

FINAL REPORT ON
'TRANSPORT ACCESSIBILITY FOR THE EU OUTERMOST REGIONS' (ORs)

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Disclaimer

The arguments expressed in this report are solely those of the authors, based on the input of the experts group and other sources, and do not reflect the opinion of the European Commission or any other party.

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1. Introduction

Enhanced transport mobility is essential for reducing the ‘accessibility gap’ brought about by the remoteness, insularity and dependence faced by the Outermost Regions of the EU (ORs). Improved mobility, and the better accessibility that results from it, can stimulate growth and job creation in these regions with greater social inclusion and environmental sustainability. The ‘accessibility gap’ has three dimensions that differ from other parts of the EU:

- Remoteness from continental Europe
- Difficult access with neighbouring Third countries in their regional basins
- Accessibility problems arising in the local territories through insularity and double insularity.

These three dimensions, combined with the characteristics of being territories with small populations (except for the Canary Islands) and small markets, can impact on the opportunities for residents to access important aspects that influence the quality of their lives such as higher education and professional training. Difficult access can affect the relative prices of goods and services for retail and business and the ability to have reliable access to maintain the quality of local services. Poor access affects the potential for economic growth in the ORs relative to their continental counterparts: the ability to attract business, tourism and therefore the ability to create jobs, particularly among younger adults.

In addition, the ORs face the common challenges of the European Union to achieve sustainable mobility in their home territories - specifically:

- How to provide infrastructure and transport services in low density rural areas
- Managing transport demand and congestion along narrow coastal strips where the space for transport infrastructure is limited
- Meeting transport demand in heavily congested urban areas.
- Reducing externalities of transport (such as GHG, pollutant and noise emissions)

On March 2nd 2017, an Expert Group (EG) was established by the Commission (DG REGIO) to assess the extent of the transport ‘accessibility gap’ for the ORs and to make recommendations in the context of a forthcoming renewed strategy towards the ORs. A further EG addressed the issue of Digital Accessibility. The Group on transport accessibility comprised representatives from all three of the regional basins in which the ORs are located: Caribbean and Amazonia, Indian Ocean and Macaronesia. EC Officials also attended the meeting from other relevant Directorates General (DG MOVE, DG COMP).

In addition, questionnaires were completed by the OR Authorities, providing background information and intelligence for the Group’s work. The questionnaires were provided by all of the above ORs.

The transport accessibility issues that the ORs face can be subdivided into 3 topics:

- Issues arising within each of the Outermost Regions (i.e. relating to sustainable mobility)
- Issues arising between the Outermost Regions and their host countries (i.e. France, Portugal, Spain)
- Issues arising between the Outermost Regions and their neighbourhoods (i.e. within the Caribbean and Amazonia, Indian Ocean and Macaronesian basins).

In addition, the Group have assessed the impact of the accessibility gap on the ability of the ORs to attract and retain trained professionals to manage and plan transport in the ORs. These 4 issues are addressed in this report.

In the Group’s work, four crosscutting issues were addressed:

- Regulations and legislation – Are the current rules sufficiently flexible and tailored to the particular situations faced by each of the ORs?
- Financing – Are the proper mechanisms in place to mitigate the extra financial costs that the Outermost Regions face?
- Know-how – What practical actions can be taken to improve the capacity and know-how of transport professionals in the Outermost Regions, so that they can fully benefit from the wealth of European initiatives on-going at the present time?
- Opportunity – How can the Outermost Regions show EU leadership and innovation in the transport arena from which the whole EU can benefit?

The work of the EG has identified the nature and extent of problems arising from the accessibility gap for transport in the ORs. It provides some examples of best practice as to how the ORs are overcoming the transport problems they face – and how they can learn from each other in this respect. The work has also explored the opportunities that exist for the ORs to become more engaged in European transport innovation programmes – and how their unique geographical locations could provide opportunities for leadership and innovation in the transport sector. However, in many areas, there was a lack of quantitative evidence on the size and nature of the accessibility gap and one primary recommendation of this Group is to fill this data gap.

2. The regulatory framework

Articles 349 on the Functioning of the European Union (TFEU) recognises the specific issues that face the ORs, in comparison with territories on continental Europe. Specific measures can be introduced to apply EU legislation in the ORs, without undermining the integrity and coherence of EU law, the internal market and common EU policies.

EU regulations provide both supporting and stimulus roles to support the ORs:

- To use state and regional aid to intervene in the internal market for transport services to ensure that socially and economically necessary transport services are maintained to a high quality and reliability.
- To compensate transport costs via the ‘specific additional allocation’
- To assist new entrants into the transport market to stimulate competition, given the limited contestability of remoter areas, reducing the costs of market entry and the risks of market failure.
- To access EU financial sources in the form of project grants and low risk loans for essential developments to transport infrastructure: specifically for ports and airports, but also for important urban and inter-urban transport links.

Note: These four strands of EU regulations relate specifically to the transport dimensions of ‘the accessibility gap’. In the wider context of ‘mobility’, there are additional areas of regulations that can assist the freer movement of persons and goods to/from the ORs. Issues such as visa requirements across EU borders customs regulations and so on. While important considerations for addressing ‘the mobility gap’ between the ORs and neighbouring third countries, this paper focuses on the ‘accessibility gap’ for transport services only.

The TFEU internal market rules specify common rules for freedom to provide services and open competition in the EU Single Market. The TFEU competition rules aim to ensure that any such competition is not distorted by either an anticompetitive conduct of companies (Art. 101 and 102 TFEU) or the Member States (Art. 106 and 107 TFEU). These rules apply to maritime and air transport services as well.

However, the EU rules allow for the possibilities for public support for transport services. This can be done either under the relevant sectorial state aid rules (such as the Aviation Guidelines or the Maritime

Guidelines) or under a Public Service Obligation (PSO) for those cases where this is required to operate a socially necessary service. For the PSOs, specific sectorial internal market rules are set forth in Regulation 1008/2008 for air services PSOs and Regulation 3577/92 maritime services PSOs. Such PSOs must ensure that contracts are not discriminatory, that they are subject to OJ tendering procedures and that the subsidies to be provided are in-line with EU state-aid rules.

With respect to land transport, Regulation 1370/2007 on public transport passenger services by rail and road has important implications for the organisation and financing of land-based public transport across the EU – creating an internal market to provide public transport under common standards for operator competence and service quality. This principle is achieved by specifying rules for public procurement contracts. The Regulation also stipulates the conditions for subsidy payments and the rules for awarding PSOs to ensure the Regulation is compatible with the rules of the EU Internal Market.

Previously, all state aid provided to transport operations would be vetted by the European Commission to ensure that the subsidy provided did not distort competition to the extent which would be contrary to operation of the internal market. Since 2014, the General Block Exemption Regulations (GBER) exempted certain types of aid from the notification requirement. The 2017 revision of GBER now covers aid to airports and ports: it does not cover air services.

State aid can be provided for contributing to growth, for example in the air sector:

- Assisting the development and environmental sustainability of airport infrastructure where investment is necessary to increase the mobility of citizens and connectivity of regions, facilitate regional development or combat air traffic congestions at hubs.
- Providing aid to operators of new air routes through reductions in airport tariffs of up to 50% of the airport charges incurred.

In summary, the EU regulatory framework now provides the necessary rules and flexibility to allow the ORs to utilise state aid in the transport sector. The regulations allow for aid to support the development of key infrastructure such as ports and airports, and to incentivise new entrants to improve market contestability and reduce the requirement for public support. They allow for social aid in the aviation for certain groups of passengers. And the rules also allow for designating transport services as PSOs.

In addition, Cohesion policy, through Cohesion Fund and ERDF, is the main source of EU co-financing for transport projects in the OR. Cohesion policy may be used both for TEN-T and other transport infrastructure projects. Furthermore, funding from the Connecting Europe Facility is available.

Cohesion policy funding provides essential grant support for infrastructure development and for meeting the specific additional allocation under European regional development Fund incurred by OR transport operators.

New financial options through the 'Juncker Plan' (ESIF) and the European Investment Bank (EIB) also provide lower risk investment options for transport infrastructure. Following sections of this report document the way these regulations are being exploited, the best practice and the issues arising.

3. The current transport accessibility situation in ORs

The two annexes to this report provide some information on the comparative statistics on population and the overall transport situation in each OR. There is also a table summarising the key economic and social strengths and weaknesses relating to transport.

The total population of the ORs in 2016 was 4.8 million people. The population sizes and densities of the ORs vary considerably. The Canary Islands are the most populated (2.1 million inhabitants in 2016), comprising 44% of the total OR population. The remaining ORs all have populations under one million, ranging from La Reunion (850,000 inhabitants in 2016) to Mayotte and French Guiana (235,132 and 262,527 inhabitants respectively). The island ORs are dominated by volcanic highland areas and population is highly concentrated along coastal strips, in densely populated cities contrasting with sparsely populated rural areas inland. French Guiana is dominated by a large sparsely populated interior of Amazonian forest with the population concentrated on the coastal strip and on the primary river estuaries. The population of the Canary Islands and La Reunion has increased between 2012 and 2016 by 2%, French Guiana and Mayotte by 9%. The populations in the remaining four ORs have marginally fallen (St. Martin - no data were available).

The transport situation to and from the ORs contrasts a heavy reliance on air transport for passengers and a reliance on maritime transport for goods.

The comparative statistics for the numbers of air passenger journeys generated by each OR highlights the dominance of the international air market for tourism in the Canary Islands. In 2015, more than ten times the number of passengers travelled to the Canary Islands than to Madeira, the second most popular destination (32.5 million and 2.7 million respectively): International flights serve several of the Canary islands' airports relative to a single main international airport on Madeira and in most other ORs. Given their greater proximity to the European continent relative to the other ORs, low cost and charter airlines comprise a majority of the air passenger flows to the Canary Islands and Madeira whereas connections to the other ORs are primarily provided by national air carriers.

Future growth in the number of air passengers arriving by air in Madeira is constrained by the difficult location of the only airport. Apart from the Canary Islands, air passenger flows to the other ORs in 2015 ranged from 1, 6 million passenger journeys to 2,7 million passenger journeys per year - Madeira (2.7 million), the Azores (2.3 million), Guadeloupe (2 million), La Reunion (1.9 million) and Martinique (1.6 million). Air passenger volumes were lowest to/from French Guiana and Mayotte: only 443,000 and 303,000 passengers in 2015 respectively.

In terms of passengers arriving in the ORs by sea, the statistics would appear to reflect the volumes of cruise shipping, rather than regular international ferry traffic. For example, Madeira has no ferry linking the island with mainland Portugal but receives 269,000 passengers per year by sea. Three ORs have significant volumes of seaborne passenger traffic: In 2015, the Canary Islands received 3.6 million passengers by sea, Madeira 269,000 passengers and Guadeloupe 980,000 passengers. Issues relating to cruise shipping are discussed below in Section 5. The statistics appear to be incomplete and further work to collect comparative data split by the type of shipping service would provide more clarification.

As expected, the ORs are far more dependent on shipping than air transport for goods imports and exports. For the 6 ORs where data are available, the volume of goods in 2015 to the Canary Islands (25.5 million tonnes by sea, 40,000 tonnes by air) far exceeded that of La Reunion (3.9 million tonnes by sea, 29,000 tonnes by air), Guadeloupe and Martinique (2.0 million tonnes by sea, 13,000 tonnes by air), the Azores (2.1 million tonnes by sea, 9000 tonnes by air) and Madeira (1.0 million tonnes by sea, 5,000 tonnes by air). In terms of trends, the volume of goods transported remained broadly static in all ORs between 2013 and 2015.

Recommendation:

The Solbes report in 2012 provided comparative data for the ORs across sectors, including transport. There is the need to provide updated statistics for the transport sector and provide a framework for the synthesis of existing data, and for new data collection, based on the definition of common indicators, data collection and analysis. Data should provide the capacity for the regular monitoring of EC regulations and instruments, and for the monitoring of 'accessibility gaps'.

4. Accessibility to continental Europe

The 'accessibility gap' that arises due to the remoteness of these EU Outermost Regions from continental Europe was one of the central issues for the Group to address. How can the transport links between continental Europe and the Outermost Regions be strengthened? How can the EU take full advantage of the strategically important locations of the Outermost Regions to use these stronger links to promote the Regions as best practice 'beacons' for the EU in different regions of the World.

Maritime transport on the intercontinental routes to Europe is dominated by the major World shipping companies. For example, in French Guiana, there are two companies that operate circular routes from continental Europe through other intermediate Caribbean OR destinations. The scheduled air carriers from host countries to the ORs in the Indian Ocean and Caribbean operate a majority of the air transport routes, although Macaronesia has a more mixed supply of air routes to the European continent served by low cost airlines. In 2012, the Solbes Report quoted statistics that the average cost to make up the 'accessibility gap' to provide goods and services to the European Continent, as a result of the additional shipping costs, was on average 10 per cent of the prices for goods exported. This study remains the last quantitative assessment of the accessibility gap for goods.

The primary considerations of the Group regarding the accessibility gap between the ORs and continental Europe, for passengers, focused on air transport. The Expert Group emphasised that, in most OR's, residents have no alternative to air transport for accessing continental Europe. In addition, the need to maximise the accessibility of the ORs to encourage international tourism is a vital element in achieving economic growth.

Market competitiveness - To achieve better connections between the ORs and continental Europe, there is the need to create a more competitive market for the air services on which they rely. Limited competition can make the cost of air tickets too high for residents and reduce the attraction of the ORs for both tourists and business. In this respect, the high airfares to travel to and from continental Europe place the ORs at a relative disadvantage to their continental counterparts. The policies adopted by the ORs combine initiatives for generating greater competition for air services to continental Europe with social support in the form of direct subsidies on fares to specific groups of passengers.

Generating greater competition and fare economies on the long-haul routes to continental Europe is particularly challenging. Under Single market rules, subsidy cannot be provided to support specific airline operations. However, financial benefits can be provided in the form of reduced fees charged to airlines at airports for new routes. Such 'start-up' aid for new routes can help to reduce some of the risks of market entry for a period of three years. The Member States can further designate the operations on certain routes as PSOs if justified and offer compensation for such operations. In turn, ports and airports can be expanded and modernised to increase the attractiveness of their destinations, through state-aid (even without notifications under GBER rules) or through available loan instruments such as the EFSI. The ORs are included on the comprehensive TEN-T networks although (with the exception of two of the Canary

Islands) they are not included on the core networks. In addition, the TEN-T grant funding for projects under the Connecting Europe facility remains highly competitive. The key is how the ORs can use the current combination of available instruments to reduce the accessibility gap to the continent.

In reducing this accessibility gap, there are differences between the three geographical basins. The lesser distances from the Macaronesian islands to Europe have allowed more 'low cost' and 'charter' airlines to enter the market. In contrast, the greater distances from the ORs located in the Indian Ocean and the Caribbean basins have limited the number of carriers operating on these long-haul routes and kept prices higher. However, despite these difficulties, some low cost airlines are now beginning to enter the market on some longer haul routes (for example to locations in the Indian ocean). Encouraging these low cost operators through beneficial charging regimes at airports and making the OR destinations more attractive for tourism will further incentivise this trend.

User-based subsidies - The Single Market rules for air carriers in continental Europe have produced a vibrant and competitive air market with lower fare levels. However, achieving this success for the ORs, particularly for long haul routes to and from continental Europe the Indian Ocean and Caribbean basins, has been problematic in the past. Rather than any adjustment to EU competition rules that may allow for a subsidy to be provided directly to those airlines serving the ORs, they have reduced the fare burden on passengers through selective user-based subsidies. Such subsidies are provided by several of the ORs (for example, Guadeloupe in the Caribbean, La Reunion in the Indian ocean and the Azores islands in Macaronesia).

Subsidies to air travellers for socially necessary purposes range from reduced fares to all residents accessing the mainland (for example the policy implemented in the Azores, in which the amount of the subsidy will be the difference between the eligible cost and the maximum amount of EUR 134 for residents or EUR 99 for students per round trip) to specific groups such as students and those in need of skills training (for example the policy implemented in La Reunion). While these direct user-based subsidies do provide an effective solution, in some cases one drawback is the high seasonal variation in fare levels. Fares are often highest at the times when the demand from those eligible for subsidised fares are also at their peak. When the fare subsidy is fixed, the proportion of the airfare covered by the subsidy is considerably less than at other times of the year (for example in La Reunion – a subsidy of EUR 360 from an airfare of €500 in the low season changes to a subsidy of EUR 360 of EUR 2000 during the peak season). This is an issue that needs to be addressed to get the best value for each Euro of subsidy invested by changing the patterns of travel demand outside of the peak seasons.

Increasing the attractiveness of OR destinations - The Expert Group suggested that a wider strategy to encourage more airline competition for the long haul routes is to make the destinations of the ORs more attractive to visitors and the European business community, supported by awareness raising and marketing strategies. This could draw more airline companies to serve the ORs, not only from Paris but also from other airports in continental Europe. This can be assisted by (i) using state aid to improve airport infrastructures, (ii) more sustainable and efficient land transport serving airports and the main centres of activity and (iii) the ability to use the airports as hubs for better regional accessibility within their respective basins. These are in addition to the introduction of cheaper airport charges as start-up aid or EFSI-assisted investment loans mentioned above.

The current offer of air routes to continental Europe is limited mainly to links to the host country. It is difficult for airports in the ORs to encourage cheaper flights and tourist charter routes from other member states such as Germany or Scandinavia. In continental Europe, some airports provide up to a 50% reduction in airport charges for new air routes. However, this level of incentive may not be enough for carriers to

consider long-haul destinations such as exist the ORs. In one case in La Reunion, as reported by the expert, a low-cost airline would consider starting a route from Germany only if the airport charges were reduced by more than 50%.

State aid - The GBER rules include state-aid for airport and ports infrastructure development (as opposed to air and shipping services), removing what were seen as previously complex approval systems.

Relative to the position for the ORs located in the Indian Ocean and Caribbean basins, the situation is somewhat different in Macaronesia; being closer to the European continent. The Canary Islands and the Azores subsidise fares for students and residents respectively to the Spanish and Portuguese mainland. The Canary Islands have high tourist volumes and high levels of airline competition, which the other Macaronesian ORs are trying to emulate. The Azores have a new model of air transport that combines the liberalization of access to the market of scheduled air services between the Portuguese mainland and the gateways of San Miguel and Terceira, with the imposition of public service obligations in the remaining gateways (Santa Maria, Faial and Pico). However, while direct low cost and charter airlines flights operate between Macaronesia and many destinations in the EU, the competition on domestic scheduled services to the mainland – for example from Madeira to Portugal remain limited, reflected in their relatively higher fare levels.

Considerable investments were made in the past and **Cohesion policy** has been and remains the most important source of EU co-financing for transport investment in the ORs. For the funding period 2007-2013, the Cohesion Policy allocation to transport through regional programmes amounted to about EUR 950 million¹ (without considering allocation via national programmes in some cases). A wide range of projects have been financed, including port and airport infrastructures, maritime connections and Inland waterways.

Support to the transport sector continues under the current Cohesion Policy funding period 2014-2020. In the Outermost regions, about EUR 660² Million have been made available for transport investments via regional programmes. Investments for ports and airports continue to represent a big share of the investments made. Under the new Cohesion Policy, the emphasis is on fostering a more strategic approach to ensure that, in the long run, transport investments are drivers for growth and for delivering the increasing demand for mobility and transport in a more sustainable and efficient manner.

Connecting Europe Facility support on the TEN-T network Currently, the Connecting Europe Facility can be used by ORs only for improving access to the core TENs and for improving the internal logistics in the ports that are included in Trans-European Network for Transport (TEN-T): this can be envisioned under the horizontal priority called Motorways of the Sea (MoS). However, project-proposals submitted for funding under CEF (published and managed by the Innovation and Networks Executive Agency (INEA)) tend to be largely over-subscribed and are highly competitive. The CEF Programme is currently undergoing a mid-term review.

In general, the TEN-T guidelines refer to linking through the core TEN-T Network, (which is to be developed by 2030), all urban agglomerations of one million inhabitants or above, all major border-crossings, inland ports (considered by default as multi-modal nodes) and the core European sea-ports. Particular emphasis in allocating the CEF funding is put on alleviating the major bottlenecks and improving cross-border

¹ this figure does not include necessarily expenditures under the ERDF additional specific allocation. Data reported were extracted in 2016 and the amounts should be considered as 'approximate'.

² idem

connections as well funding rail projects, future developments for seaports and inland waterway port facilities.

Currently only Tenerife and Las Palmas in the Canary Islands feature on the TEN-T core networks while all the other ORs are in the comprehensive network. However, the ORs are not in the nine TEN-T corridors where CEF funding is primarily concentrated.

Recommendations

From the cursory work of the Expert Group, three types of effective measures arise:

- *Increase open competition in air services to/from the EU to drive down fare levels and minimise the impact of seasonal price variations.*
- *Where fare levels remain prohibitive to some groups of citizens, to address these inclusion and capacity building issues through direct fare subsidies to those users to achieve affordable services to/from the EU*
- *The OR should make the best use of the available financial channels for infrastructure to invest and expand airport and port facilities to increase the attractiveness of OR destinations and generate growth.*

Specific recommendations:

1. *For the Commission to undertake a study to:*

(i) More closely define and quantify the relative size of the 'accessibility gap' from the ORs to the European continent, to ensure the ORs have a level playing field within the Single Market. While the general situation was outlined in the evidence provided to and by the Expert Group, further quantitative comparative evidence is essential for both passenger and goods traffic by air and sea.

(ii) Review best practice strategies to increase the market competitiveness of air services from the European continent to the ORs, particularly the successful measures to introduce lower cost airlines on longer haul routes (building on recent experience Worldwide) and the best practice policies on airport charges and the most efficient infrastructure investments made.

2. *Cohesion policy support to transport infrastructure in the ORs is the main support to bridge the accessibility and strong support should be ensured in future programmes.*

3. *For the Commission, in its review of the TEN-T priorities for the next financing period, to examine how the legitimate and specific needs of the ORs might best be included and clearly identified among the future priorities; for example, by making eligible projects that improve links between ORs and their mother-Member State, or between an OR hub airport or a sea-port and their regional satellites within their respective geographical basins. Also how 'lighthouse projects' funded under TEN-T/CEF on pilot-basis can then be exploited as a catalyst for other OR transport investment projects.*

4. *For the ORs: to work pro-actively with EIB to develop transport infrastructure projects that take advantage of the Juncker Plan (ESIF) to modernise and expand airport and port facilities where urgent investments are needed to maintain quality links to Europe and to increase regional competitiveness.*

5. *To examine the best practice evidence in the ORs and elsewhere of applying user-based subsidies for air travel*

5 Accessibility within the regional basin

This section assesses how the accessibility of the ORs can be strengthened within their three regional basins: The Indian Ocean, the Caribbean and Macaronesia.

This dimension of accessibility has two elements:

- The accessibility problems caused through double insularity
- The accessibility problems with surrounding third countries in the home basin

Double insularity places an additional burden on both transport costs and the costs of goods transported. It is effectively a '3rd accessibility gap' in addition to the gaps for continental and regional access. The challenge is how to reduce the high public sector costs of providing transport services, ports and airports in those ORs that face double insularity – are there new business models that could be developed and what financial and regulatory instruments might be developed to stimulate them? A key issue in this respect is how to encourage competition through new market entrants for areas with low demand profiles and long-established operators (for example as exists for the inter-island air services operating in the Canary islands).

The need to reduce the accessibility gap between the ORs and their regional neighbours is no lesser a challenge: to invest in port and airport infrastructure to maintain a competitive edge in their respective basins. In this respect, the new channels opening in Panama and Suez, their strategic locations on World shipping routes, the growth of cruise shipping and regional tourism are all seen as key elements. The EC Operational Programmes have developed “a Regional vision” for the growth of the ORs within each basin, as a strong regional strategy to drive economic growth. Such growth requires carefully planned investments in transport infrastructure and operations, and a regulatory regime flexible to meet the needs of the three basins.

Double insularity

A major constraint facing most the ORs relates to the double insularity that exists, exacerbating the accessibility gap between the ORs and their wider regions. Transport services operating in these environments find it difficult to generate any economies of scale. In addition to transport operations, high investment is also required for both port and airport infrastructures.

Double insularity is an issue for many ORs, many of them being not only islands but groups of islands, in some cases widely dispersed islands (e.g. the Azores, Canary Islands). Accessibility relies on good quality links by air and sea. Transport demand levels between islands are low and services that have been proven as socially necessary are provided under the protection of PSOs to ensure service quality. For shipping, the problems transporting goods across those ORs with double insularity only serve to further exacerbate the 10% specific additional compensation of the accessibility gap identified by Solbes in 2012 for shipments from/to the continent:

- Difficulties in deconsolidating containers
- Distances between the islands
- The low profitability of services
- The importance to ensure a regular supply of goods
- The imbalance in trade and the relatively low level of cargo movements
- The lack of port infrastructure

As a result of the low demand, there is little competition for air and sea services, both for passengers and goods transport; in these cases where the services would not be provided at all, subsidy is therefore

necessary. The low economies of scale that accompany double insularity have knock-on impacts on the prices of goods and living standards on the smaller islands. Airports, landing strips and small ports are by definition, only accessible by smaller aircraft and ferries, limiting the possibilities for growing the demand – for example in tourism. The link between Madeira and Porto Santo, or the connections between some islands of the Azores (E.g. Flores, Corvo, São Jorge and Graciosa) would be good examples where only small aircraft can operate and code share routes with flights from mainland Portugal are not possible.

Transport infrastructure - The financial demands to maintain a large number of ports (river ports) and airports/airstrips can be very high. In these instances, the financial budgets available to bridge the accessibility gap caused by double insularity may not be sufficient. For example, in the Azores, the EC Operational Programme is currently supporting parts of the airport infrastructure development programme. And some ‘specific additional compensation’ (ERDF) funding has been available for inter-island transport services, but this budget has been exhausted only 3 years into the Programme, requiring the Region to provide full support from 2017. In some ORs, the Regional authorities finance all investments; in others ‘specific additional compensation’ compensation is used. Specific additional compensation has also been awarded for river and harbour dredging operations to retain access on rivers estuaries and to provide ferry access to the smaller ports (for example in Guadeloupe).

The Azores Islands and Guadeloupe provide good examples of double insularity access issues. The maritime transport of goods to the Azores islands are liberalised and run on a commercial basis to 13 commercially operated ports. The exception is the service between the two smallest islands, which is subsidised under a PSO. However, since 2006, maritime services transporting goods between the Azores and the Portuguese mainland are classified as ‘public services’ without subsidy. This allows the Portuguese state to operate commercial shipping services to the Azores, requiring the shippers to meet specific obligations entering the market that address the particular problems of the Region. Additionally, in 2015, the Azores introduced a new model of air transport that combines the imposition of PSO in the gateways of Santa Maria, Faial and Pico with the liberalization of access to the market of scheduled air services between the Portuguese mainland and the gateways of San Miguel and Terceira. These latter routes are now fully liberalised and have attracted new low cost airlines. This new business model could be transferred to other ORs. For example in Guadeloupe, the intention is to establish inter-island public air services to reduce the reliance on ferries from some islands and encourage tourism to all of the archipelago, funded under the ‘specific additional compensation’ within ERDF.

Transport operations - The primary challenge is how to encourage competition and new types of transport operations and business models to improve intra and inter-island accessibility, and reduce the pressures on public budgets. ‘Start-up aid’ can be provided to new operators entering the market for a period of 3 years. It may be that in some cases where the starts up risks are considerable, this period is too short to generate a sustainable demand from a low base. The instrument has to be attractive enough to generate interest among potential transport operators and scheme investors. In meeting this challenge it is important to draw on the best practice and innovation both from within the ORs and elsewhere in the World.

Cohesion within the regional basin

In parallel, to the need to (i) to increase the ‘cohesion’ between the ORs and continental Europe, it is also important (ii) to achieve greater ‘integration’ of ORs and their neighbourhood. It is important to strengthen regional economic cooperation, growth and social development – in addition to ensuring that the ORs can achieve a strong regional competitive position, which takes full advantage of their EU status. Maintaining a regional competitive edge can be difficult in the face of competing foreign investment: Section 3 has shown that the ports and airports in the ORs are lifelines in this respect. For example, the major competing island to La Reunion, Mauritius (200 km distant), has expanded their airport, based on Chinese investment, linked to further foreign investment in hotel and facility expansion on the island. In contrast, the airport

expansion on Reunion is more modest and the airport operates at higher unit costs than its neighbour. In contrast, La Reunion is investing heavily in port capacity through the 'Two-ports' project to maximise its regional and international advantage on sea corridors. In Macaronesia, the heavy Chinese investment to expand port capacity along the African coast will provide strong competition to the Canary Islands, which maintains a current competitive edge in niche markets such as vessel maintenance. In the Caribbean and Indian Oceans, the transport infrastructure requirements to meet the opportunities from new and planned channels in the Panama and Suez canals should be an important part of regional strategies going forward for ORs – for example in Guadeloupe and Martinique.

Intra-basin accessibility can pose legal and regulatory barriers to movement and trade between the ORs and third countries. The framework of state-aid for air transport was designed to solve the problems arising in the internal market and to maintain rules of competition. In the Outermost Regions, the prime airport competitors are not Rome, Dublin or Berlin but those in the Regional basin: in Reunion for example, the competing airport is on Mauritius.

Considering the strategic position of French Guiana, the number of air connections across the regional basin remains few. Flights operate by AZUL and Surinam Airways to destinations in Brazil (Belem), though not to nearby Macapa. For shipping, the opportunity exists in French Guiana, with suitable transport investment, for GPM to create a regional logistics and petroleum hub, based on the 20 new oil fields under exploration in the region. French Guiana, in this context would look to the EU to enable it to make economic partnerships with neighbouring countries. A study is currently planned by French Guiana to examine the possibilities for a wider regional marketplace, based on maritime transport services between French Guiana, Surinam, Amapa and Para and links to the Caribbean islands.

The cheaper labour rates and fuel costs offered by neighbouring countries (and the lower costs of maintenance services as a result) is hampering the ability of the ORs to compete for air and shipping in their regional basins; particularly in the air sector. Such challenges are felt to be hampering the growth potential of the ORs within their wider regions of the Caribbean, the Indian Ocean and with the West African coast. The Group did not have a consensus as to whether EU regulations acted as a strong barrier to the opening up of regional transport links; or whether EU status could act as a benchmark for regional transport operations. The expert from French Guiana took the former viewpoint. "The text in current EU regulations are for EU ports only and not for trade with countries such as Brazil. French Guiana has to work in three markets: Mercosur (Brazil), Caricon (Guyana and Surinam) and with regional ORs (French Guiana, Martinique, Guadeloupe and St. Martin). In contrast in St. Martin, while recognising the difficulties of regional integration, underlined that the objective should be to encourage neighbouring countries to adjust their transport regulations to conform to EU Regulations.

One challenge is to invest in port and airport infrastructures for maximum benefit, for example, building on the lessons from recent 'best practice' port investments that received financial support from the EC. Increased investment support in these two areas, both for passenger and goods mobility are seen as critical and urgent. Airports need to be further developed as regional hubs within a regional transport vision.

An example of this is the modernisation plans for Aime Cesaire airport in Martinique. To plan for increased demand, keep up with regulations on aviation safety, international standards and environmental regulations, the airport requires modernisation. As a result the terminal building is being extended specifically to accommodate a growth in regional traffic in the Caribbean.

The strategic locations of the ORs ports on World shipping channels provide considerable opportunities for transshipment activities. In some of the ORs, major port investments are taking place (e.g. La Reunion), while in others, port developments are urgently required (e.g. Madeira). Due to the imbalance in trade to/from many of the ORs, ports require considerable space for empty containers and larger berths to cater for increasing ship sizes – strong differences in GDP between the ORs and neighbouring Third countries do not favour regional exports – for example from La Reunion to Malagasy.

La Reunion plans to invest in a 'dual-port' facility, as the core of its maritime transport strategy and regional economic development plan. The Grand Maritime Port of La Reunion (GPMDLR) constitutes the economic artery of the island with over 90% of the imports and exports passing through it. The port development has been critical for competitiveness and growth, and for creating added value for the island. Located on a strategic international maritime motorway, the port is a transshipment point for the major shipping lines connecting Africa and Asia – 'the European point of reference in the Indian Ocean'. The number of containers handled and the size of ships that require port facilities is rapidly increasing as a result. From January to July 2016, total tonnage handled by the port increased by 18% (3,131 Mt), TEUs (Twenty foot equivalent units) have increased by 32% since 2015 and transshipment has increased by 140%. As a result a second port is being developed on the East of the island to expand some port activities (bulk goods, ro-ro, and an LNG fuelling point for ships): the two-port project. Thus the maritime transport strategy has developed as a multi-stakeholder activity to make it a central part of the islands economic growth strategy. Under ERDF, EUR 26.7 million is allocated for infrastructure development (land access, wharves, coastal management). From 2019, EUR 50 million is being sought to increase the land area around the port.

State-aid and ERDF are assisting in the process of port and airport modernisation. However, in comparison with the levels of foreign investment being injected into facilities in neighbouring countries, it may be insufficient. In this context the EFSI instrument under the Juncker Plan may provide opportunities for loan financing. The situation in the Indian Ocean is mirrored in the Caribbean basin. In Martinique, the Grand Port of Martinique requires modernisation to avoid 'obsolescence' in the region: Investing in this process is unavoidable to retain competitiveness. The increasing size and complexity of the fleet (such as container vessels and types of roller ferries) require continuous investment in infrastructure 'to stay in the game'. The port currently has transshipment activities that creates added value employment (55,000 TEUs by 2019) and satisfies the regional need for a secondary platform in the southern Caribbean.

The demands on ports are increasing: (i) The need for additional larger berths to attract cruise liners and the necessary dockside infrastructure and facilities to attract them, (ii) the problems of smaller ports having limited crane capacity (some ships providing their own cranes) and (iii) the need for onshore clean energy to power vessels while in port, are examples of the difficulties in this respect. For example, the high foreign investment in ports on the African coast has provided space for expansion and for container storage, which many ports in the Macaronesian ORs lack.

Transport infrastructure is also required to tap the significant growth in cruise liner tourism. In addition to port investment to meet this new passenger market, further investment is required to fully integrate the cruise liners with onshore transport services to maximise the exploitation potential of the visitors. In many ORs, this integration can be further developed (for example in port shuttle services, taxis, conventional public transport modes – see Section 6).

The lack of port infrastructure to capitalise on the growth in cruise shipping is highlighted by many of the ORs in the Group. The port of Funchal for example has limited berths to dock all of the cruise ships during the high tourist seasons in late autumn and spring. This problem grows each year as the size of the worldwide cruise ship fleet increases in tonnage and length. In French Guiana, the demand for cruise shipping berths at the island of Salut continues to increase year on year. In La Reunion, the cruise market has increased by 16% since 2011. Since 2015, there have been 28 stops for 29,000 passengers and the target is to reach 50,000 passengers by expanding from the 12 companies currently serving the island.

A further challenge is the possibility to develop both air and cruise shipping services to exploit the benefits of each of the three basins in which the ORs are located. The vision is for collaborative ventures using regional operators, based on innovative business plans. These may require regional organisations to be created. One example cited was the development of a collaborative venture between 6 island clusters (La Reunion, Mayotte, Mauritius, Comoros, Seychelles and Malagasy) to promote ‘the Vanilla Islands’. It was felt that there were opportunities for parallel innovations in the Caribbean and in Macaronesia. Regional travel cards could be one option to support this – the Vanilla Islands Pass promoted by Air Austral. The evidence from Martinique underlines the problems that exist for developing such cooperation in the Caribbean basin, given the large number of institutions and market fragmentation that reduce the number of transport connections in the basin.

In this context there is the possibility to improve access and generate growth through the development of secondary ports and airports. In La Reunion for example, the second airport, Pierrefonds is being developed for this purpose. It is served by three airline companies, providing access to Indian Ocean destinations at a current capacity of 80,000 passengers per year. The business model combines the improvement of regional access with diverse activities such as light aviation (ULM, helicopters), civilian security and tourist charters. Located close to the ‘economic zone’ (being developed under OP ERDF 2014-2020) it has also developed a base for private jets.

In this context, Grand Case airport in St. Martin has similar development plans. A private company that operates airports in France and on Mayotte now manages the airport. The development of the runway and terminal will be specifically for regional aviation, including nearby international destinations (Dominican Republic, Haiti, Puerto Rico), plus private aviation. However, flights to North and South America are under consideration in the future, if investment could further extend the runway to 1700 meters.

Recommendations

Increasing market competitiveness for low demand services in areas of double insularity is necessary to reduce the pressure on public subsidy. In this respect, start-up aid can reduce the risk of market entry for air and ferry companies. The Commission should look into the possibility of extending the period for which start-up aid could be offered, where market conditions are more difficult – as in many of the ORs.

Competition for the air and shipping markets in each of the three OR basins will make the need to modernise ports and airports to be a priority investment area. Infrastructure investment decisions should be based on a full cost-benefit analysis of demand projections. In addition to EC financial assistance, the ORs should consider the EFSI instrument through the EIB to provide a new option for lower risk loan financing for this needed infrastructure, in addition to private sector investment and PPI opportunities that may be generated. In meeting the regional competition in each of the basins, the Commission and the ORs should market the advantages of the ORs having EU quality regulations behind them as a strong positive feature for transport operators looking for reliable hubs – for example for transshipment.

The Commission should encourage the exploitation of regional transport growth opportunities in each of the basins that are based on (i) collaborative ventures between the ORs and neighbouring countries (such as the promotion of tourism in the Vanilla islands), and (ii) Increased collaboration between ORs to generate regional transport initiatives (for example between the islands in Macaronesia or between the Caribbean ORs).

6. Achieving sustainable mobility and access within the local territory

Achieving sustainable mobility is a current challenge facing all cities and regions of the European Union. In this context, the challenges facing the ORs mirror those being faced by the remoter and/or insular regions of continental Europe. What is clear from the work of this Group is that the ORs are not short of innovative ideas and lighthouse projects to achieve sustainable mobility and combat transport congestion. However, with the exception of Funchal and Las Palmas in Macaronesia, the ORs remain unconnected from the wealth of projects and best practice being undertaken in continental Europe – many of which have strong relevance to the issues the ORs are facing in achieving sustainable mobility in their home territories.

An important prerequisite to achieve sustainable mobility is to have an integrated vision for local and regional transport from which to develop an integrated set of ‘bankable’ transport strategies for implementation. Under national transport planning legislations, all of the ORs have developed transport plans to achieve sustainable mobility (for example the PDU strategies required for all French regions/cities). These plans conform to the Commission’s guidelines for Sustainable Urban Mobility Plans (SUMP), which are now a pre-requisite for receiving European grants. As a result, and in combination with the ROPs and Action Plans, the ORs have the basis for forming a local/sub-regional vision to achieve sustainable mobility.

In the ORs, double insularity has produced decentralised decision-making structures for transport, which lack the integration, economic efficiency and common vision that a single transport authority can achieve. In some of the ORs such as in the Azores and Guadeloupe, single authorities now plan transport strategy. In Martinique in 2016, a single authority was launched to manage the road system across the whole territory to produce an integrated plan for investments, replacing the five previous authorities. In 2017, this will be followed by the formation of a public transport association that will achieve savings through rationalising services and incremental costs.

There are three geographical dimensions for the ORs to achieve sustainable mobility and ‘crosscutting’ issues:

- Heavily congested urban centres with consequent air pollution problems
- Congested traffic on narrow coastal strips
- Sparsely populated rural communities

The crosscutting issues being:

- To reduce the reliance on fossil fuels for all transport services in favour of alternative renewable energy sources
- To encourage a reduction in the use of private cars in favour of public transport and ‘active modes’ (i.e. walking and cycling)
- To encourage the efficient flow of goods
- To eliminate unnecessary travel (for example through virtual mobility solutions) and maximise mobility that is socially and economically necessary (for achieving inclusion and growth)

Cities - In most of the urban areas in the ORs, high proportions of car, light vans and motorised two-wheelers tend to be older, more polluting vehicles. Despite traffic levels, a majority of households do not own a car and depend on public transport. For example in Guadeloupe, over half of households do not own a car. Public transport services across the ORs are a mix of conventional bus services and large number of small collective 'taxi-sized' vehicles. In Martinique, 286 collective taxis using 9-seat minibus vehicles and only 12 conventional sized buses serve public transport on short routes up to 20 km in length. This size of the vehicle is currently not fully covered under EC regulations. In some ORs, smaller Tuc-Tuc vehicles of 2 to 4 seats are commonly used for public transport: which themselves produce traffic congestion. Regional authorities are committed to combatting urban gridlock with sustainable mobility options. Until recently, the alternatives to private car were not well developed. Pilot initiatives are now being implemented in some of the ORs for car sharing/pooling, park and ride, cycle networks, congestion control; within new mobility plans and exchanging the intelligence on best practice solutions will be important to fully exploit solutions across the ORs.

Coastal areas - Most of the urban growth has spread along narrow coastal strips, where roads are frequently operating at traffic capacity and public transport demand is also high. These are the areas of high population density and they suffer significant traffic congestion problems, producing bottlenecks between the urban areas, ports and airports. For example in Martinique, the primary inter-urban motorway accommodates 120,000 vehicles daily and 90% of commuters use private cars. The air pollution generated is an acute problem, impacting on the quality of the living and working environment. In Guadeloupe also, urban sprawl onto island coastal areas produces high traffic volumes with the network operating at capacity for many hours of the day.

Public transport along coastal strips in the ORs currently operate mainly conventional timetabled services using a mix of vehicle sizes. These operate based on PSO quality standards and are either let to a single operator or more commonly, are subject to competitive tender. French Guiana represents a typical example in this respect, where conventional public transport fleets are operated by the private sector along the coastal strip and on Cayenne Island, for both school transport and for the general public. Land along these strips is limited and the challenge is to provide sustainable transport corridors serving all transport modes, but with priority to public transport. In addition, as seen in La Reunion, urban sprawl has developed up the slopes from the coastal strips and new forms of public transport will be required to serve the populations in these types of areas, where the car is currently seen as the best mode; given the topography.

In the ORs with archipelagos, ferries form an important part of the urban and inter-urban transport networks. Plans are being implemented in several ORs to expand these services and better integrate them with land transport modes. In Martinique for example, 5 ferries will be operating by 2018. In Guadeloupe ferries provide the network for inter-island traffic. These are privately run, currently without PSO obligations and this has resulted in differences in service quality. It is seen as an issue that needs to be addressed to ensure equality of service across all islands. Fare subsidies are provided to the residents of the remotest islands to offset ferry prices.

To address bottleneck issues, some ORs plan innovative transport schemes covering all modes. For example, plans are being developed in a number of Outermost Regions for bus rapid transit and monorail systems on coastal strips, and for cable transport systems on adjacent gradients where much urban sprawl has taken place. In Guadeloupe, schemes for car pooling and sharing are starting to be developed, along with investment in cycling and walking. The Regional authority in Martinique has also launched a pilot study to assess whether 'clean fuelled' ferries can form an alternative mode to reduce traffic congestion along coastal roads where the space for infrastructure expansion does not exist.

Rural areas within the ORs have road networks that are expensive to maintain and difficult topography to overcome (E.g. many of the Azores Islands). Transport demand is low, dispersed and comprises mainly medium length trips. Private cars and small vans are the primary transport modes and public transport is uncommon: where it exists, it is highly subsidised. The challenge for transport services in these remoter areas is how to operate public transport, using a mix of vehicles from shared private cars to conventional buses and ferries on a demand responsive basis. This could be based on new business concepts utilising Mobility as a Service (MaaS) models. Such systems could combine passenger and goods transport and be multi-modal linked services – for example integrating local ferry, river transport (French Guiana) and air services with land transport.

As an example, Madeira is now trying to develop a new model for providing transport services to the rural inter-urban areas in Madeira and Porto Santo to comply with Regulation 1370/2007. The primary challenge is common to other ORs - an old bus fleet (average vehicle age 20 years) that needs replacement and the associated high maintenance costs with unreliable parts delivery from the mainland. Vehicles need customised bus designs to cope with the topography and this fact also makes it difficult to operate alternative fuelled electric vehicles. Such funds could allow for other mixed strategies to develop cleaner vehicle fleets that involve investment in 'cleaner' but not 'fully clean' vehicles, as an intermediary step.

French Guiana represents specific challenges, as the inland rural areas of the country are primarily inaccessible Amazonian forest dependent on access by riverboats and airstrips. Such modes currently lack a strategic plan for their development that could incentivise new links, based on a growth in tourism that would encourage more transport links on the French Guiana Plateau. ERDF funds are seen as essential for unlocking the rural interior of the country through infrastructure investment: The specific additional allocation is assisting with the inland transport operations and dredging activities to maintain the river transport services to the coastal ports. In La Reunion, the remoter inland area of Mafate is being developed for tourists and goods using helicopter access, which provides another solution to achieve growth in the remotest areas. The future potential of drone technology should also be examined for these remoter areas.

Cleaner transport - One specific crosscutting challenge to the ORs focused on the issue of investing in 'greener' vehicles that use renewable energy sources. In a majority of the ORs, vehicle fleets (public transport and goods) and ferries are in need of replacement and upgrading. Insularity and double insularity mean that the management and maintenance of vehicle fleets and ferries is problematic and this does affect the quality of services provided. The EC provide repayable loans for operators to invest in alternative fuelled hybrid and electric vehicles through the EIB (ELENA). However, the Group felt that the options to invest in electric mobility for public fleets could remain limited, despite the available EU financial assistance unless the proportion of the costs of new vehicles covered by grants were high. For example in La Reunion as part of a plan to introduce rapid public transport:

La Reunion promotes the acquisition of clean vehicles through Regional initiatives. Financial support is provided to operators up to 80% of the cost of new clean vehicles. The objective is to achieve a more modern fleet and infrastructure consisting of 188 new clean vehicles, 719 shelters and 51 new lines. This will be linked to new park and ride facilities. Bus rapid transit will be ensured through implementing 72 projects to install 110 km of bus lanes. In this way public transport can offer a reliable and sustainable alternative to the private car.

In most public transport operations, the operator takes the risk on fare revenue, with a fixed level of subsidy provided. This has further reduced the incentive for operators to invest in alternative fuelled vehicles, given their added purchase cost and the low margins under which they operate. One option would

be to reduce the tax on new investments. Another point was raised that short term investments in electric vehicles may be misplaced as battery technology is advancing at a rapid rate, allowing vehicles to operate over much longer distances.

The ORs have problems in complying with the EU environmental standards for passenger and goods vehicles. As stated above, EU funds are available to assist the purchase of cleaner vehicles. A major issue for the Outermost Regions is the urgent need for funding to renew ageing conventional bus fleets (and to reduce high fleet maintenance costs). This pressing priority has to be seen against the high costs of purchasing hybrid or fully electric vehicles (and the difficulty of using such vehicles in areas with difficult topography). The EC/EIB financing available are in the form of repayable loans. There is no incentive for the ORs to invest, against other spending priorities. These loans, it was argued by the public transport stakeholders, need to be transferred into grants, non-repayable.

Despite the problems that the ORs are facing in urban, littoral and rural areas, innovation building strategies and new schemes to address local transport problems are being developed. While the solutions are customised to specific local environments, they do provide best practice examples from which other ORs can benefit. In turn this should contribute to the overall effort on building sustainable mobility across the EU. Examples include:

- Plans to develop bus rapid transit lines (BRT) on coastal strips and in urban areas (mixing conventionally fuelled and hybrid LNG and hybrid electric powered vehicles)
- Plans to develop demand responsive transport services for the remoter areas using a mix of vehicles integrated to ferry operations (Guadeloupe)
- The 'Guaguas' bus rapid transit system being developed on Gran Canaria, funded under the Juncker Plan.
- Building new strategic coastal roads with shared spaces for vehicles, public transport and cycling
- Developing alternative water transport lines, both to reduce traffic on congested inter-urban corridors (La Reunion), for services across archipelagos (Guadeloupe) and as alternatives to urban transport lines (French Guiana)
- Looking into the feasibility of implementing cable systems and monorail systems to address the specific gradient and land shortage issues
- Improving the walking and cycling environments in the urban areas
- Medium term strategies for hybrid and electrically powered vehicles

Recommendations

There is considerable scope for the ORs to learn from each other's experiences in implementing sustainable mobility solutions (on the ground solutions and new governance and financing models).

- *The OR could consider set up a forum accompanied by a dynamic website facility which allows for the ORs to have online dialogue.*
- *To link with on-going EC's transport programmes: to both promote their achievements in sustainable mobility and to integrate and learn from the achievements of others. At present, these current programmes have only a marginal participation from the ORs.*
- *The ORs are well placed to offer their sites as living laboratories for sustainable mobility demonstrations.*
- *To develop a working link with the PORTIS and DESTINATIONS demonstration projects that are running until the autumn of 2020. This working link could act as a catalyst for further integrating the ORs into the current programme.*

7. Ensuring access to skills in the transport sector

The ‘accessibility gap’ can have important negative impacts on the ability of transport authorities and operators in the ORs to train, recruit and retain professionals. The lack of suitably trained professionals leads to an over-reliance on call-off consultants to fill the skills gap. An important failing that has been recognised across continental Europe is the need to increase capacity (in terms of numbers and quality) in skilled transport professionals – the need to develop ‘home grown’ professionals, for example, through building stronger links with local universities. This problem is equally acute in the ORs. *In the case of the Azores Islands. The local expert stated that the local transport operators are poorly skilled for the bidding process to run services in the region. Administrative job opportunities are not attractive enough to bring people to the island and the higher salaries are not enough to attract and retain trained staff.*

These issues are also mirrored in other ORs (for example in La Reunion) where there are opportunities for vocational training in France. In French Guiana this shortage of skills is particularly acute in the rapidly developing logistics sector. Safety and security training is of specific importance in this context. The speed at which transport technology and operations are developing to meet new markets (for example in port and airport logistics) underline that the growth and competitiveness of the ORs will rely on their ability to train, attract and retain skills.

In the transport sector, La Reunion have so far invested EUR 9.3 million in local training programmes, representing 950 vacancies and 222 job offers, primarily in the maritime sector. In 2017, the Educational Mobility programme will integrate many of the current initiatives for higher education, training, job placements and linguistic training.

There is a need to underline the right of free movement on the citizens of these insular communities in the ORs, underlining the equal opportunities that can result from mobility – a range of projects providing mobility aids for vocational training in different sectors are having a positive impact. The fare subsidies used across the ORs for this purpose are placing a high pressure on financial budgets, but are seen as a key lifeline for solving the unemployment issue and retaining cohesion.

The ORs are developing best practice models in a number of areas. In the coming years there will be the opportunities to collaborate and build capacity as the main transport challenges they face are addressed. For example, the Canary Islands as a hub for ship maintenance and repair, the medium term development of wind energy in the Azores for powering transport solutions, ‘blue growth’, the development of clean ferry technology in Guadeloupe and the new business and governance models for transport investment and planning. There is the need to promote these initiatives as ‘lighthouse’ projects in the EU.

Some of the ORs (the Canary Islands, La Reunion) have data observatories that can monitor the developing situation and this practice could be expanded to provide intelligence exchange across all of the ORs and act as the basis for common assessment and strategy development

There is the need for the ORs to fully benefit from on-going EC initiatives in the transport sector – and to show the initiatives on continental Europe the unique benefits that the ORs can offer to them. For example, the ORs can offer high quality test beds for the Commission’s transport research and development programmes. They need to fully integrate in on-going initiatives. Such engagement can provide important capacity building and support networks for intelligence, best practice and experience through direct engagement with other transport stakeholders. Currently, there are perceived difficulties accessing the EC Information Days on funding opportunities, or for receiving intelligence on best practice within on-going projects.

The ORs have developed best practice experience, not only tailored to meet their collective accessibility issues, but also experience which can be exported to assist other regions in the EU and in their neighbouring countries. There is eagerness in the ORs to exchange 'Know-how' between the transport stakeholders, and to exchange their best practices. The problems faced relate to the practicalities of organising forums to achieve these goals. The costs of meetings in Brussels were seen as prohibitive. Videoconferencing is a useful substitute but did not allow for discussion owing to the large number of participants: additionally, language can be a problem. The transport stakeholders in the Outermost Regions recognise the need to pool their skills and maximise the added value this can generate.

Recommendations

There is the need for ORs to strengthen the professional transport training with their local universities, through linking and twinning local universities with established university transport institutes and technical colleges on the continent. Action through liaison with the European Transport Institutes network (ECTRI) would be a useful first step in this respect. Such initiatives should also respect the gender dimension.

Strategies for increasing capacity should address 3 dimensions – design, operations and management across all transport modes. Any training initiatives for transport skills in the ORs has to address the whole scale of skills required and the need for new types of skills, for example in high technology applications in logistics and shipping, as mentioned by the expert from French Guiana.

User-based mobility subsidies to enable young people to travel and train in Europe in the transport profession will be essential and the Commission should encourage such instruments. In addition, employment packages for trained staff will need to be competitive in comparison with alternative employment on the continent and also offer clear career paths and be positively marketed, in particular underline that a transport career in the ORs place you at the leading edge of transport innovation.

A specific recommendation would be to link the ORs to the on-going SKILLFUL project, being funded under Horizon 2020 (skillfulproject.eu) which assesses the existing, emerging and future knowledge and skills requirements of workers at all levels in the transport sector and develop new training models.

Annex 1 – Summary transport characteristics of the EU Outermost Regions

The primary transport characteristics and comparative statistics of both passenger and goods flows of the ORs are now described, for each regional basin, based on the material provided in the questionnaires and from members of the Group.

The Caribbean and South America

French Guiana:

The main seaport, Dégrad des Cannes, lies on the estuary of the Mahury River close to Cayenne. The country's economy is almost entirely dependent on this port, from where 98.5% of all the exports and imports are handled. In addition, cruise shipping is increasing to the island of Salut. Other ports handle freight transport only. River passenger transport services for both urban and inter-urban travel is an established and popular means of transport. However, the infrastructure for river-bus transport services (pirogues taxis) remains poorly developed and requires modernisation and integration with other modes.

Cayenne has an international airport "Félix Eboué" with two flights a day to Paris, served by Air France and Air Caraïbes. The Brazilian AirLine AZUL and Suriname Airways assure a link with Belem in Brazil. Flights to the interior of French Guiana go to Maripasoula (27,000 passengers) and Saül (5,000 passengers). Approximately 50% of the air passengers using Cayenne airport travel from or to the French Antilles. The local Chamber of Trade and Industry manages the airport and an infrastructure investment programme of EUR 9 million is planned. There are also six regional airports in French Guiana - Saint-Laurent du Maroni, Grand Santi, Maripasoula, Saül, Saint-Georges and Régina (managed by the Conseil Général), and Camopi (managed by the municipality).

There are public transport services in both the urban areas and along the East to West coastal strip. School buses operated under PSOs are well organised and operated by the private sector under contract to the Conseil General who ensures safety regulations are adhered to. Traditional bus services operate along the coast. However, the inaccessibility of the inland areas makes land transport access impossible, public transport relying on air and river transport.

Guadeloupe:

Guadeloupe has one international airport «Pôle Caraïbes» serving the biggest city of Point-à-Pitre. There are 6 airports in total: one in the East of "Grand-Terre" in Saint-François and 4 smaller airports in Grand-Bourg, Terre de Haut, La Désirade and in De Bailif. The connection of Guadeloupe with France is ensured on a regular basis by 3 airlines and market competition offers the archipelago a satisfactory quality of service. However, the fare levels do fluctuate considerably between the seasons. The current master plan (the SRIT) does not have any project to improve the airports.

The Port infrastructure in Guadeloupe includes 13 multipurpose ports (freight and passengers), 10 fishing ports and 22 smaller piers. The ports are under the control of the General Council, the individual Communes or the association "Port Autonome de la Guadeloupe" (PAG), which manages the five most important ports. The islands of Guadeloupe have no railway system. Where possible, most of the people and goods travel by road. As the volume of road traffic is increasing rapidly between the two parts of the main island, a new traffic control and information system is under development. Outside of the main island, most local residents use ferries to travel between the islands. Ferry services are needed for passengers to travel between the different islands. Six "official" carriers provide such connections.

Land transport is essential within the territory; it is the largest item of household expenditure with a rapid growth in car ownership. Urban sprawl in the peri-urban areas has led to the growth of heavy commuter flows to the main centres of employment and the city centre – with consequent congestion and high air pollution levels. More than half of the low-income families do not own a vehicle and are reliant on local public transport services. While public transport services are concentrated into the two main urban areas and their satellite settlements, the more outlying areas are less well served.

Saint Martin:

Saint Martin is an island split between French (EU) and Dutch (ex-EU) control. The OR suffers from the lack of a deep-sea port and large airport, although an international airport ‘Princess Juliana’ exists on the Dutch part of the island, which serves international destinations, including continental Europe. There are four ports, two on the French side of the island – Galisbay, handling freight traffic and Marigot, the passenger traffic. In 2016, the regional airport of Saint Martin (‘Esperance’) has been enlarged with an investment of EUR 4.6 million by SESMA (Societe d’exploitation Saint Martin Aeroport). The airport uses smaller aircraft to provide links to Guadeloupe and Saint-Barthelemy, in addition to private air traffic

Martinique:

There is an airport on Martinique that requires modernisation. Additionally, the main port, Fort de France, needs to modernise its infrastructure to avoid the risk of obsolescence of infrastructure due to the increase in the size and the complexity of the fleet, notably the giant container carriers and the new types of roller ferries. This adaptation of infrastructures will reinforce the transshipment activity of containers, creating added value (target of 55,000 TEUs from 2019 onwards, target of 100,000 EVP). The positioning of the port for transshipment traffic is an opportunity due to the need for a secondary platform in the southern Caribbean.

In Martinique, the terrain is mainly mountainous with indented coastlines. Only 3 maritime lines are active in the Bay of Fort-de-France for local maritime public transport services. Ninety per cent of commuters use a private car for their commuting journeys. As a result, heavy traffic congestion is commonplace and the main roads are saturated for many hours of the day (120,000 vehicles daily on the most congested part of the motorway). In response the island has a 3-pronged plan for improving access – improving traffic flow, limiting urban sprawl and integrating land and sea public transport services. Currently the only official public transport services are for school transport.

The Indian Ocean

Reunion:

Reunion is a mountainous island with a densely populated coastal strip and upland rural areas. Most of the road system is concentrated along the coast, although a few transversal roads exist across the island via higher altitude valleys (for example between Saint Pierre and Saint Benoît). There are plans to develop multi-modal integrated transport corridors on the coastal strips (for example with forms of bus rapid transit, coastal ferries etc.) to alleviate traffic congestion on the most essential strategic transport links between the main airport, port and primary employment areas. There is one international port “*Pointe des Galets*” and five regional ports (Sainte-Marie, Saint-Leu, Saint-Pierre, Sainte-Rose, Saint-Gilles) with a total of about 74,000 passengers a year. No additional port project for passenger transport is planned although major expansion of the freight capacity is on going. There are two international airports, Roland Garros, situated in the capital St Denis, and Pierrefonds in St Pierre, with a total volume of 2.2 million passengers in 2011. To increase capacity at Roland Garros Airport a two phase project started in 2011.

Mayotte:

Mayotte has three ports, managed by the chamber of commerce and industry of Mayotte since 2004 – a passenger port (Gare Maritime) in the main centre of Mamoudzou, a freight port situated in Longoni on the island of Grand Terre and the port of Dzaoudzi on the island of Petit Terre. An urban development project to include modernisation of the ports is planned at a cost of EUR 200 million. The only airport on Mayotte is in Dzaoudzi (Petite-Terre). Until 2010 it was managed entirely by the State. The Canadian company SNC Lavalin won the tender for the management, including the construction of a new terminal with a planned capacity of one million passengers per year (today the passenger volume per year is 315,000). Land transport is limited on Mayotte. Public transport services are lacking and the occupation rate for private cars is 84 per 1000 inhabitants. Private companies do offer urban and interurban public transport services. Most buses operate during the day only. After 6 p.m. no more interurban buses operate and are therefore not appropriate for commuters, where encouraging ridesharing maybe an option. To relieve traffic congestion around the capital, there is the idea to support a north-south coastal ferry.

Macaronesia***Madeira:***

Madeira is a mountainous island with difficult terrain, and a smaller nearby island of Porto Santo. Most development is concentrated around the main city of Funchal: the population is 250,000 inhabitants. Small operators with high unit costs of operation, higher prices and a dependency on public subsidy to make their services viable dominate the transport market in Madeira. Car ownership has increased rapidly in the last decade, against a static provision in the quantity and quality of alternative bus transport. A regional integrated transport plan has just been approved to direct the long-term transport development for the island. In general terms, transport infrastructure not funded by national or EU funds but through the budget of the Region.

There is no passenger maritime connection with the mainland; the region depends entirely on air transport to ensure territorial continuity. The ERDF and the Cohesion Fund have financed part of the existing road and port infrastructure. Madeira airport has several operational issues, related with winds and a poor visibility that causes several delays and cancellations of flights, both in winter and summer.

Azores:

The nine Azores islands span 600 kilometres in the mid-Atlantic. Transport demand is low and highly fragmented. As a result of the double insularity, there are 13 ports and 9 airports/airfields, which impose high costs on the regional public budget. Freight access by sea is commercial (except for one link). The only link controlled by a PSO, financed by the regional budget, is between the two smallest islands (Flores and Corvo). However, since 2006, maritime services transporting goods between the Azores and Portugal mainland are classified as 'public services' without subsidy. The transport of passengers, by air or sea is subject to PSOs co-funded by regional and EU funds. The islands of S. Jorge, Faial and Pico have relatively good connections by ferry. The other islands are also connected by boat but with lower frequencies. The archipelago is better connected by air than by sea throughout the year. For land transport, the proportion of cars used on a daily basis has increased significantly and is the highest in Portugal, doubling from 24.3% in 1991 to 51% in 2001 and 63.3% in 2011. Public bus transport is generally lacking in many areas and therefore the proportion of private transport is high. Private companies manage bus services. In many cases, buses will only run a few times a day with no services on weekends. São Miguel and Terceira have relatively better bus services with more frequent buses than the rest of the islands. There is a lack of integration between transport modes. Sparsely populated areas make the private car the most convenient mode of transport.

Canary Islands:

Like many of the ORs, the Canary Islands are an archipelago. The port and airport of Gran Canaria are located on the Trans-European Transport Network (TEN-T). There are eight airports (each island has one, except Tenerife which has two). It is the National Government, which is in charge of their management.

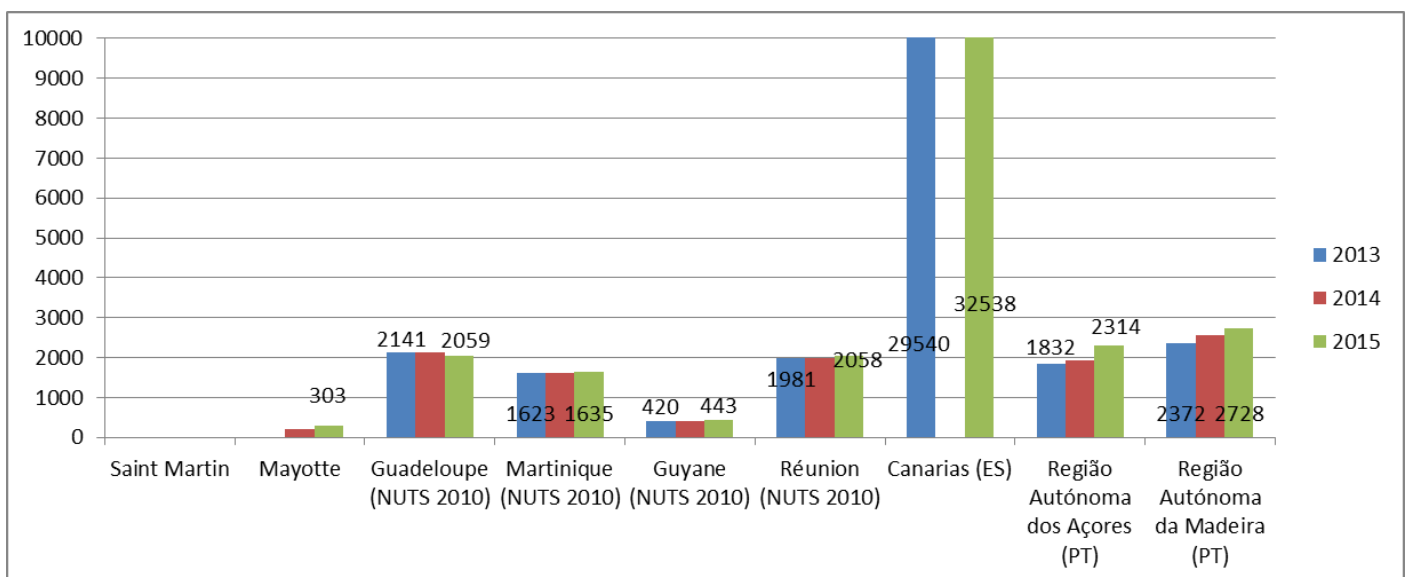
A majority of the transport operators serving the islands are private. Air transport is the dominant mode for inter-island transport, ferries only operating between some islands. These services operate under PSOs that specify minimum levels of service and some routes receive a subsidy. The major ports are managed by the Spanish national port authority, with the smaller ports and ferry operations managed by the regional government. All have received ERDF funding to support their development.

The built-up areas of the islands lack an integrated land-use transport policy and this has led to a high number of people commuting long distances by car from new housing developments. A new plan (PETCAN) is now being updated to address these problems. To date, most of the archipelago's transport policy has focused on the construction/rehabilitation of new roads and motorways to improve mobility.

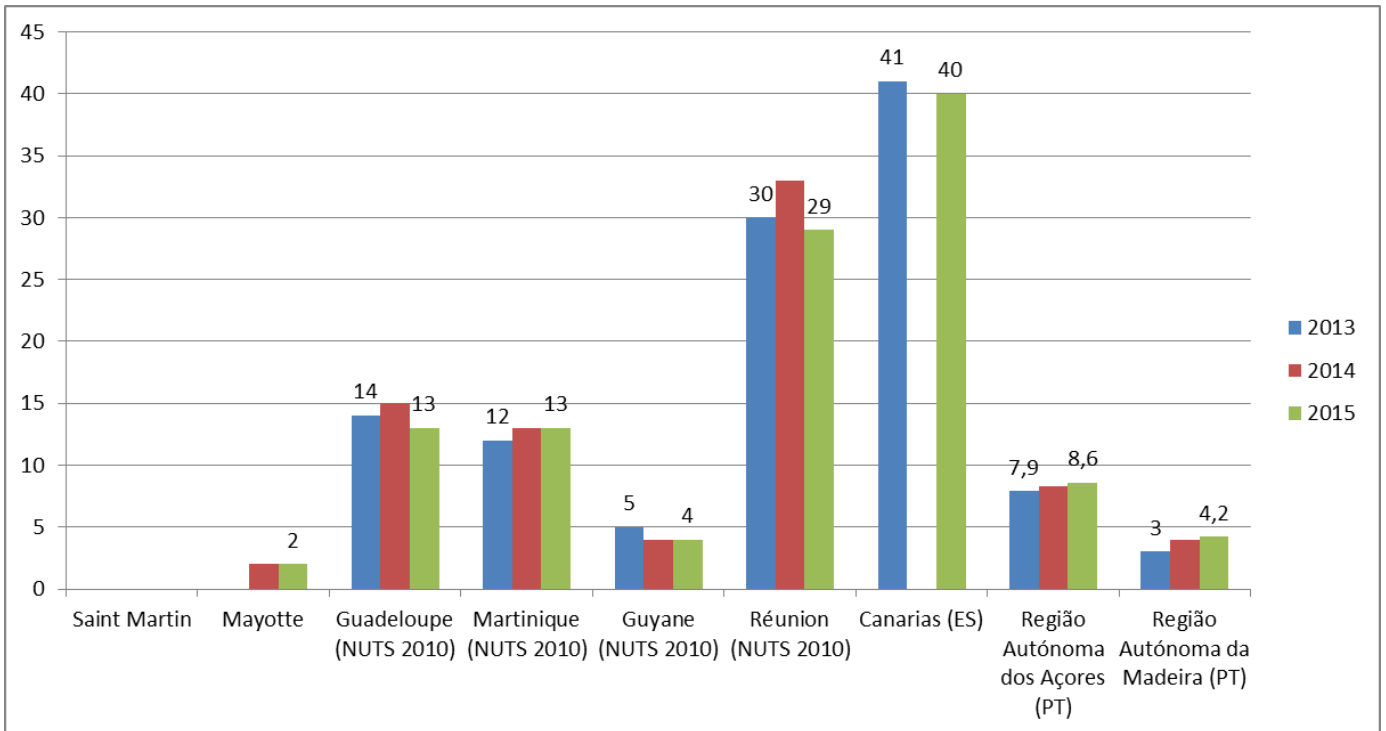
Populations of the ORs between 2012 and 2016

	2012	2013	2014	2015	2016
Saint Martin					39,538
Mayotte	:	:	:	226,915	235,132
Guadeloupe	:	437,713	435,293	432,530	429,849
Martinique	388,364	385,551	383,911	380,440	376,847
French Guiana	239,648	244,118	252,338	257,348	262,527
La Réunion	833,944	835,103	842,767	847,005	850,996
Canary Islands	2,085,938	2,105,234	2,114,845	2,126,144	2,135,722
Azores Islands	247,300	247,600	247,500	246,400	244,800
Madeira	264,236	263,091	261,313	258,686	256,424
Total					4,792,297

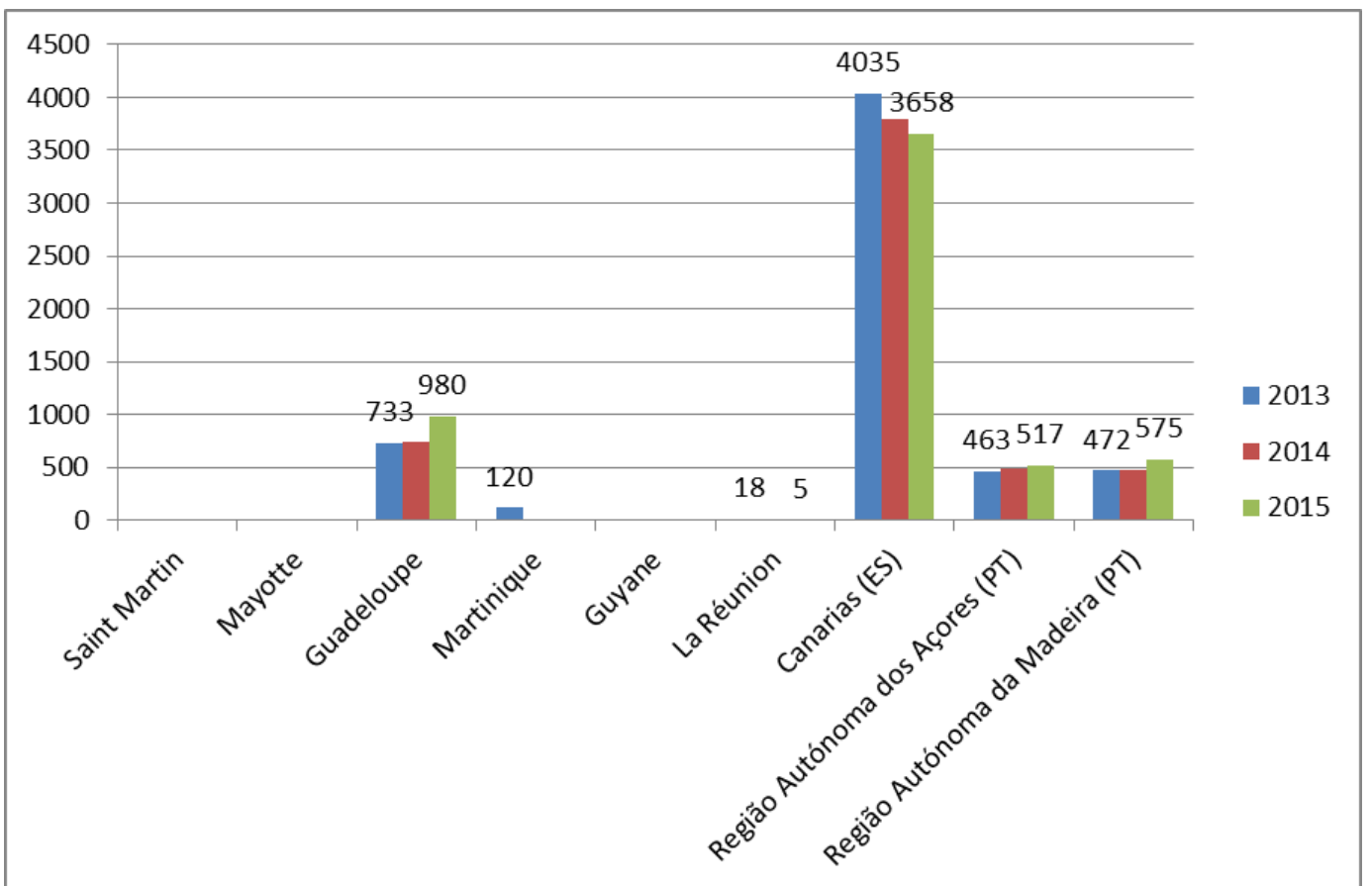
AIR TRANSPORT passengers (1000 pax)



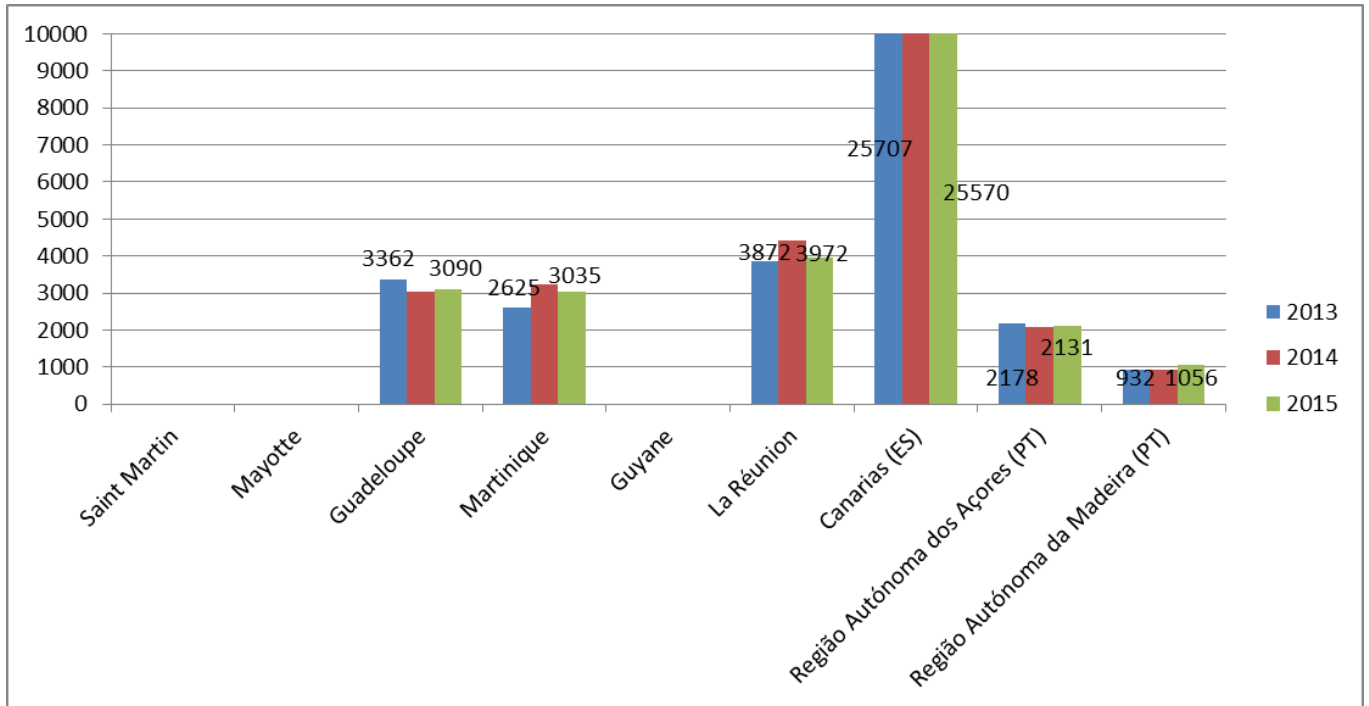
AIR TRANSPORT FREIGHT (1000 TONNES)



MARITIME TRANSPORT of passenger (1000 pax)



MARITIME TRANSPORT of freight (1000 tonnes)



Annex 2 – Strengths and weaknesses of the EU Outermost Regions

	Strengths	Weaknesses
ECONOMY	<ul style="list-style-type: none"> • Economy structure main features are similar with great similarities in common geographical basins • Local economies generate relevant positive externalities. Relevant productive sectors such agriculture, local commerce smart and green economies, aerospace; biotechnologies, telecommunications and services depend to transport cost and minimum infrastructures for passengers and goods. • Canary Islands and Martinique are the only Regions show a GDP per capita higher than the EU average of 75%. • Need to support public services and specific markets (such transport and mobility) with public subsidies to support social inclusion especially of weaker actors • The peculiar geographic position can be a positive discrimination factor for markets such Blue economies, green economies, innovation and research. • Tourism is an important economy in all the OR. For Madeira and Canary Island Tourism is a main productive sector with relevant effect on island economy. 	<ul style="list-style-type: none"> • Unemployment is a major problem and a complete and comprehensive subsidization strategy is essential to avoid social exclusion. Such subsidy strategy should include also student, elder people and poor ones³. • GDP per capita in the economies of most ORs ranks below the EU average of 75% mark⁴, Mayotte (31%) Reunion (70%) French Guiana (58%), Azores (71%) Madeira (73%) and Guadeloupe (73%) • High dependence of local economy to subsidy with no focused strategy and without the evaluation of the effect for the citizen and other stakeholders. • Small economies with high dependency on external market • Over-costs in transport markets are a relevant barrier. It was already accounted in some regions for some transport modes⁵.
GEOGRAPHICAL	<p>The 3 geographical basins have relevant communalities and common trends</p> <p style="text-align: center;">Portuguese/Spanish, Caribbean and Indian Ocean</p> <ul style="list-style-type: none"> • Transport needs are different in absolute numbers but have to face the same trends and share common rising markets needs • mutual complementarities between islands could be a driving force • Common rich biodiversity base for research green, blue economies or cradle-to-cradle design. • Common cross border cooperation strategies 	<ul style="list-style-type: none"> • Geographical isolation is a main problem for transport and mobility economy. (cost for extra stocks, logistic problems, lack of direct contact with providers) • Geographical isolation and 3 block separation has also negative effect for the networking activities of the ORs. It is difficult to share a common strategy on common interest field, apart the common interest to be considered different and special in comparison to continental Europe.
KNOWLEDGE AND DATA LACK	<p>Research institutes and universities contribute to island specialisation and support local development and research with high level skills</p>	<ul style="list-style-type: none"> • Lack of organic transport regulation authorities (excepted in few cases) to control, plan and offer transport services in integrated way. • Lack of complete or structured data regarding transport and mobility hamper technical or political decision.
DECISION PROCESS	<p>High proximity between local relevant stakeholders makes easy problem solving and focus on results.</p>	<ul style="list-style-type: none"> • High proximity between relevant local stakeholders can incentive negative competition and lack of cooperation. • Relevant switchovers in local economy are slow and complex due to internal resistances to changes.

³EUROSTAT – press release – Unemployment rates in the EU regions in 2015 – 28 April 2016

⁴EUROSTAT 2014 – press release -GDP per capita in 276 EU Regions – 26 February 2016

⁵ In Reunion and Canary Island exists an over cost observatory. For land transport in Madeira is 1,08€/K for urban service and 0,4€/Km for interurban transport service - Over-cost study in the framework of CIVITAS MIMOSA project. In Reunion and Canary Island exists an over cost observatory

Annex 3 – List of experts

who participated in the Expert group on "Transport accessibility for the EU Outermost regions" held in Brussels on 02/03/2017

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