in operating the service, taking into account the revenue generated and a reasonable profit. According to recital 7 of Regulation (EC) No 1370/2007, 'the introduction of regulated competition between operators leads to more attractive and innovative services at lower cost'. Where there is sub-contracting, the 'internal operator' must comply with the relevant public procurement legislation. On the other hand, awarding a public service contract directly does not guarantee that the level of compensation will be kept to a minimum. The compensation must therefore be calculated in such a way as to avoid overcompensation *ex post*. It is not a case, therefore, of excluding elements of State aid as follows from the criteria set out in the Altmark judgment (C-280/00 of 24.7.2003). In other words, unless the fourth Altmark criterion has been met, the compensation granted to the operator in principle constitutes State aid because the operator, i.e. ZET, was not selected using a public procurement procedure.

If, however, the level of compensation was calculated in accordance with the conditions of the Regulation and the rules referred to in the Annex to the Regulation, State aid in the form of compensation for the operation of public transport services does not have to be notified to the European Commission (Article 108(3) TFEU).

For each of the items outlined above please provide information in the form of the following table:

A short explanation of how the transparency requirements (see Paragraph 60 of the 2012 SGEI Framework) are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

N/A

Amount of aid granted	
Total amount of aid granted (in millions EUR) ¹² . This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
	HRK 207 518 294.28 / EUR 27 669 105.90
A: Total amount of aid granted (in millions EUR) paid by national central authorities ¹³	
2018	2019
B: Total amount of aid granted (in millions EUR) paid by regional authorities¹⁴	
2018	2019
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ¹⁶	

¹¹ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial. Since cases falling under the SGEI Framework will be limited in number, the Commission expects a detailed description of each concrete measure.

¹² As stipulated in Article 62(b) of the 2012 SGEI Framework.

¹³ If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

¹⁴ See footnote Error! Bookmark not defined..

¹⁵ See footnote Error! Bookmark not defined..

2018	2019

Please also fill out Annex 2 with the total amounts per section for the whole Member State (not per region, local authority or municipality).

4. COMPLAINTS BY THIRD PARTIES

Please provide an overview of complaints by third parties, in particular litigation before national courts, regarding measures in scope of the 2012 SGEI Decision or 2012 SGEI Framework. Please be as specific as possible in your reply and include the sector for which you have received the complaints, the contents of the complaints and the possible follow-up by your authorities or the likely outcome of the court proceedings.

There were no complaints by third parties during the reporting period (2018–2019).

5. MISCELLANEOUS QUESTIONS

g. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:

- drawing up an entrustment act that complies with Article 4 of the SGEI Decision;
- specifying the amount of compensation in line with Article 5 of the SGEI Decision;
- determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision;
- regularly checking overcompensation as required by Article 6 of the SGEI Decision;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

There were no difficulties in applying the 2012 SGEI Decision during the reporting period 2018–2019.
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16

The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Framework, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

h. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:

- carrying out a public consultation in line with paragraph 14 of the SGEI Framework;
- complying with public procurement rules in line with para 19 of the SGEI Framework;
- determining the net avoided cost as required by paras 25-27 of the SGEI Framework;
- determining the reasonable profit level in line with paras 33-38 of the SGEI Framework;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

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i. If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.

SGEI Decision		Total amount	
		2018	2019
Article 2(1)(b)	Hospitals providing medical care, including, where applicable emergency services		
Article 2(1)(c)	Health and long term care		
	Childcare		
	Access to and reintegration into the labour market		
	Access to and reintegration into the labour market		
	Social housing		
	Care and social inclusion of vulnerable groups		
	Other social services		
Article 2(1)(d)	Air or maritime links		
Article 2(1)(e)	Airports and ports		
Article 2(1)(a), less than EUR 15 million per year	Postal services		
	Energy supply		
	Waste collection		
	Water supply		
	Culture		
	Financial services		
	Other	HRK 362 115 749.14 / EUR 48 282 099.88	HRK 562 032 030.56 / EUR 74 937 604.07

ANNEX 1

HP-Hrvatska pošta d.d., Zagreb

Services of General Economic Interest: guidance for report to be submitted following the 2012 SGEI Decision and the 2012 SGEI framework

The reporting obligations are set out in the Article 9 of the 2012 SGEI Decision:

Each Member State shall submit a report on the implementation of this Decision to the Commission every 2 years. The reports shall provide a detailed overview of the application of this Decision for the different categories of services referred to in Article 2(1), including:

- (m) a description of the application of this Decision to the services falling within its scope, including in-house activities;
- (n) the total amount of aid granted in accordance with this Decision, with a breakdown by the economic sector of the beneficiaries;
- (o) an indication of whether, for a particular type of service, the application of this Decision has given rise to difficulties or complaints by third parties; and
- (p) any other information concerning the application of this Decision required by the Commission and to be specified in due time before the report is to be submitted.

Paragraph 62 of the 2012 SGEI Framework sets in principle identical reporting obligations for aid granted under the 2012 SGEI Framework.

Please structure your report as follows:

1. EXPENDITURE OVERVIEW

Please complete the following table:

Total SGEI government expenditure by legal basis (millions EUR)		
Total compensation for Services of General Economic Interest (1+2)	2018	2019
	10.743	12.645
1. Compensation granted on the basis of the SGEI	10.743	12.645

Decision

2 Total compensation granted on the basis of the
SGEI Decision

2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

In accordance with Article 4 of the Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, and with the provisions of the State Aid Act (NN Nos 47/14 and 69/17), the provider of State aid (the Ministry of the Sea, Transport and Infrastructure) produced the entrustment act, the Programme for State Aid to HP-Hrvatska pošta d.d. in the form of compensation for providing a universal service from 2014 to 2018 ('the Programme'), which was submitted to the Ministry of Finance for an opinion. In the opinion of the Ministry of Finance, the Programme is in line with the State Aid Act and with the State Aid Policy Guidelines and is fully in line with the Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.

The Postal Services Act (NN Nos 144/12, 153/13, 78/15 and 110/19) lays down the procedure for compensating the provider where the obligation to provide the universal service creates a net cost that represents an unfair financial burden for the provider. The Croatian Regulatory Authority for Network Industries (HAKOM) issues a decision determining the amount of the net cost that represents an unfair financial burden for the universal service provider, which, in accordance with Article 48(5) of the Postal Services Act, is paid from the national budget, on the basis of HAKOM's decision and in accordance with the rules on State aid. Article 49(1) of the Postal Services Act requires a universal service provider seeking compensation for an unfair financial burden to apply to HAKOM by 31 July for the preceding calendar year. Article 49(2) requires the universal service provider to submit an audit report and a calculation of the net cost incurred, which must be drawn up in accordance with Articles 47 and 50 of the Postal Services Act. It also requires the universal service provider to submit additional justification for the net cost at HAKOM's request. Finally, Article 48(4) of the Postal Services Act requires HAKOM to issue its decision as a rule within 60 days, or at the latest within six months of the date of submission of a duly completed application as referred to in Article 49(1) of the Postal Services Act.

When determining the level of compensation for an unfair financial burden at the request of HP-Hrvatska pošta d.d. ('HP'), the HAKOM Council is required by Articles 8(1)(6) and 10(1) of the Postal Services Act to issue a decision determining the amount that represents an unfair financial burden for the universal service provider, HP (the decision is issued during the current year, for the preceding year). The universal service provider, HP, submits a request to HAKOM (during the current year) for compensation for the universal service costs that represent an unfair financial burden (during the preceding year), accompanied by the corresponding annual financial accounts and an independent auditor's report. HP's request states that its universal service obligation imposes an unfair financial burden on it by requiring it to provide services under conditions other than the usual market conditions.

The legal regulations and the Instruction (issued by the HAKOM Council) on the calculation of and compensation for the net cost of the universal service and an evaluation of the unfair financial burden of 31 August 2015 ('the Instruction') require HP to submit a calculation of the net cost of the universal service.

To examine whether the calculation submitted with HP's request is justified, HAKOM requests the opinion of an independent auditor. HAKOM holds a series of workshops with

representatives of the independent auditor and HP, where all elements of the calculation are discussed, focusing in particular on the assumptions used under the commercial scenario. Based on the figures submitted and the workshops held, the independent auditor submits a final report with an independent expression of assurance of the commercial scenario and calculation of the net cost.

In line with the independent auditor's report on the net cost, HAKOM determines the final amount of the net cost of the universal service. Once the amount of the net cost of the universal service has been determined, HAKOM launches the procedure for evaluating the unfair financial burden for the universal service provider. Under the procedure, HAKOM evaluates whether the net cost of the universal service represents an unfair financial burden in accordance with point 5 of the Instruction.

HAKOM Council issued a decision (Class: UP/I-344-02/18-06/01, Ref. No: 376-06-18-10 of 23 November 2018) determining that the amount of HRK 79 797 020.00 represented an unfair financial burden for the universal service provider, HP-Hrvatska pošta d.d., in 2017, and on the basis of the decision and in accordance with the 2014–2018 State aid scheme, the amount determined was paid to the universal service provider.

HAKOM Council issued a decision (Class: UP/I-344-02/19-06/01, Ref. No: 376-06-19-16 of 5 December 2019) determining that the amount of HRK 94 070 192.00 represented an unfair financial burden for the universal service provider, HP-Hrvatska pošta d.d., in 2018, and on the basis of the decision and the State aid scheme for 2014 HAKOM [*original Croatian sentence incomplete*].

Please structure this part of your report by the following sections:

1. Hospitals providing medical care, including, where applicable, emergency services (Art. 2(1))

14) Social services (Art. 2(1)(c))

- a) Health and long term care
- b) Childcare
- c) Access to and reintegration into the labour market
- d) Social housing
- e) Care and social inclusion of vulnerable groups
- f) Other social services (if applicable)

15) Air or maritime links to islands with average annual traffic not exceeding the limit set in Art. 2(1)(d)

16) Airports and ports with average annual traffic below the limits set in Art. 2(2)(e)

17) SGEI compensation not exceeding an annual amount EUR 15 million (Art. 2(1)(a))

- a) Postal services
- b) Energy supply
- c) Waste collection
- d) Water supply
- e) Culture
- f) Financial services
- g) Other sectors (please specify)

For each of the items outlined above please provide information in the form of the following table:

Section (for example 1, hospitals or 2b, childcare)
5(a) Postal services
Clear and comprehensive description of how the respective services are organized in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
<p>The Postal Services Act requires the universal (postal) service to be provided as a service in the interest of Croatia, and the universal service is therefore considered to be a service of general economic interest. Article 3 of the Postal Services Act states that the provision of the universal service is in the interest of Croatia, and the users of postal services throughout the country must be provided with the universal service under the same conditions. In accordance with the Postal Services Act, postal services include the universal service, alternative postal services and other postal services.</p> <p>The universal service is the group of postal services available to all users of postal services throughout Croatia at an affordable price, and the universal service provider must provide the universal service at the standard laid down in the Postal Services Act through its postal network. The universal service includes postal services in domestic and international traffic:</p>

1. the receipt, routing, transport and delivery of items of correspondence weighing up to 2 kg;
2. the receipt, routing, transport and delivery of parcels weighing up to 10 kg;
3. the receipt, routing, transport and delivery of registered items and items with a declared value;
4. the receipt, routing, transport and delivery of items for the blind weighing up to 7 kg, free of charge;
5. the routing, transport and delivery of parcels weighing up to 20 kg in incoming international post.

The Postal Services Act requires the universal service provider, HP, to provide all users with the following services, at least five working days per week:

1. one receipt of postal items;
2. one delivery of postal items to the home address or business premises of all natural and legal persons.

However, the above services need not apply under certain geographical conditions or other circumstances.

HP is required to deliver all postal items in the condition in which they were received. HP is required to provide users free of charge with confirmation of receipt for registered items, items with a declared value and parcels, and to request the signature of the person to whom the postal item was delivered, as proof of delivery. The Postal Services Act and the Rules on the provision of the universal service (NN No 41/13) lay down other criteria to be met by the universal service provider.

The Rules on the provision of the universal service lay down the criteria to be met by the universal service provider's postal network. The postal network is understood to mean the organisational system and all types of resources interconnected as a single technical/technological unit which are used by the universal service provider specifically to provide the universal service throughout Croatia.

The universal service provider is required to establish a network of post offices in such a way that:

1. each post office covers an average area of not more than 80 km², or
2. each post office serves an average of not more than 6 000 inhabitants.

The average number of inhabitants and average area in km² apply to the entire territory of Croatia. The postal network must be composed of at least 700 regular post offices. The universal service provider is required to establish a network of access points in built-up areas, with a distance between access points of not more than 5 000 m.

Article 40 of the Postal Services Act requires HP to ensure that:

1. 85% of postal items of the fastest category are delivered within one working day, and 95% within two working days, in domestic postal traffic, and that 95% of all other items in domestic traffic are delivered within three working days;
2. 85% of postal items of the fastest category are delivered within three working days, and 97% within five working days, in international postal traffic with other EU Member States; for other countries, the maximum delivery dates are as laid down in the acts of the Universal Postal Union.

For postal items addressed to recipients on the islands or received on the islands, the maximum delivery dates are one day longer. The final date for the receipt or posting of postal items must be indicated in the HP's offices intended for users of the service and on post boxes, broken down by category of speed for the transport of items.

The universal service provider is required each year, in line with Croatian standards, to measure the quality of the universal service provided, and to have an independent body measure the quality of delivery of postal items in order to determine the percentage of items delivered.

The Rules on the provision of the universal service lay down the manner in which the universal service provider issues and conducts a call for tenders for having the quality of the universal service measured by an independent body, which must be in line with the following Croatian standards:

1. HRN EN 13850 - Measurement of the transit time of end-to-end services for single piece priority mail
2. HRN EN 14508 - Measurement of the transit time of end-to-end services for single piece non-priority mail
3. HR EN 14012 - Measuring complaints and compensation

The Postal Services Act requires the universal service provider to submit to the Croatian Regulatory Authority for Network Industries (HAKOM), for information, an annual report on the quality of the universal service, by 1 April for the preceding calendar year.

Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.

Provision of alternative and other postal services

The right to provide alternative and other postal services is acquired by any legal or natural person from the date of submission of a duly completed application to HAKOM. The application for the provision of postal services must be submitted to HAKOM in writing and contain the following details:

1. the name, registered or home address and personal identification number of the legal or natural person;
2. an extract from the corresponding register of legal or natural persons;
3. a list and description of the alternative and/or other postal services to be provided;
4. the cost of the postal services;
5. the area where the alternative and/or other postal services are to be provided (domestic and/or international traffic);
6. the period in which the applicant intends to start providing the alternative and/or other postal services.

Within eight days of receipt of a duly completed application, HAKOM will issue the postal service provider with confirmation of submission of a duly completed application for certain types of postal service. The confirmation is not an administrative act.

HAKOM will examine the application to determine whether it relates to alternative postal services, taking into account the characteristics of the postal services applied for, their usefulness from the point of view of the users of postal services, and the cost of the service. If it is apparent from the application that the postal services applied for are alternative postal services, HAKOM will issue a decision on the provision of alternative postal services within 90 days of receipt of the duly completed application. Before issuing its decision, HAKOM will seek the opinion of the body responsible for safeguarding competition.

HAKOM's decision must contain the following details:

1. the right to provide alternative postal services in the specified area, in accordance with the

- application submitted;
- 2. the details of the postal service provider specified in the decision;
- 3. the obligations to be met by the alternative postal service provider.

The alternative postal service provider is required to notify HAKOM in writing of any change in the circumstances referred to in the application, without delay, but at the latest within 30 days of the change occurring. The alternative service provider is not allowed to transfer the right to provide alternative postal services to another legal or natural person.

The universal service provider is entitled to provide alternative postal services without obtaining HAKOM's prior consent.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

In accordance with Article 67(1) of the Postal Services Act, HP is the universal service provider and has the right and obligation to provide that service. Article 67(2) of the Postal Services Act entrusts HP with the right and obligation to provide the universal service for a 15-year period (from the date of entry into force of the Act, on 1 January 2013), and HAKOM is required to carry out an analysis every five years of the state of the market for postal services, so as to determine whether there are postal service providers that can provide the universal service. If HAKOM's analysis determines that there are postal service providers that can provide the universal service, a public tender procedure will be carried out in order to determine the universal service provider.

Explanation whether (typically) exclusive or special rights are assigned to the undertakings.

No.

Which aid instruments have been used (direct subsidies, guarantees, etc.)?

Direct subsidies.

Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

The Postal Services Act requires HP to separate its accounts by separating income and expenditure generated from the universal service from income and expenditure generated from alternative postal services and from income and expenditure generated from other postal services, broken down by the type of service and product. This separation of accounts, based on the consistently applied and objectively justifiable cost accounting principles, also serves as the source for data for calculating the net cost of the universal service. In accordance with the Postal Services Act, an Instruction on the separation of accounts and cost accounting has been issued, which is intended to regulate the obligation of the universal service provider and provides a framework for the regulatory reports and other information to be submitted by HP periodically to HAKOM as part of its legal obligations.

The separation of accounts which the Instruction requires of HP must fulfil the following objectives:

- to determine the cost of the services incurred, so that the prices for the services provided under the universal service can be determined accurately;
- to provide the basis for determining the net cost of providing the universal service.

HP's cost accounting allocates costs for each service, i.e.:

- a) the costs that can be directly attributed to a particular service or product, and

- b) common costs that cannot be directly attributed to a particular service or product.

Common costs that cannot be directly attributed to a particular service or product are allocated as follows:

1. whenever possible, they are allocated on the basis of a direct analysis of the origin of the costs themselves;
2. when a direct analysis is not possible, common cost categories are allocated on the basis of an indirect linkage to another cost category or group of cost categories for which a direct assignment or allocation is possible, the indirect linkage being based on similar cost structures;
3. when it is not possible to allocate costs using direct or indirect measures, the cost category is allocated on the basis of a general allocator computed by using the ratio of all expenses directly or indirectly assigned or allocated, on the one hand, to each of the universal services and, on the other hand, to the alternative postal services and other postal services;
4. common costs which are necessary for the provision of the universal service, alternative postal services and other postal services will be allocated appropriately when the universal service, alternative postal services and other postal services use the same source of costs.

The procedure for calculating the net cost and the compensation mechanism are laid down in Articles 48-50 of the Postal Services Act. Article 48(1) of the Postal Services Act provides that if the obligation to provide the universal service creates a net cost that represents an unfair financial burden on the universal service provider, then the provider is entitled to compensation for the unfair financial burden determined.

The Rules on the provision of the universal service lay down the integral parts of the calculation of the net cost. They require the calculation of the net cost to be based on costs related to the provision of the universal service at the specified standard which generate a loss for the universal service provider, or under conditions where the costs are not in line with the usual rules of the market economy, as laid down in the Postal Services Act. The Rules on the provision of the universal service also provide that the net cost must include any cost related to and necessary for the provision of the universal service, and must be calculated as the difference between the net cost with an obligation to provide the universal service and the net cost without an obligation to provide the universal service.

To calculate the unfair financial burden in the postal sector, HAKOM has issued an Instruction in accordance with the Postal Services Act and the Rules on the provision of the universal service, and as universal service provider in Croatia HP is required to use a cost model whose cost base is according to the historical cost accounting (HCA) method and which is based on the fully allocated cost (FAC) accounting method. The ABC (activity-based costing) method is used as the technique for allocating costs.

A universal service provider seeking compensation for an unfair financial burden must apply to HAKOM by 31 July for the preceding calendar year. HAKOM must issue its decision as a rule within 60 days, or at the latest within six months of the date of submission of a duly completed application.

To calculate the net cost, the universal service provider must produce a business study with and without the obligation to provide a universal service, taking the following factors into account:

1. the net cost is based only on the costs related to provision of the universal service at the standard specified;
2. when calculating the net cost, only the following components of the universal service are taken into account:
 - a) those that generate a loss for the universal service provider, or
 - b) those that arise when the universal service provider operates under market conditions

that fall outside the scope of the usual rules of the market economy;

3. when calculating the net cost, account is taken of ensuring the provision of the universal service to special users or groups of users of services generating a loss for the universal service provider or provided under cost conditions that do not correspond to the usual rules of the market economy;
4. when it is possible to provide the universal service at the specified standard using several different methods, the net cost is calculated by considering the method that ensures the provision of the universal service at the specified standard at the lowest cost, even if the universal service provider opts for a different method;
5. all tangible and intangible benefits which accrue to the universal service provider by providing the universal service are deducted from the cost of the universal service; these benefits include:
 - a) income generated from the universal service, as well as income from services that do not form part of the universal service and which would not have been obtained by the universal service provider without providing the universal service,
 - b) an increase in the value of the brand as a result of providing the universal service,
 - c) a reduction in the cost of providing other services as a result of synergies created by providing the universal service,
 - d) other tangible and intangible benefits determined by HAKOM;
6. the universal service provider is entitled to an appropriate level of profit when providing the universal service, allowing it to achieve a rate of return on resources that it could have obtained without providing the universal service.

Based on the calculation, HAKOM issues a decision determining the amount of the net cost that represents an unfair financial burden for the universal service provider. The funds for providing compensation for the unfair financial burden are paid from the national budget, on the basis of HAKOM's decision and in accordance with the rules on State aid.

Typical arrangements for avoiding and repaying any overcompensation.

As the provider of State aid, the Ministry of the Sea, Transport and Infrastructure ensures that the compensation paid to HP for provision of the universal service meets the requirements set out in the Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, in particular that HP does not receive compensation in excess of the amount determined in accordance with Article 5 of the Decision.

Similarly, following a written request by the Commission, the Ministry of the Sea, Transport and Infrastructure will submit all information requested and carry out regular checks at least every three years during the period of the Programme and at the end of that period. If HP receives compensation in excess of the amount determined in accordance with Article 5 of the Commission Decision, the Ministry of the Sea, Transport and Infrastructure will ask HP to repay the overcompensation paid. The criteria for calculating the compensation will be revised for future periods.

The amounts stated in the forecast for the Programme are indicative, and the exact amount of the net cost for each year is determined by decision of HAKOM following a procedure laid down in the Postal Services Act and the Instruction.

To avoid any distortion of competition, on no account may the compensation for an unfair financial burden on HP exceed, between 2014 and 2018, the amount necessary to cover the unfair financial burden, on the basis of an actual and true presentation of costs and receipts associated with the universal service, and the parameters for allocating costs and revenues. As the compensation is

calculated and paid at the end of the calendar year, based on a decision by HAKOM on the amount of the unfair financial burden issued on the basis of the findings of an independent auditor, we do not believe it is possible to overcompensate the universal service provider, because HAKOM calculates the compensation *ex post* (after the end of the calendar year).

Also, in the event of any change in the situation described, or if the conditions for the application of the Commission Decision cease to be met, the competent Croatian authorities are responsible for carrying out the procedure under Article 2(3) of the Commission Decision (notification of the European Commission in accordance with Article 108(3) TFEU).

A short explanation of how the **transparency requirements** (see *Article 7 of the 2012 SGEI Decision*) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with.

In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted

Total amount of aid granted (in millions EUR)⁶. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2018	2019
10.827	12.707
A: Total amount of aid granted (in millions EUR) paid by national central authorities⁷	
2018	2019
10.743	12.645
B: Total amount of aid granted (in millions EUR) paid by regional authorities⁸	
2018	2019
0	0
C: Total amount of aid granted (in millions EUR) paid by local authorities⁹	

2018	2019
0.084	0.062
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019

⁵

If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services.

If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial.

⁶ As stipulated in Article 9 b) of the 2012 SGEI Decision.

⁷

If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

⁸ See footnote **Error! Bookmark not defined..**

⁹ See footnote **Error! Bookmark not defined..**

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)¹⁰

2018	2019

¹⁰ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

Please also fill out **Annex 2** with the total amounts per section for the whole Member State (not per region, local authority or municipality).

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

Please structure this part of your report by the following sections:

SGEI compensation exceeding EUR 15 million, falling outside the SGEI Decision (please specify the Commission decision approving each measure if applicable):

- iv. Postal services
- ii. Energy
- iii. Waste collection
- iv. Water supply
- v. Air or maritime links to islands with average annual traffic above the limits set in Art. 2(1)(d)
- vi. Airports and ports with average annual traffic above the limit set in Art. 2(1)(e)
- vii. Culture
- viii. Financial services
- ix. Other sectors (please specify)

For each of the items outlined above please provide information in the form of the following table:

Section (e.g. <i>iii. Waste collection</i> or <i>viii. Financial services</i>)
Clear and comprehensive description of how the respective services are organized in your Member State ¹³
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
Typical arrangements for avoiding and repaying any overcompensation.

A short explanation of how the transparency requirements (see Paragraph 60 of the 2012 SGEI Framework) are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some <i>links to websites or other references</i>), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).	
Amount of aid granted	
Total amount of aid granted (in millions EUR) ¹² . This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019

A: Total amount of aid granted (in millions EUR) paid by national central authorities ¹³

2018	2019

B: Total amount of aid granted (in millions EUR) paid by regional authorities¹⁴

2018	2019

C: Total amount of aid granted (in millions EUR) paid by local authorities

2018	2019

Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)

2018	2019

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ¹⁶

¹¹ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial. Since cases falling under the SGEI Framework will be limited in number, the Commission expects a detailed description of each concrete measure.

¹² As stipulated in Article 62(b) of the 2012 SGEI Framework.

¹³ If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

¹⁴ See footnote Error! Bookmark not defined..

¹⁵ See footnote Error! Bookmark not defined..

2018	2019

Please also fill out Annex 2 with the total amounts per section for the whole Member State (not per region, local authority or municipality).

4. COMPLAINTS BY THIRD PARTIES

Please provide an overview of complaints by third parties, in particular litigation before national courts, regarding measures in scope of the 2012 SGEI Decision or 2012 SGEI Framework. Please be as specific as possible in your reply and include the sector for which you have received the complaints, the contents of the complaints and the possible follow-up by your authorities or the likely outcome of the court proceedings.

There were no complaints by third parties during the reporting period (2018-2019).

5.MISCELLANEOUS QUESTIONS

j. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:

- drawing up an entrustment act that complies with Article 4 of the SGEI Decision;
- specifying the amount of compensation in line with Article 5 of the SGEI Decision;
- determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision;
- regularly checking overcompensation as required by Article 6 of the SGEI Decision;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

There were no difficulties in applying the 2012 SGEI Decision during the reporting period 2018–2019.

16

The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Framework, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

k. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:

- carrying out a public consultation in line with paragraph 14 of the SGEI Framework;
- complying with public procurement rules in line with para 19 of the SGEI Framework;
- determining the net avoided cost as required by paras 25-27 of the SGEI Framework;

- determining the reasonable profit level in line with paras 33-38 of the SGEI Framework;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

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1. If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.

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SGEI Decision		Total amount	
		2018	2019
Article 2(1)(b)	Hospitals providing medical care, including, where applicable emergency services		
Article 2(1)(c)	Health and long term care		
	Childcare		
	Access to and reintegration into the labour market		
	Access to and reintegration into the labour market		
	Social housing		
	Care and social inclusion of vulnerable groups		
	Other social services		
Article 2(1)(d)	Air or maritime links		
Article 2(1)(e)	Airports and ports		
Article 2(1)(a), less than EUR 15 million per year	Postal services	10.827	12.707
	Energy supply		
	Waste collection		
	Water supply		
	Culture		
	Financial services		
	Other		

ANNEX 1

Services of General Economic Interest: guidance for report to be submitted following the 2012 SGEI Decision and the 2012 SGEI framework

The reporting obligations are set out in the Article 9 of the 2012 SGEI Decision:

Each Member State shall submit a report on the implementation of this Decision to the Commission every 2 years. The reports shall provide a detailed overview of the application of this Decision for the different categories of services referred to in Article 2(1), including:

- (q) a description of the application of this Decision to the services falling within its scope, including in-house activities;
- (r) the total amount of aid granted in accordance with this Decision, with a breakdown by the economic sector of the beneficiaries;
- (s) an indication of whether, for a particular type of service, the application of this Decision has given rise to difficulties or complaints by third parties; and
- (t) any other information concerning the application of this Decision required by the Commission and to be specified in due time before the report is to be submitted.

Paragraph 62 of the 2012 SGEI Framework sets in principle identical reporting obligations for aid granted under the 2012 SGEI Framework.

Please structure your report as follows:

1. EXPENDITURE OVERVIEW

Please complete the following table:

Total SGEI government expenditure by legal basis (millions EUR)		
Total compensation for Services of General Economic Interest (1+2)	2018	2019
1. Compensation granted on the basis of the <i>SGEI Decision</i>		
2. Total compensation granted on the basis of the <i>SGEI Decision</i>		

2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

Please structure this part of your report by the following sections:

1. Hospitals providing medical care, including, where applicable, emergency services (Art. 2(1))

18) Social services (Art. 2(1)(c))

- a) Health and long term care
- b) Childcare
- c) Access to and reintegration into the labour market
- d) Social housing
- e) Care and social inclusion of vulnerable groups
- f) Other social services (if applicable)

19) Air or maritime links to islands with average annual traffic not exceeding the limit set in Art. 2(1)(d)

20) Airports and ports with average annual traffic below the limits set in Art. 2(2)(e)

21) SGEI compensation not exceeding an annual amount EUR 15 million (Art. 2(1)(a))

- a) Postal services
- b) Energy supply
- c) Waste collection
- d) Water supply
- e) Culture
- f) Financial services
- g) Other sectors (please specify)

For each of the items outlined above please provide information in the form of the following table:

Section *for example: hospitals or 2b childcare*

Clear and comprehensive description of how the respective services are organized in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State.

Please list the **contents of the services entrusted as SGEI** as clearly as possible.

Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.

Average duration of the entrustment (in years) and the proportion of entrustments that are **longer than 10 years (in %)** per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

Typical arrangements for avoiding and repaying any overcompensation.

A short explanation of how the **transparency requirements** (see *Article 7 of the 2012 SGEI Decision*) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with.

In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

S.

Amount of aid granted

Total amount of aid granted (in millions EUR)⁶. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2018	2019
A: Total amount of aid granted (in millions EUR) paid by national central authorities ⁷	
2018	2019
B: Total amount of aid granted (in millions EUR) paid by regional authorities ⁸	
2018	2019
C: Total amount of aid granted (in millions EUR) paid by local authorities ⁹	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019

If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services.

If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial.

⁶ As stipulated in Article 9 b) of the 2012 SGEI Decision.

⁷

If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

⁸ See footnote **Error! Bookmark not defined..**

⁹ See footnote **Error! Bookmark not defined..**

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)¹⁰

2018	2019

¹⁰ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

Please also fill out **Annex 2** with the total amounts per section for the whole Member State (not per region, local authority or municipality).

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

Please structure this part of your report by the following sections:

SGEI compensation exceeding EUR 15 million, falling outside the SGEI Decision (please specify the Commission decision approving each measure if applicable):

- v. Postal services
- ii. Energy
- iii. Waste collection
- iv. Water supply

- v. Air or maritime links to islands with average annual traffic above the limits set in Art. 2(1)(d)
- vi. Airports and ports with average annual traffic above the limit set in Art. 2(1)(e)
- vii. Culture
- viii. Financial services
- ix. Transport sector

For each of the items outlined above please provide information in the form of the following table:

Section (for example <i>iii. Waste collection</i> or <i>viii. Financial services</i>)
The Croatian Ministry of the Sea, Transport and Infrastructure has entrusted the operation of passenger transport as a service of general economic interest to the company HŽ PUTNIČKI PRIJEVOZ d.o.o.
Clear and comprehensive description of how the respective services are organized in your Member State ¹³
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
Public passenger railway services in Croatia are operated by the company HŽ Putnički prijevoz d.o.o., which receives compensation for operating the service of general economic interest. The compensation must not exceed what is necessary to cover the net costs incurred in discharging the public service obligation, taking into account the relevant receipts and a reasonable profit. Reasonable profit is defined as the Return on Capital Employed (ROCE) – Net profit after tax for the period of the PSO activities divided by (Total assets included in the PSO activities less current liabilities related to the PSO activities). To ensure that the service provider does not receive overcompensation, the maximum annual amount of reasonable profit cannot exceed an equivalent return on a 10-year Croatian bond in kuna (based on the average return over the preceding two years).
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
The contract is concluded in such a way that a quarterly advance is paid and a report in accordance with the contract (annexes) is submitted at the end of each quarter. The annex shows the revenue generated and the costs incurred in connection with operating the timetable, since the subject of the contract is the co-financing of the transport service.

Average duration of the entrustment (in years) and the proportion of entrustments that are **longer than 10 years (in %)** per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

The Contract on public services of general economic interest in public railway transport in Croatia is a public service contract within the meaning of Regulation (EC) No 1370/2007 of the European Parliament amending Regulation (EU) 2016/2338 of the European Parliament regarding the opening of the domestic market for passenger services by rail.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

The compensation is granted in the form of a subsidy.

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

The compensation is granted in the form of a subsidy.

Breakdown of the calculation of the compensation:

Average operating cost of trains (excluding cost of rolling stock) x planned train-kilometres +

Average cost of rolling stock x planned vehicle-kilometres -

Planned revenue from ticket sales +

Reasonable profit -

Liquidated damages

= Necessary level of compensation

Where:

Operating cost of trains includes => infrastructure costs and station costs, costs of train drivers and assistants, personnel on board the train, fees for persons on board the train, escorts of WL and BC coaches, cashiers, station cashiers and train dispatchers, fees for all workers, other staff, other depreciation, maintenance of other assets, other external train services, IT services, other energy

Cost of rolling stock includes => the cost of propulsion energy for trains, traction, technical inspection of vehicles, depreciation of rolling stock related to vehicles procured using the service provider's own funds without external (EU or national) financing, cleaning of rolling stock, maintenance of rolling stock, manoeuvring, financial costs, materials and spare parts, intangible costs of materials sold.

Revenue from ticket sales => revenue from passenger transport by train, RIC and revenue from passenger transport by bus and coach.

Reasonable profit

Penalties

Typical arrangements for avoiding and repaying any overcompensation.

The arrangements are laid down in the Annexes to Contract No 1/2019/DP-HŽPP on public services of general economic interest in public transport by rail in Croatia, concluded between the Croatian Ministry of the Sea, Transport and Infrastructure and the company HŽ PUTNIČKI PRIJEVOZ d.o.o. for the transport of passengers between 1 January 2019 and 31 December 2028.

A short explanation of how the transparency requirements (see Paragraph 60 of the 2012 SGEI Framework) are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some *links to websites or other references*), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

The timetable regulated by the Contract is published on the website of HŽ Putnički prijevoz d.o.o.

<http://www.hzpp.hr/>

Amount of aid granted

Total amount of aid granted (in millions EUR) ¹². This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2018	2019
A: Total amount of aid granted (in millions EUR) paid by national central authorities ¹³	
2018	2019
61 560 000*	59 813 333*
B: Total amount of aid granted (in millions EUR) paid by regional authorities¹⁴	
2018	2019

C: Total amount of aid granted (in millions EUR) paid by local authorities

2018	2019

Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)

2018	2019

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ¹⁶

*2018 = HRK 461 700 000, converted at a rate of 7.5 to the euro

*2019 = HRK 448 600 000, converted at a rate of 7.5 to the euro

¹¹ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial. Since cases falling under the SGEI Framework will be limited in number, the Commission expects a detailed description of each concrete measure.

¹² As stipulated in Article 62(b) of the 2012 SGEI Framework.

¹³ If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

¹⁴ See footnote Error! Bookmark not defined..

¹⁵ See footnote Error! Bookmark not defined..

2018	2019

Please also fill out Annex 2 with the total amounts per section for the whole Member State (not per region, local authority or municipality).

4. COMPLAINTS BY THIRD PARTIES

Please provide an overview of complaints by third parties, in particular litigation before national courts, regarding measures in scope of the 2012 SGEI Decision or 2012 SGEI Framework. Please be as specific as possible in your reply and include the sector for which you have received the complaints, the contents of the

complaints and the possible follow-up by your authorities or the likely outcome of the court proceedings.

There have been no complaints by third parties.

5.MISCELLANEOUS QUESTIONS

m. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:

- drawing up an entrustment act that complies with Article 4 of the SGEI Decision;
- specifying the amount of compensation in line with Article 5 of the SGEI Decision;
- determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision;
- regularly checking overcompensation as required by Article 6 of the SGEI Decision;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

¹⁶

The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Framework, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

n. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:

- carrying out a public consultation in line with paragraph 14 of the SGEI Framework;
- complying with public procurement rules in line with para 19 of the SGEI Framework;
- determining the net avoided cost as required by paras 25-27 of the SGEI Framework;
- determining the reasonable profit level in line with paras 33-38 of the SGEI Framework;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

o. If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.

There were no difficulties in applying the 2012 SGEI Decision during the reporting period 2018–2019.

SGEI Decision		Total amount	
		2018	2019
Article 2(1)(b)	Hospitals providing medical care, including, where applicable emergency services		
Article 2(1)(c)	Health and long term care		
	Childcare		
	Access to and reintegration into the labour market		
	Access to and reintegration into the labour market		
	Social housing		
	Care and social inclusion of vulnerable groups		
	Other social services		
Article 2(1)(d)	Air or maritime links		
Article 2(1)(e)	Airports and ports		
Article 2(1)(a), less than EUR 15 million per year	Postal services		
	Energy supply		
	Waste collection		
	Water supply		
	Culture		
	Financial services		
	Other		

ANNEX 1

Keeping the airport Zračna luka Osijek d.o.o. open for public transport by air

Services of General Economic Interest: guidance for report to be submitted following the 2012 SGEI Decision and the 2012 SGEI framework

The reporting obligations are set out in the Article 9 of the 2012 SGEI Decision:

Each Member State shall submit a report on the implementation of this Decision to the Commission every 2 years. The reports shall provide a detailed overview of the application of this Decision for the different categories of services referred to in Article 2(1), including:

- (u) a description of the application of this Decision to the services falling within its scope, including in-house activities;
- (v) the total amount of aid granted in accordance with this Decision, with a breakdown by the economic sector of the beneficiaries;
- (w) an indication of whether, for a particular type of service, the application of this Decision has given rise to difficulties or complaints by third parties; and
- (x) any other information concerning the application of this Decision required by the Commission and to be specified in due time before the report is to be submitted.

Paragraph 62 of the 2012 SGEI Framework sets in principle identical reporting obligations for aid granted under the 2012 SGEI Framework.

Please structure your report as follows:

1. EXPENDITURE OVERVIEW

Please complete the following table:

Total SGEI government expenditure by legal basis (millions EUR)		
Total compensation for Services of General Economic Interest (1+2)	2018	2019
	0.413	0.867
	1. Compensation granted on the basis of the SGEI	0.413

Decision

2. Total compensation granted on the basis of the SGEI Decision

2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

Please structure this part of your report by the following sections:

1. Hospitals providing medical care, including, where applicable, emergency services (Art. 2(1))
- 22) Social services (Art. 2(1)(c))
 - a) Health and long term care
 - b) Childcare
 - c) Access to and reintegration into the labour market
 - d) Social housing
 - e) Care and social inclusion of vulnerable groups
 - f) Other social services (if applicable)
- 23) Air or maritime links to islands with average annual traffic not exceeding the limit set in Art. 2(1)(d)
- 24) Airports and ports with average annual traffic below the limits set in Art. 2(2)(e)

Legal basis:

- a) **Decision to keep Zračna luka Osijek d.o.o. open for public transport by air in the period 2014–2018 (adopted on 16 April 2014)**

The undertaking entrusted under this Decision with the operation of an SGEI is Zračna luka Osijek d.o.o.

According to the NACE classification (rev. 2), the economic activity of the State aid beneficiary is:

5223 – Service activities incidental to air transportation

The business activities of Zračna luka Osijek d.o.o. comprise primary and secondary activities.

The primary activities of Zračna luka Osijek d.o.o. comprise all activities relating to aircraft ground handling, aircraft parking, passenger services, goods handling and activities aimed at providing scheduled and charter routes in domestic and international transport.

The secondary activities of Zračna luka Osijek d.o.o. comprise activities aimed at providing end users with comprehensive services and include car rental, accommodation and food services, leasing of office and advertising space, duty-free sales, etc.

b) **Decision to keep Zračna luka Osijek d.o.o. open for public transport by air in the period 2019–2023 (adopted on 18 October 2018)**

The undertaking entrusted under this Decision with the operation of an SGEI is Zračna luka Osijek d.o.o.

Under this Decision, in order to keep Zračna luka Osijek d.o.o. open for public transport by air, the airport operator is required to provide basic activities comprising a series of technical and technological tasks and operations required for the safe provision of air transport involving aircraft, passengers, luggage, goods, items and post, and to remain open for public transport by air in accordance with the directives laying down the periods when the airport is open for public transport by air (which constitutes a service of general economic interest (SGEI)).

This Decision does not apply to any other services provided by Zračna luka Osijek d.o.o., including secondary activities such as storage, lease of office space, road transport, accommodation and food services, land and car park leasing, agency services, etc., which are not considered services of general economic interest (SGEI).

25) SGEI compensation not exceeding an annual amount EUR 15 million (Art. 2(1)(a))

- a) Postal services
- b) Energy supply
- c) Waste collection
- d) Water supply
- e) Culture
- f) Financial services
- g) Other sectors (please specify)

For each of the items outlined above please provide information in the form of the following table:

Section:
Keeping the airport Zračna luka Osijek d.o.o. open for public transport by air
Clear and comprehensive description of how the respective services are organized in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State.

Please list the **contents of the services entrusted as SGEI** as clearly as possible.

In order to keep Zračna luka Osijek d.o.o. open for public transport by air, the airport operator must provide an SGEI comprising a series of technical and technological tasks and operations required for the safe provision of air transport involving aircraft, passengers, luggage, goods, items and post, and remain open for public transport by air in accordance with directives laying down times when the airport is open for public transport by air.

The undertaking Zračna luka Osijek d.o.o. provides the SGEI during the airport's operational period as laid down in:

- a) The Order on airport operational time (NN No 133/2013). Under this Order, Zračna luka Osijek d.o.o. must also be open to public transport by air outside the indicated opening hours upon request, which must be submitted during the airport's working hours and notified through the SITA communication system 24 hours in advance (for the 2014–2018 period).
- b) The Order on airport operational time (NN No 31/2013) lays down the times when Zračna luka Osijek d.o.o. must be open to public transport by air, including outside the indicated opening hours upon request, which must be submitted during the airport's working hours and notified through the SITA communication system 24 hours in advance (for 2019–2023 period).

All other activities of Zračna luka Osijek d.o.o., including the secondary activities, are not considered as SGEIs.

Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.

In this specific case: DECISIONS

- a) The Decision of 16 April 2014 on the obligation to keep Zračna luka Osijek d.o.o. open for public transport by air in the period 2014–2018 ('the 2014 Decision'); [please find a copy of the Decision attached](#).
- b) The Decision of 18 October 2018 on the obligation to keep Zračna luka Osijek d.o.o. open for public transport by air in the period 2019–2023 ('the 2018 Decision'); [please find a copy of the Decision attached](#).

Average duration of the entrustment (in years) and the proportion of entrustments that are **longer than 10 years (in %)** per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The total duration of the entrustment is 10 years (from 1.1.2014 to 31.12.2023).

- a) Under the 2014 Decision, Zračna luka Osijek d.o.o. will provide the SGEI from 1.1.2014 to 31.12.2018.
- b) Under the 2018 Decision, Zračna luka Osijek d.o.o. will provide the SGEI from 1.1.2019 to 31.12.2023.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Direct subsidies	
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.	
<p>The compensation is a subsidy covering lost revenue in relation to expenses. The compensation covers all direct variable and fixed costs as well as a proportionate share of common overheads incurred in the provision of the SGEI.</p> <p>The compensation does not cover the reasonable profit arising from the provision of the SGEI.</p> <p>The calculation of the compensation, i.e. the difference between expenditure and revenue, is based on all revenue (including revenue from the primary and secondary activities and extraordinary and financial revenue) but only on direct expenses incurred in the provision of the services of general economic interest and a corresponding share of expenses that are common to both services of general economic interest and other services.</p>	
Typical arrangements for avoiding and repaying any overcompensation.	
<p>Under the 2014 Decision and the 2018 Decision, Zračna luka Osijek d.o.o. cannot be granted other forms of State aid, irrespective of the provider (national, regional or local level), without obtaining a prior opinion from the competent body. In order to avoid overcompensation, the Ministry of the Sea, Transport and Infrastructure carries out regular inspections. If these reveal that <i>de minimis</i> aid has been granted (irrespective of administrative level), the Ministry will reduce the compensation by the amounts of any <i>de minimis</i> aid granted to Zračna luka Osijek d.o.o. under Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to <i>de minimis</i> aid (OJ L 352, 24.12.2013, p. 1) and Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to <i>de minimis</i> aid granted to undertakings providing services of general economic interest (OJ L 114, 26.4.2012, p. 297).</p>	
<p>A short explanation of how the transparency requirements (see <i>Article 7 of the 2012 SGEI Decision</i>) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with.</p> <p>In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).</p>	
Amount of aid granted	
Total amount of aid granted (in millions EUR) ⁶ . This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019

0.413	0.867
A: Total amount of aid granted (in millions EUR) paid by national central authorities⁷	
2018	2019
0.413	0.867
B: Total amount of aid granted (in millions EUR) paid by regional authorities⁸	
2018	2019
0.00	0.00
C: Total amount of aid granted (in millions EUR) paid by local authorities⁹	
2018	2019
0.00	0.00
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019

⁵

If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services.

If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial.

⁶ As stipulated in Article 9 b) of the 2012 SGEI Decision.

⁷

If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

⁸ See footnote **Error! Bookmark not defined..**

⁹ See footnote **Error! Bookmark not defined..**

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)¹⁰

2018	2019

¹⁰ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

Please also fill out **Annex 2** with the total amounts per section for the whole Member State (not per region, local authority or municipality).

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

Please structure this part of your report by the following sections:

SGEI compensation exceeding EUR 15 million, falling outside the SGEI Decision (please specify the Commission decision approving each measure if applicable):

- vi. Postal services
- ii. Energy
- iii. Waste collection
- iv. Water supply
- v. Air or maritime links to islands with average annual traffic above the limits set in Art. 2(1)(d)
- vi. Airports and ports with average annual traffic above the limit set in Art. 2(1)(e)
- vii. Culture
- viii. Financial services
- ix. Other sectors (please specify)

For each of the items outlined above please provide information in the form of the following table:

Section (e.g. <i>iii. Waste collection</i> or <i>viii. Financial services</i>)
Clear and comprehensive description of how the respective services are organized in your Member State ¹³
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
Typical arrangements for avoiding and repaying any overcompensation.

A short explanation of how the transparency requirements (see Paragraph 60 of the 2012 SGEI Framework) are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some *links to websites or other references*), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted	
Total amount of aid granted (in millions EUR) ¹² . This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
A: Total amount of aid granted (in millions EUR) paid by national central authorities ¹³	
2018	2019
B: Total amount of aid granted (in millions EUR) paid by regional authorities ¹⁴	
2018	2019
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ¹⁶	

¹¹ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual

entrustments remains crucial. Since cases falling under the SGEI Framework will be limited in number, the Commission expects a detailed description of each concrete measure.

¹² As stipulated in Article 62(b) of the 2012 SGEI Framework.

¹³ If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

¹⁴ See footnote Error! Bookmark not defined..

¹⁵ See footnote Error! Bookmark not defined..

2018	2019

Please also fill out Annex 2 with the total amounts per section for the whole Member State (not per region, local authority or municipality).

4. COMPLAINTS BY THIRD PARTIES

Please provide an overview of complaints by third parties, in particular litigation before national courts, regarding measures in scope of the 2012 SGEI Decision or 2012 SGEI Framework. Please be as specific as possible in your reply and include the sector for which you have received the complaints, the contents of the complaints and the possible follow-up by your authorities or the likely outcome of the court proceedings.

THERE WERE NO COMPLAINTS BY THIRD PARTIES DURING THE REPORTING PERIOD (2018–2019).

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5.MISCELLANEOUS QUESTIONS

p. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:

- drawing up an entrustment act that complies with Article 4 of the SGEI Decision;
- specifying the amount of compensation in line with Article 5 of the SGEI Decision;
- determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision;
- regularly checking overcompensation as required by Article 6 of the SGEI Decision;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

THERE WERE NO DIFFICULTIES IN APPLYING THE 2012 SGEI DECISION DURING THE REPORTING PERIOD (2018–2019).

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¹⁶

The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Framework, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

q. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:

- carrying out a public consultation in line with paragraph 14 of the SGEI Framework;
- complying with public procurement rules in line with para 19 of the SGEI Framework;
- determining the net avoided cost as required by paras 25-27 of the SGEI Framework;
- determining the reasonable profit level in line with paras 33-38 of the SGEI Framework;

U Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

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r. If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.

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SGEI Decision		Total amount	
		2018	2019
Article 2(1)(b)	Hospitals providing medical care, including, where applicable emergency services		
Article 2(1)(c)	Health and long term care		
	Childcare		
	Access to and reintegration into the labour market		
	Access to and reintegration into the labour market		
	Social housing		
	Care and social inclusion of vulnerable groups		
	Other social services		
Article 2(1)(d)	Air or maritime links		
Article 2(1)(e)	Airports and ports	0.413	0.867
Article 2(1)(a), less than EUR 15 million per year	Postal services		
	Energy supply		
	Waste collection		
	Water supply		
	Culture		
	Financial services		
	Other		

Table 3 point 2 ANNEX 1

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) (DECISION)	
2018	2019
13	12

Table 1 of point 1 of ANNEX 1

General SGEI government expenditure by functions (millions EUR)		
	2018	2019
<i>Compensation for Services of General Economic Interest (1+2)</i>	42,03	42,53
(1) Compensation granted on the basis of the SGEI Decision	39,33	39,54
(2) Compensation granted on the basis of the SGEI Framework	2,7	2,99

Table 1 of point 2 of ANNEX 1

Section (for example 1, hospitals or 2b, childcare)	
3d - maritime links to islands with average annual traffic below the limits set in Art. 2(1)	
Clear and comprehensive description of how the respective services are organized in your Member State	
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.	
STATE-RUN FERRY ROUTES 338 Lopar – Valbiska 401 Zadar (Gaženica) – Ist – Olib – Silba – Premuda – Mali Lošinj 433 Zadar (Gaženica) – Rivanj – Sestrunj – Zverinac – Molat – Ist 434 Brbinj – Zadar (Gaženica) 435 Zadar (Gaženica) – Bršanj – Rava 532 Šibenik – Zlarin – Obonjan – Kaprije – Žirje 602 Vis – Split 604/604a Lastovo – Vela Luka – Split 606 Drvenik Veli – Drvenik Mali – Trogir – Split 633 Ploče – Trpanj 636 Rogač – Split 638 Sumartin – Makarska 831 Suđurađ – Lopud – Dubrovnik 832 Sobra – Prapratno	STATE-RUN SHIPPING ROUTES 310 Mali Lošinj – Srakane Vele – Unije – Susak 311 Ilovik – Mrtvaška – Mali Lošinj 405 Rava – Iž – Zadar 405a Zadar – Sali – Zaglav 415 Vrgada – Pakoštane – Biograd 501 Brodarica – Krapanj 505 Vodice – Prvić – Zlarin – Šibenik 612 Komiža – Biševo 614 Korčula – Orebić 807 Šipan – Lopud – Koločep – Dubrovnik
STATE-RUN HIGH-SPEED ROUTES 9141 Pula – Unije – Susak – mali Lošinj – Ilovik – Silba – Zadar 9308 Mali Lošinj – Ilovik – Susak – Unije – Martinščica – Cres – Rijeka 9309 Novalja – Rab – Rijeka 9401 Olib – Silba – Premuda – Zadar 9403 Ist – Molat – Zadar 9404 Brbinj – Božava – Zverinac – Sestrunj – Rivanj – Zadar 9405 Zadar – Iž – Rava 9406 Zadar – Sali – Zaglav – Iž 9502 Žirje – Kaprije – Šibenik 9601 Rogač – Split 9602 Vis – Hvar – Milna – Split 9603 Jelsa – Bol – Split 9604 Lastovo – Vela Luka – Hvar – Split 9608 Korčula – Prigradica – Hvar – Split 9807 Dubrovnik – Šipanska Luka – Sobra – Polače – Korčula – Lastovo <i>* Ports on the mainland are marked in bold, the other ports are on islands.</i>	
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.	
The entrustment act specifying the public service obligations is a decision on the selection of the most advantageous tenderer, granting the right to operate a public transport service on the routes referred to on the basis of an open public procurement procedure, after which a public service contract is concluded.	
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?	

For shipping routes, the contracts are to be concluded for a three-year period, with a possible extension for a further nine years if the ship is less than five years old when the three-year period expires. The shipping company must inform the Agency in writing, no later than one year before the three-year contract expires, of its intention to make use of the option to extend the contract. If the shipping company intends to make use of the option to extend the contract, the conditions for extending it will be agreed upon without delay. The average age of the fleet of vessels operating scheduled coastal maritime public transport on passenger shipping routes is 46 years. The option to extend the contract is therefore intended to allow new or newer vessels to be introduced on those routes, so as to reduce the age of the fleet and at the same time improve the safety of those passenger vessels. On ferry and high-speed routes, the contract is to be concluded for a six-year period, with a possible extension for a further four, if the ship is less than 11 years old at the end of the initial six-year period. The intention here, too, is to promote the introduction of newer vessels on the public transport system, as the average age of most of the fleet is over 33 years. All shipping companies within the European Economic Area are allowed to bid for the provision of scheduled coastal maritime public transport services under the above conditions. The possibility of an extension (for the above routes) has been exhausted on two ferry routes for which a 10-year contract was signed and on one shipping route for which a 12-year contract was signed. The contracts were signed in 2018.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

Exclusive rights are assigned, since a shipping company granted the right to operate a public transport service on the basis of a public tender and a public service contract may perform that service only.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Direct aid to shipping companies for operating a public transport service in scheduled maritime transport (State aid in the form of public service compensation)

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

The compensation mechanism is based on the cost allocation methodology, i.e. the amount of public service compensation should not exceed what is necessary to cover the net costs of fulfilling the public service obligation, including a reasonable profit.

Typical **arrangements for avoiding and repaying any overcompensation**.

At the end of the financial year, the shipping company submits financial accounts for each individual route, in line with the principle of separate accounts, and the contracting authority is required to perform accountancy checks so as to determine the final actual costs and revenue of the route. If the checks determine that the shipping company has been paid a higher amount of public service compensation than the final costs and revenue, the contracting authority will ask the company to repay the overcompensation for provision of the public service to the budget.

A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

<https://agencija-zolpp.hr/wp-content/uploads/2020/06/Objava-godi%C5%A1nih-iznosa-potpura-sukladno-%C4%8Dlanku-37.-Uredbe-NN-31-14-i-%C4%8Dlanku-7.Odluke-2012-21-EU.pdf>

Table 2 point 2 ANNEX 1

Amount of aid granted (DECISION)	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
39,33	39,54
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
39,33	39,54
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2018	2019
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019

Table 1 point 3 ANNEX 1

Section (for example iii. Waste collection or viii. Financial services)	
v. - maritime links to islands with average annual traffic above the limits set in Art. 2(1)	
Clear and comprehensive description of how the respective services are organized in your Member State	
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.	
STATE-RUN FERRY ROUTES	STATE-RUN SHIPPING ROUTES
<p>Fulfilment of the public service obligation to operate the scheduled public transport of passengers and vehicles between islands and the mainland and among islands, on the following routes:</p> <p>STATE-RUN FERRY ROUTES</p> <p>431 Zadar (Gaženica) – Ošljak – Preko</p> <p>432 Biograd – Tkon</p> <p>632 Sućuraj – Drvenik</p> <p>635 Stari Grad - Split</p> <p><i>* Ports on the mainland are marked in bold, the other ports are on islands.</i></p>	
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.	
The entrustment act specifying the public service obligations is a decision on the selection of the most advantageous tenderer, granting the right to operate a public transport service on the routes referred to on the basis of an open public procurement procedure, after which a public service contract is concluded.	
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?	

On shipping routes, the contracts are to be concluded for a three-year period, with a possible extension for a further nine years if the ship is less than five years old when the three-year period expires. The shipping company must inform the Agency in writing, no later than one year before the three-year contract expires, of its intention to make use of the option to extend the contract. If the shipping company intends to make use of the option to extend the contract, the conditions for extending it will be agreed upon without delay. The average age of the fleet of vessels operating scheduled coastal maritime public transport on passenger shipping routes is 46 years. The option to extend the contract is therefore intended to allow new or newer vessels to be introduced on those routes, so as to reduce the age of the fleet and at the same time improve the safety of those passenger vessels. On ferry routes, the contracts are to be concluded for a six-year period, with a possible extension for a further four, if the ship is less than 11 years old at the end of the initial six-year period. The intention here, too, is to promote the introduction of newer vessels on the public transport system, as the average age of most of the fleet is over 33 years. All shipping companies within the European Economic Area are allowed to bid for the provision of scheduled coastal maritime public transport services under the above conditions. As the possibility of an extension (for the above routes) has not been exhausted, contracts have been signed for six years on the ferry routes and for three years on the shipping routes. The contracts were signed in 2019.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

Exclusive rights are assigned, since a shipping company granted the right to operate a public transport service on the basis of a public tender and a public service contract may perform that service only.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Direct aid to shipping companies for operating a public transport service in scheduled maritime transport (State aid in the form of public service compensation)

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

The compensation mechanism is based on the cost allocation methodology, i.e. the amount of public service compensation should not exceed what is necessary to cover the net costs of fulfilling the public service obligation, including a reasonable profit.

Typical **arrangements for avoiding and repaying any overcompensation.**

At the end of the financial year, the shipping company submits financial accounts for each individual route, in line with the principle of separate accounts, and the contracting authority is required to perform accountancy checks so as to determine the final actual costs and revenue of the route. If the checks determine that the shipping company has been paid a higher amount of public service compensation than the final costs and revenue, the contracting authority will ask the company to repay the overcompensation for provision of the public service to the budget.

Table 2 point 3 ANNEX 1

Amount of aid granted (FRAMEWORK)	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
2,7	2,99
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
2,7	2,99
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2018	2019
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019

Table 3 point 3 ANNEX 1

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019
1	1

4. COMPLAINTS BY THIRD PARTIES
Please provide an overview of complaints by third parties, in particular litigation before national courts, regarding measures in scope of the 2012 SGEI Decision or 2012 SGEI Framework. Please be as specific as possible in your reply and include the sector for which you have received the complaints, the contents of the complaints and the possible follow-up by your authorities or the likely outcome of the court proceedings.
The Agency for Scheduled Coastal Maritime Transport is not involved in any litigation before national courts regarding the payment of public service compensation under the SGEI rules.
5. MISCELLANEOUS QUESTIONS
a) We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:
drawing up an entrustment act that complies with Article 4 of the SGEI Decision; NO specifying the amount of compensation in line with Article 5 of the SGEI Decision; NO determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision; NO regularly checking overcompensation as required by Article 6 of the SGEI Decision; NO
b) We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:
carrying out a public consultation in line with paragraph 14 of the SGEI Framework; NO complying with public procurement rules in line with para 19 of the SGEI Framework; NO determining the net avoided cost as required by paras 25-27 of the SGEI Framework; NO (we use the cost allocation methodology) determining the reasonable profit level in line with paras 33-38 of the SGEI Framework; NO
c) If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.
We recommend organising annual meetings with Member State representatives/providers of public service compensation for routes with a public service obligation in coastal maritime transport, at which opinions, information and practice in applying SGEI package rules could be exchanged (issues involving depreciation, the residual value of ships, reasonable profit,

SGEI Decision		Total amount	
		2018	2019
Article 2(1)(b)	Hospitals providing medical care, including, where applicable emergency services		
Article 2(1)(c)	Health and long term care		
	Childcare		
	Access to and reintegration into the labour market		
	Access to and reintegration into the labour market		
	Social housing		
	Other social services		
Article 2(1)(d)	Air or maritime links	42,03	42,53
Article 2(1)(d)	Airports and ports		
(1)(a), less than EUR 15 million	Postal services		
	Energy supply		
	Waste collection		
	Water supply		
	Culture		
	Financial services		
	Other		