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REISFER

REISFER – REDUCING CO_2 EMISSIONS IN ISLAND FERRY TRAFFIC

Lauri Ojala, Elias Joki-Korpela & Minna-Liina Ojala:

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Road and Island Ferry Traffic Governance and Markets in the Central Baltic Region

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List of Acronyms and Key Concepts

AB	Aktiebolag, Swedish for limited liability company
AX	Two-letter regional code for Åland Islands
CB	Central Baltic region
CO_2	Carbon dioxide
ELY Centre	Finnish regional authority representing the national government in matters regarding Economic Development, Transport and the Environment (Fin. Elinkeino-, liikenne- ja ympäristökeskus)
EU	European Union
EUR	Euro, currency
FTIA	Finnish Transport Infrastructure Agency; under the Ministry of Transport and Communications Finland
GHG	Greenhouse Gas
GT	Gross tonnage
HSL	Helsingin seudun liikenne, a joint municipal authority organizing and procuring public transport in the Helsinki metropolitan area
Island ferry	A ferry operating on a route that is not part of public road network, typically linking islands in the archipelago to a mainland port and/or to some other islands. In mainland Finland and Sweden, these ferries may have a limited capacity to carry vehicles in addition to passengers. However, the largest Estonian island ferries on routes connecting the islands of Saaremaa and Hiiumaa with the mainland can carry up to 700 passengers and 150 vehicles, and the largest island ferries in Åland can carry up to 300 passengers and 50 vehicles
OÜ	Osaühing, Estonian for limited liability
Oy	Osakeyhtiö, Finnish for limited liability company
Road ferry	A ferry operating on a route that is part of public road network. These ferries typically carry 10 to 100+ vehicles, and have capacity to take passengers too
SEK	Swedish krona; the exchange rate used in this report is 1 SEK = 0.087 EUR
SL	Storstockholms Lokaltrafik, organizer of public transport services in the Greater Stockholm area
SLL	Suomenlinnan Liikenne Ltd, ferry company operating ferry services mainly for the Suomenlinna fortress island
Traficom	Finnish Transport and Communications Agency; under the Ministry of Transport and Communications Finland
WÅAB	Waxholms Ångfartygs AB, a ship owner company of Region Stockholm

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REISFER as part of Interreg Central Baltic Programme

Part-funded by EU's Interreg Central Baltic Programme, REISFER project focuses on the Central Baltic region, encompassing Estonia, Åland Islands, and regions of Finland and Sweden (Figure 1). Latvia is also in the programme area, but it has no archipelago nor inland lakes where road or island ferry services would be needed.

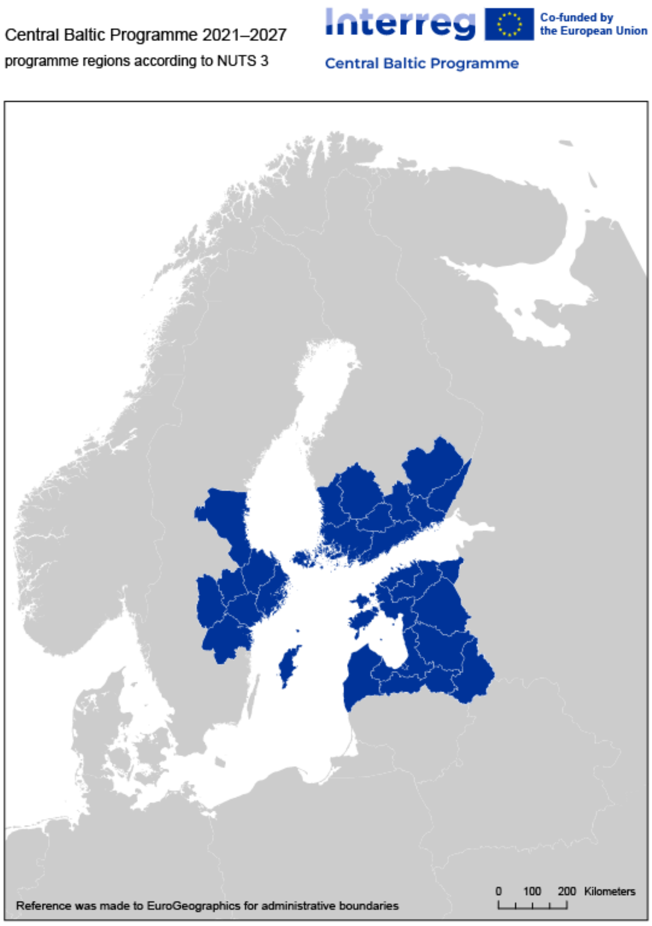

Figure 1:Participating regions in the Central Baltic Programme 2021–2027

REISFER project aims to significantly reduce the carbon footprint of island ferry transport, which is vital for connecting mainland areas with islands in the Central Baltic (CB) region. The primary objective is to achieve a 10–20% reduction in CO_2 emissions from selected island ferry routes by introducing a mix of technological and operational innovations.

The project's work plan is divided into two (2) work packages (WPs), each focused on delivering outcomes that contribute to lowering CO_2 emissions in key ferry transport areas:

(1) WP 1 – CO_2 reduction possibilities and potential in CB island ferry traffic

(2) WP 2 – CO_2 emission abatement methods and technologies on ferries

This report falls under the WP 1.

Purpose of the report

The Baltic Sea, as one of world's busiest maritime areas, features a dense network of ferry routes connecting countries, islands and mainland ports. These ferry services are essential for both passenger and cargo transport, particularly in heavily trafficked areas like the Gulf of Finland and the northern Baltic Proper.

Ferry services are considered the backbone of transport in the Baltic region, with major routes experiencing constant, year-round demand. This includes large car-passenger vessels in cross-border routes, largest of which can take well over 2,000 passengers and hundreds of cars and trucks or trailers. On routes between Finland and Estonia, Finland and Sweden and Sweden and Estonia, these large-scale services carry over 15 million passengers, over 2 million cars and over 1 million trucks and trailers per year. In addition, ports in Gotland handle close to 2 million passengers.

This report looks into a less known, but equally important domestic and local road and island ferry services with smaller vessels in the Central Baltic (CB) region, namely those between islands and/or the mainland along the coastline or in inland lakes.

This report not only provides an overview of the size and governance structures of ferry services in the Central Baltic region but also categorizes them into distinct sub-markets. As no comparative cross-border analysis of this kind has previously been conducted, this report aims to fill that knowledge gap.

These services are either fully or nearly fully subsidized by national, regional, or local authorities. The total public funding allocated to these services across the four studied countries and regions amounts to approximately EUR 300 million per year. In Estonia, Finland, the Åland Islands, and Sweden—including both road and island ferry services in Finland and Sweden—these services collectively transport over 60 million passengers and 17 million vehicles annually. The Central Baltic region accounts for roughly two-thirds of this total.

The authors extend their gratitude to the many individuals who generously shared their expertise and provided essential information, without which this study would not have been possible. The organizations that contributed to our study include, but are not limited to, the following (listed in alphabetical order, with REISFER Project Partners in **bold**):

Blidösundsbolaget AB, City of Helsinki, ELY Centre of Southwest Finland, Government of Finland (State ownership steering unit at Prime Minister's Office), **Government of Åland**, Estonian Ministry of Regional Affairs and Agriculture, **Estonian State Fleet (Riigilaevastik)**, Estonian Transport Administration (Transpordiamet), Ministry of Transport and Communications Finland, Swedish Road Ferries (Färjerederiet), Region Stockholm, **Suomen Lauttaliikenne Oy (Finferries), Suomenlinnan Liikenne Oy, Swedish National Road and Transport Research Institute (VTI)** and **Tallinn University of Technology (TalTech).**

1 Introduction

This report examines the market for road and island ferry services, as well as their governance models in the Central Baltic region. It analyses the market's size, structure, and key service providers, and explores the extent and form of public funding, types of service contracts, and procurement criteria. The findings provide insights into how these governance models support service providers in advancing their operations toward lower emissions.

The definition of coastal or inland ferry services may vary, so it is important to provide a coherent typology for these. Five sub-markets are distinguished in Figure 2, which is based on the governance type and nature of the service, not on vessels' technical specifications.

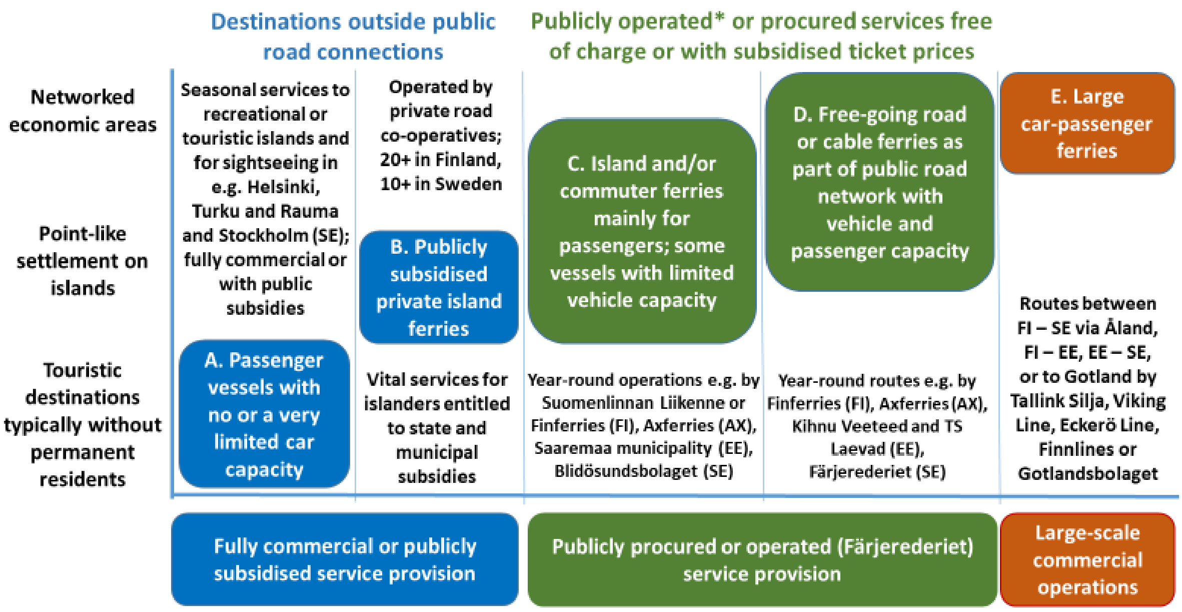

Figure 2: Categorisation of ferry transport sub-markets in the Central Baltic region

A. Subsidized or fully commercial often tourism-based and or seasonal passenger transport outside public road network.
B. Publicly subsidised island ferries operated by private road co-operatives
C. Publicly operated or procured year-round island or commuter services free of charge or with subsidised ticket prices; mainly for passengers
D. Road ferries as part of public road network with vehicle and passenger capacity
E. Large-scale car-passenger ferries in international traffic or to/from Gotland

Types C and D are in focus in REISFER project and in this report. Examples of the type of vessels used in the five sub-markets are shown in Figure 3. Depending on the routes and their demand patterns, similar vessels can be used, for example, in services of Type C and D. Type B is found only in mainland Finland and Sweden, and their free-moving or cable ferries are typically hired or procured from the big road ferry operators such as the state-owned Suomen Lauttaliikenne Oy (Finferries) or Swedish Road Ferries, which is part of the Swedish Transport Administration.

Services of Type C and D are either i) fully or ii) almost fully subsidised by the national government or by regional/local authorities. In case i), the service is free of charge, and in ii), ticket prices for passengers and/or vehicles are (heavily) subsidised. Public funding of Type C and D services in the four studied regions or countries is over EUR 300 million per year.

Figure 3: Examples of vessels used and operators in the five sub-markets of ferry services in the Central Baltic region

The rationale to use substantial amounts of public funds to maintain services of Type C and D is that they cannot be operated on a commercial basis, yet they are deemed vital for the residents, other inhabitants, businesses and travellers in the regions. The usage of public funds is subject to political decision-making at national, regional or local (municipal) level.

In some cases, this obligation stems from legislation, as is the case in Finland with connection ferry services to islands in the archipelago with permanent residents (Type C). Here, the legal foundation is Island Act. Road ferry services (Type D) are part of the public road network, and governed by the Road Act in mainland Finland. Both types are subject to public procurement and tendering processes, and the services are provided by private sector operators, including the state-owned company Suomen Lauttaliikenne Oy (Finferries).

The autonomous region of Åland does not have similar legislation of its own. Public procurement and tendering processes are managed by Government of Åland, and the services are provided by private sector operators. Since late 2024, a major part of the services is provided by AxFerries, a 50–50 joint venture owned by Government of Åland and Finferries.

In Sweden, the provision of road ferry services along the public road network is provided by Swedish Road Ferries, a government agency under the Swedish Transport Administration. Small island ferry services, including commuter services as part of the public transport system SL (Storstockholms Lokaltrafik) in the Greater Stockholm region, for example, are procured and tendered by Region Stockholm, but provided by private operators.

In Estonia, island ferry services are procured and tendered by a unit of the Ministry of Regional Affairs and Agriculture since 2023. Some minor routes are also procured by City of Tallinn and the municipalities of Viimsi and Saaremaa, for example.

As public funds are used to provide some of the services, notably of Type C to D, the term *governance* is important in this context. Put simply, the term refers here to the organisation and decision-making on how taxpayers' money is used to procure these services.

Since public funds are used to provide certain services, particularly those of Type C and D, governance plays a crucial role in this context. Simply put, governance here refers to the organisation and decision-making processes that determine how taxpayers' money is allocated for procuring these services.

Type E (large-scale commercial operations) and those Type A services (such as sightseeing cruises) that are operated purely on commercial basis do not receive direct public subsidies in normal times. However, during COVID-19, the Finnish government made an exceptional decision to allocate EUR 80 million in support of cross-border car-passenger services, citing security of supply as the primary justification. Car-passenger vessels in international traffic registered in EU countries are entitled to get seamen's taxation revoked, too.

All Type B services, and some services of Type A are publicly subsidised too, but these types are not in focus in this report. Services of Type A can, for example, mean publicly procured and fully or partially funded summertime services to a recreational island with no permanent residents. This is the case for some islands in Helsinki, Turku and Rauma in Finland, Tallinn in Estonia and Stockholm and Gothenburg in Sweden, for example. The total amount of Type A and B subsidies in the Central Baltic region is estimated at EUR 2–3 million.

Chapters 2 through 5 present each of the four regions covered in REISFER project:

1. A general description of the Operating environment
2. Governance and public procurement of services
3. Operators and main routes
4. Summary of the governance structure and the market

2 Estonia

2.1 Operating environment

The demand for island ferry transportation in Estonia is created by the inhabited archipelago on the northern and western coasts in addition to one inland route on lake Peipus bordering Russia (Figure 4). In total, about 2.7 million passengers and 1.2 million vehicles were transported by Estonian island ferries in 2023, and public subsidies to this traffic amounted to about EUR 27.4 million. 90% of the passengers and 93% of the vehicles were in the traffic between the mainland and two major islands, Saaremaa and Hiiumaa.

These are often referred to as the large islands of Estonia. Saaremaa is home to about 30,000 people and Hiiumaa to 8,500; this is roughly 3% of the Estonian population (Statistics Estonia, 2024). The other islands connected by ferry services had about 1,900 permanent residents in January 2022 (Hunt et al., 2024).

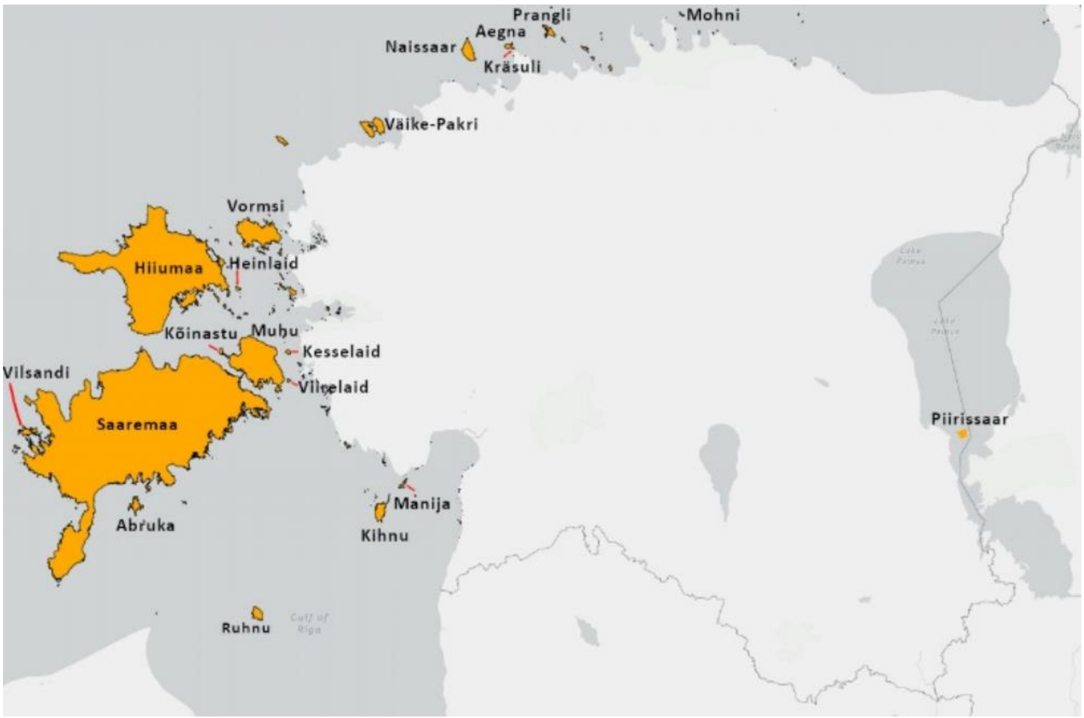

Figure 4: Map of Estonia with Estonian islands highlighted (Hunt et al. 2024)

In addition to the 10,000+ permanent residents, Estonian islands are popular tourist attractions. The large islands receive hundreds of thousands of domestic and foreign tourists per year, especially from April/May till September/October. Also, the number of inhabitants on small islands decreases during the winter. Due to this variation, the demand for island ferry services in Estonia is very seasonal, especially to and from the smaller islands.

As a result of the geography and demographics of Estonia, two categories emerge within the Estonian island ferry traffic market:

1. Ferry traffic connecting Saaremaa and Hiiumaa with the mainland. The service is operated by TS Laevad OÜ[1] with four relatively large car-passenger vessels it owns.

2. Ferry routes serving smaller inhabited islands. These routes are operated by several other service providers, and mostly by vessels hired from Estonian State Fleet.

Unlike in Finland and Sweden, the concept of road ferries – especially that of the so-called cable ferries – is not found in Estonia, even though the ferries serving the big islands are an extension of the road network. This is mainly due to the geography, as there are few lakes or coastal and inland islands in Estonia, while the number of islands and inland lakes in Sweden and Finland is among the highest in the world.

Estonian ferry connections used to be governed by regional authorities, but this changed in 2017 due to a regional reform. Estonia is divided into 15 counties, but as a result of the 2017 reform, these counties do not have regional governments anymore. On the municipal level, Estonia has 79 self-governed municipalities that make decisions over local matters.

In the absence of regional government in Estonia, the governance of island ferry traffic services has become a task of the national government and, in some cases, local municipalities. In July 2023, the Public Transport Department and the unit procuring publicly funded ferry services was placed under the **Ministry of Regional Affairs and Agriculture.**

2.2 Governance and public procurement of services

2.2.1 Authorities

The governance structure regarding Estonian island ferry services has been going through several changes since year 2020. Estonian ferry and bus connections used to be governed by regional authorities, which were abolished in 2017. Now public transport services are governed and procured either by i) national government, ii) public transport centres (for regional bus transport), or iii) locally by municipalities. The procurer contracts a service provider through a public tender for each route separately.

The national budget outlined by **Ministry of Finance** forms the economic framework for public procurement of ferry services. Public procurement of island ferry services is conducted by the **Ministry of Regional Affairs and Agriculture**. On certain routes the procurement is

[1] It is a subsidiary of Tallinn Sadam AS (Port of Tallinn), which is majority-owned by Estonian government, with about 30% of its shares listed on Nasdaq Tallinn (Tallinn Stock Exchange).

conducted by a local municipality, such as by **Viimsi municipality** east of Tallinn, which procured ferry services from Spinnaker OÜ for the route Leppneeme – Kelnase in late 2024.

Saaremaa municipality is an exception with its small local ferry services on routes Roomassare – Abruka and Papissaare – Vikati, which are provided directly by the municipality. Thus, there is no public procurement of ferry services for these routes. In 2023, the former route was used by about 5,000 passengers and only about 20 vehicles, and the latter by about 2,500 passengers and no vehicles.

Estonian State Fleet (Riigilaevastik), founded in 2023, is a government fleet management entity (but not an authority). It has consolidated state-owned vessels from the Police, Border Guard, Rescue Services, Customs, Pilotage and icebreaking under its ownership. Only naval vessels remain with the Estonian Navy. Riigilaevastik has around 300 vessels and boats of various sizes. Prior to it, most state-owned vessels belonged to **Estonian Maritime Administration**, which was merged with **Estonian Transport Administration (Transpordiamet)** in 2021.

Estonian State Fleet and Estonian Transport Administration are currently subordinated to **Estonian Ministry of Climate**. The tasks of Riigilaevastik include also procuring new vessels for the state. As a government entity, it is entitled to EU funding, for example, from the Connecting Europe Facility (CEF) for vessels deemed part of the country's critical infrastructure such as an icebreaker, or for traffic to the big islands. As a newer EU member State and unlike Sweden or Finland, for example, EU subsidies to Estonia can in such cases go up to 80 to 100%, especially if high environmental criteria are met.

Since island ferry procurement was transferred to Ministry of Regional Affairs and Agriculture in 2023, Estonian Transport Administration has no role in the operations or procurement of island ferry services. However, they maintain fixed maritime safety installations, and remain the Competent Authority in vessel inspection, for example.

2.2.2 Public funding

The Estonian state budget for 2025 has allocated EUR 30.1 million for island ferry services, with EUR 22 million designated for the large island (Saaremaa and Hiiumaa) ferries operated by **TS Laevad OÜ**. The remaining EUR 8 million will fund small island ferry services. In 2023, the allocation amounted to EUR 27.4 million, of which about EUR 20.6 million to services to and from the large islands.

The municipalities procuring island ferry services receive a once-a-year lump sum subsidy payment from the national government to run the ferry services. These payments are included in the EUR 8 million national funding for year 2025, but the municipalities also use their own funds and ticket sale revenue to cover ferry services.

Estonian island ferry routes are not free of charge for passengers or vehicles. Tickets sale revenue is part of the funding of island ferry services. The service provider sells tickets, but the ticket revenue goes to the state, while the revenue from onboard sales is kept by the operator. There are several brokers selling tickets to Estonian ferries meaning that there is no centralized ticket sales system. In 2026, TS Laevad is bound by contract to have a maximum of 8% of its annual revenue come from ticket sales.

The arrangement of transferring ticket revenue to the government is also linked to the cost-free hire of vessels from Riigilaevastik: should the operators have to pay for vessel hire, the amount of government subsidy would have to be equally larger. Riigilaevastik can operate like this, because it does not report any capital costs for the fleet it has “inherited”, and the cost for vessel maintenance, insurance, manning, etc. are carried by the operators.

2.2.3 Procurement arrangements and criteria of island ferry services

Due to the effect of having founded Estonian State Fleet, there are essentially two types of public procurement of island ferry services in Estonia:

1. Bareboat chartering: When a route has a designated vessel owned by the Estonian state through Riigilaevastik and a service provider is hired to operate the vessel in addition to other related tasks such as maintenance and acquiring insurance.

2. Full-service contract: When a route does not have a state-owned vessel, the service provider has to provide a vessel and to operate it.

With Type 1, the tendering process is very straightforward as the potential operator only needs to provide a qualified crew and take over management of the vessel. In Type 2, the tendering process is more comprehensive as the potential operator needs to provide a suitable vessel as well. The vessel has to fulfil minimum technical and other requirements for the route, such as a minimum passenger/vehicle capacity or ice class or equivalent.

In both procurement types, the main public procurement criterion in Estonia is price, whereas qualitative or environmental criteria have little or no impact. Choosing an operator after tendering is simple: the company offering the lowest price while fulfilling minimum requirements will win the contract.

2.2.4 Contracts between operators and authorities

In Estonia, the contract between the service provider and the contracting authority is drafted individually for each route and how the contract is drafted depends on whether the route is served by a state-owned vessel. The contracting authority determines the scope of the service, such as specifying the required number of annual trips per route.

The schedules are developed by the service provider in collaboration with local authorities and residents. Currently, public contracts in Estonia are set for 5 years for small island routes and 7 years for large island routes, with the exception of the Laaksaare – Piirissaare route, which has a 10-year contract.

Estonian state-owned ferries are typically assigned to a specific route under a bareboat charter agreement. The vessels are provided to the service provider free of charge, with the service provider taking on responsibility for their operation and management. This includes obtaining and paying for insurance, maintaining the vessels, and notifying passengers of any schedule changes. Once such a ferry is handed over to the service provider, Riigilaevastik inspects the vessel twice a year to ensure it is properly maintained.

On routes without a designated state-owned vessel, the contract is a full-service agreement. This means the service provider is responsible for owning or acquiring a suitable vessel for the route and operating it according to the specific terms of the contract. A full-service contract may also include provisions for a backup vessel to ensure service continuity in case one vessel is temporarily out of service. The need for a backup vessel may also arise when demand for ferry services increases during the summer season, prompting the contracting authority to enhance the service level. For example, TS Laevad operates two vessels on each of its two large island routes, in addition to one backup vessel, Regula.

2.2.5 Summary of public procurement

Key factors regarding Estonian public procurement of island ferry traffic services include highly price-focused procurement, the effect of a state fleet, small number of service providers, short contracts and constant change regarding contracting authorities. Estonian service providers of island ferry traffic are private companies contracted either by the national government, through the Ministry of Regional Affairs and Agriculture, or the local municipality. In either case the service is funded by the public sector and ticket sale revenue goes to the government, not to the operator.

Key factors in Estonian public procurement of island ferry services include the following:

- a strong – or even a sole - focus on price
- qualitative and/or environmental criteria have little or no weight
- the influence of the state-owned fleet
- a small number of service providers
- relatively short contract durations (typically 5 to 7 years), and
- frequent changes in contracting authorities since year 2022 onwards

Island ferry services in Estonia are operated by private companies, which are contracted either by the national government through the Ministry of Regional Affairs and Agriculture or by local municipalities. In both cases, the service is publicly funded, and ticket sale revenue is directed to the government rather than the operator.

Estonian public procurement has a pragmatic approach, where the contract is given to whoever can offer the lowest price while fulfilling minimum quality and technical criteria. While this approach is cost-effective, service quality, environmental or other criteria remain secondary.

As Estonia has a limited number of private companies operating in the island ferry market, competitive tenders typically receive only one to three bids. With low competition and procurement criteria focused on the lowest price, qualitative and environmental aspects could be better addressed through alternative incentive mechanisms in public procurement. In this regard, experiences from Finland and Sweden could offer valuable insights.

The governance structure of Estonia's island ferry services has undergone constant and significant changes over the past decade, while contract periods have remained relatively short. As a result, service providers face ongoing uncertainty, which could be mitigated through enhanced communication and collaboration between market stakeholders.2.3 Operators and main ferry routes in Estonia

2.3.1 Main island ferry routes

Unlike in Sweden or Finland, Estonian ferry routes cannot be divided into road ferry routes and island ferry routes. Estonian ferry routes are mostly designed to simply connect an inhabited island to a mainland port, and vary significantly by length, vessel capacities and trip frequencies.

The services on the Munalaid – Roomassaare – Pärnu – Ruhnu route consist of three interconnected segments. Together, they make up the longest ferry route in Estonia. Figure 5 presents the eleven main Estonian ferry routes, with some seasonal routes excluded.

2.3.2 Operators

Several companies provide ferry traffic services in Estonia, but the ones with an annual turnover under EUR 200,000 are not covered here.

The largest Estonian ferry company is the state-owned **TS Laevad OÜ**. The company is a subsidiary of AS Tallinn Sadam (Port of Tallinn), which is listed in the Tallinn Stock Exchange and 67% owned by the Estonian state. TS Laevad operates the routes connecting the large islands (Saaremaa, Hiiumaa) to the mainland. These two routes (Virtsu – Kuivastu and Rohuküla – Heltermaa) are the busiest ferry routes in Estonia and provided transport for 2.4 million passengers and 1.1 million vehicles in 2023.

Due to the high volume and frequency on these two routes, two vessels are required per route and the vessels need to have significantly more passenger and vehicle capacity compared to the small island ferries of Estonia. TS Laevad's current contract is until September 2026, but a new contract with it until year 2033 has already been made.

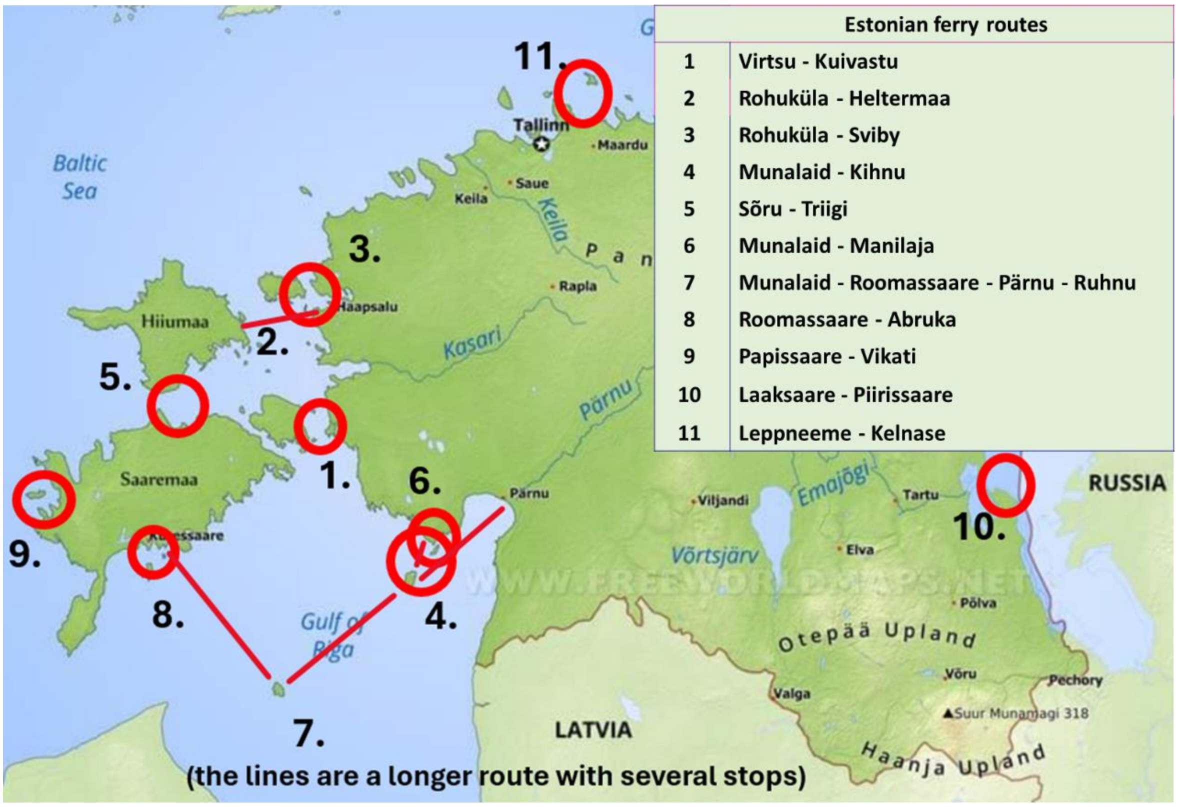

Figure 5: Map with the locations of Estonian ferry routes in 2024/2025. Source: Adapted from Hunt et al. 2024

The second largest operator is **Kihnu Veeteed AS**, a private company operating mostly state-owned vessels in addition to two spare vessels owned by the company. Kihnu Veeteed operates five routes, and three of the vessels are sister ships with a passenger capacity of 200 and vehicle capacity of 30. Kihnu Veeteed's ferries carried about 220,000 passengers and 50,000 vehicles in 2023.

Service provider	Turnover 2023 in million EUR	Personnel	Vessels
TS Laevad OÜ	36.7	140	5
Kihnu Veeteed AS	6.6	49	7
Tuule Liinid OÜ	1.7	20	4
Spinnaker OÜ	0.6	4	4
Saarema Vald*	-	-	2

* Saaremaa Vald is a rural municipality and consequently does not publish KPI's like annual revenue or personnel

Table 1: Service providers of Estonian island ferry traffic, their turnover, no. of staff and vessels in 2023 (Inforegister)

Other Estonian service providers include **Tuule Liinid OÜ** and **Spinnaker OÜ** (also known as **Sunlines**). In 2025, Tuule Liinid operates the longest ferry route in Estonia: Munalaid – Roomassaare – Pärnu – Ruhnu. Spinnaker OÜ operates four routes along the northern coast of Estonia. These include the routes to Aegna and Naissaar islands in Tallinn, the Leppneeme – Kelnase route in Viimsi serving the island of Prangli and a river ferry route connecting Narva and Narva Jõesuu. Most routes of Spinnaker OÜ are seasonal summer routes.

In addition to these companies, the municipality of Saaremaa (Saaremaa vald) operates two routes within its territory with Riigilaevastik's vessels. These routes connect the small islands of Vilsandi and Abruka to the large island of Saaremaa (Figure 5). Estonian ferry operators are presented in Table 1.

2.4 Summary of governance structure and the market

Estonian island ferry services connect dozens of coastal islands, along with an inland route on Lake Peipus. These routes are generally classified into large and small island routes. Some small island ferries are dedicated solely to passenger transport, with no vehicle capacity.

TS Laevad operates ferries to the large islands, while small island routes are served by multiple providers. Among them, Kihnu Veeteed holds the largest market share. Other operators include Spinnaker OÜ, Tuule Liinid OÜ, and Saaremaa Municipality. However, competition within the industry remains limited.

The public procurement of island ferry services in Estonia is highly price-focused, with relatively short contract periods, typically ranging from 5 to 7 years. Procurement is carried out either by the Ministry of Regional Affairs and Agriculture or, in the case of some smaller routes, by local municipalities. Regardless of the contracting authority, the service is publicly funded, and ticket revenue goes to the government rather than the operator.

The Estonian State Fleet plays a significant role in the island ferry sector, as the market consists of several small service providers. Estonia's public procurement follows a pragmatic approach, awarding contracts to the bidder offering the lowest price while meeting minimum quality and technical requirements. While this method is cost-effective, service quality, environmental considerations, and other factors remain secondary.

Additionally, the operating environment has recently experienced several major changes concerning the role and location of contracting and other Competent Authorities. Table 2 provides a summary of key figures and aspects of publicly procured Estonian ferry services.

Island ferry services in Estonia			
Indicative numbers for 2023	**Saaremaa & Hiiumaa ferries**	**Ferries for smaller islands**	**Total**
Size of the market in M€	**22**	**6**	**28**
Million passengers	**2.4**	**0.2**	**2.6**
Million vehicles	**1.0**	**0.2**	**1.2**
Number of staff of operators	**150**	**100**	**250**
Largest operator & market share (%)	**TS Laevad OÜ (100%)**	**Kihnu Veeteed (85%)**	
Governance structure as per March 2025			
Length of public procurement contract	5 to 7 years		
Responsible for public procurement	Ministry of Regional Affairs and Agriculture		
Other involved ministries	Ministry of Finance, Ministry of Climate		
Involved central government units	Estonian State Fleet (ESF) and Transport Administration under Ministry of Climate		
Ownership steering of state-owned firms	Ministry of Climate now overseeing Tallinn Sadam AS		
Ownership of vessels	TS Laevad OÜ, subsidiary of Tallinn Sadam AS	Mainly ESF, some vessels owned by operators	
Route and timetable planning	Ministry of Regional Affairs and Agriculture, partly in consultation with municipalities		
Vessel inspection, crew qualifications	Transport Administration		

Table 2: Summary of Estonian island ferry traffic market in 2023 and governance structure in March 2025

3 Mainland Finland

3.1 Operating environment

There are essentially three main types of year-round markets for ferry traffic services in mainland Finland (the services in Åland Islands comprise a market of its own and is covered separately). The two first services are governed, funded and procured by the state, whereas the third type is procured municipally:

1) Road ferry services (Type D in Figure 2) mainly in the archipelago and Lake region; annual volume about EUR 60 million
2) Island connection ferry services (Type C in Figure 2) mainly in the archipelago and along the southern coast, annual volume about EUR 20 million
3) Municipally procured services, such as those inside the City of Helsinki, annual volume about EUR 10 million

Only three regions in southern Finland have year-round island ferry traffic routes (Figure 6). Most island ferry routes are in Southwest Finland (region Varsinais-Suomi) in addition to a few other routes found in the regions of Uusimaa and Kymenlaakso.

Figure 6: Regional map of Finland with Southwest Finland, Uusimaa, and Kymenlaakso highlighted

Fewer than 1,000 permanent residents live in the archipelago on islands without a road or a road ferry connection. According to Island Act, basic accessibility services have to be provided for them in the form of small island ferry services (Type C), which are free of charge for passengers. Naturally a much larger group of users benefit from these services, including part-time dwellers, summerhouse owners, tourists and others.

3.2 Public procurement of road and island ferry services

3.2.1 Authorities

Several ministries and authorities are involved in the procurement, governance and funding of Finnish road and island ferry services. Government funding is part of the annual budget prepared by the **Ministry of Finance**, while the governance and procurement of ferry services fall to the **Ministry of Transport and Communications**. The Ministry has delegated the governance to two of its bureaus: 1) **Traficom** for the island ferry services and 2) **Finnish Transport Infrastructure Agency (FTIA)** for the road ferries, which, respectively, have delegated the procurement responsibility to the **ELY Centre of Southwest Finland**.

In addition, the **State ownership steering unit at Prime Minister's Offic**e is overseeing Finferries. It does not engage in operative decisions, but gives guidance, for example, in decisions towards more environmentally friendly solutions.

ELY Centres (Centre for Economic Development, Transport and the Environment) are regional public sector entities representing the national government regarding various matters of regional development and the environment. There are 15 ELY Centres in Finland, of which the ELY Centre of Southwest Finland is tasked to procure and govern road and island ferry services nationwide. Most routes of road and island ferry services are in southwestern Finland, albeit the Lake region in eastern Finland is significant for road ferry operations.

Ministry of Finance	Government is responsible for creating the state budget and determining the level of funding allocated for procuring ferry services
Ministry of Transport and Communications	Procures and governs ferry services through the ELY Centre of SW Finland with oversight from Traficom (Island ferries) and FTIA (Road ferries)
Ministry of Forestry and Agriculture	Prepares an update to the national archipelago law by 2027, which affects island ferry services

Figure 7: Responsibilities of Finnish ministries regarding island ferry traffic

Ministry of Forestry and Agriculture is responsible for archipelago related legislature (Island Act), which is the legal foundation for island ferry traffic services. The Act, originally from 1981, grants a right to free public transport services for permanent inhabitants of islands. The Act is currently being updated by 2027. Figure 7 illustrates how the governance, funding, and politics regarding island ferry traffic are distributed among Finnish ministries.

3.2.2 Public funding

The amount of funding allocated for island ferry services in the annual budget of the Finnish government is proposed by the Ministry of Finance and accepted by the Finnish Parliament. In the latest proposal for the budget of 2025, funds allocated for the development and procurement of island ferry transport was about EUR 19.9 million (EUR 20.2 million in 2024). Usually about 90% of this allocation is used to procure traffic services, and the rest is used to various types of shoreside maintenance or repairs. Since 2023, the allocation is net of value-added tax.

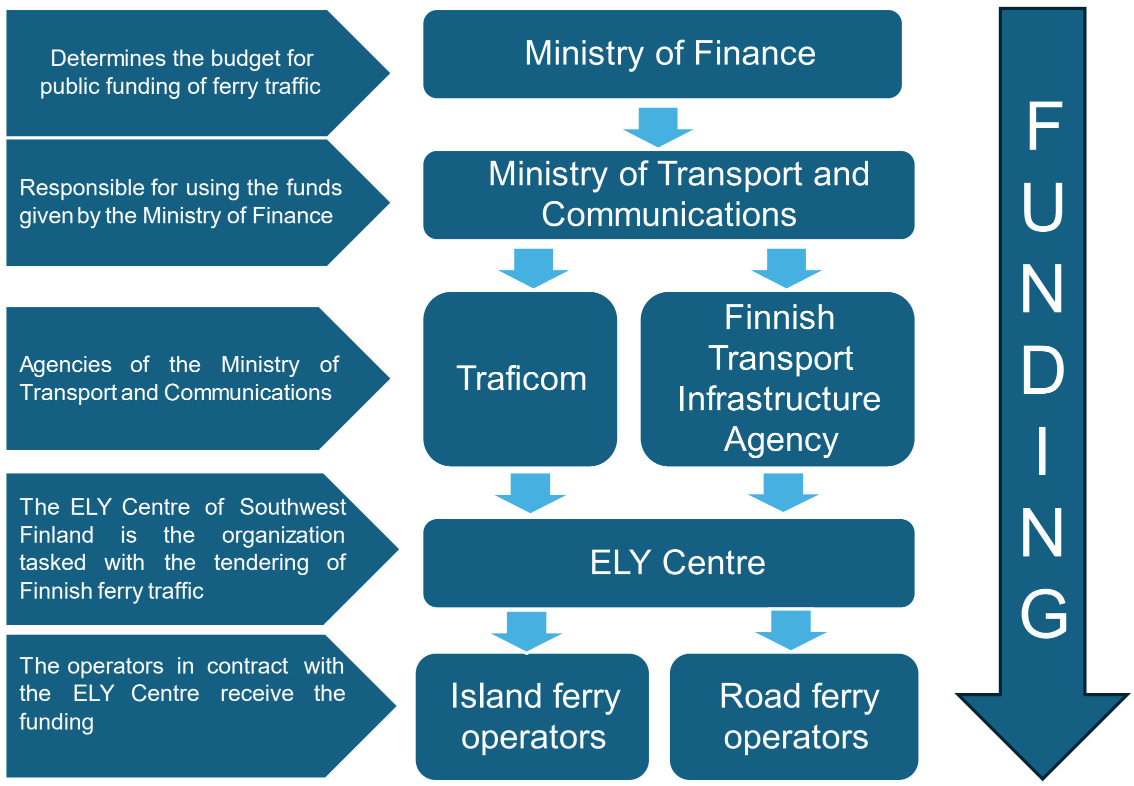

Figure 8: Public funding of island and road ferry traffic in Finland

The funding is paid to an operator as a compensation for provided transport services typically as a monthly payment. The amount and other details regarding the payments are specified in the contract made for each route between the ELY Centre and the operator.

To summarize, public funding of Finnish island ferry services is channelled from the Ministry of Finance to the ELY Centre through several public sector entities. Figure 8 visualizes the flow of public funding in Finland in a pipeline structure.

3.2.3 Procurement criteria

Until recently, the procurement has been heavily focused on cost efficiency meaning that essentially the offer meeting minimum requirements with lowest price was going to win the contract. Changes to this approach are being made and the procurement criteria might shift to 30% quality and 70% on price in the future. Price would still be the deciding factor, but quality will have increased weight in the process. ELY Centre is trying to find procurement criteria that would keep prices reasonable, uphold quality, but still allow competition and lead to receiving plenty of offers.

Quality in this context can mean, for example, technically advanced vessels, knowledge of local archipelago, and especially low emission levels and other environmental factors. These are quality factors that a potential service provider may offer additionally, but there are also minimum requirements that must be met for an offer to be viable. The minimum requirements include:

- A threshold value for annual revenue
- Threshold value for emission levels
- Accessibility of vessels (the archipelagos have plenty of elderly inhabitants)
- Technical specifications for vessels
- Certain certificates for vessels

3.2.4 Contracts between operators and authorities

The public contracts in Finnish island ferry traffic are made between the selected operator and the ELY Centre of Southwest Finland and for each route specifically. Most existing contracts are for a 5-year period, but the ELY Centre has recently been granted permission to make longer 15-year contracts. Main contractual terms are based on two documents:

1) The general contract terms of archipelago transport 2022

    - The operator is bound by a “performance duty”, which includes e.g.:
        - Acquiring needed vessels, permits and licenses
        - Ensuring the safety and continuity of transport in special conditions
    - The operator is responsible for upholding route specific service level
    - The staff must be qualified and experienced in sea-going ferries. The requirements are lower for cable ferries.
    - The operator must be careful not to pollute the environment
    - The operator must report on the route specific service level daily
    - The buyer has a right, under specified conditions, to terminate the contract

2) Route specific description of service level between the ELY Centre and the selected operator, such as the following (specific conditions may change from route to route):

- Transport will be started according to a schedule provided by ELY Centre
- The frequency of trips must match the demand for ferry services
- The operator must:
  - ...have a back-up vessel at ready
  - ...be customer service-minded and inform of any schedule or route changes
  - ...report on the no. of passengers, customer feedback and incidents daily
- The vessels must always be sufficiently staffed with qualified personnel who are able to communicate in both Finnish and Swedish

3.2.5 Governance of island ferry services in Helsinki

The island ferry services in Helsinki are governed on a municipal level. The governing bodies that make decisions are mainly the elected politicians and the civil servants of City of Helsinki, but also from other cities and municipalities in the region. The key authority in the governance structure is HSL (Helsingin Seudun Liikenne), which is a joint municipal public transport authority of Helsinki, Espoo, Vantaa and a handful of other neighbouring smaller municipalities. The responsibilities of HSL include:

- Planning and scheduling of public transport in the Helsinki metropolitan area
- Procuring bus, tram, underground, ferry, and commuter train services
- Determining ticket prices and organizing ticket sales
- Marketing and communications related to HSL public transport services

HSL buys public island ferry services in Helsinki from Metropolitan Area Transport Ltd. (Pääkaupunkiseudun Kaupunkiliikenne Oy), which is providing public transport services in Greater Helsinki region by trams and the metro system. The majority owner of Metropolitan Area Transport Ltd. is the City of Helsinki, while the City of Vantaa is a minority owner. **Suomenlinnan liikenne Oy (SLL)** is its subsidiary, which provides ferry services to Suomenlinna fortress island as part of the HSL ticketing system with its three ferries and 20 staff members. Since 2023, SLL has also been in charge of a HSL commuter ferry line during the construction of a 1.2 km tram and pedestrian Kruunuvuori bridge.

HSL determines schedules and service level for SLL's routes and the company provides transport services as requested. As ticket sales for SLL's ferry routes are part of the HSL system, SLL does not receive any ticket sales directly. A HSL ticket is valid for all modes of public transport within the HSL area, and thus all ticket sales are first pooled and then distributed among the procured operators. Compensation for providing public ferry services in Helsinki is paid to SLL as a monthly lump sum by HSL.

3.2.6 Summary of public procurement

The public procurement of Finnish road and island ferry services has been defined by a relatively complex governance model, cost-based procurement criteria, and short contract periods. However, the price-focused procurement approach is giving way to more versatile and quality-based procurement criteria. Low emissions and cutting technologies regarding vessels are becoming increasingly important.

In the two latest road ferry service tenders for the Lake region and the Archipelago region, respectively, the contract period is 20 years. Tentatively, these contracts are signed in 2025 or 2026, and their emission goals are very ambitious: the operators are bound to lower their CO_2 emissions and their emission reduction target is -30%. However, Finferries has plans to lower emissions in lake region road ferries by 98% already by year 2027 or 2028.

In island ferry services, 15-year contract periods are replacing the maximum 5-year periods. The longer contracts enable service providers to invest into new technologies or vessels with lower emissions, for example. The downside of the longer contract period is that it will make it more difficult for smaller domestic firms to enter the market and it will decrease competition in an industry that requires specialized vessels and staff. The ELY Centre of Southwest Finland has a difficult task in managing tendering processes that continue attracting several bidders and require high quality while keeping prices moderate.

The situation in Helsinki is very different as the Suomenlinna ferry routes are operated by a company owned by the city. Public procurement for the routes does not exist but on the seasonal tourism-based routes the city is arranging tendering processes. The City of Helsinki is facing similar challenges as the ELY Centre as seeking improved quality and lower emissions combined with low prices is extremely difficult.

3.3 Main ferry routes and operators

3.3.1 Finnish road ferry routes

There are about 40 road ferry routes in Finland, of which about 35 were operated by **Finferries** by the end of 2023. In 2025, Finferries also operates about 10 island ferry routes. **Kymen Saaristoliikenne Oy** operates two large road ferries owned by Finnish Transport Infrastructure Agency (FTIA) on two routes: the Bergö route on the coast 15 km southwest of Vaasa and Arvinsalmi strait in Liperi in the Lake region (North Karelia).

Over 30 of the road ferry routes are so-called cable ferries. They are used on relatively short passages, some of which may be only 100 to 200 metres. Free-moving road ferries are used on longer passages, and the largest ones on routes with the heaviest traffic, such between Nauvo and Korppoo in the archipelago. With reserve vessels, there are about 70 road ferries serving the 40 routes as part of the public road network. Road ferry locations are shown in Figure 9.

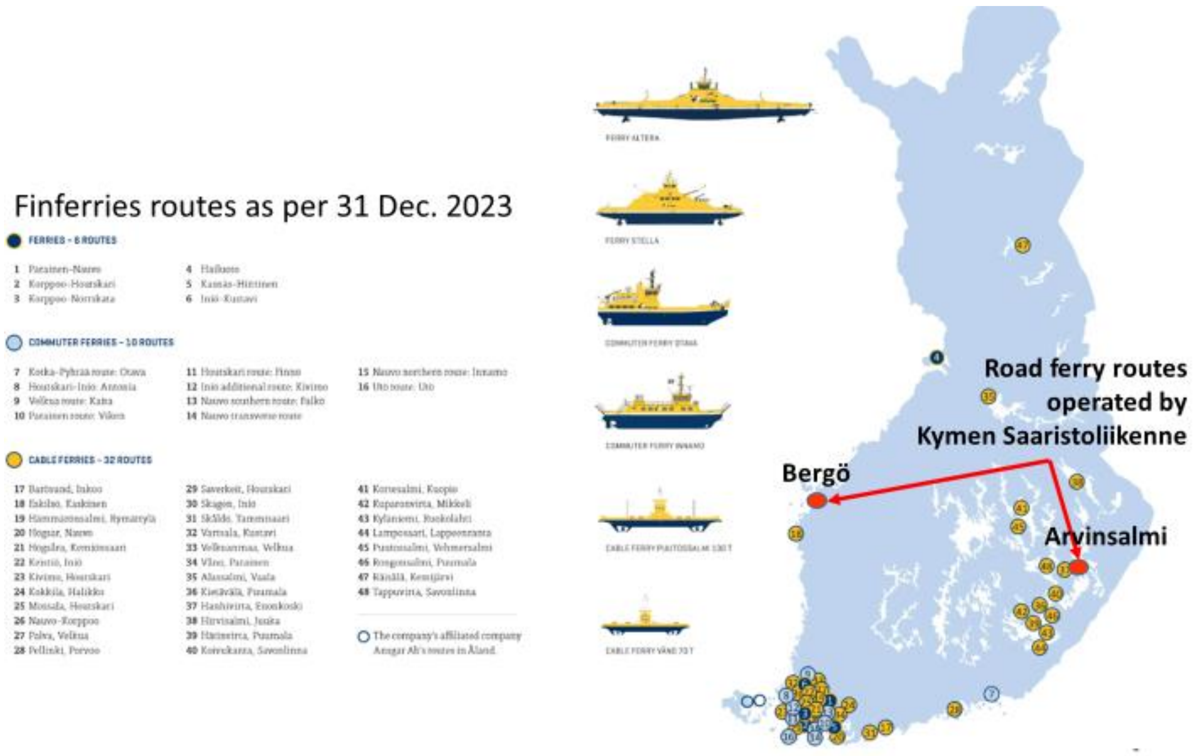

Figure 9: Road and island ferry routes operated by Finferries in end-2023, and the two road ferry routes of Kymen Saaristoliikenne Oy in 2025. Source of map: Finferries

In addition, there are 21 small road ferries operated by private road co-operatives outside the public road network (Type B in Figure 2). These are not covered in more detail in this report.

3.3.2 Finnish island ferry routes

Finnish island ferry routes can be divided into two categories: full-service contract routes and subsidized routes. Full-service contract routes are costless public transport focused on passenger transport. The subsidized routes are a more commercial form of ferry traffic and free only to inhabitants of the local islands. Services provided by the subsidized routes vary from passenger transport to freight transport and from seasonal to year-round.

Most of the full-service contract routes (13) are located in Southwest Finland due to the dense archipelago (Figure 10). In addition to these routes, three full-service contract routes are located in the eastern part of Gulf of Finland. The Sipoo and Porvoo routes are in the region of Uusimaa and the Kotka-Pyhtää route in Kymenlaakso.

In addition to the full-service contract routes, there are six subsidized routes in Finland. They are found in Loviisa, Inkoo, Raasepori, Sipoo and Southwest Finland. The ones in Southwest Finland are known as archipelago trails (archipelago trail and small archipelago trail). The subsidized routes are demonstrated in the map (Figure 11).

Figure 10: Island ferry routes of Southwest Finland (Yhteysalus.fi)

Figure 11: Map with locations of subsidized Finnish island ferry routes

3.4 Main operators in 2025

There have been several changes regarding the service providers of road and island ferry routes during recent years. Service providers of mainland Finland are presented in Table 3.

The largest Finnish operator of both road and island ferries is 100% state-owned **Suomen Lauttaliikenne Oy (Finferries)**. With a consolidated net revenue of EUR 62.3 million in 2023, it is the market leader in these services in Finland. Finferries owns over 90 vessels and operates 50 road and island ferry routes with a total staff of about 400. Most island ferry routes are in the archipelago in Southwest Finland, whereas many road ferry routes are also in the Lake region and in several other locations along the coastline.

Company	Turnover 2023 (Million EUR)	Personnel	Vessels
Finferries Corporation	51.7	280	91
Suomen Saaristovarustamo Oy (part of Finferries)	*13.3*	*49*	*15*
Kuljetus Savolainen Oy	7.1	30	10
Suomenlinnan Liikenne Oy	5.6	21	3
Kymen saaristoliikenne Oy	2.7	3	4
Archipelago Lines Oy	2.4	13	1
Sundqvist Investements Oy Ab / Östern	1.3	7	1
Sibbo Skärgårdstrafik *	n.a.	n.a.	n.a.

*Despite being one of the ferry operators in contract with the ELY centre, there are no key figures available online of Sibbo Skärgårdstrafik

Table 3: Service providers of Finnish island ferry traffic, their turnover, no. of staff and vessels in 2023 (Asiakastieto)

Finferries was founded in 2010 to continue the road ferry operations of a state-owned enterprise Destia. In 2012, **Suomen Saaristovarustamo Oy** became Finferries' subsidiary to provide island ferry services when it was bought from state-owned **Arctia Shipping Oy**. Prior to these arrangements, road ferries had been part of the then Road Administration (and its incarnations) and island ferries part of the then Maritime Administration.

In January 2021, Finferries' share of the island ferry market in mainland Finland was of only 25% (Ojala, 2023). In early 2025, it operates 14 of the 16 full-service routes together with its partners. This consolidation did not take place only by design, but also by default: a big operator (**Saariston Meritie Oy**, a subsidiary of **Kuljetus Savolainen Oy**) sold its island ferry contracts and vessels to Finferries upon approval from ELY Centre. Finferries also won some subsequent tenders, and its share of the island ferry market in 2025 is over 80%.

In addition, **Nordic Jet Lines / EuroWork Finland** with a large share of island ferry traffic in Åland and outside Porvoo and Sipoo in mainland Finland went unexpectedly bankrupt in summer 2024. The Government of Åland had to find a stable solution for the provision of these vital services. The solution was a 50/50 joint venture with Finferries called **AxFerries**. It provides most of the free-moving island ferry services in Åland, and in 2025, it will be taking over the ownership of the vessels it operates from the Government of Åland, too. The Åland islands are further reviewed in Chapter 5.

Kymen Saaristoliikenne Oy operates two large road ferries owned by Finnish Transport Infrastructure Agency (FTIA) on two separate routes. It also operates small island ferries on the Porvoo route and the Kotka-Pyhtää route together with Finferries, where Finferries carries out most of the traffic.

Pörtö Line, subcontractor for the now bankrupt Euro Work Finland, operated Porvoo and Sipoo routes until June 2024, but ELY Centre terminated its contract due to inability to fulfill the service obligations. Porvoo route has since been given to Kymen Saaristoliikenne Oy and the Sipoo route to Sibbo Skärgårdstrafik. (ELY Centre Reitit ja aikataulut, 2025)

Archipelago Lines Oy is a small company with only one ferry type vessel. It operates on the Korppoo route in cooperation with Finferries. **Sjövagen Oy** operates the Nauvo cross route as a contractor for Finferries. Finferries is the sole operator on ten (10) island ferry routes.

The subsidized seasonal routes in Raasepori, Loviisa, Inkoo, and Sipoo typically have local and small-scale operators, such as just a single person operating a vessel they own.

Suomenlinnan Liikenne Oy (SLL) operates three public ferry service routes in Helsinki with its ferries and subcontracted partners. In 2024, it carried about 2 million passengers within the HSL ticket system. The fortress island of Suomenlinna has about 800 permanent residents. As a UNESCO World Cultural Heritage site less than 15 minutes from Helsinki Market Square, it is a popular touristic site.

In addition to SLL, there are also several commercial seasonal service providers of water bus type of travel to Suomenlinna and about 20 other islands outside the City of Helsinki. Some of these routes may also have a subsidised contract with the City of Helsinki from which they receive part of their revenue.

3.5 Summary of governance structure and market in Finland

The road and island ferry traffic markets in mainland Finland are defined by low competition, and the state-owned company, Finferries, has reached a dominant position in recent years more by default rather than design. On the other hand, the longer contract periods (15 years for island ferries since 2024 and up to 20 years for road ferries in the two latest on-going or prepared tenders) are enabling significant and long-term investments into newer and more environmentally friendly technology.

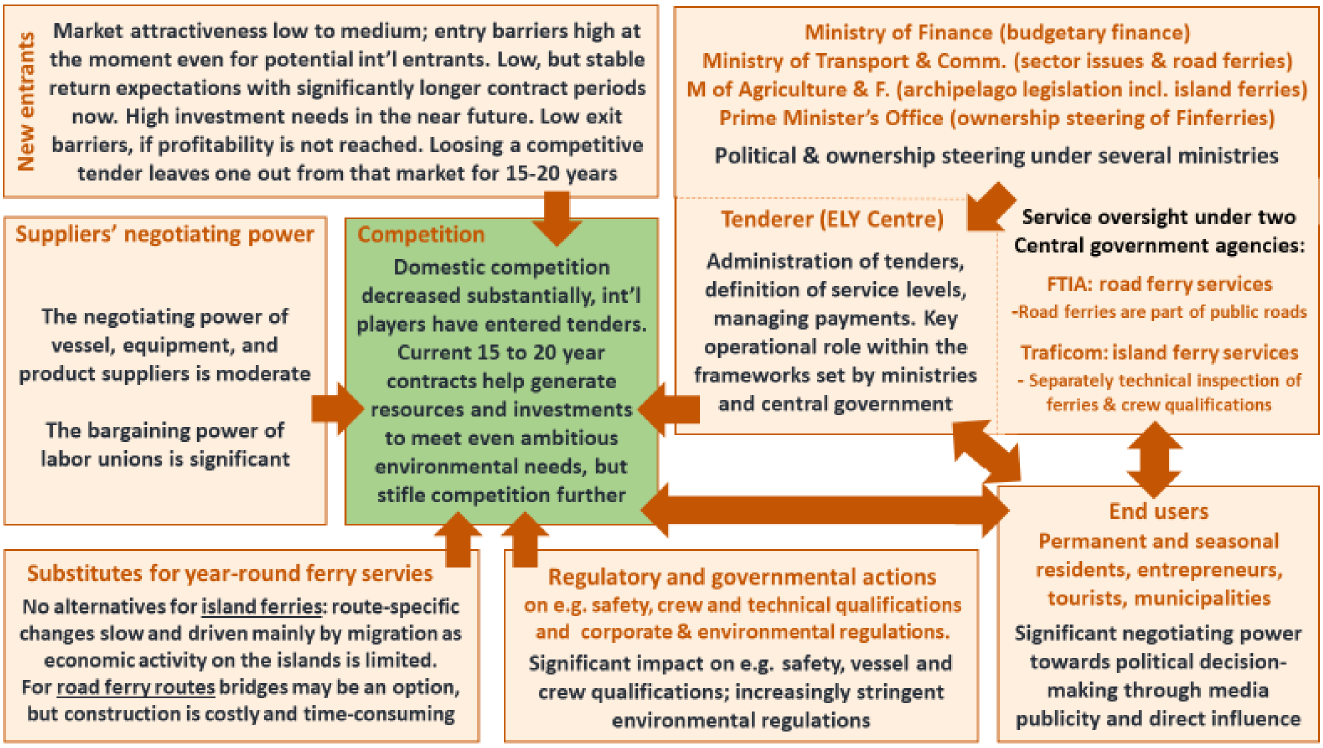

Figure 12: Six competitive forces of the Finnish road and island ferry traffic market in 2025 (Adapted from Ojala 2021 & 2023)

Indeed, the two 20-year road ferry contracts tentatively to be signed in 2025 or 2026 for the Lake region and the Archipelago region, respectively, have very ambitious emission goals. The operators are bound to lower their CO_2 emissions in road ferry operations by 30% already by year 2027 or 2028. According to ELY Centre, the tenderer, the goal will be met within this very fast timeframe at least in the lake region by equipping the road ferries with electric power generation to complement their diesel engines.

Table 4 and Figure 12 summarise the situation in Finland for both road ferry and island ferry service markets in 2023 and for their key governance structure in 2025.

Road and island ferry services in mainland Finland			
Indicative numbers for 2023	**Road ferries**	**Small island ferries + Helsinki***	
Size of the market in M€	**58**	**26**	**84**
Million passengers	**10**	**2.3**	**12**
Million vehicles	**2**	**0.1**	**2**
Number of staff of operators	**300**	**100**	**400**
Largest operator & market share (%)	**Finferries (80%)**	**Small islands Finferries (90%); SLL in Helsinki (100%)**	
Governance structure as per March 2025			
Length of public procurement contract	Since 2024, 15 years	Up to 20 years	
Involved ministries	Ministry of Finance		
	Ministry of Transport and Communications		
		Ministry of Forestry and Agriculture	
Responsible for public procurement	ELY Centre of SW Finland		
Involved central government units	FTIA	Traficom	
Steering of state-owned firms	State ownership steering unit, PM's Office		
Ownership of vessels	Operators; two large road ferries by FTIA	Operators	
Route and timetable planning	FTIA, ELY Centre	ELY Centre, Municipalities	
Vessel inspections, crew qualifications	Traficom		

***) Helsinki 2 million and small islands 0.3 million passengers**

FTIA = Finnish Transport Infrastructure Agency

Table 4: Summary of the island ferry traffic market of mainland Finland in 2023 and governance structure in March 2025

4 Sweden

4.1 Operating environment

Sweden is the largest of the four regions under study and has the most extensive road and island ferry traffic operations, which comprise four main geographical areas or types:

1. Ferry traffic in the Stockholm archipelago
    - The Stockholm County is home to about 2.5 million people (~23% of the Swedish population) with a rich archipelago

2. The ferry connection between the island County of Gotland and the mainland
    - With about 61,000 inhabitants, it is the most populated island in the Baltic Sea
    - Ferry and air traffic are the only connections Gotland has to mainland Sweden

3. Ferry traffic in the archipelago along the southwestern coast of Sweden
    - Malmö, Helsingborg and Gothenburg with other municipalities comprise a densely populated coastline with many islands and ferry routes to Denmark too

4. Road ferry services provided throughout the country by Swedish Road Ferries
    - These services are not subject to public procurement as they are produced by an authority

This report focuses on ferry services in Stockholm County. SL (Storstockholms Lokaltrafik) is the provider of public transport in the Greater Stockholm region, including much of its island ferry traffic. SL's tickets are valid in all of its public transport services in the city. However, SL does not cover the whole county. Unlike SL's year-round commuter ferries (pendelbåtslinjer) the so-called archipelago ferries are not included in the SL ticket system. Most ferry routes in the Stockholm County are archipelago ferries, five ferry routes are included to SL's public transport network.

Commuter ferries are part of the internal traffic of the SL area and oriented for the people working and living in Stockholm. The archipelago ferries cover the broader and more sparsely populated archipelago of the Stockholm County. These routes are longer than the SL's commuter ferry routes and with a more seasonal demand as the archipelago is a popular tourist destination during the summer.

4.2 Provision of road ferry services in Sweden

Road ferry services in Sweden are produced by **Swedish Road Ferries (Färjerederiet)**, which is part of **Swedish Transport Administration**. These services are produced directly by an authority, and they are not subject to public procurement. Färjerederiet owns almost 70 road ferries and operates about 40 road ferry routes nationwide with a staff of about 560. In 2023, it carried about 22 million passengers and 12 million vehicles. Most road ferry routes are in the Counties of Stockholm and Bohuslän and Halland around Gothenburg (see Appendix 1).

4.3 Public procurement of ferry services in Region Stockholm

4.3.1 Authorities procuring ferry services in Region Stockholm

Sweden has three levels of government: national, regional and municipal. Sweden is divided into 21 counties (Län), which form a regional level of government through their regional councils, also known as "Regions". Responsibilities of the Swedish Regions include healthcare and public transport, among others. 290 municipalities decide over local matters.

The regional governing body of the Stockholm County is called **Region Stockholm**, which is responsible for healthcare, public transport, culture and regional development within the county. Island ferry traffic is a part of the county's public transport network and one of Region Stockholm's main responsibilities.

Region Stockholm owns a shipowner company Waxholms Ångfartygs AB (also known as Waxholmsbolaget, WÅAB) and procures ferry services from private companies. The role of WÅAB is to own vessels and govern contracted operators, not to operate the vessels itself. WÅAB has a fleet of 25 vessels, which are not enough for the high demand of island ferry services in the Stockholm County. Thus, Region Stockholm is also procuring ferry services from companies operating their own vessels.

4.3.2 Public funding for ferry services in Region Stockholm

The ferry services procured by the Region Stockholm rely mostly, but not necessarily fully, on public funding. Regarding both SL's ferries and the archipelago ferries, ticket sale revenue goes to the contracting authority, not the operator. The operators can receive revenue through other means. For example, Blidösundsbolaget has food and beverage service on board generating revenue in addition to a historical vessel operating commercially. The company gets around 90% of its revenue from the public funding and the remaining 10% from other sales.

The public funding of ferry services in the Stockholm County is not coming from the national government, the operations are funded regionally. Around 50% of Region Stockholm's funding of public transport comes from income tax paid by inhabitants, the rest comes from ticket sales, selling advertising space and the rental of premises connected to public transport. Tickets are required for the archipelago ferries as well, but local inhabitants are entitled to subsidized yearly tickets.

4.3.3 Procurement criteria

The procurement criteria for Region Stockholm's ferry providers are price-focused but moving towards a more environmentally oriented direction. The contracting decision is made mainly based on lowest price offered, but extra points are given for quality. Quality criteria include comfort criteria such as cafeteria service, accessibility and toilet facilities as well as environmental criteria i.e. low emission levels.

Minimum requirements of an offer in the tendering process include vessel capacity and the number of hours of service provided by the potential operator. As the service providers in the archipelago traffic can create their own revenue stream via cafeteria and restaurants, these additional services can affect the procurement decision. A service provider with a strong revenue stream from cafeteria and restaurants can offer a lower price for the contract.

Another factor with significant value in the Region Stockholm tendering for ferry services is electrification. Environmental criteria are important quality factors and electrification is specifically mentioned as a sought-out solution. If a service provider would be able to offer a fully electric ferry on a certain route, they would be in a strong position to win the contract. However, the service provider needs to arrange the charging infrastructure, which requires significant additional investment and planning.

4.3.4 Contracts between operators and authorities

The contracts of the archipelago traffic in the Stockholm County are not for individual routes. Over 30 routes are bundled into six contract packages, which are tendered by Region Stockholm mainly for 10 years. In the future, 15-year contracts are considered to better enable investment in new vessels and/or more environmentally friendly propulsion technologies.

In archipelago ferry traffic, operators are compensated on hours of service provided. Region Stockholm requires extensive reporting from the service providers to track fuel consumption, service level, and other metrics.

4.3.5 Summary of public procurement

The public procurement of ferry services in the Stockholm County is carried out by the regional authority, Region Stockholm. Public contracts in Sweden include both bareboat chartering contracts and full-service contracts. The bareboat chartering contracts are a result of private companies being hired to operate vessels of WÅAB, which is the ship owner company of Region Stockholm. Multiple companies are currently providing ferry services in the Stockholm County with Blidösundsbolaget AB being the main service provider in the archipelago.

Procurement criteria in Sweden have traditionally been price-focused, with quality factors playing a secondary role in the tendering process. However, the importance of quality criteria—particularly environmental considerations—is steadily increasing. Region Stockholm, as the contracting authority, is keen on electrifying routes where feasible in the future.

Swedish service providers are not entirely dependent on public funding, which influences the public tendering process. In addition to ferry services, operators offer onboard cafeteria and restaurant services, along with other commercial activities, creating an independent revenue stream. This extra income can help service providers offer lower prices in the event of price-driven competition during procurement.

4.4 Island and commuter ferry routes and operators in Region Stockholm

4.4.1 Swedish island ferry routes

As the Swedish ferry routes in the Stockholm County provide transportation services to a substantial population in a dense archipelago, they are not organized as individual ferry routes but integrated into a larger transportation network. The ferries of Stockholm County can be divided into the commuter ferries operating within the SL's public transport area and the archipelago ferries covering the archipelago outside the Greater Stockholm area.

The SL ferry routes are integrated with land-based modes of transportation to create an intermodal public transport network for the Greater Stockholm. Appendix 2 shows how ferry routes are connected to road and railway transportation in various modes highlighting the intermodal nature of the Stockholm County public transportation. The Waxholmsbolaget ferry network encompasses 31 ferry routes usually starting from central Stockholm and spreading out to destinations all around the County.

4.4.2 Operators

The Swedish island ferry traffic operators are private companies contracted by Region Stockholm. The main service provider on the archipelago ferry routes is **Blidösundsbolaget AB**. The Stockholm-based company operates a fleet of 38 vessels in total, of which 21 are owned by the Region Stockholm's ship owner brand, WÅAB. **Rederi AB Ballerina** is the second largest service provider with around 17 vessels in operation and
Blidösundsbolaget recently lost one of its public contracts to Ballerina Rederiet.

Smaller service providers of ferry traffic in the Stockholm County include **Djurgårdens Färjetrafik, Madam Rederi AB and Ingmarsö Sjötjänst AB**. Djurgårdens Färjetrafik is a private company operating two ferry routes within the SL area of Greater Stockholm with four vessels owned by WÅAB and two of their own. Madam Rederi and Ingmarsö Sjötjänst operate both publicly procured routes and commercial traffic in the archipelago. The five routes within the SL area are operated by Blidösundsbolaget, Rederi AB Ballerina, and Djurgårdens Färjetrafik. Service providers contracted by Region Stockholm are presented in Table 5.

Company	Turnover in SEK Million	Turnover in EUR Million* (1 SEK = 0.087 EUR)	Personnel	Vessels
Blidösundsbolaget	483.7	42.1	227	38
Rederi AB Ballerina	169.2	14.8	94	17
Madam Rederi AB	39.2	3.4	18	5
Djurgårdens Färjetrafik	31.4	2.7	22	6
Ingmarsö Sjötjänst AB	24.3	2.3	4	2

*Calculated according to the SEK to EUR exchange rate on 20.1.2025 (1 SEK = 0.087 EUR)

Table 5: Service providers of Swedish island ferry traffic, their turnover, no. of staff and vessels in 2023 (Bolagsfakta)

4.5 Summary of governance and the market in Sweden

Road ferry services in Sweden are produced by Swedish Road Ferries (Färjerederiet), an authority, which part of Swedish Transport Administration. As such, road ferry services are not subject to public procurement. Färjerederiet owns almost 70 road ferries and operates about 40 road ferry routes nationwide with a staff of about 560. In 2023, it carried about 22 million passengers and 12 million vehicles.

Regarding island and commuter ferry services, this study focuses on Stockholm County, which belongs to the Central Baltic region as defined in EU's Interreg Central Baltic Programme. The procurement arrangements are under Region Stockholm and its civil servants under the politically elected governing bodies. Key data for 2023 and the governance structure for 2025 are presented in Table 6.

Road ferries in Sweden; island & commuter ferries in Region Stockholm			
Indicative numbers for 2023	**Road ferries (whole Sweden)**	**Island & commuter ferries in Region Stockholm**	**Tot.**
Size of the market in M€	**100**	**65**	**165**
Million passengers	**22**	**16**	**38**
Million vehicles	**12**	**0.3**	**12**
Number of staff of operators	**800**	**400**	**1 200**
Largest operator & market share (%)	**Swedish Road Ferries (100%)**	**Blidösundsbolaget (>50%)**	
Governance structure as per March 2025			
Involved ministries, Ministers or equivalent public bodies	Ministry of Finance Ministry of Rural Affairs and Infrastructure	Region Stockholm (with Traffic administration and the politically elected Traffic Council)	
Unit responsible for public procurement	n.a.		
Involved central government units	Swedish Transport Administration		
Ownership steering of publicly owned firms	n.a.	Region Stockholm of WÅAB	
Ownership of vessels	Swedish Road Ferries	Operators or WÅAB	
Route and timetable planning	Swedish Road Ferries, regions, municipalities	SL, Traffic Council and municipalities	
Vessel inspections, crew qualifications	Swedish Maritime Administration		

Table 6: Summary of Swedish island ferry traffic market in 2023 and governance structure in March 2025

5 Åland Islands

5.1 Operating environment

Åland consists of one main island and a large archipelago. It is the smallest of Finnish regions by area and population and the only one separated from the mainland by sea (Figure 13). Over 85% of its 30,500 inhabitants are Swedish-speakers, which is the sole official language of Åland. The main island, Fasta Åland, is home to 93% of the population and includes the capital city of Mariehamn (pop. about 11,800). Around 60 of Åland's Islands are permanently inhabited. A dispersed population and a strong archipelago-based tourism industry explain why island ferry services are irreplaceable for the society.

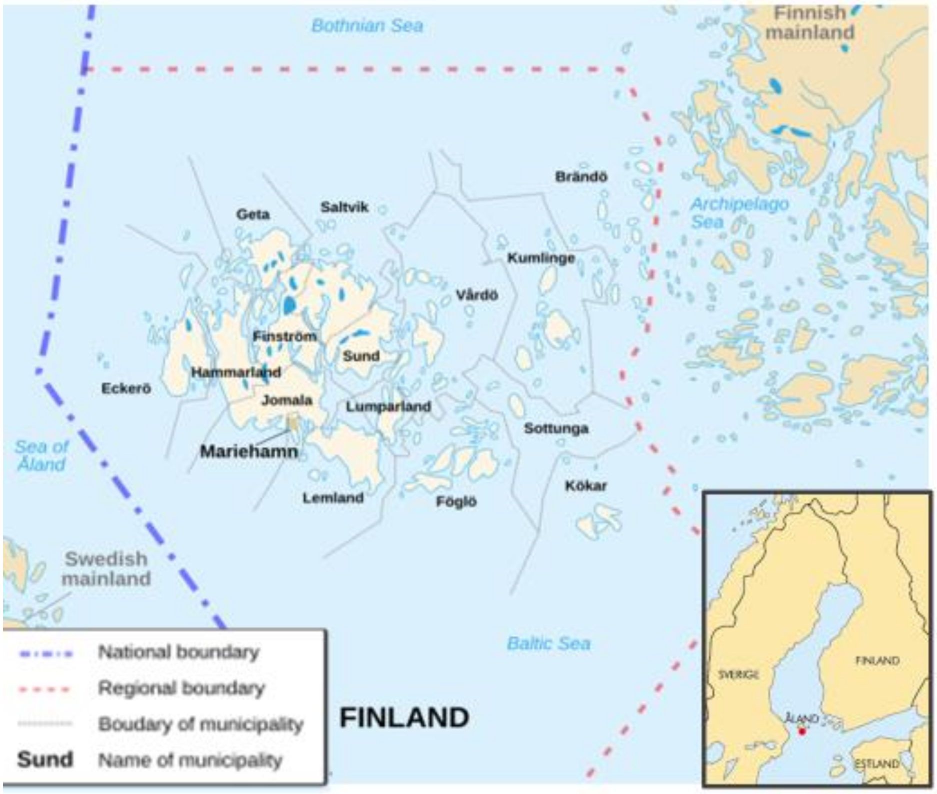

Figure 13: Map of the Åland Islands (Wikipedia Commons, Visit Åland)

Åland has a wide-reaching regional autonomy with its own government (Government of Åland) and legislature. Ferry traffic arrangements and funding naturally fall under its regional decision-making, as the smooth functioning of these services is vital for Åland.

5.2 Public procurement of island ferry services

5.2.1 Authorities

As the Åland Islands have autonomy and a regional government, it is the Government of Åland that procures and governs island ferry services in the region. The regional government owns most of the vessels used for public ferry services, and on some routes private companies have hired these vessels for the services. The Government of Åland is also procuring ferry services from companies operating with their own vessels.

However, the governance structure is changing in the Åland Islands as the new operator, AxFerries, has entered the market. AxFerries is a 50/50 joint venture of Finferries and the Government of Åland meaning the regional government is now procuring a significant portion of its ferry services from its part-owned company.

In early 2025, free-moving island ferries (as opposed to cable-driven ferries) used by AxFerries and owned by the Government of Åland have so far been bareboat chartered. The plan for the near future is that AxFerries will fully take over these vessels into its balance sheet, whereby the Government of Åland would no longer own any island ferries. The Government will, however, remain the owner and operator of its six cable ferry routes.

5.2.2 Public funding

The island ferry services in the Åland Islands are mainly publicly funded. The total costs of public procurement of ferry services in the Åland Islands are around EUR 20 million per year. Ticket sale revenue amounts to around EUR 1.5 million, which covers 7–8% of annual costs. The rest is public funding paid by the Government of Åland to the service providers. The annual budget of the Government of Åland is around EUR 400 million. This means that the approximately EUR 20 million used for ferry services represents a significant portion of regional fiscal policy.

The cable ferries are free to use, but tickets are required for bringing vehicles on the free-moving ferries. Passengers without a vehicle can use the free-moving vessels free of charge. Ticket prices are lower for the residents of the Åland Islands, but are more expensive for visitors. A yearly ticket is available for everyone. Its price corresponds to approximately four to five single voyages.

5.2.3 Procurement criteria

Public procurement of ferry services in Åland has so far been very price-focused. Minimum standards for the technical aspects of vessels, annual revenue, and other factors have been set, and the procurement decision has then been made based on the lowest price offered while fulfilling the minimum standards. This approach has been highly price-focused and economically unsustainable, which resulted in price competition and eventually in bankruptcies of service providers. The Government of Åland is aiming to move away from the price-focused approach to a more quality-focused approach with an increasing emphasis on lowering emissions.

5.2.4 Contracts between operators and authorities

The Government of Åland previously operated under a governance model in which it owned most of the free-moving vessels, while private sector operators were procured through competitive tendering. This approach resulted in bareboat charter-based public contracts, where the vessels remained state-owned, and operators were responsible only for personnel costs and daily maintenance.

However, as Åland's governance model has been shifting toward private vessel ownership, new contracts are increasingly structured as full-service agreements. Traditionally, these contracts lasted 10 to 15 years, but recently the regional government issued a shorter 2+1-year contract as the public procurement system is undergoing a transition.

The regional government defines the service level for ferry routes through scheduling, leaving service providers with little or no flexibility to adjust schedules or other operational factors. Since ferry services are a key aspect of local politics, service levels can change based on political decisions following elections.

The procurement of free-moving ferry services in Åland is undergoing significant transformation. Previously, contracts were based on bareboat chartering and focused primarily on price. The regional government is now shifting towards full-service contracts, placing greater emphasis on quality and low emissions as key procurement criteria.

AxFerries, a newly established operator jointly owned by Finferries, the largest ferry company in mainland Finland, and the Government of Åland, is expected to play a dominant role in future public procurements. While the regional government is optimistic that Finferries' expertise will contribute to reducing emissions in Åland's ferry sector, there are concerns that AxFerries' presence could further weaken the already limited competition among ferry service providers in the region.

5.3 Main ferry routes and operators

There are two types of ferry services in Åland:

1) large free-moving ferries on long routes between main islands and some also with connections to mainland Finland, and

2) cable ferries on short routes complementing the longer routes.

5.3.1 Routes of free-moving island ferries Åland

There are four main routes of free-moving ferries connecting the Åland Islands, all starting from Fasta Åland heading eastwards to various destinations in the archipelago. The Northern Line (red line in Figure 14) is a combination of several individual routes and goes from Hummelvik to Torsholma, and from Åva to Jurmo and to Kustavi, which is connected to mainland Finland with a bridge. The Cross Line (yellow) connects Långnäs to Snäckö. Southern Line (green) goes from Långnäs to Galtby, and Föglö Line (blue) connects Svinö to Degerby on the island of Föglö.

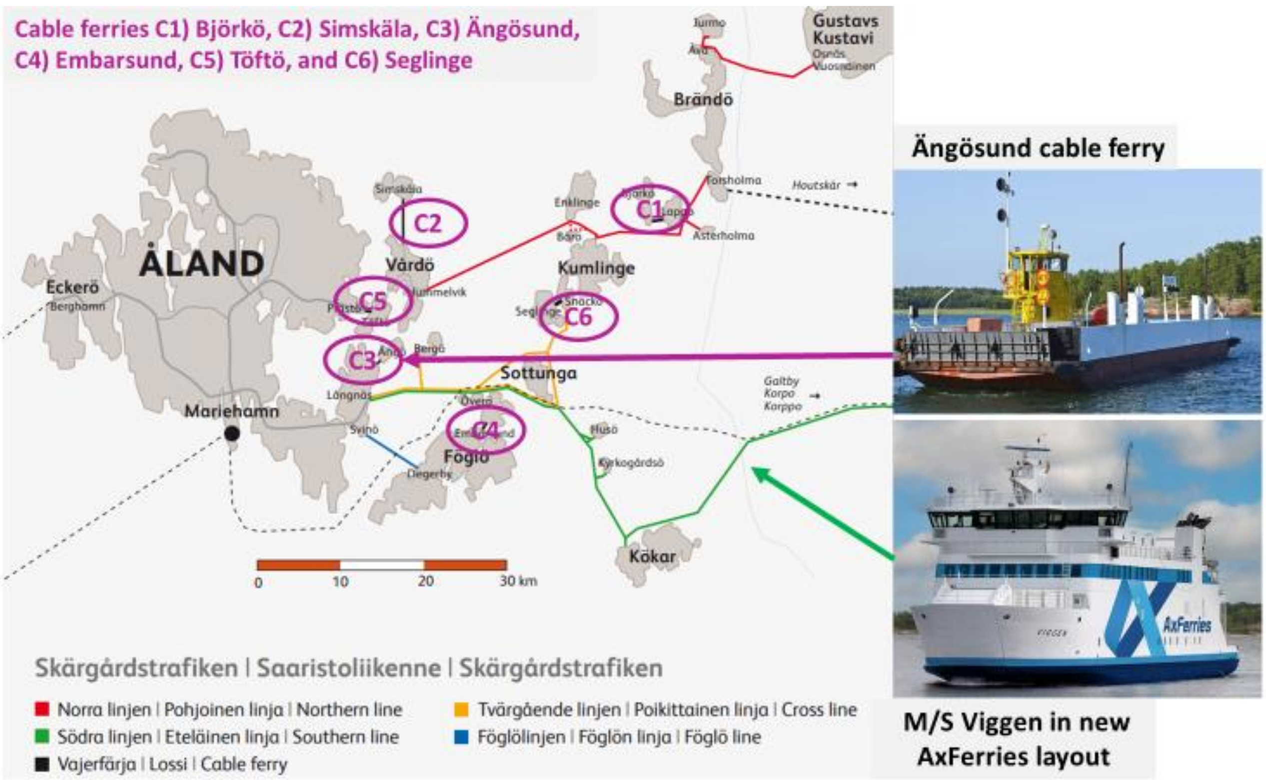

Figure 14: Free-moving island ferry and cable ferry routes in Åland with examples of the vessels. Source of the map: Ålandstrafiken

5.3.2 Cable ferry routes of Åland

There are six cable ferry routes: 1) Björkö, 2) Simskäla, 3) Ängösund, 4) Embarsund, 5) Töftö, and 6) Seglinge. The first three, Björkö, Simskäla, and Ängösund routes, are operated using the Government of Åland vessels, but the service is managed by private companies under contractual agreements. All cable ferries are free of charge for passengers and vehicles. (See also Figure 14)

5.3.3 Operators in 2025

The recently founded **AxFerries** operates seven free-moving ferries on the Northern Line, Southern Line and Föglö Line. This means that AxFerries is operating on three of the four main ferry routes in Åland.

Kuljetus Savolainen Oy operates the Cross line with two ferries. **Saariston Meritie Oy** is a former subsidiary of Kuljetus Savolainen Oy, which used to operate in Åland, but Saariston Meritie Oy has recently been merged with Kuljetus Savolainen Oy, meaning the company does not exist anymore.

Kymen Saaristoliikenne Oy operates one vessel on the Torsholma-Lappo-Asterholma-Kumlingea route, which is a part of the Northern Line. Similarly, **Alandia Tug Ab** operates the Åva – Jurmo route as part of the Northern Line. **Sundqvist Investments** operates the Enklinge Line with one vessel, but Kuljetus Savolainen will take over this route in May 2025.

Table 7 below summarizes the service providers of island ferry traffic in the Åland Islands.

Company	Turnover 2023 (Million EUR)	Personnel	Vessels
Axferries Ab	n.a.	n.a.	7
Kuljetus Savolainen Oy	7.1	30	10
Kymen Saaristoliikenne Oy	2.7	3	2
Sundqvist Investments Oy Ab	1.3	7	1
Alandia Tug Ab	0.4	4	1

Table 7: Service providers of Åland's island ferry traffic, their turnover, no. of staff and vessels in 2023 (Asiakastieto)

5.4 Summary of governance structure and the market

Cable ferry operations along the main road network are provided by the Government of Åland, which owns these ferries and their crews are directly employed by the government. This long-time arrangement is continuing with no foreseeable changes.

Key data for 2023 and the governance structure for Åland in 2025 are presented in Table 7.

Road (cable) and free-moving island ferries in Åland			
Indicative numbers for 2023	**Road cable ferries**	**Free-moving island ferries**	**Tot.**
Size of the market in M€	**3**	**20**	**23**
Million passengers	**1**	**1**	**2**
Million vehicles	**0.7**	**0.5**	**1**
Number of staff of operators	**50**	**100**	**150**
Largest operator & market share (%)	**GoA (100%)**	**AxFerries (80%)**	
Governance structure as per March 2025			
Involved ministries, Ministers or equivalent public bodies	Government of Åland (GoA), Minister of Finance		
	Government of Åland, Minister of Infrastructure		
Unit responsible for public procurement	n.a.	Transport Dept. of GoA	
Involved central government units	Transport Dept. of GoA; Ålandstrafiken		
Ownership steering of state-owned firms		Minister of Finance on joint venture AxFerries	
Ownership of vessels	Government of Åland	Operators, GoA or AxFerries	
Route and timetable planning	GoA, Minister of Infrastructure	GoA, Minister of Infrastructure, municipalities	
Vessel inspections, crew qualifications	Traficom		

Table 8: Summary of the island ferry traffic market in Åland in 2023 and governance structure in March 2025

Free-moving ferry operations, however, have seen rapid changes in recent years, and most notably since summer 2024, when a service provider with a large share of the traffic went bankrupt. The Government of Åland had to find a stable solution for these vital services, which was a 50/50 joint venture AxFerries with Finferries. In 2025, it provides three of four of the free-moving island ferry services, and it will gradually take over the ownership of the vessels it operates from the Government of Åland, too.

6 Conclusion

The approximate size of the entire road and island ferry markets in Sweden, Finland, Estonia and the Åland Islands is shown in Table 8. It covers services of Types A through D as defined subsequently and in Figure 2. However, as this report focuses on the Central Baltic (CB) region, the more detailed regional descriptions of this report do not necessarily cover the parts of Sweden and Finland that fall outside the CB region.

The entire market is worth about EUR 320 million, of which almost EUR 300 million is publicly funded either from state, regional or municipal budgets. Well over 60 million passengers are transported every year, when also commercial sightseeing and other similar services are included, in addition to about 17 million vehicles transported mainly on road ferries.

Approximately 2,250 people are engaged in the operations either as crew or landside personnel of the service providers, over half of which are in Sweden. The figure does not include persons working with these services in competent authorities or with public procurement. These numbers are indicative only since some of the operators provide data by man-years, while others indicate the number of persons employed without specifying the amount of full-time and part-time staff.

Approximate values for 2023	Road and island ferry services in a country as a whole, not only in the Central Baltic region				
	Estonia	**Finland**	**Sweden**	**Åland**	**Total**
Market size, million euros	30	85	180	25	**320**
Passengers, millions	2.7	12.7	45.0	2.0	**63**
Vehicles, millions	1.2	2.1	12.6	1.2	**17**
All staff of operators*	250	480	1 350	170	**2 250**

Table 9: Order of magnitude of the size of the combined road and island ferry services market (excluding the large-scale car-passenger traffic) in Estonia, Finland, Sweden and the Åland Islands in 2023

What is common for all four regions is that significant amounts of public funds are needed to maintain these vital road and island ferry services, as they cannot be operated solely on a self-costing and commercial basis. The usage of public funds is naturally subject to political decision-making at national, regional or local (municipal) level (see Figure 15).

In many cases, these services are offered for free, as is the case of road ferries in Sweden, mainland Finland and cable ferries in Åland as part of the public road network. In mainland Finland, also island ferries are free of charge for passengers, but not necessarily for transport of cargo. Where the services are subject to ticket or freight prices, they are subsidised in all regions, typically up to 90% or more. Given this, the governance structure and political guidance behind the operations are crucial elements in developing these services towards better service quality, safety and environmental standards.

Together with the public funds available for these services, also the requirements and incentives in competitive tendering processes are central in reaching even very ambitious environmental goals, where the services are subject to public procurement.

In cases where the services are produced by authorities, such as with Swedish Road Ferries or cable ferry operation in Åland, similar incentives need to be built into their operations by direct political guidance and goal setting. An example of these is Swedish Road Ferries' Vision 45, which is agency's strategic plan designed to ensure the right future capacity while also meeting the climate policy goals set by the national government.

In competitive bidding for these services, the eligible tenderers need to fulfil certain minimum standards of the technical level of the vessel and the qualification of the crew, for example. This applies to all regions.

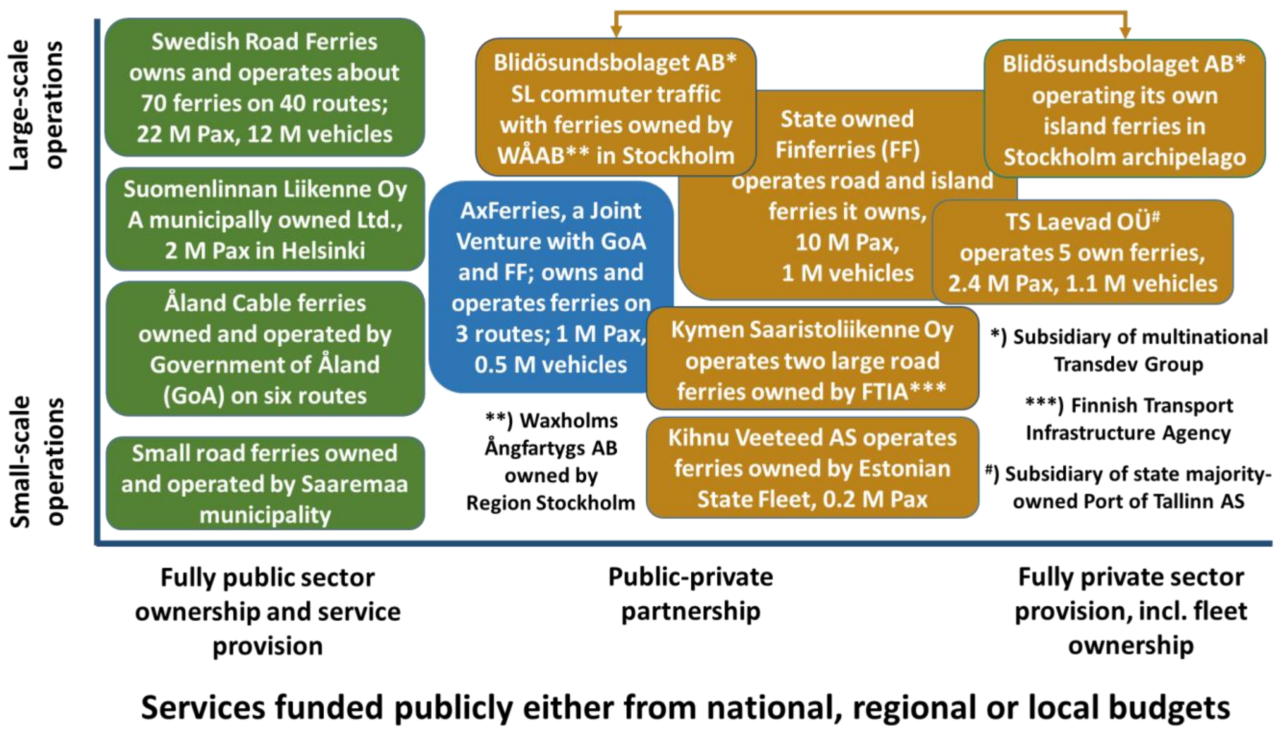

Figure 15: The spectrum from fully publicly owned and provided to fully privately provided ferry services that are publicly funded in the Central Baltic Region in 2025

In Sweden and mainland Finland, price usually carries a 70% weight in the tendering process. The remaining 30% is a qualitative element, which may also include an environmental component. In addition, there are typically financial incentives for the service providers to reach lower emission levels than set out in the "basic level" of the contract. These are often accompanied with financial penalties if the maximum levels of allowed emissions are exceeded. For example, in Finland, these contractual penalties can be substantial even for relatively minor excesses. In Estonia, the sole criterion in competitive bidding for ferry services has been price among the tenderers that fulfil the other minimum requirements.

Over the past 10 to 15 years, selecting service providers solely based on the lowest cost or price has proven ineffective across all regions. Recent examples from mainland Finland, Åland, and Estonia highlight these challenges. Ensuring reliable service, particularly in demanding weather conditions, becomes difficult when an operator's financial margins are too thin. This has led to issues such as unexpected bankruptcies and prolonged substandard service quality.

Setting ambitious environmental goals—and even achieving them—appears feasible, particularly in road ferry operations. This is largely due to the ability to convert existing vessels or, in some cases, acquire new ones that rely primarily on electricity.

For example, the two most recent Finnish road ferry service tenders, covering the Lake Region and the Archipelago Region, each have a contract period of 20 years and an estimated value of approximately EUR 250 million. These contracts are expected to be signed in 2025 or 2026. Under their terms, operators must reduce CO_2 emissions by 30% as early as 2027 or 2028. Finferries has stated that emissions reductions of up to 98% could be achievable within that timeframe.

Converting island ferries to run primarily on electricity is particularly challenging due to their often long routes through the archipelago. Providing sufficient grid capacity for charging in these remote areas is both technically complex and costly. Additionally, current battery technology may limit the charging capacity of vessels operating on extended routes.

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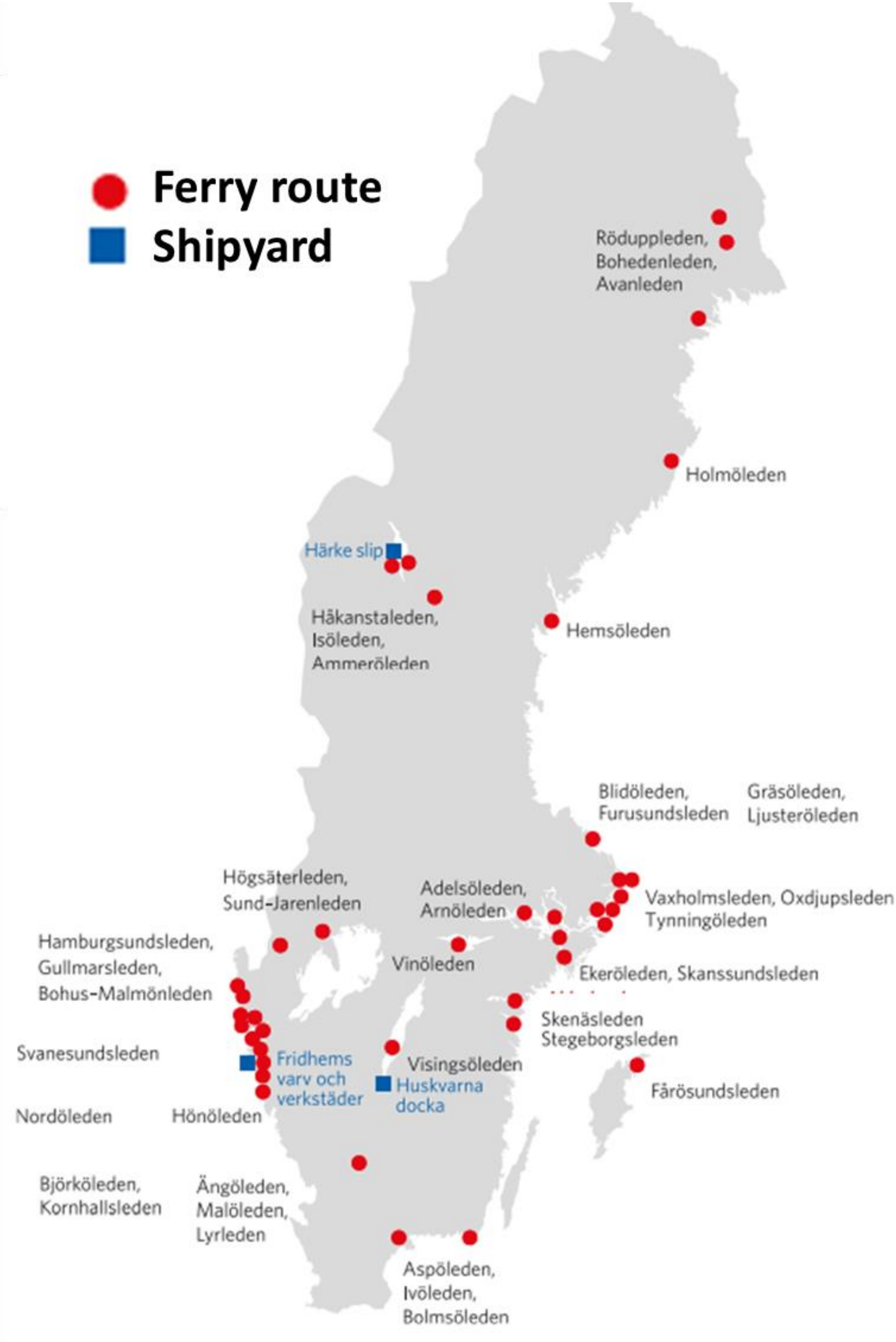
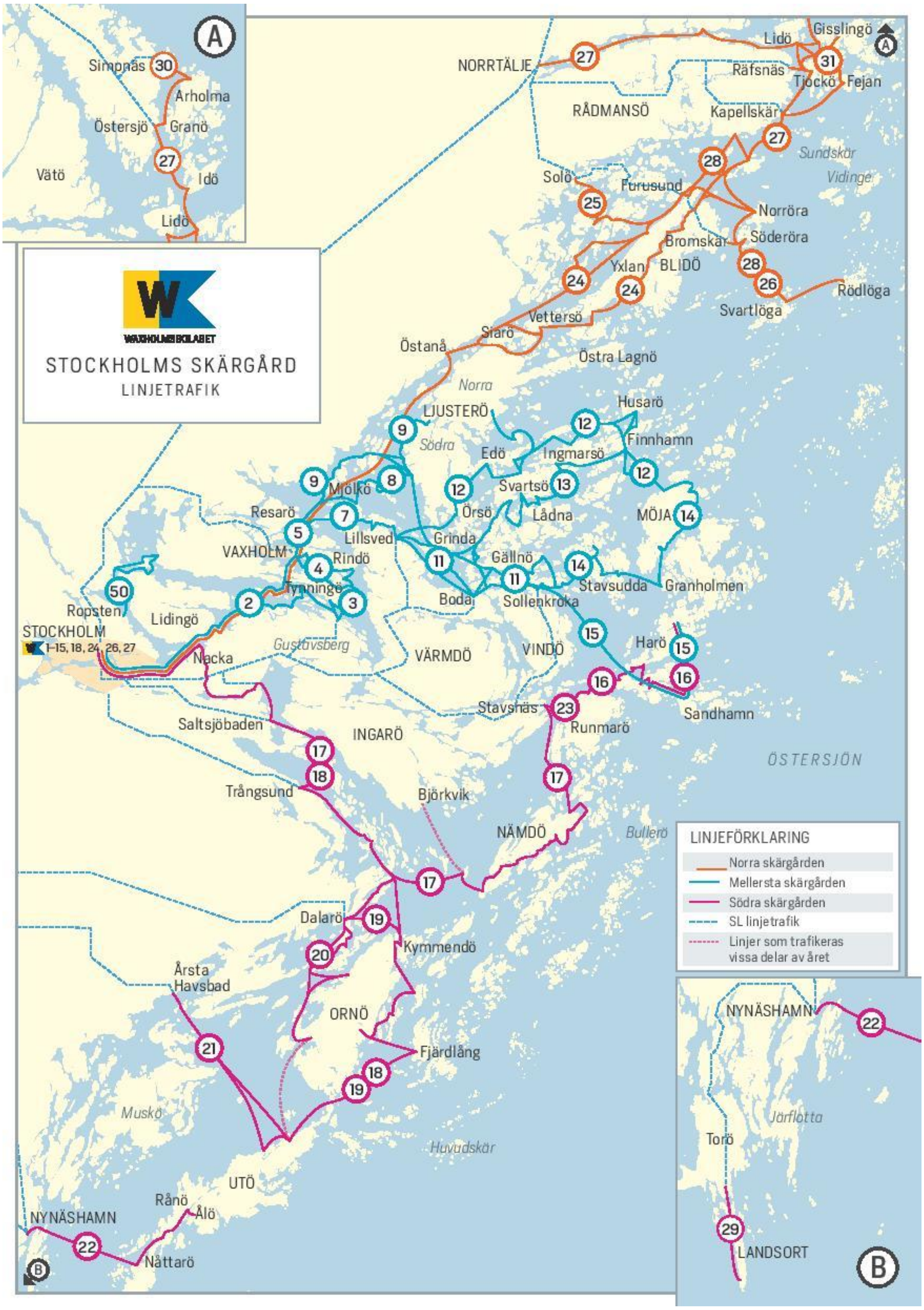
Appendices

Appendix 1: Road ferry routes in Sweden in 2023 (Färjerederiet)



Appendix 2: Stockholm's archipelago map with ferry routes (Skärgårdstrafiken, 2020)



Images of ferry vessels used in the Central Baltic region

Estonia

Island ferry *Ormsö*, Kihnu Veeteed AS, Sviby – Rohuküla:

(Image by Metsavend, retrieved from Wikimedia under license CC BY-SA 4.0)

Car-passenger ferry *Leiger*, TS Laevad OÜ, Rohuküla – Heltermaa:

(Image by Pjotr Mahhonin, cropped and retrieved from Wikimedia under license CC BY-SA 4.0)

Mainland Finland

Island ferry *Otava*, Finferries, Kotka – Pyhtää**:**

(Image by IA, retrieved from Wikimedia under license CC BY-SA 4.0, cropped)

Road ferry *Nestori*, Kymen Saaristoliikenne Oy, Arvinsalmi, Liperi, North Karelia:

(Image by Kymen Saaristoliikenne Oy, https://ksloy.fi/lauttaliikenne)

Passenger ferry, *Suomenlinna II*, Suomenlinnan Liikenne Oy, Helsinki:

(Image by ExpressEditor, retrieved from Wikimedia under license CC BY-SA 4.0, image is cropped)

Sweden

Archipelago ferry *Dalarö*, Blidösundsbolaget AB (WÅAB):

(Image by Bengt Nyman, retrieved from Wikimedia under license CC BY 2.0)

Road ferry *Bodilla*, Färjerederiet, Fårö – Fårösund, Gotland County:

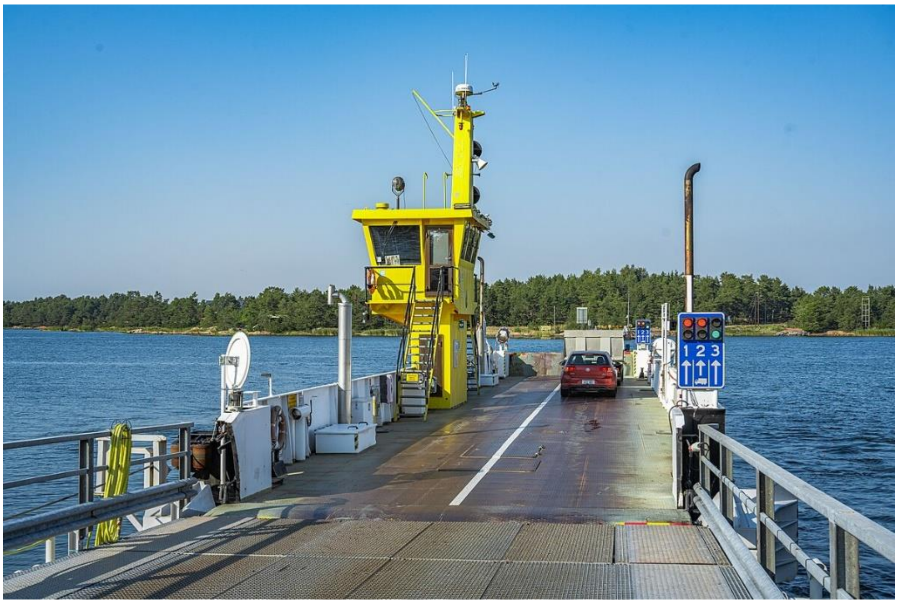
(Image by Bene Riobó, retrieved from Wikimedia under license CC BY-SA 4.0)

Åland Islands

Free – moving island ferry *Alfågeln*, Axferries, Northern Line:

(Image by Ulf Rydin, retrieved from Wikimedia under license CC BY-SA 3.0)

Cable ferry in Embarsund, Embarsund Line:



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