The State of Air Connectivity in the Caribbean:

A Renewed Vision for Progress

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AIRPORTS COUNCIL INTERNATIONAL
LATIN AMERICA CARIBBEAN

Independent study commissioned by ACI-LAC (Airports Council International – Latin America and Caribbean) to NACO, Netherlands' Airport Consultants.

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EXECUTIVE SUMMARY

Air connectivity matters for the Caribbean region

Air connectivity is a vital engine of economic growth, tourism and trade development, and people mobility. It is also a powerful enabler of job creation and local productivity. According to the Air Transport Action Group (ATAG), the air transport sector can generate up to 8.7% of total employment and 12.8% of all GDP in small island states. For island regions such as the Caribbean, air connectivity is a source of long-term economic competitiveness and international positioning.

The importance of air connectivity is compounded by the higher-than-average dependency of most Caribbean countries on the tourism sector and related industries.

According to the World Tourism and Travel Council (WTTC), the tourism sector contributes to more than 10% of the local Gross Domestic Product (GDP) in nearly all Caribbean islands, often surpassing 40% of the total national GDP among members of the Organisation of Eastern Caribbean States (OECS) such as Antigua and Barbuda (83%) Saint Lucia (61%), Grenada (44%) and Saint Vincent and the Grenadines (41%).

The two faces of air connectivity in the Caribbean

Between 2010 and 2024, the compound annual growth rate (measured in seat capacity) for the Caribbean was +2.8%, with a significant growth in extra-Caribbean capacity which today accounts for more than 85% of the total seat capacity deployed in the region. In the meantime, intra-Caribbean capacity has decreased by almost 50% during the same period (from 14% in 2010 to 8% in 2024). The combined intra-Caribbean and domestic segments have also declined: from 25% of total seat capacity in 2010 to less than 15% in 2024.

Extra-Caribbean air connectivity is largely concentrated around gravity centres of economic activity such as The Dominican Republic, Puerto Rico, and Jamaica, as well as high-end leisure destinations such as Bahamas, Aruba, and Curaçao. In contrast, countries such as Grenada, The British Virgin Islands, and Saint Kitts and Nevis exhibit limited direct extra-regional connectivity due to smaller catchment areas, thinner demand profiles, and a more niche tourism offer.

Between 2010 and 2024, the intra-regional connectivity index fell by nearly 30% and most airports – especially in the Eastern Caribbean, lost significant capacity. This trend is in sharp contrast to other world regions such as Asia-Pacific and the Middle East, which recorded a net growth of more than 100%.

While more world destinations can be reached directly or indirectly from the Caribbean region in 2024, travel journeys between Caribbean countries are often characterized by inconvenient schedules, low service frequencies, and costly airfares. The expansion of global connectivity in the Caribbean since 2010 has not fully translated into accessible, reliable, or affordable mobility for intra-regional routes.

Without targeted policy interventions to restore and strengthen intra-regional links, air connectivity in the Caribbean is likely to remain highly asymmetric in the coming years – i.e., quite robust for inbound international tourism (extra-Caribbean traffic) but rather inadequate for the mobility of Caribbean people and businesses (intra-Caribbean).

Policy and regulatory barriers

While most barriers to air connectivity are endogenous to the Caribbean region and somewhat fixed or challenging to modify in a foreseeable future – i.e., geographical characteristics, small population size, low average incomes, institutional and administrative fragmentation – other barriers identified in this study suggest the need for a broader and more coherent vision to support intra-regional connectivity.

For instance, the air connectivity agenda is intrinsically linked to national aviation policies, which ultimately end up shaping and influencing the business and regulatory environment available to airlines and airports for the development of air services. Based on a series of interviews with stakeholders from the aviation and tourism industries, common policy and regulatory impediments include the following:

- Unilateral government action on aviation activities without previous consultation with industry stakeholders,
- Burdensome aviation regulations and proliferation of non-aviation taxes that often disregard the impact on costs for airports, airlines, and travellers,
- Lack of coherent policy vision to update national airport infrastructure and foster multi-modal connectivity,
- Lengthy permit and flight authorisation processes for new or expanded commercial air services,
- Piecemeal entry and visa requirements for Caribbean nationals/residents across the region, and
- Fragmentation of airport security protocols.

There is an urgent need across the Caribbean region for a more predictable, proportionate, and non-distortive regulatory framework for aviation. In addition, close cooperation between local governments, regional organisations, as well as the aviation and travel industries, remain essential to achieve long-term progress and identify concrete air connectivity gains in the shorter term.

Market and cost-related barriers

Caribbean airports compete fiercely to attract international tourists, especially from the U.S. and Canada. As North America currently accounts for more than 50% of all international visitors to the Caribbean, more resources and political attention are naturally devoted to securing the lucrative North American market, which also supports local jobs. Intra-Caribbean connectivity is thus generally treated as a nice-to-have rather than a strategic commercial priority.

The cost of travel is another key barrier to intra-regional connectivity. The average fares for the top 10 intra-Caribbean routes have gradually increased since 2010. In addition to higher-than-average airfares, Caribbean residents and intra-Caribbean international visitors often have to face multiple and differentiated government taxes, exorbitant hotel costs, and inconvenient itineraries. For example, according to the Caribbean Tourism Organisation (CTO), the Average Daily Rate (ADR) for an overnight hotel stay in the Caribbean was $437 USD in 2024. In comparison, the ADR for an overnight hotel stay (4-star-hotel) in the U.S. and Southern Europe are $273 USD and $243 Euros respectively. The sum of costs related to travel higher in the Caribbean compared to other world regions, particularly if adjusted to local income levels.

A renewed vision for intra-regional connectivity

A renewed vision to progress the intra-Caribbean connectivity agenda in the coming years should acknowledge the great diversity and competitive dynamics within the region.

Policymakers and industry stakeholders should be cautiously optimistic about embracing all-encompassing multilateral solutions that may take years or even decades to materialize. Multilateral regional organisations can certainly serve as platforms for dialogue and collaboration, but ultimately the intra-Caribbean connectivity agenda requires political will at the national level and is most likely to progress if based on concrete and actionable commercial opportunities.

Below are our five core recommendations to promote a renewed vision for intra-regional connectivity in the coming years. A more elaborate version of these recommendations can be found in chapter 5 of this study.

1) Identify concrete bilateral opportunities while leveraging multilateral initiatives

The adoption of a market-specific approach should be the primary path to identify bilateral commercial opportunities and enhance intra-Caribbean air connectivity in the short-to-medium term. Supported by a rigorous assessment of growing or potential demand between markets, the proposed approach will allow governments, airlines, airports, and tourism organisations to drive a more manageable agenda. Instead of stretching limited funding and political efforts towards aspirational regional schemes, a bilateral approach puts emphasis on maximizing the value of partnerships while ensuring that results are tangible and measurable.

2) Focus on regulatory convergence rather than harmonization at all costs

In contrast with the aspirational goal of regulatory harmonization, which generally tends to focus on *uniformity*, the concept of regulatory convergence suggests that requirements and processes across countries may become *more similar* or *aligned* on common principles, frameworks, rules, and standards. In the context of the Caribbean region, regulatory convergence is perhaps a more suitable and realistic approach to align multiple regulatory regimes – from a political perspective and based on practical considerations.

A low-hanging fruit approach to regulatory converge would entail the selection of no more than two issues where there is a concrete need to curb down the negative effects of current national policies. For example, considering that lack of seamless connectivity for intra-regional travel is a recurrent issue in the region, governments and industry could agree to *align* their visa and entry requirements and airport security

protocols to allow for seamless intra-regional travel, including leveraging on the principle of *Community of Interest*, which has already been recognized by signatories of CARICOM's Multilateral Air Services Agreement (MASA).

3) Implement regional connectivity incentive schemes

Another recommendation to foster intra-Caribbean travel is the implementation of regional air connectivity schemes with incentives for airlines to actively engage in the promotion and growth of new routes over time. Local governments, airports, and tourism industry stakeholders should not be in the business of subsidizing the supply of air services indefinitely.

Similar to other countries in the world (i.e., U.S., Canada, Australia, the EU), the implementation of such schemes should be primarily a matter of public policy. In the context of the Caribbean, a bilateral approach to regional connectivity incentive schemes should offer a practical solution for two countries that willingly decide to jointly fund a specific route based on national public policy considerations.

In addition, incentive schemes to promote regional connectivity should target air travel demand and alleviate some of the costs associated with travelling within the Caribbean. These may include government-subsidized travel discounts for certain categories of travellers. Local governments and tourism authorities may potentially consider incentive schemes aimed at encouraging inter-island travel by local residents, particularly during the low season.

4) Focus on reducing costs with a travel journey vision

The total cost of intra-regional travel (i.e., airfare, waiting times, hotel costs related to overnight layovers) is rather unreasonable and quite disproportionate to income levels in most Caribbean countries. Addressing these costs in the future requires a holistic approach that also considers the quality of air connectivity with a focus on the travel journey.

Airports should work closely with airlines in order to achieve better schedule optimisation with a view to enable same-day return services whenever possible, an important limitation

currently hindering inter-island business travel. Airports should continue to monitor demand and approach airlines with rigorous business cases to support the launch of new air services. Part of the conversation with airlines should be the improvement of the travel journey for intra-regional routes.

Governments should also seriously assess the long-term benefits of reducing general taxes on aviation activities. A recalibration of taxes for intra-regional travellers could stimulate regional connectivity, strengthening economic competitiveness and integration across the Caribbean.

5) Focus on effective rather than paper liberalization

Most governments around the world today embrace the idea of air transport liberalization – and even sign multiple open skies-type agreements with trade and tourism partners. However, the local business and regulatory landscape often remains costly, burdensome and inefficient. This phenomenon has been referred to as "paper liberalization"

The Caribbean region should move from paper liberalization to effective liberalization by focusing on tangible improvements to the business and regulatory landscape available for intra-regional air services. Efforts should be made to provide an open and business-friendly market environment for air services, including a sound and non-distortive policy landscape that also allows for operational flexibility and seamless connectivity from the perspective of passengers.

1

Introduction

Airports Council International – Latin America and the Caribbean (ACI-LAC), commissioned NACO to conduct a high-level study on the state of air connectivity in the Caribbean region with the objective to develop a coherent and renewed vision based on recommendations that can support future advocacy initiatives, foster alignment and dialogue across the aviation ecosystem within the region, and substantiate future policy positions of Caribbean airports with local government authorities as well as international and regional organisations.

This study is divided in five chapters, and the recommendations and observations presented in the following chapters are built on the latest industry data available, expert analysis, and insights collected through more than 20 interviews with stakeholders from the aviation and tourism sectors in the Caribbean region.

Chapter 1 ("Introduction") outlines the core objectives of the study, the methodology adopted to develop recommendations and insights, as well as a general overview of the organisation of the study.

Chapter 2 ("Air Connectivity and Competitiveness") reviews the key economic concepts associated with air connectivity, as well as the various definitions developed by various industry organisations. It also provides a review of the types of air connectivity that exist and the key enablers with specific case studies.

Chapter 3 ("State of Air Connectivity in the Caribbean") provides a comprehensive review of air connectivity trends in the region since 2010 and pays a special attention to the stark differences that currently exist between extra-Caribbean and intra-Caribbean air connectivity, which are actually trending in opposite directions. This chapter also includes a review of the airline market and recent trends that may support or inhibit – in some cases – the development of intra-regional routes and higher quality connectivity in the coming years.

Chapter 4 ("Barriers to Intra-Regional Connectivity") reviews the most important barriers to intra-regional connectivity, including the following: (1) small market size and limited route density, (2) sub-regional market fragmentation, (3) limited number of airport anchors, (4) airport focus mainly on extra-Caribbean routes, (5) type of international visitors and preferences, (6) high costs associated with travel, and (7) policy and regulatory fragmentation.

Chapter 5 ("A Renewed Vision for Progress") outlines five core recommendations that aim to support a renewed vision to progress the intra-Caribbean connectivity agenda in the most tangible way possible in the coming years, while also fostering continuous constructive dialogue within the aviation ecosystem, local governments, as well as international and regional organisations.

2

Air Connectivity and Competitiveness

2.1 An Inherently Diverse Region

The Caribbean region is comprised of 33 political entities, including 13 sovereign states, 12 dependencies, 7 overseas territories, and various disputed territories. It covers over one million square miles in total area, with about 92,500 square miles of total land area. The local population is estimated at 44 million in 2025.

To put these numbers into perspective, the total Caribbean population equals approximately one-third of the population of Mexico (131 million) and about the same population of Argentina (47 million). In 2024, the total Caribbean population is around 8% of the population of Latin America (recently estimated at 625 million by the Economic Commission for Latin America and the Caribbean (ECLAC)[1]).

Most of the Caribbean islands are fully independent and sovereign countries: Antigua and Barbuda, the Bahamas, Barbados, Cuba, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. However, some are still considered overseas territories of the United Kingdom, France, and the Netherlands respectively (i.e., Montserrat, Martinique, Guadeloupe, Bonaire, Sint Eustatius, and Saba), thus inheriting varying levels of decision-making autonomy, especially in relevant areas to aviation such as foreign affairs, tax and transportation policy, and rule-making and regulatory processes in air transport.

The diversity of the Caribbean is also reflected in the types of government currently in place across the region (i.e.,

unitary one-party states, parliamentary democracies, presidential systems, hybrid systems), but also in the number of regional associations and entities with specific mandates to support aviation and tourism development.

In recent years, a number of organisations have been actively engaged in regional cooperation and dialogue initiatives to support air connectivity in the Caribbean, including the crafting of multilateral frameworks to promote air transport liberalization, regulatory harmonization, as well as the formation of Task Forces to support the growth and development of the tourism industry.

These initiatives include but are not limited to the following organisations:

- Caribbean Community (CARICOM),
- Caribbean Development Bank (CDB),
- Caribbean Tourism Organisation (CTO),
- Organisation of Eastern Caribbean States (OECS),
- Association of Caribbean States (ACS),
- Eastern Caribbean Civil Aviation Authority (ECCAA),
- Dutch Caribbean Cooperation of Airports (DCCA), and
- Caribbean Hotel and Tourism Association (CHTA).

Another important characteristic of the Caribbean is the distinctiveness of local legal and administrative systems, which span from British and U.S.-influenced common law in English-speaking Caribbean countries to civil law traditions in Spanish-, French-, and Dutch-speaking countries, mostly inherited from Continental Europe, Roman and Napoleonic law[2].

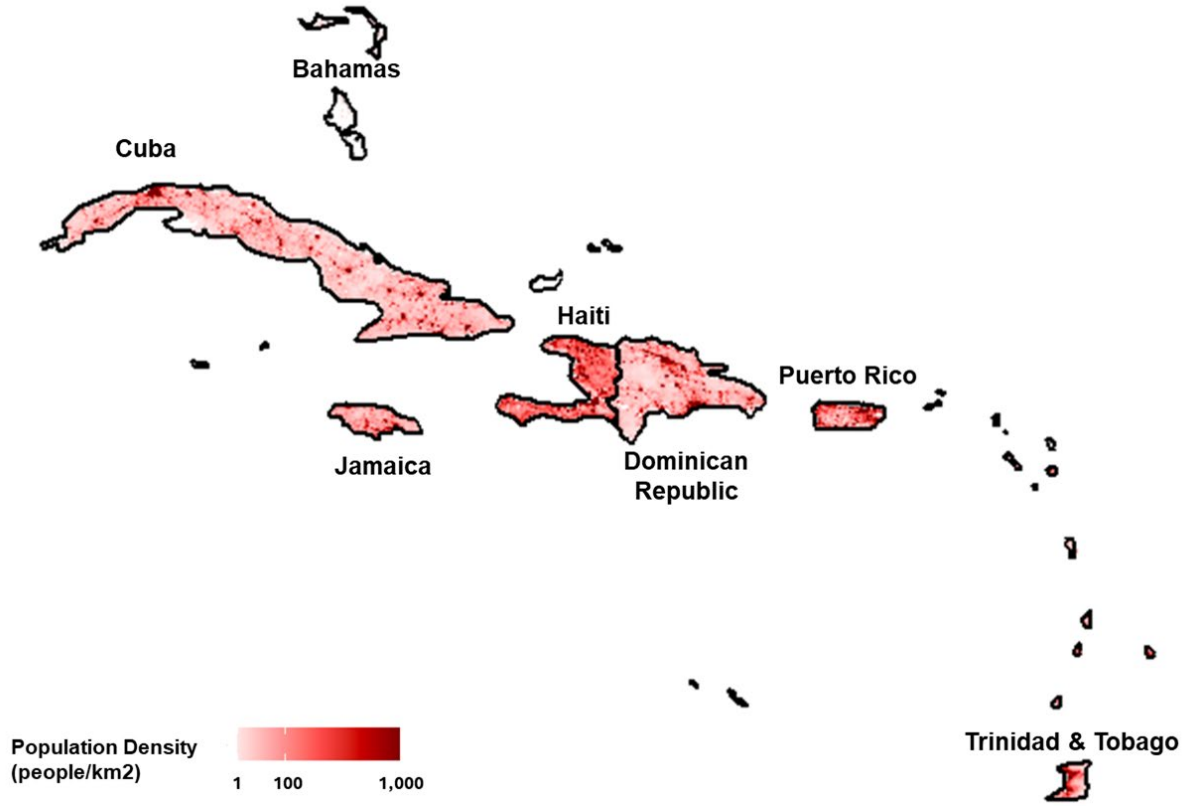
French-speaking islands such as Martinique, Guadeloupe, and Saint Martin are fully subject to European Union (EU) laws and are considered outermost regions by the European Commission[3].

The institutional and administrative diversity of the Caribbean has a direct influence on the prospects for regional harmonization in air transport.

In practice, the political fragmentation that results from the region's inherent diversity affects real and effective alignment between Caribbean governments on issues such as entry and visa requirements, recognition of airport security protocols, and simplified processes for permits and authorizations (especially in the context of new air services), to name a few.

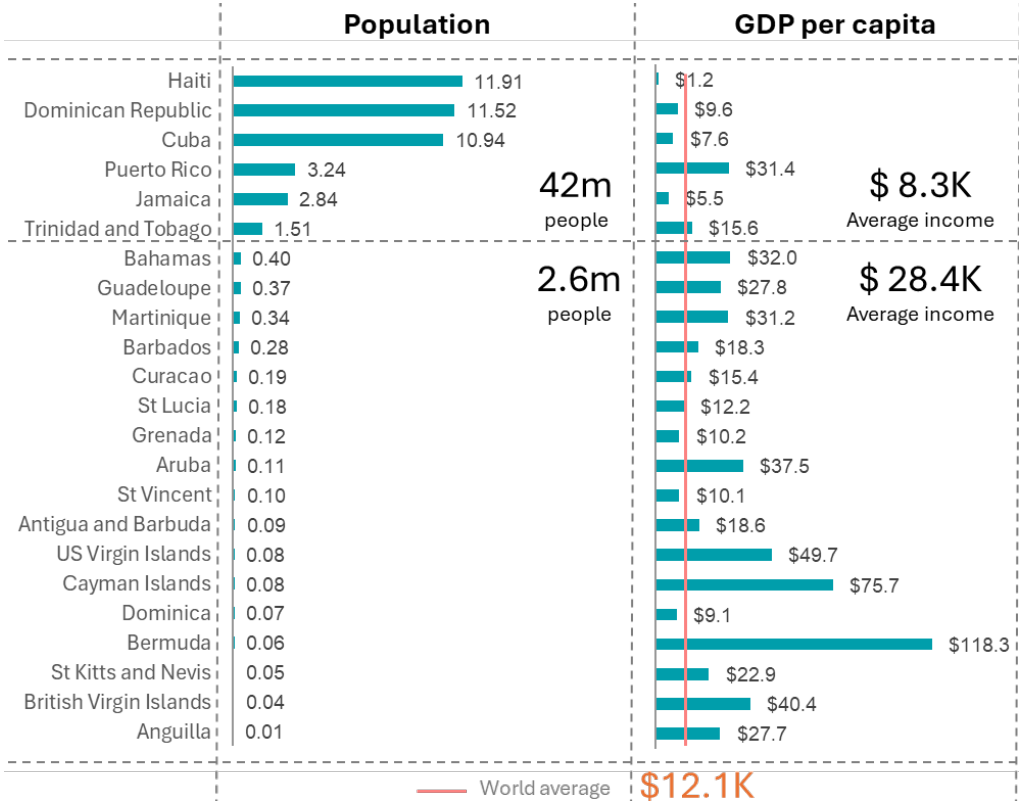
The goal to achieve increased intra-regional connectivity is also influenced by the great diversity that exists within the Caribbean region in terms of key socio-economic indicators such as Gross Domestic Product (GDP) per capita, average incomes, levels of Foreign Direct Investments (FDI), population density, airport infrastructure, national tourism strategies, and – inevitably – the natural historical links that most Caribbean countries have with North America and Europe (i.e., trade, commerce, education, people-to-people exchanges).

Figure 1 – Map of the Caribbean islands by population density, 2025



Source: Oxford Economics

Table 1 – Population and GDP per capita in the Caribbean, 2024



Source: Oxford Economics, CAPA, WTTC

2.2 The Value of Air Connectivity

2.2.1 Definitions

Air connectivity refers to the ability of a given country to develop air links – whether direct or indirect – with the rest of the world. Historically, air connectivity can be considered a by-product of air liberalization efforts and the result of open sky policies implemented since 1978[4].

Air connectivity is an enabler of international mobility for both people (travel) and goods (trade), and ultimately a vital engine of economic growth and regional competitiveness.

As outlined in the table below, different organisations[5] have attempted to define the concept of air connectivity over the years, paying attention to factors such as:

- number of available destinations,
- number of transit points,
- length of the travel journey,
- minimum connecting times,
- frequency of services,
- quality of connections, and
- optimal passenger satisfaction.

The multi-dimensional nature of the concept in industry discussions poses dilemmas regarding the scope of analyses and the choice of metrics to adopt.

For the purpose of this study, the concept of air connectivity will be analysed from the perspective of air travellers – which are also users of airport infrastructure – and local governments.

For example, when flying from any given airport, how many destinations can Caribbean passengers reach, whether directly or indirectly. Also, how well connected are Caribbean economies to the rest of the world in terms of number of destinations and frequencies. The approach adopted in this study also considers the quality of connections (i.e., length of the travel journey) and pays special attention to air connectivity within the Caribbean region.

Table 2 – Definitions of air connectivity by various organisations

Organisations	Proposed Definition of Air Connectivity
International Civil Aviation Organisation (ICAO)	Movement of passengers, mail and cargo involving the minimum of transit points which makes the trip as short as possible; with optimal user satisfaction; at the minimum price possible.
ACI Europe	A composite measure that reflects the number of destinations, the frequency of service, and the quality of the connections at a given airport (in the case hubbing or indirect connections).
International Air Transport Association (IATA)	The access [readily] available to the global air transport network from major airports (either on a country or city basis). IATA Air Connectivity Index measures the degree to which air transport connections support a country's economic development and productivity levels.
Organisation for Economic Cooperation and Development (OECD)	The extent to which an airport or a network of airports connects users of aviation to the outside world. Three components of connectivity: (1) network quality models, (2) quickest path length models, and (3) generalized travel cost models.
World Bank	A country's ability to effectively connect to other nodes within a particular network, reflecting the degree of air connectivity between a country and its neighbours (...)

Source: ICAO, ACI-Europe, IATA, OECD, World Bank, NACO Analysis

2.2.2 Economic and social benefits

According to the Air Transport Action Group's (ATAG), the aviation industry supports over 85 million jobs worldwide, contributing approximately to 3.9% of global economic activity, transporting a third of world trade by value, and enabling 58% of tourist arrivals[6].

Air connectivity also supports the global aspirational goal "to serve as an integral part of a thriving, connected, accessible, inclusive, and affordable transport system for people and goods, contributing to socio-economic development, while ensuring no country is left behind"[7], as promoted by the International Civil Aviation Organisation (ICAO).

The social and economic development aspects of air connectivity are particularly relevant within the Caribbean context.

Economic research shows that there is a positive link between air connectivity and productivity. According to the International Air Transport Association (IATA), a 10% rise in connectivity, relative to a country's GDP, will likely boost labour productivity levels by 0.07%[8].

The impact of air connectivity for developing countries is greater because the relationship between connectivity and productivity is logarithmic rather than linear.

2.2.3 Air connectivity in context

Air connectivity[9] – whether it is ultimately assessed as high, medium or low – should always be contextualized based on the size of a given country's economy and its population size.

For example, larger economies with significant populations will most likely be connected to a greater number of destinations and offer more available seats and frequencies compared to smaller economies. Large economies such as the U.S., China, and the EU open the possibility to more connectivity points to and from the world via multiple local airports – whether global hubs or regional.

Smaller economies may be considered well-connected because of the number of direct connections offered to major global hubs from their main airport, including the number of one-stop connections to major trade and business hubs. Absolute air connectivity should not be automatically considered a measure of quality.

Improving a country's overall air connectivity means increasing the number of connections to the global air transport network either directly or indirectly, with neighbouring countries or far-reach destinations.

These are some of the types of connectivity that airports facilitate.

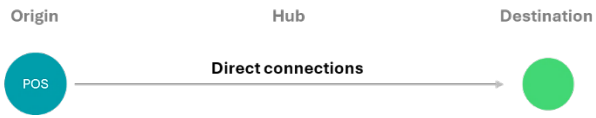
2.2.3.1 Direct Connectivity

The concept of "direct connectivity" refers to the number of destinations that can be effectively reached from point (country) A ("Origin") to point (country) B ("Destination") with a non-stop flight.

Factors such as the number of weekly frequencies per destination can be used in assessing the relative importance of direct connections available. For instance, in some cases, travellers may have access to several flights per day to the same destination, consequently enhancing the value of direct connectivity between point (country) A and point (country) B.

Most countries and airports tend to measure their success in attracting new air services using the measure of direct connectivity.

Figure 2 – Illustration of direct connectivity



Source: NACO Analysis

2.2.3.2 Indirect Connectivity

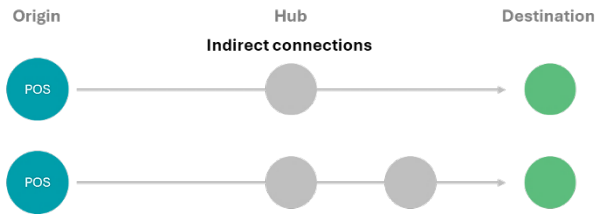
Indirect connectivity refers to the number of points (countries and/or cities) ("Destinations") that can be accessed with one or more connecting flights from point (country) A ("Origin").

This type of connectivity is generally regarded as less valuable than direct

connectivity because it tends to result in longer travel times for passengers and potentially inefficient routes or unreliable and/or inconvenient connections.

However, for airports located on small island countries, the launch of new air services connecting through regional hubs may be the first stepping-stone in generating enough demand before an airline considers launching direct non-stop services to a foreign destination.

Figure 3 – Illustration of indirect connectivity

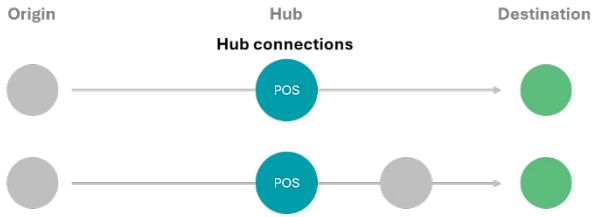


Source: NACO Analysis

2.2.3.3 Hub Connectivity

This type of connectivity measures the number of connecting flights that can be facilitated by a hub airport between "Origin" and "Destination" points (countries and/or cities), considering factors such as minimum and maximum connecting times and weighing the quality of the connections by the detour involved as well as total connecting times.

Figure 4 – Illustration of hub connectivity



Source: NACO Analysis

2.2.3.4 Airport Connectivity

Airport connectivity refers to the overall level to which any given airport within a specific region is connected to the global air transport network, either by direct flights or indirect connections via other airports[10].

The following sections will review some of the most important enablers of air connectivity. These relate primarily to government policies around market access as well as the regulatory and business environment for the provision of international air services.

2.3 Enablers of Air Connectivity

2.3.1 Market access aspects

Bilateral Air Services Agreements (BASA) are perhaps the most common instrument used by national governments to control market access and impose commercial and operational constraints on foreign airlines.

That is why national aviation policies driven by liberalization principles (i.e., open market access for international air services and smart regulation) are essential enablers of air connectivity and engines of tourism development.

BASA constraints may include but are not limited to the following:

- Limited number of weekly frequencies (instead of unlimited),
- Reduced number of points of entry for air services (instead of open route schedule),
- Caps on the number of seats to be operated on a country or route basis (instead of unlimited capacity),
- Conditions on the type of aircraft or operations that are allowed to operate on certain routes (instead of full operational flexibility), and
- Limitations on the number of airlines entitled to operate under the BASA (instead of multiple designation).

Air connectivity is intrinsically linked to national aviation policies and regulations, which may either support or inhibit the ability of airlines to launch new routes or to turn existing services into viable commercial ventures.

Restrictive aviation policies can be considered a prima facie barrier to the development and growth of air connectivity in the Caribbean.

The table below illustrates the different levels of openness that can be associated with various types of BASA.

Table 3 – Model comparison of restricted, intermediate, and liberalized BASA

	Restricted	Intermediate	Liberalized
Freedoms of the Air allowed	1st to 4th	1st to 5th (with operational restrictions)	1st to 5th (or higher) without operational restrictions
Route Schedule	Only a few entry points (airports)	Most entry points allowed but not all	Any number of entry points (airports)
Code-Sharing	Not contemplated	Only between designated airlines or third country airlines with restrictions	Allowed with third country airlines without commercial or operational restrictions
Designation	Single	Double	Multiple

Source: NACO Analysis

2.3.2 Case Study: Dominican Republic

The Dominican Republic is a case in point of a Caribbean country that has adopted a gradual approach to air transport liberalization during the period 2010-2025.

In 2010, the Dominican Republic adopted a national air transport policy geared towards liberalization objectives for the first time. In January 2025, the Civil Aviation Board, by Resolution 20–25, modernized the policy by adding elements to further facilitate the development of air services, injecting more flexibility to certain approval processes, and encouraging technological innovation to support inbound tourism and the passenger experience at airports.

With a view to support tourism diversification and air connectivity, the operation of charters is now authorized on unserved or underserved routes. In addition, to foster greater connectivity, seventh freedom rights may be granted to passenger flights originating in destinations with no scheduled service.

These new elements are supported by the granting of extended traffic rights for air services, allowing fifth and sixth freedom rights for scheduled passenger flights and up to seventh freedom for cargo.

In order to promote greater operational flexibility, the revised policy also provides that special permits may be issued to domestic and/or foreign operators for routes outside their approved schedule to operate enhanced seasonal frequencies or flights.

The policy also acknowledges the digital transformation of the aviation industry and promotes the incorporation of emerging technologies and the automation of regulatory and operational processes. Finally, priority is given to support the continuous training of human capital through technical, managerial and operational training across the aviation ecosystem (i.e., civil aviation authorities, airlines, airports, service providers).

The case of the Dominican Republic exemplifies well the importance of modernization of national aviation policies to support air connectivity and tourism development.

2.3.3 Business and regulatory environment

Another aspect impeding the development of air connectivity in the Caribbean relates to the financial, operational and administrative costs to do business (i.e., launch or maintain air services) in certain countries.

These impediments may include, for example, costs related to government permits, business registrations, and employment contracts. In fact, burdensome and costly regulations can affect the long-term attractiveness of certain countries in the Caribbean as they may be perceived by airlines as commercially risky or legally unpredictable in the long-term.

Particularly relevant to the air connectivity agenda and a point highlighted by various airports in the Caribbean region is the imposition of unreasonable lengthy authorization processes for new air services, including one-time charter operations. Aviation safety certainly should not be compromised but more flexible and streamlined rules for flight authorisations are needed so as not to penalize airports or air operators who have invested enormous resources and planning into the launch of new services.

The so-called national interest paradigm[11] and zealous bureaucratic culture tendencies are often factors that may impede the development of air connectivity, even in liberalized countries.

Impediments to the development of greater air connectivity in the Caribbean include piece-meal entry and visa requirements as well as airport security protocols that are not compatible with efficient hub operations or the aspiration to develop multi-destination tourism[12].

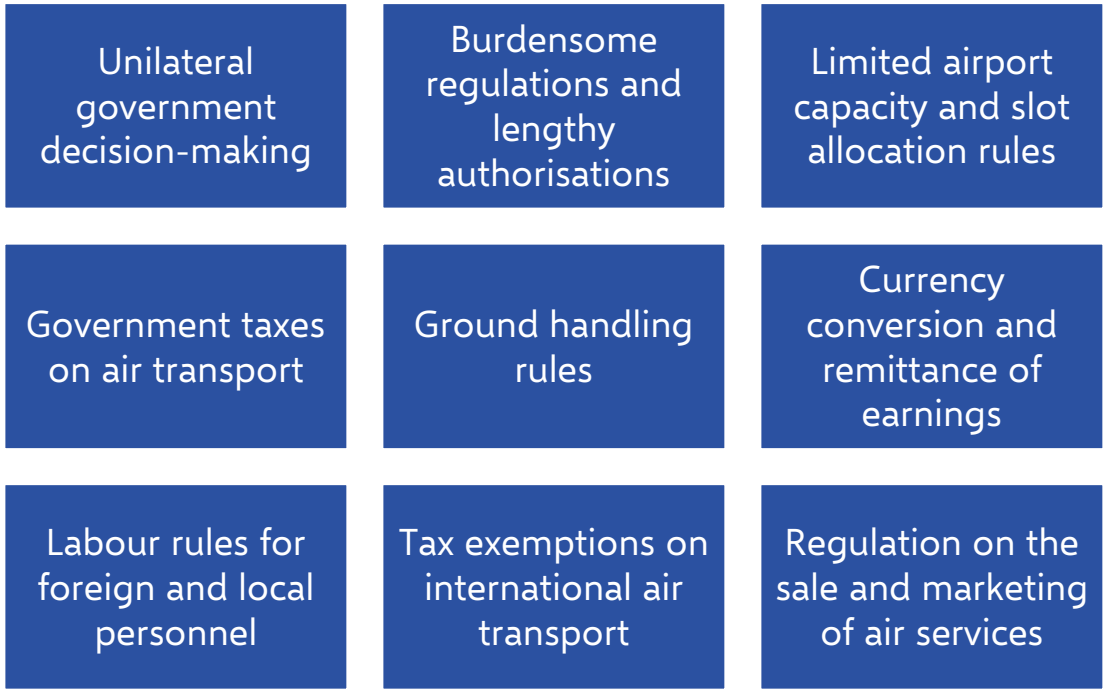
For instance, the approval of airport slots, and foreign air operator permits may involve several agencies with duplication of requirements, multiple reviews and parallel administrative processes.

For new air services (both scheduled and non-scheduled), the swift obtention of authorizations and relevant permits is a crucial requirement to ensure that new air services can be promoted and sold in the market and load factors achieved while minimizing commercial and business risks.

More predictable, proportionate, and non-distortive regulations and approval processes can only improve the business and policy environment in the Caribbean region.

The figure below provides a summary of the most common "doing business" issues related to air service development that may affect levels of air connectivity.

Figure 5 – Summary of the most common doing business and regulatory themes that may affect the feasibility and viability of air operations



Source: NACO Analysis

2.3.4 Regulatory harmonization

The development of air connectivity in the Caribbean can certainly be enabled by a broader regional agenda that promotes regulatory harmonization built on an aspirational vision of a Single Caribbean Sky with cabotage rights for international air services. Similar initiatives are being proposed by a group of Latin American countries at the 42nd ICAO Assembly taking place in September 2025[13].

However, as will be discussed in subsequent chapters, the achievement of regional regulatory harmonization in the field of air transport is not without hurdles, especially because of the fragmentation that currently exists within the Caribbean relates to the sources of legal and political authority, which ultimately condition the development of aviation policies and regulations and the doing business environment for airlines.

As pointed out previously, while some islands remain entirely subject to EU law (French Caribbean) or influenced by long-standing historical relations (Dutch Caribbean), others Caribbean countries have developed a "made at home" vision that serves their own national air connectivity goals. Reconciling these visions – and especially harmonizing their underlying regulatory frameworks – is not an easy endeavour to progress.

As will be further discussed in the last chapter of this study, regulatory convergence may be a first-step solution for the Caribbean region because its focus is on making regulatory frameworks across countries become more *similar* or *aligned* on common principles, frameworks, and standards – rather than *uniform*.

2.3.5 Case Study: The European Union

The EU is a case where regulatory harmonization amongst Member States has been an essential ingredient for achievement of the EU's single aviation market. For example, EC Regulation 2408/92 grants European-based airlines full access to all routes within the European Union without restrictions. That means that Hungary-based Wizz Air can operate any routes between The Netherlands and Spain but also within Spain.

Regulatory harmonization is also reflected in the European rules for the licensing of air carriers and the regulation of airfares and rates, reducing the administrative burden for airlines and stimulating intra-European traffic by promoting the emergence of Low-Cost Carriers (LCC) such as Ryanair, Vueling, and Wizz Air.

With full access to the EU aviation market (including unrestricted cabotage rights), LCC have taken advantage of the opportunity to establish crew and aircraft bases all over Europe, consequently creating jobs across the EU.

The EU has also actively promoted the concept of the European Common Aviation Area (ECAA) with neighbouring countries through a gradual (and mutual) process of market liberalization and regulatory harmonization with EU aviation rules. ECAA Agreements have been signed with the Western Balkans (2006), Morocco (2006) Georgia and Jordan (2010), and Moldova (2012), among others.

Benefits resulting from ECCA Agreements have been positive overall. For example, in the case of the EU-Georgia Agreement, and supported by the introduction of a visa free regime in 2017, passenger traffic between the EU and Georgia has more than quadrupled since 2010.

In terms of benefits, this growth has opened up market opportunities for new passenger segments such as leisure travellers and ultimately facilitated the entry of LCC WizzAir into the Georgian market, allowing the opening of a base in Kutaisi airport, enhancing at the same time the connectivity of regional airports.

2.4 The Question of National Sovereignty

As evidenced by the European experience, in addition to strong political will and a unified vision based on a common destiny, regulatory harmonization requires a foundational treaty, strong and technically competent regulatory authorities, commonly agreed technical standards, and adoption of common principles.

Successful harmonization also requires effective governance, adequate financial resources and skilled personnel, supported by tools and protocols to share information across country participants.

In the case of the EU model, greater regulatory harmonization was achieved by Member States giving up a certain level of national sovereignty[14]. Furthermore, trust and transparency across regulating agencies and bodies have also been important ingredients for success of the EU regulatory harmonization experiment.

The aspiration towards regulatory harmonization and the implementation of a Caribbean Single Sky to foster greater intra-regional air connectivity presents some challenges and structural hurdles that may be circumvented with a more gradual and flexible approach based on the concept of regulatory convergence, which ultimately may also contribute to appeasing "loss of sovereignty" fears by some national governments.

3

State of Air Connectivity in the Caribbean

3.1 Demographic and Socio-Economic Indicators

Growing at a rate of 0.6% between 2010 and 2024, the Caribbean population is estimated at 44 million people in 2024 (or less than 1% of the world population).

Haiti, Dominican Republic, Cuba, Puerto Rico, Jamaica and Trinidad & Tobago are the only six countries in the region with more than 1 million inhabitants. Together, these countries represent 94% of the total Caribbean population and 89% of the total economic output (measured by GDP).

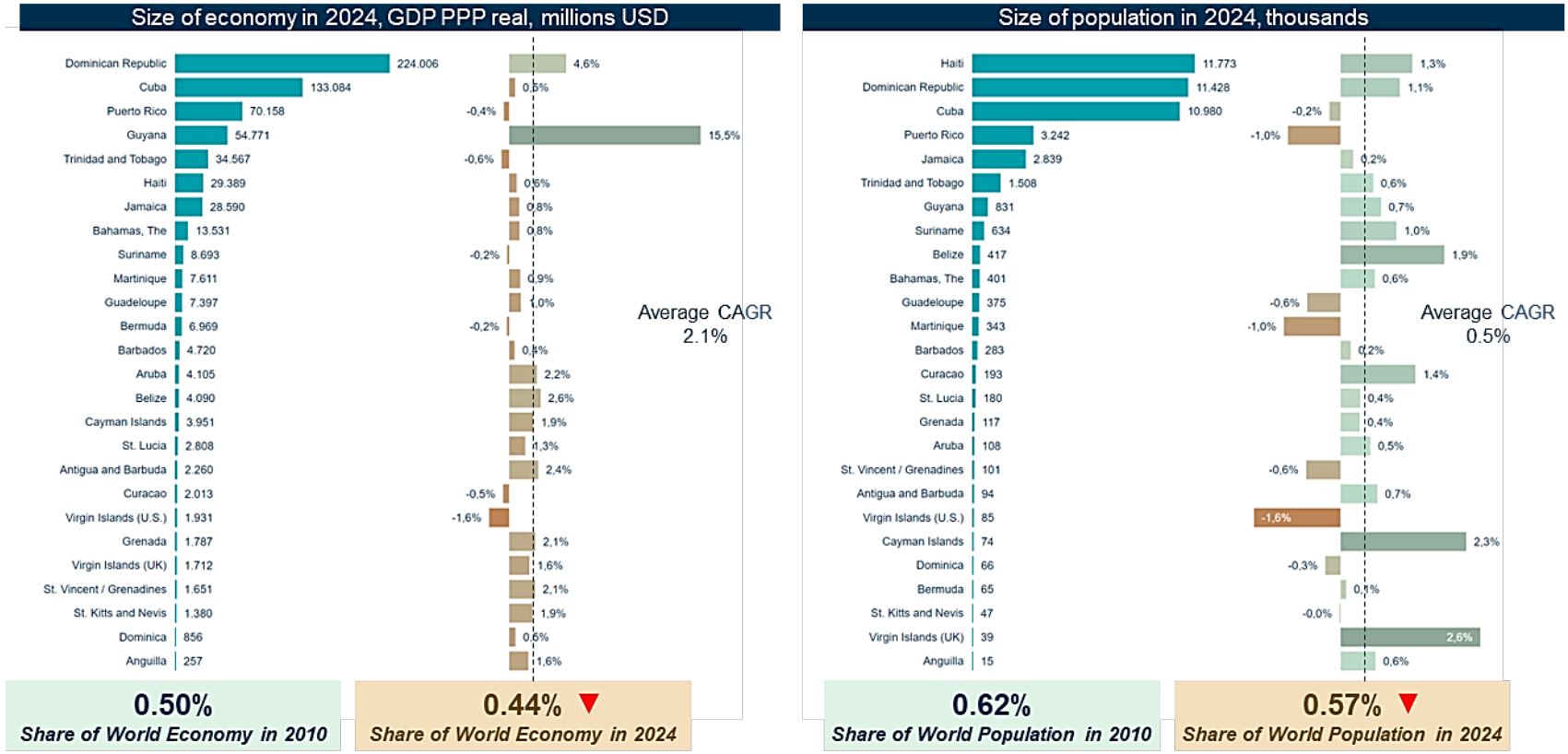
The population registered in the rest of the Caribbean islands presents great variations, oscillating, for example, between 4500 inhabitants (Montserrat) and 400,000 (Bahamas).

Noteworthy is the slow economic growth displayed by the Caribbean region as a whole vis-à-vis other world regions in recent years, except for Guyana, one of the fastest-growing global economies due to the rapid growth of the oil industry.

The Dominican Republic is another fast-growing economy in the region, with a compound annual growth rate of 4.6% between 2010 and 2024. This growth is attributed to the successful expansion of the tourism industry in combination with the other economic sectors that attract foreign investments.

As illustrated in the figure below, most Caribbean economies have grown at modest rates during the 2010-2024 period, from 0.4% in the case of Barbados to 2.4% for Antigua and Barbuda.

Figure 6 – Population of the Caribbean countries in 2024 (in '000), GDP in 2024 (in millions USD), CAGR 2010-2024



Source: Oxford Economics, NACO

3.2 Passenger Traffic Trends

Between 2010 and 2024, the total seat capacity (i.e., inclusive of domestic, intra- and extra-Caribbean) served to and from Caribbean destinations has increased.

Despite reductions in seat capacity in some years due to climate events and pandemics, the compound annual growth rate (CAGR) for the region was 2.8% between 2010 and 2024. This overall growth is mostly driven by new extra-Caribbean route links, which have experienced a combined CAGR of 3.9% during the same period.

It is important to highlight, however, that the seat capacity associated with destinations outside of the Caribbean region has almost doubled since 2010. In contrast, the seat capacity for intra-Caribbean routes and domestic routes has declined, with CAGRs of -1.4% and -1.8%, respectively.

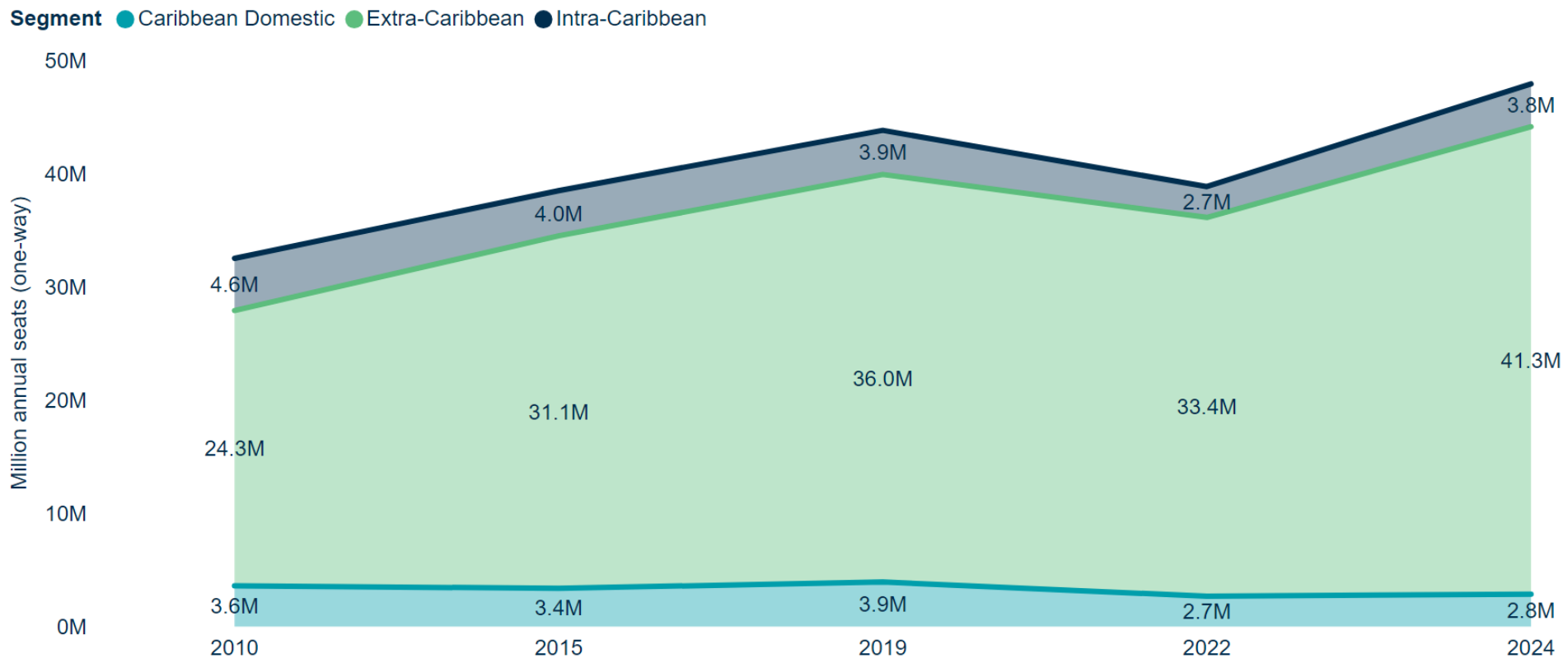
In 2024, intra-Caribbean seat capacity (including domestic) represented around 14% of the total seat capacity operated to/from the region, while extra-Caribbean capacity accounted for more than 85% of the total

The main domestic routes in the Caribbean (by seat capacity) in 2024 are:

- Port of Spain (POS)–Tobago (TAB) (*Trinidad & Tobago*).
- Guadeloupe (PTP)-Martinique (FDF) (*French Overseas Territories*).
- US Virgin Islands (STT)-San Juan (SJU) (*United States*).
- Nassau (NAS)-Freeport (FPO) (*Bahamas*).

The figure below presents a review of seat capacity deployment during the 2010-2024 period by destination segment: (1) domestic, (2) intra-Caribbean, and (3) extra-Caribbean. As outlined, the extra-Caribbean segment continues to drive seat capacity in the region.

Figure 7 – Seat capacity development in the Caribbean by destination segment: domestic, intra-Caribbean, extra-Caribbean, 2010-2024



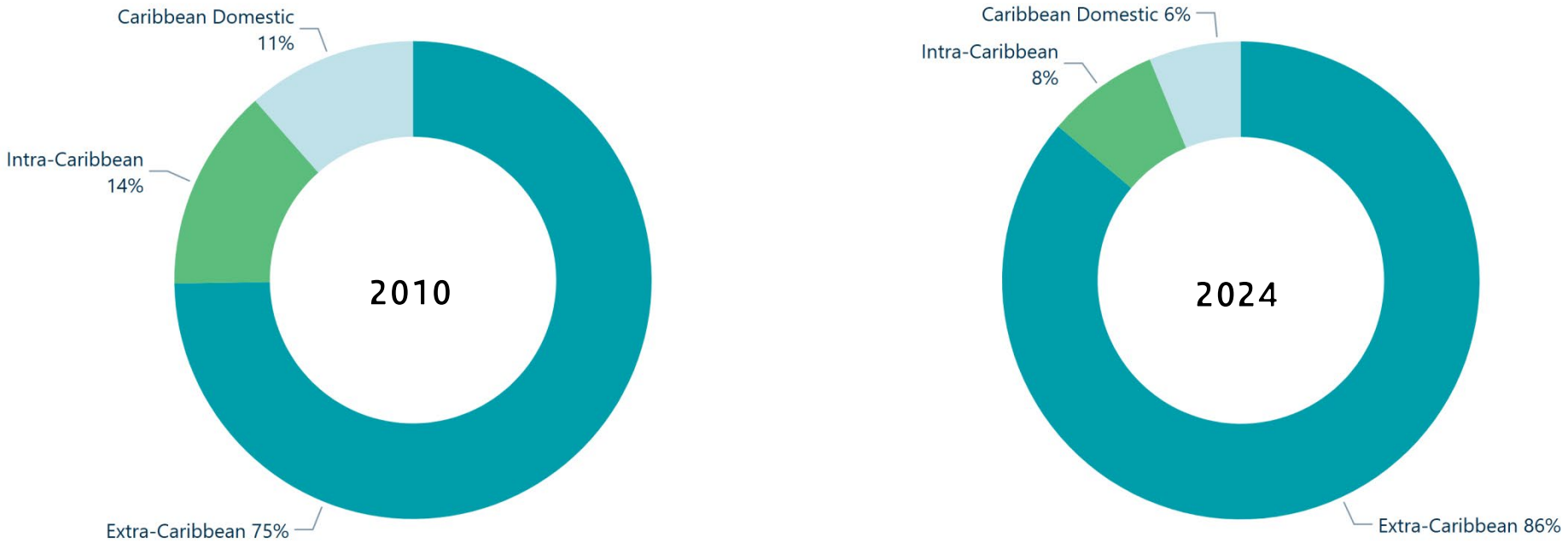
Source: Cirium, NACO Analytics

The market size for domestic air services (2.8 million in 2024) – which is limited to a handful of countries – is not far behind from the Intra-Caribbean segment (3.8 million in 2024). These numbers suggest that passenger traffic on some of the domestic Caribbean routes is denser (i.e., more frequencies per week) compared to intra-Caribbean traffic (generally based on less than 7 weekly frequencies).

As shown in the figure below, extra-Caribbean seat capacity has grown significantly since 2010, while intra-Caribbean capacity has decreased by almost 50%. The combined intra-Caribbean and domestic segments have also declined: from 25% in 2010 to less than 15% in 2024.

These trends suggest that air service development efforts in the Caribbean region have been successful in attracting additional extra-Caribbean traffic from North America and Europe, both important sources for international tourism and the main focus of Caribbean airports.

Figure 8 – Scheduled seat capacity distribution in the Caribbean by destination segment: domestic, intra-Caribbean, extra-Caribbean, 2010-2024



Source: Cirium, NACO Analytics

3.3 Extra-Caribbean Air Connectivity

3.3.1 Sustained growth pre-COVID (2010-2019)

Extra-Caribbean air travel experienced strong and steady growth throughout the 2010s. This positive trend was abruptly interrupted by the COVID-19 pandemic which forced Caribbean countries to close national boundaries and impose burdensome entry restrictions on foreign nationals throughout until 2022.

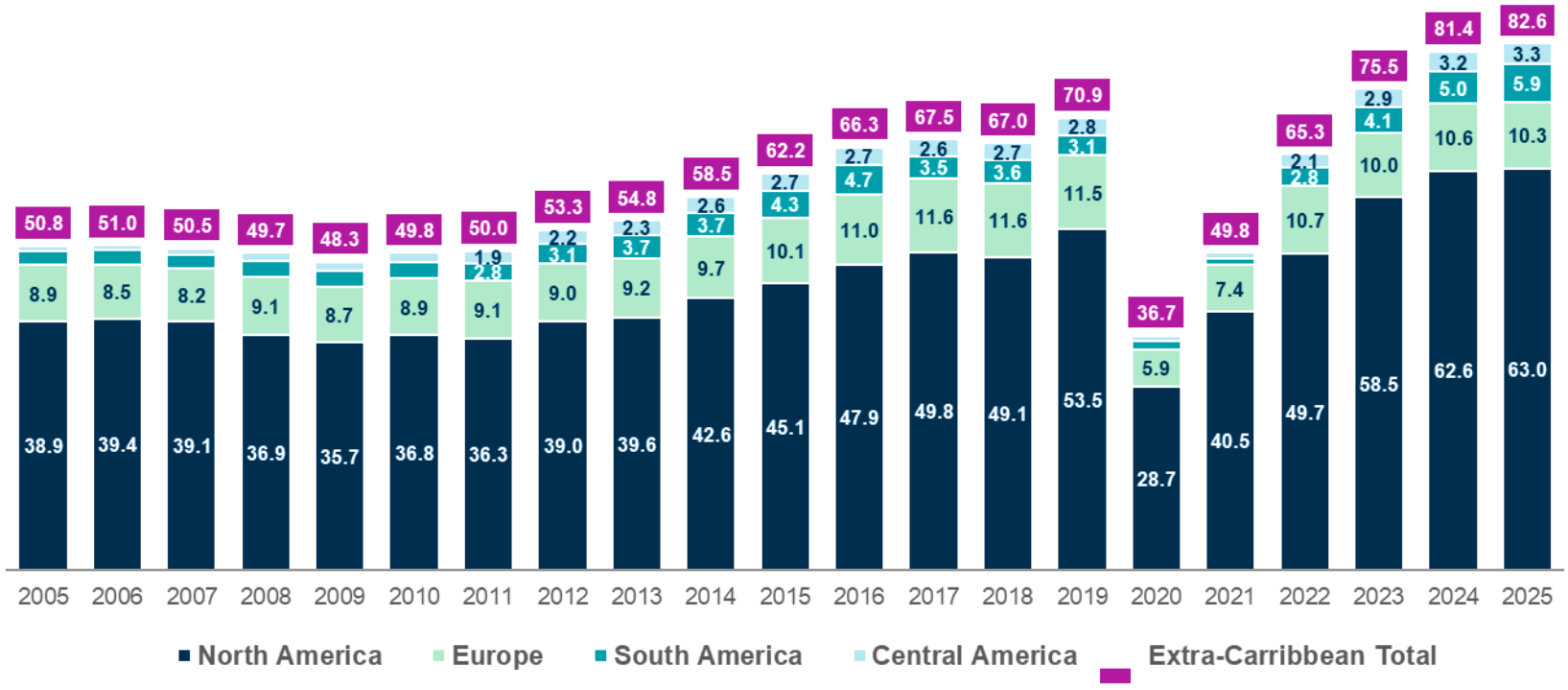
As shown in the figure on the next page, extra-Caribbean seat capacity has grown consistently from 2005 until 2019 across all relevant market segments (i.e., North America, Central America, South America) except Europe.

The number of unique Origin–Destination (O&D) city-pairs with at least 2 weekly frequencies expanded significantly during this period, from 241 to 371 (split as follows: North America at 284, South America at 37, Central America at 18, and Europe at 32). The proliferation of non-stop flights is worth mentioning, particularly with North America destinations (i.e., U.S. and Canada).

Access to major North American hubs effectively underpinned the Caribbean's integration (through air connectivity) into the wider global air transport network.

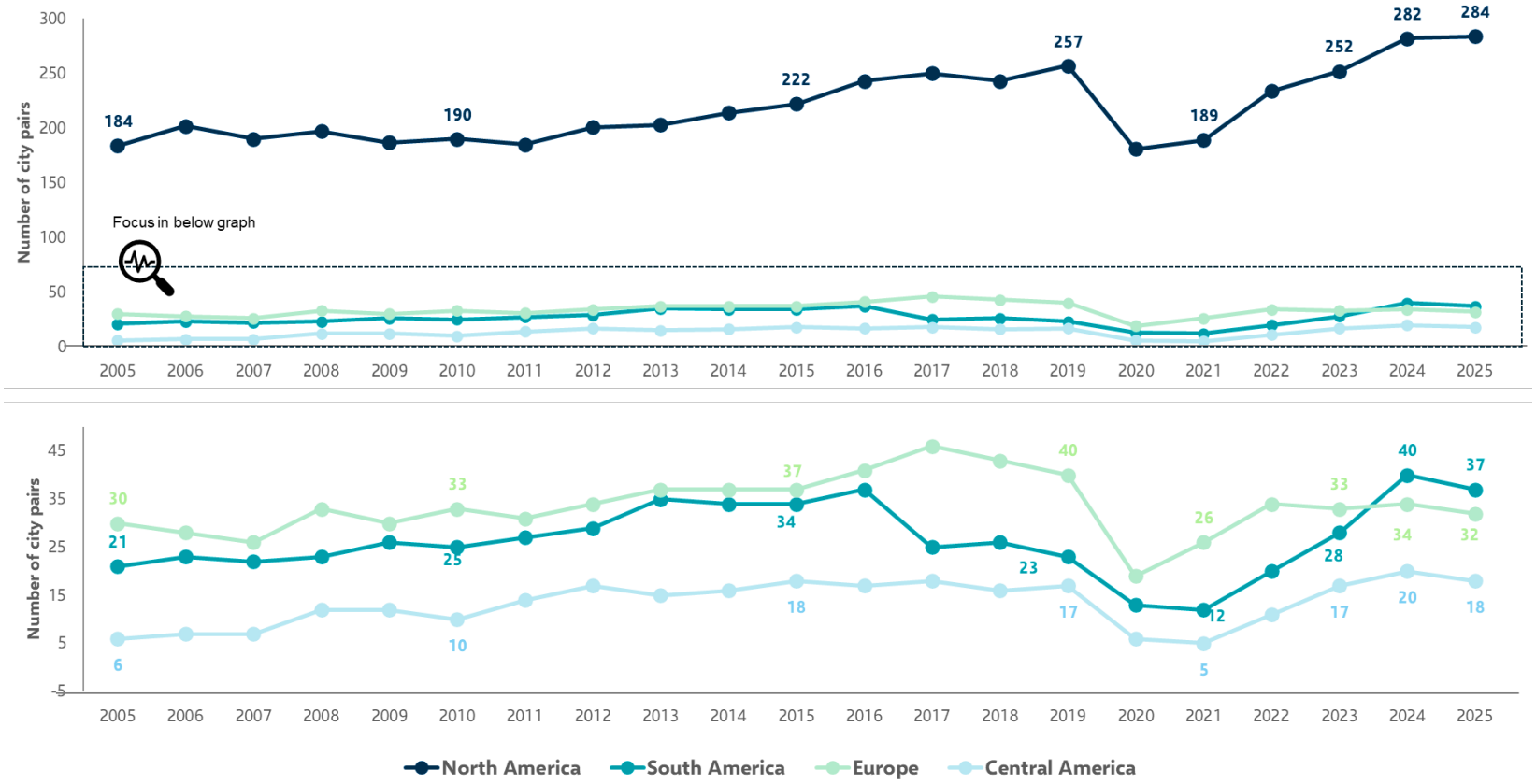
By contrast, Europe – the second-largest intercontinental market for the region – displayed relatively stagnant performance in the last decade, with limited growth in both frequencies and seat capacity.

Figure 9 - Evolution of extra-Caribbean two-way seat capacity between 2010-2025, in millions



Source: Cirium, NACO Analytics

Figure 10 – Number of unique origin-destination (O&D) pairs with 2+ weekly frequency by geographic segments, 2005-2025



Source: Cirium, NACO Analytics

3.3.2 COVID-19 shock and rapid recovery (2020-2023)

The COVID-19 pandemic triggered a severe disruption to Caribbean connectivity, with capacity cuts across all international markets in 2020. Nevertheless, the rebound in passenger traffic has proved exceptionally swift. By 2023, extra-Caribbean seat capacity had fully recovered and even exceeded 2019 numbers, supported by a surge in leisure-driven inbound international demand.

The figure below depicts the airline seat capacity recovery index (2019=100) by region. All international markets served to and from the Caribbean have surpassed their pre-pandemic activity levels, except for the European market.

3.3.2.1 South America

The South American region recorded the most pronounced relative rebound (189%) post-COVID, catalysed by the market entry of Dominican Republic's Ultra-Low-Cost Carrier (ULCC) Arajet into major South American city-pairs such as Buenos Aires (EZE), Medellín (MDE), Bogotá (BOG), Lima (LIM), São Paulo (GRU), and compounded by increased capacity by South American carriers such as Wingo (subsidiary of COPA Group), Avianca and LATAM.

Noteworthy is Arajet's addition of almost one million two-way seats (~16% of total growth) to various South American markets between 2019 and 2025. Other airlines have also deployed greater seat capacity in the post-COVID years: Avianca (640,000 additional seats), Wingo (420,000 additional seats), and LATAM (100,000 additional seats).

3.3.2.2 North America, Central America and Europe

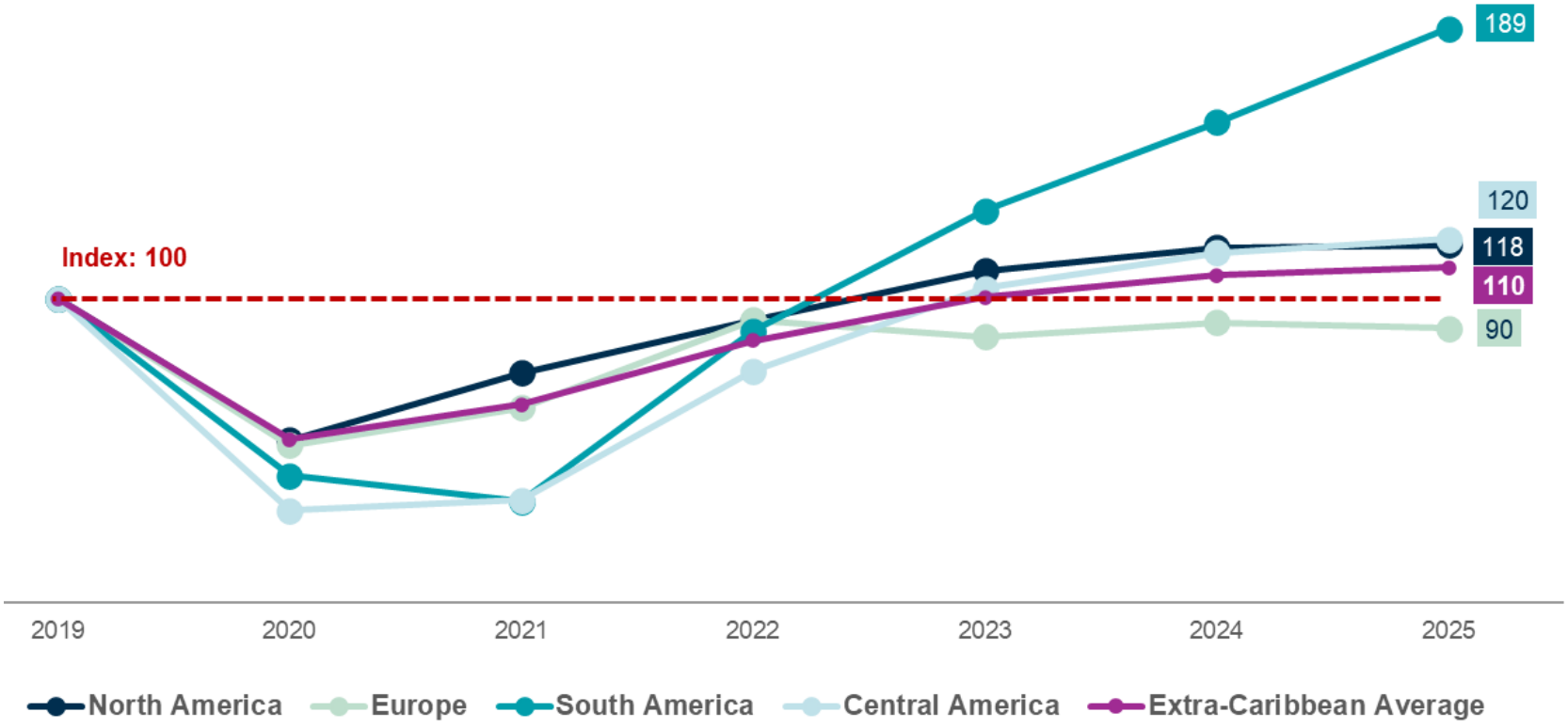
North America (118%) drove the absolute post-pandemic growth in terms of seat volumes across the Caribbean, largely through capacity increases and additional frequencies deployed by U.S.-based network carriers and LCC.

Central America also recovered strongly during the post-pandemic years (120%). However, it is worth noting that approximately 90% of the capacity

deployed is currently funnelled through Tocumen International Airport (PTY), reinforcing the airport's role as the dominant hub in Central America, while supporting COPA Airlines expansion into new or unserved markets.

In contrast, as illustrated, the European destination segment has underperformed during post-COVID years, lingering around 90% of pre-pandemic capacity since 2023 and continuing to display sluggish growth relative to other geographies relevant for extra-Caribbean air connectivity.

Figure 11 – Post COVID seat capacity recovery by geographic segments, 2019-2025 (Index 2019=100)



Source: Cirium, NACO Analytics

3.3.3 Post-pandemic global network (2024-2025)

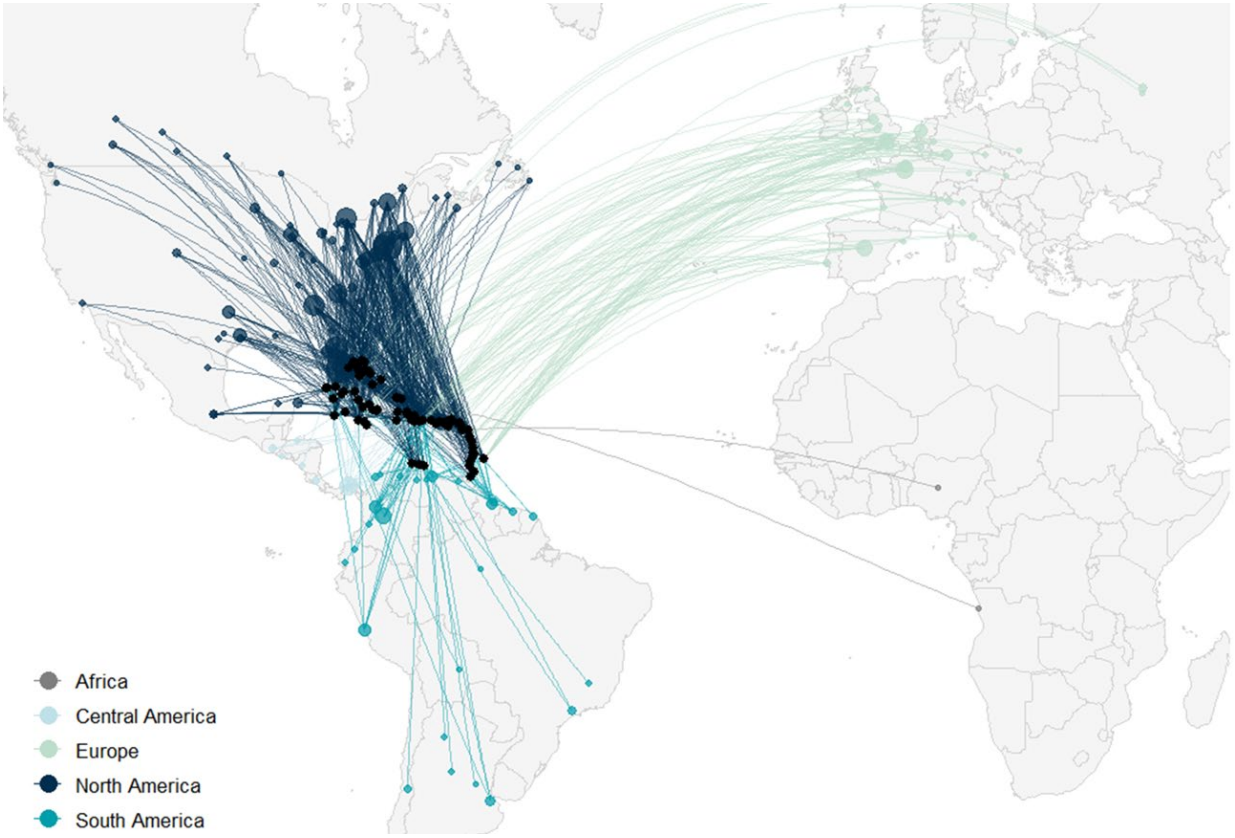
In 2025, Caribbean airports collectively offered direct flights to nearly 150 international destinations across 36 countries in the Americas, Europe, and even Africa with a route between Havana, Cuba (HAV) and Luanda, Angola (LAD).

The Caribbean offered around 82.6 million two-way airline seats in 2025 – a sizable increase (almost double) from the 48.6 million registered in 2010. The reach of extra-Caribbean's connectivity (by route) is illustrated in the figure below.

The Caribbean as a region is well-connected to major North American gateways (i.e., Miami, New York-JFK, Atlanta, Chicago, Toronto) and European hubs (i.e., Amsterdam-Schiphol, London-Heathrow, and Paris-Charles-De-Gaulle), suggesting relatively high-quality one-stop connections to emerging markets in the Middle East and the Asia-Pacific.

The region's global reach in terms of connectivity comes with a caveat about accessibility for secondary Caribbean markets or smaller islands that currently do not benefit from direct non-stop connectivity to North America and Europe.

Figure 12 - Extra-Caribbean route network map by destination geographical segment, 2025



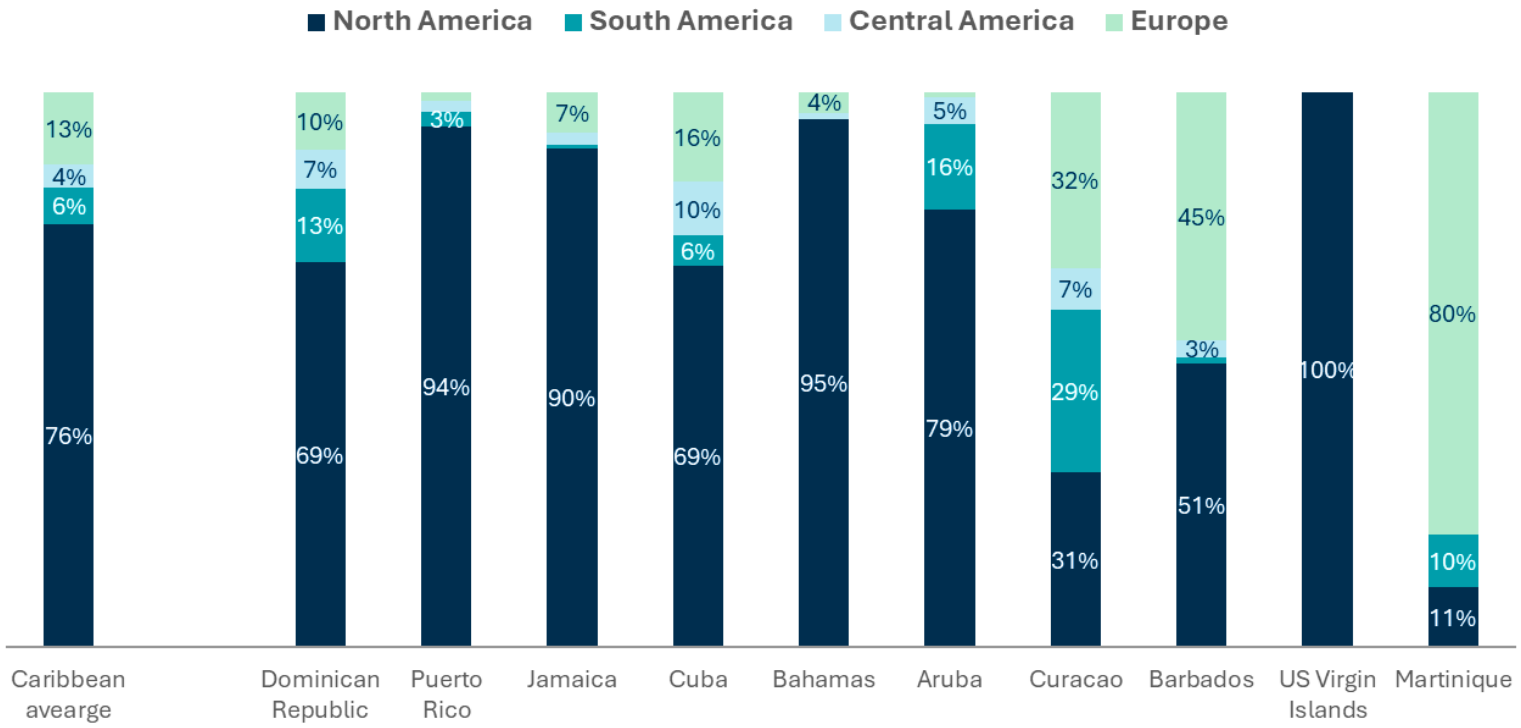
Source: Cirium, NACO Analytics

3.3.4 North American as a driver of international tourism

As illustrated in the figure below, the primary demand engine sustaining air connectivity in the Caribbean is North American inbound leisure traffic, which continues to provide the overwhelming majority of originating passengers to the Caribbean region.

In 2025, North America was the largest extra-Caribbean source market for 8 of the top 10 Caribbean countries by total seat capacity.

Figure 13 - Distribution of extra-Caribbean seat capacity by destination geographic segment at top 10 Caribbean country markets, 2025



Source: Cirium, NACO Analytics

3.3.5 Access to international markets is highly uneven

Despite strong aggregate connectivity, access to international markets is highly uneven across the Caribbean region.

Air connectivity is largely concentrated around gravity centres of economic activity such as Puerto Rico, The Dominican Republic, and Jamaica, as well as high-end leisure destinations (i.e., Bahamas, Aruba, and Curaçao – to name a few), which tend to dominate airline network structures, generally supporting 7 weekly frequencies and multiple long-haul gateways.

In contrast, smaller island states – such as Grenada, the British Virgin Islands, and St Kitts & Nevis – exhibit limited direct extra-regional connectivity due to smaller catchment areas, thin demand profiles, but also to their niche tourism offer. The figure in the next page quantifies well this disparity: the number of nonstop international destinations (served at least twice weekly) is markedly lower across the smaller Eastern Caribbean states, exposing a connectivity gap within the Caribbean.

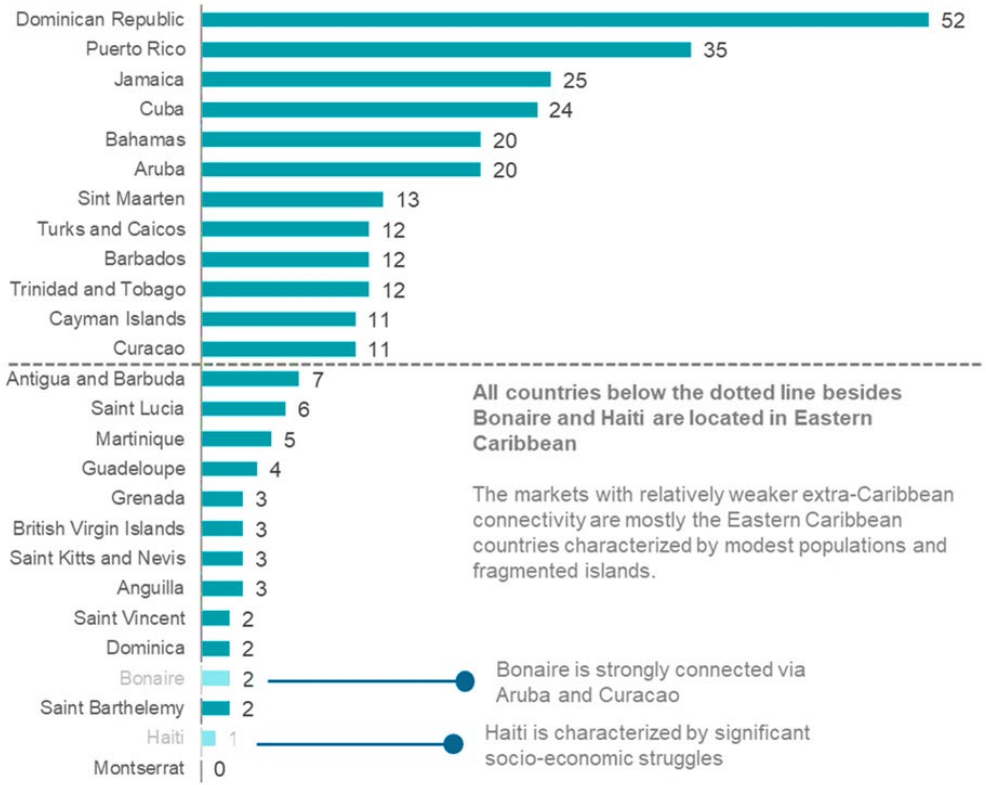
For the least connected Caribbean countries, air connectivity to both extra- and intra-Caribbean destinations continues to depend on routings that include non-Caribbean hubs such as Panama City and Miami.

Many short-haul and intra-Caribbean Origin–Destination (O/D) flows are routed via non-Caribbean gateways.

In fact, a significant share of intra-Caribbean demand (for the less connected Caribbean markets), is funnelled through Miami (MIA) and Panama (PTY) due to the lack of sufficient direct regional links.

Such dependence on non-Caribbean hubs underscore a structural vulnerability: while international tourism remains the principal economic driver for most Caribbean economies, insufficient direct extra-regional and intra-regional access could materially constrain the growth trajectories of the smaller Eastern Caribbean islands.

Figure 14 – Number of point-to-point extra-Caribbean destinations served with at least an average 2-weekly frequencies in 2025



Source: Cirium, NACO Analytics

3.4 Intra-Caribbean Air Connectivity

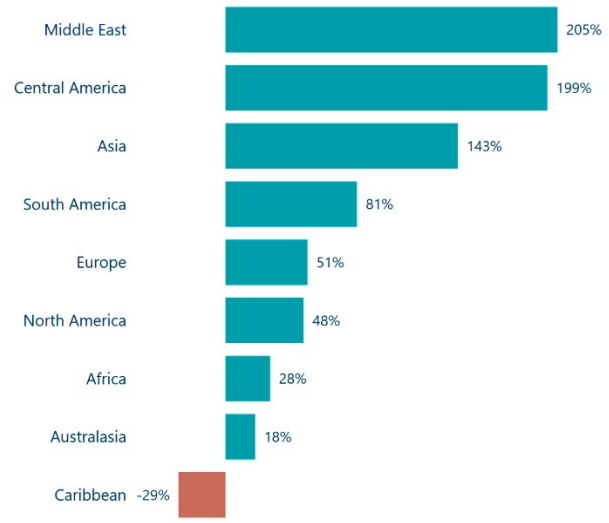
3.4.1 Losing ground compared to other world regions

The Caribbean stands out globally as the only region to experience a decline in intra-regional connectivity over the past decade and a half. Between 2010 and 2024, the intra-regional connectivity index fell by nearly 30% and most airports – especially in the Eastern Caribbean, lost significant capacity. This trend is in sharp contrast to other world regions such as Asia, the Middle East and Central America, which recorded growth of more than 100%.

This decline directly correlates with the steady contraction in intra-Caribbean seat capacity, which has fallen from over 16.7 million two-way seats in 2010 to under 13.7 million by 2025.

The data confirms what industry stakeholders across the region have observed: air travel within the Caribbean region has become thinner, less frequent, and more fragile.

Figure 15 - Intra-regional Air Connectivity Index change 2024 vs. 2010, all world regions



Source: Cirium, NACO Analytics

3.4.2 Marked erosion of inter-island travel

As illustrated in the figure below, a small number of markets — i.e., Turks and Caicos, Anguilla, Cayman Islands, Dominican Republic, and the British Virgin Islands — have registered improvements in intra-regional connectivity.

Most Caribbean states have experienced significant declines in intra-regional connectivity during the 2010-2024 period. Air travel within the Caribbean has become thinner, less frequent, and more fragile.

The structural backbone of inter-island travel has eroded over the years, reducing the availability of reliable and high-frequency routes that are needed to sustain economic, social, and cultural linkages within the region.

By contrast, the global connectivity index of the region – which measures international linkages between Caribbean states and the world – has strengthened. With the exceptions of Saint Martin, Haiti, and Montserrat, most Caribbean countries recorded improvements in global connectivity between 2010 and 2024.

This reflects the steady expansion of extra-Caribbean capacity, with North America consolidating its role as the dominant source of inbound tourism.

3.4.3 Quality and frequency of connections

While more destinations can be reached directly or indirectly to/from Caribbean countries in 2024, travel journeys between Caribbean countries are often characterized by inconvenient schedules, low service frequencies, and high airfares.

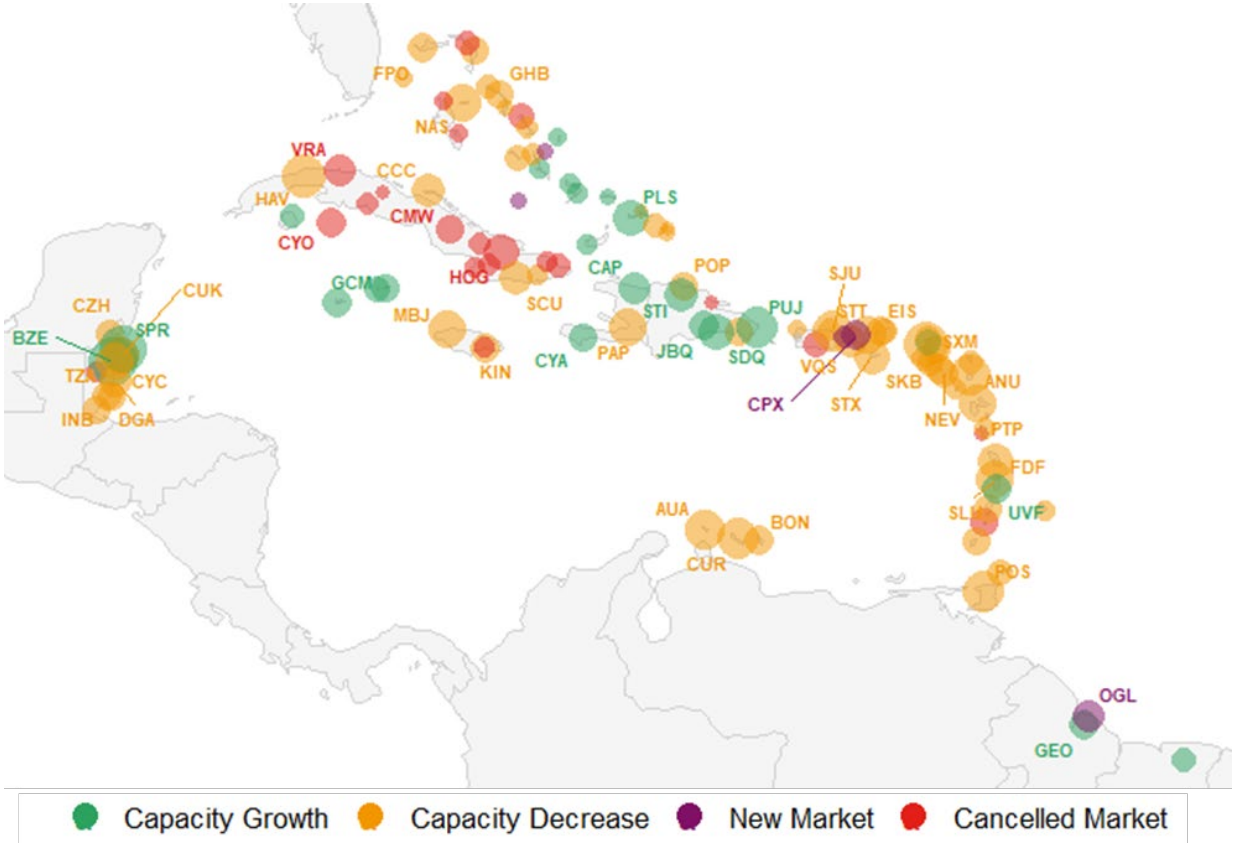
The expansion of global connectivity in the Caribbean has not fully translated into accessible, reliable, or affordable mobility for intra-regional routes

As shown in the figures below, the Caribbean continues to lose ground in terms of intra-regional connectivity, thus curtailing the region's ability to capture the

socio-economic benefits of aviation. This decline also poses risks for the aspirational goals of regional integration because thin and unreliable intra-Caribbean air services make labour mobility, trade, and multi-island tourism less feasible.

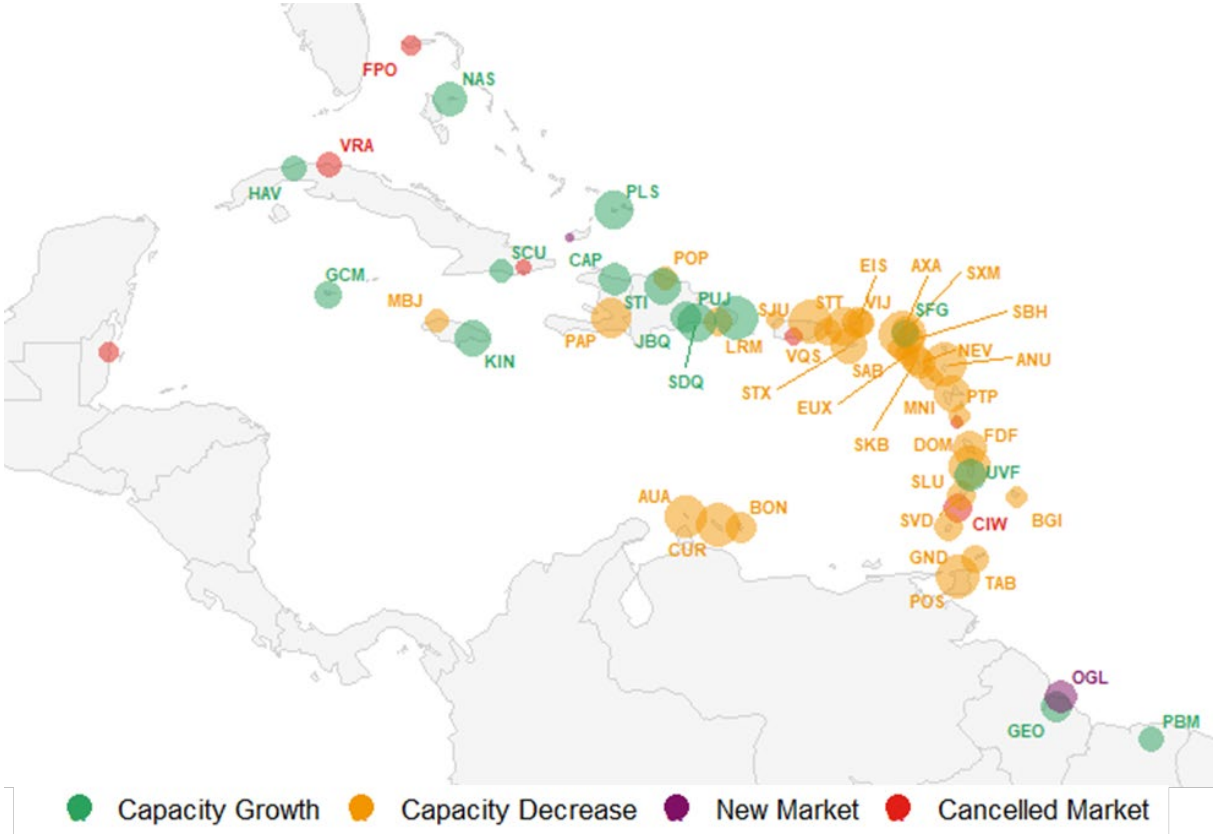
Without targeted policy interventions to restore and strengthen intra-regional links, the region's global connectivity is likely to remain highly asymmetric: robust for inbound international tourism but inadequate for the mobility of Caribbean people and businesses.

Figure 16 – Intra-Caribbean seat capacity changes across Caribbean airports, 2025 vs 2010 (Note: bubble sizes are proportional to capacity changes)



Source: Cirium, NACO Analytics

Figure 17 – Intra-Caribbean seat capacity changes across Caribbean airports excluding domestic segment, 2025 vs 2010



Source: Cirium, NACO Analytics

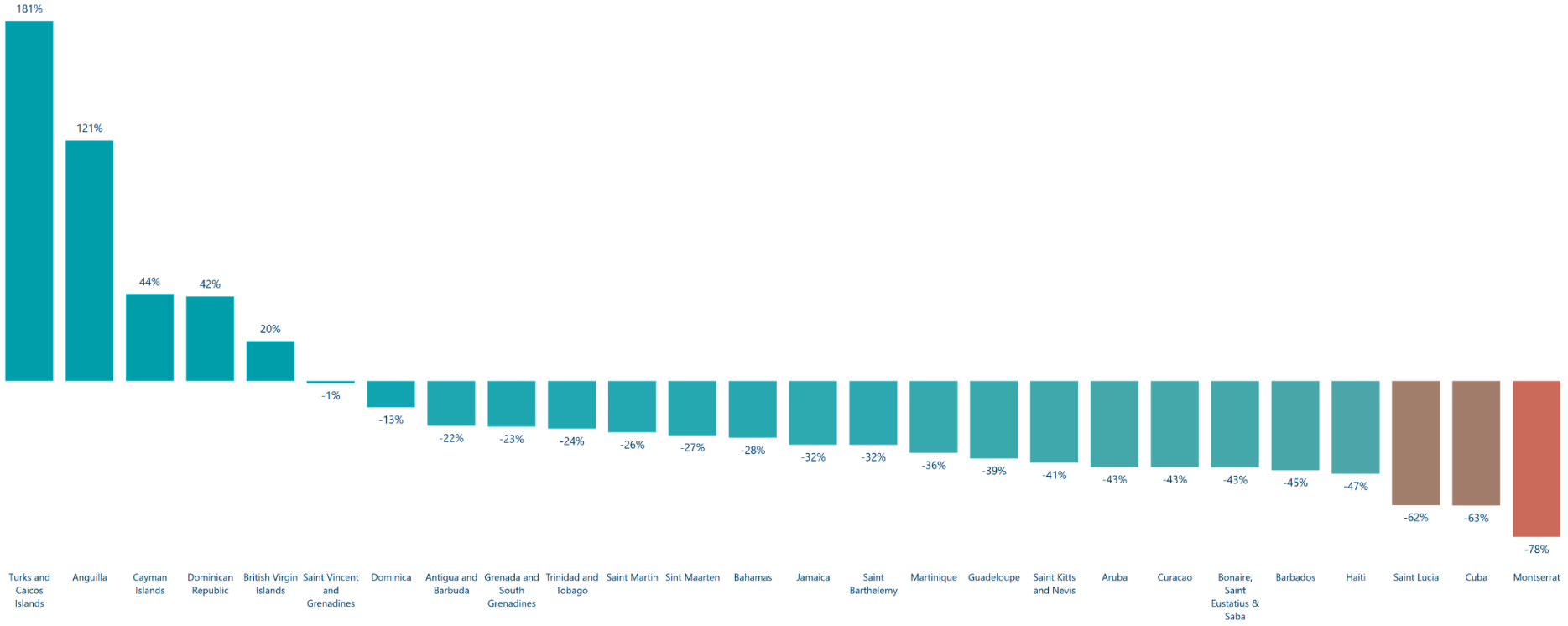
Table 4 - Comparison of intra-Caribbean two-way seat capacity by country markets (exc. domestic segment), in thousands, 2024 vs 2010

Country	Seat capacity 2010	Seat capacity 2025	2024 vs 2010
Greater Antilles			
Puerto Rico	1200	970	81%
Dominican Republic	560	930	167%
Jamaica	180	250	142%
Cayman Islands	120	140	116%
Cuba	120	120	106%
Haiti	150	60	42%
			Decline is mainly concentrated at East and South Caribbeans
Eastern Caribbean			
Barbados	540	540	100%
Trinidad and Tobago	720	510	70%
Sint Maarten	780	480	62%
Antigua and Barbuda	540	330	62%
US Virgin Islands	430	240	56%
Saint Barthelemy	300	280	92%
Saint Lucia	360	250	71%
British Virgin Islands	280	220	79%
Grenada	220	190	89%
Guadeloupe	320	240	76%
Saint Martin	180	200	109%
Saint Vincent	220	180	80%
Saint Kitts and Nevis	210	150	70%
Dominica	140	130	96%
Martinique	90	40	40%
Anguilla	50	30	61%
Montserrat	20	10	68%
Southern Caribbean			
Curacao	530	330	63%
Aruba	300	130	44%
Bonaire	220	170	75%
Northern Caribbean			
Bahamas	120	180	152%
Turks and Caicos	60	150	267%
Continental Caribbean			
Guyana	260	350	132%
Suriname	100	120	113%
Belize	0	0	0%
Total	9,300	7,900	84%

Below 80% **Between 80% and 100%** **Greater than or equal to 100%**

Source: Cirium, NACO Analytics

Figure 18 – Intra-Caribbean Air Connectivity Index change 2024 vs. 2010, Caribbean countries



Source: Cirium, NACO Analytics

3.4.4 Building intra-Caribbean itineraries is challenging

The current OAG data available for 2024 shows that the vast majority (86%) of intra-Caribbean travellers fly direct whenever they travel within the region. This high percentage is perhaps explained by the fact that there are limited codeshare and interline agreements between airlines operating within the region. As a consequence, the percentage of 86% may be inflated by the fact that passengers need to purchase separate tickets to create an intra-Caribbean itinerary when they travel. In our view, these passengers are not captured by the data available.

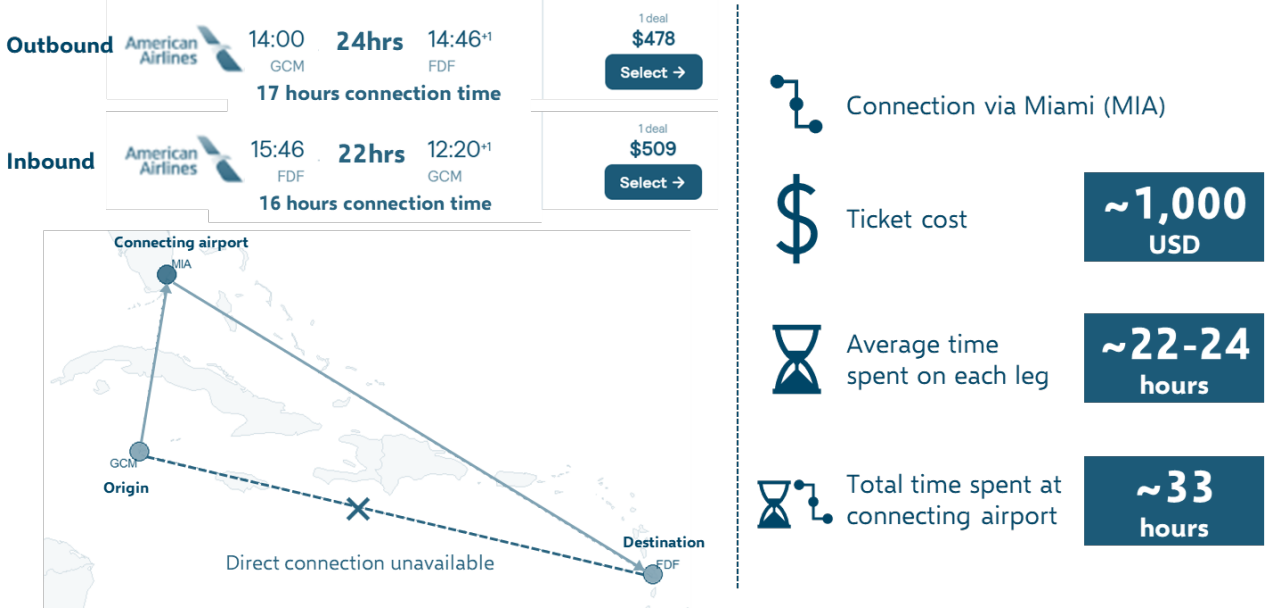
For those passengers that travel to other Caribbean countries via one or more connections (14% according to the OAG numbers), they either connect at another Caribbean airport (59%) – mainly Port-of-Spain (POS), Guadeloupe (PTP), and Sint Marteen (SXM).

Around 35% would connect through North America via Miami (MIA) and 6% through Panama City (PTY). These numbers may also be tainted by the commercial reality of intra-Caribbean traffic where there is limited cooperation between airlines.

3.4.4.1 Case Study: Airport executive plans to attend industry conference in Martinique

An airport executive based in the Cayman Islands wishes to attend a regional industry event taking place in Martinique on Tuesday November 4th. She also wants to spend some additional time with local friends and take the opportunity to visit the island after the event.

Based on her searches, there is no direct flight between Cayman Islands on Sunday so she will need to travel on Saturday November 1st. Return would be on November 9th. If she decides to buy the ticket on September 30th, her best option is as follows.



Source: Cirium, NACO Analytics, Skyscanner

3.4.4.2 Case Study: International tourist currently staying in Curacao wishes to visit Trinidad and Tobago

A European tourist is currently visiting Curacao and wishes to discover the natural beauty and local culture of Trinidad and Tobago. She has 1 week available before her return to Europe. Her plan is to travel on Saturday November 1st and come back to Curacao on November 8th to catch her return flight to Europe. Her best flight option is the following.

Connection via Panama (PTY)

Ticket cost **~420 USD**

Average time spent on each leg **~17 hours**

Total time spent at connecting airport **~23 hours**

Source: Cirium, NACO Analytics, Skyscanner

3.4.5 Steady decline for nearly two decades

Levels of intra-Caribbean air connectivity have been on a steady decline for nearly two decades. The figure below shows that the total seat capacity fell from 8.6 million in 2011 (with a split of 4.5 million intra-Caribbean and 4.0 million domestic) to 6.9 million in 2025 (with a split of 4.1 million intra-Caribbean and 2.8 million domestic). This downward trend contrasts sharply with the more dynamic and fast-growing extra-Caribbean market, highlighting the gradual erosion of inter-island air links.

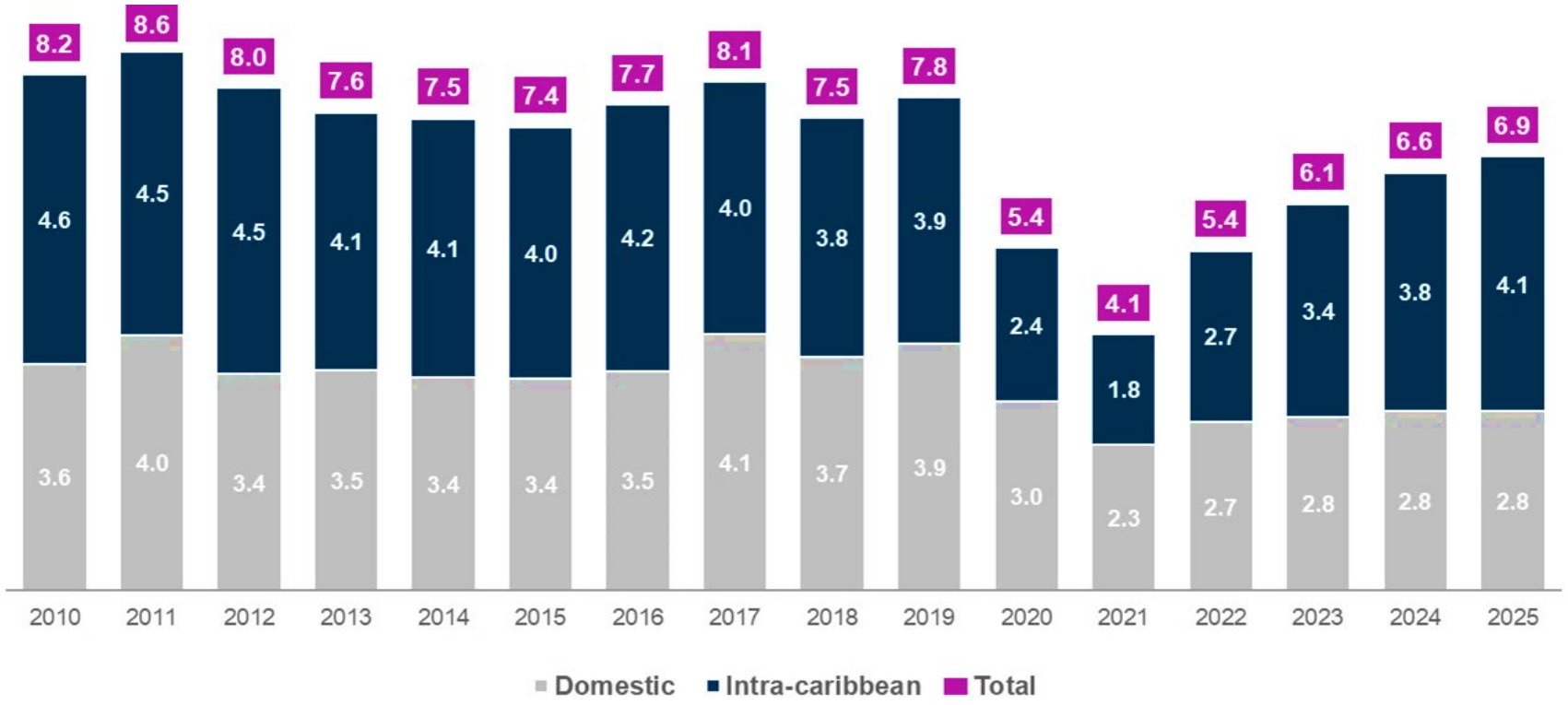
This divergence becomes clearer when indexed against 2005 levels. As seen in the figure below, extra-Caribbean capacity expanded by 169% from its 2005 baseline, while intra-Caribbean capacity contracted by 70% and domestic by 65%. These trends are reinforced by the evolution of the number of unique O&D city pairs offering above two daily frequencies – a proxy for robust and reliable air connectivity allowing daily travel between market pairs.

3.4.6 Decline in the number of city pairs

Between 2005 and 2025, intra-Caribbean city-pairs fell from 64 to 41, while extra-Caribbean pairs rose from 62 to 92. Combined, these trends reveal a structural shift in the Caribbean region since 2010, which also reflect the prioritization by DMO and local governments to capitalize on international tourism.

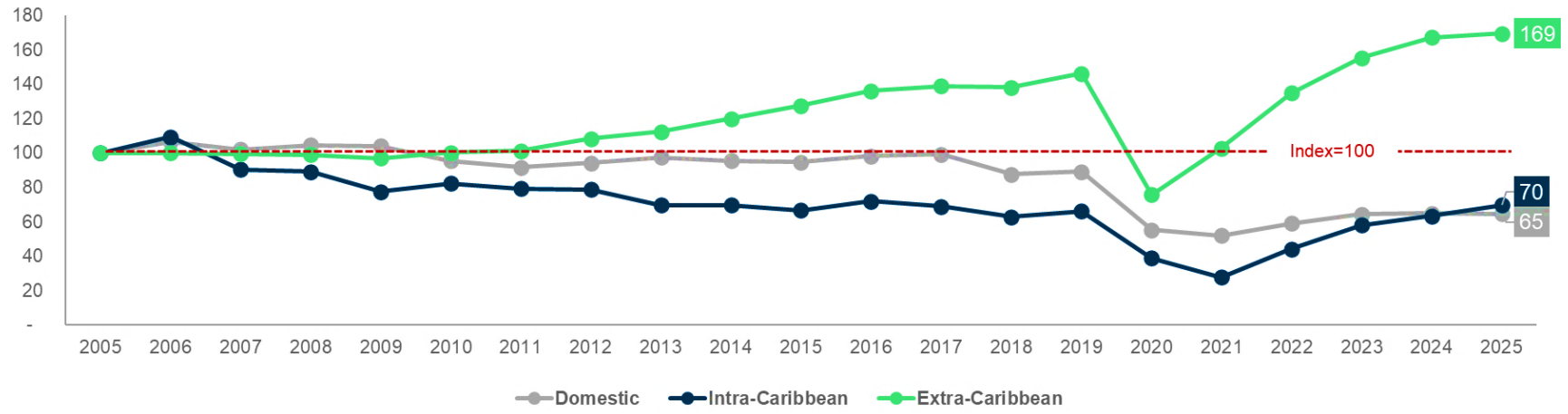
Since 2005, including during the post-pandemic period, air connectivity efforts in the Caribbean have increasingly been oriented towards the development of extra-regional air services (i.e., international inbound tourism from North America and Europe) rather than intra-regional connectivity.

Figure 19 – Evolution of intra-Caribbean two-way seat capacity between 2010-2025, in millions



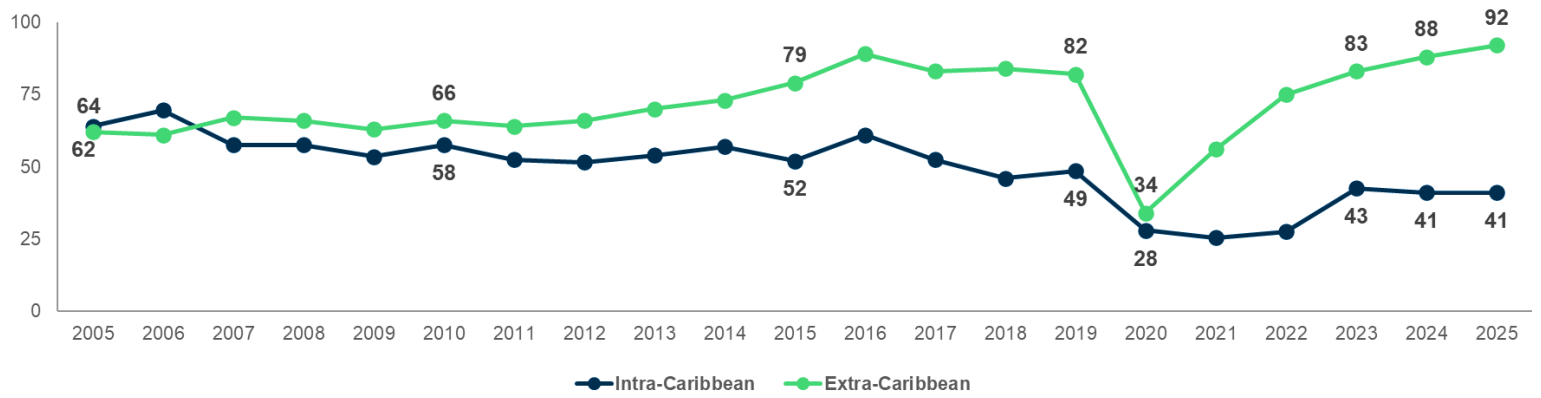
Source: OAG, Cirium, NACO Analytics

Figure 20 – Seat capacity development index by traffic segments (index 2005=100)



Source: OAG, Cirium, NACO Analytics

Figure 21 – Number of unique intra-Caribbean vs extra-Caribbean origin-destination (O&D) city pairs with 2+ weekly frequencies, 2005-2025



Source: OAG, Cirium, NACO Analytics

3.4.7 Low number of weekly frequencies

As discussed above, intra-Caribbean connectivity has continuously declined in the past two decades, while extra-Caribbean connectivity has grown substantially (both in terms of number of destinations and weekly frequencies), asserting the region's position as a top international tourism destination.

One of the key aspects of air connectivity (from the perspective of air travellers) is the frequency of services offered between two destinations. For example, a higher

number of weekly or daily frequencies tends to offer leisure travellers more options in terms of preferred travel timings and potential connections, while providing more flexibility to business travellers who are often subject to changing schedules and require same-day trip patterns.

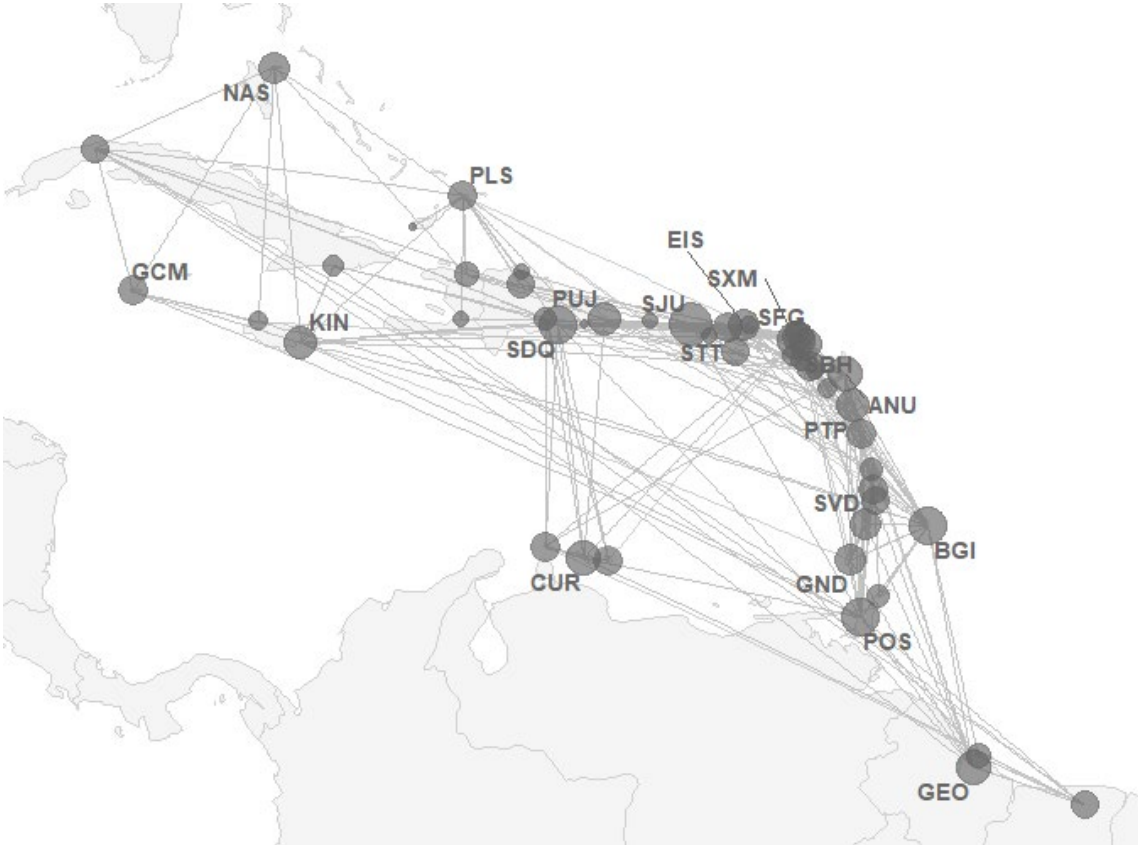
Figure 23 below illustrates the intra-Caribbean route network map in 2025. At the outset, we observe a fair number of intra-regional connections between islands, including a high number of point-to-point services. However, once we disaggregate those routes by weekly frequencies (Figure 24), we observe that among 357 active routes in 2025, around 39% are operated with less than 2 weekly frequencies, 34% are operated with 2 to 6 weekly frequencies, and 27% are operated based on 7 weekly flights or more.

It must be noted that the threshold of 2 weekly frequencies is used in this study as a proxy for bare minimum connectivity between two destinations, while 1 daily frequency (or 7 weekly) is used as a proxy for reliable connectivity.

While the intra-Caribbean route network map seems broad at first glance, the reality is that most intra-Caribbean routes (73%) cannot sustain 7 weekly frequencies or more.

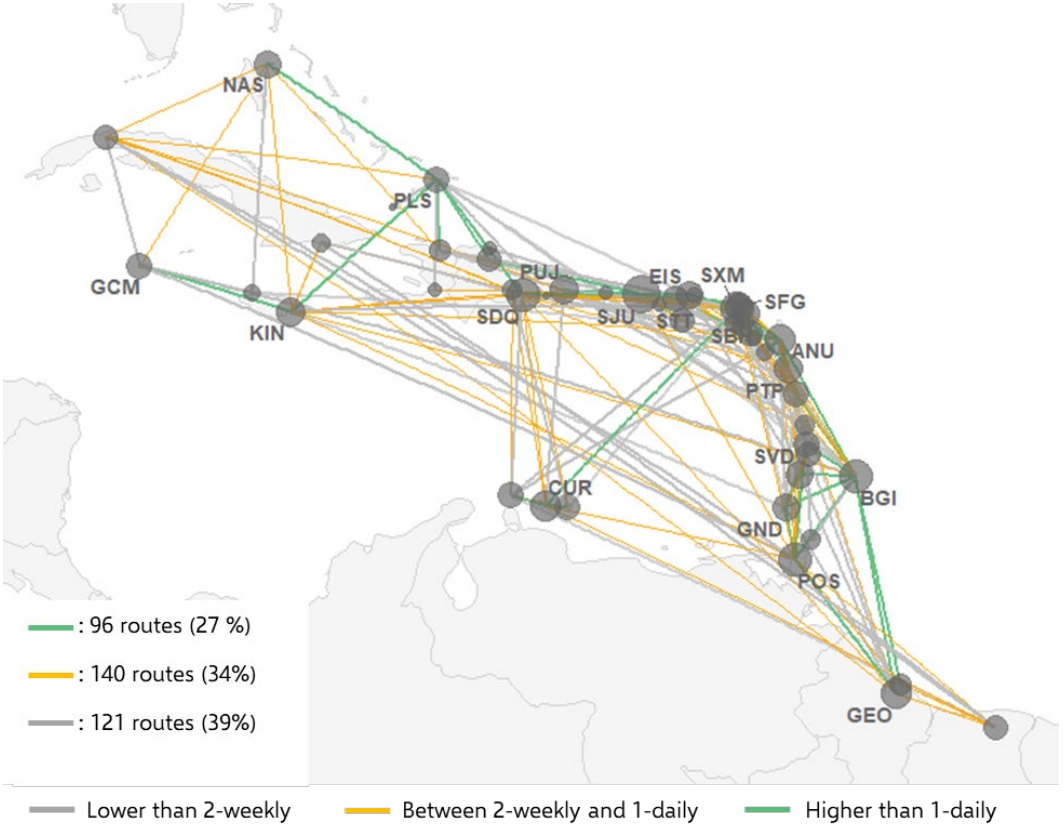
The low number of weekly frequencies available to travel within the Caribbean imposes practical barriers: same-day roundtrips are rarely available, and high airfares combined with costly overnight stays inflate the total price of travel.

Figure 22 – Intra-Caribbean route network map (excluding domestic routes), 2025



Source: Cirium, NACO Analytics

Figure 23 – Intra-Caribbean route network map categorised by average route frequencies (Less than 2-weekly, between 2-7 weekly, higher than 1-daily), 2025



Source: Cirium, NACO Analytics

3.5 Airline Market Outlook

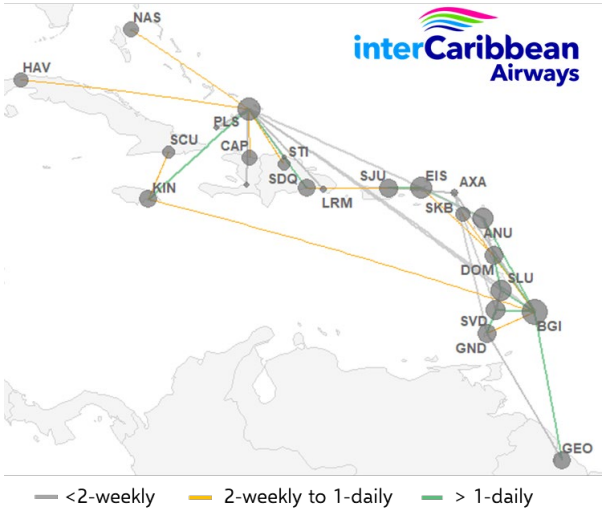
The Caribbean aviation market is served by a diverse mix of airlines, each with distinct business models and commercial strategies, reflecting the region's inherent diversity in terms of passenger segments. What follows is not an exhaustive review of all Caribbean-based airlines but rather a selection to highlight the most relevant players in the market in 2025.

3.5.1 Airline business models

3.5.1.1 InterCaribbean Airways

InterCaribbean Airways, headquartered in Providenciales (Turks and Caicos), deploys approximately 88% of its total seat capacity on the intra-Caribbean market in 2025. It also operates the higher number of intra-regional routes amongst Caribbean-based airlines. With hubs in Tortola and Barbados, it connects more than 20 destinations across 17 countries, operating a mixed a fleet of turboprops and regional jets that balance operational needs between very short island hops and longer regional services.

Figure 24 - InterCaribbean Airlines route network, 2025 (based on weekly frequencies per route)



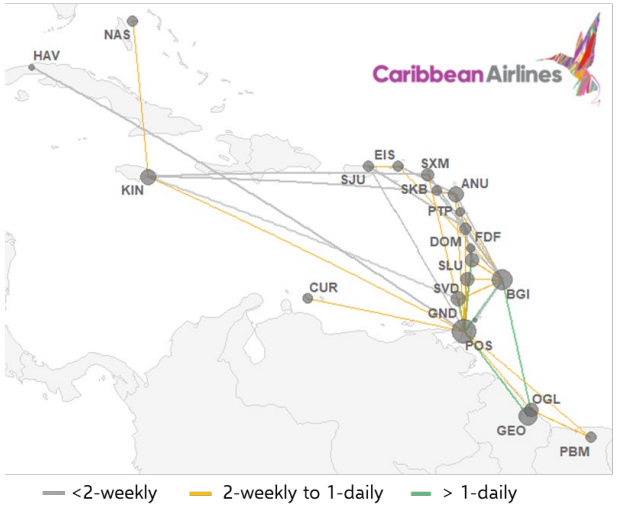
Source: Cirium, NACO Analytics

3.5.1.2 Caribbean Airlines

Based in Port-of-Spain (Trinidad and Tobago) and Kingston (Jamaica), Caribbean Airlines positions itself as the region's primary flag carrier. Its network extends beyond the Caribbean to North America (Fort Lauderdale (FLL), Miami (MIA), Orlando (MCO), and Toronto (YYZ).

The airline uses predominantly the ATR 72-600 aircraft for short-haul intra-regional services and B737/737 MAX jets for longer routes, reflecting a dual focus on regional coverage and international reach – a distinctive feature compared to InterCaribbean. The airline has deployed approximately 44% of its total network seat capacity on the intra-Caribbean market in 2025.

Figure 25 – Caribbean Airlines route network, 2025 (based on weekly frequencies per route)

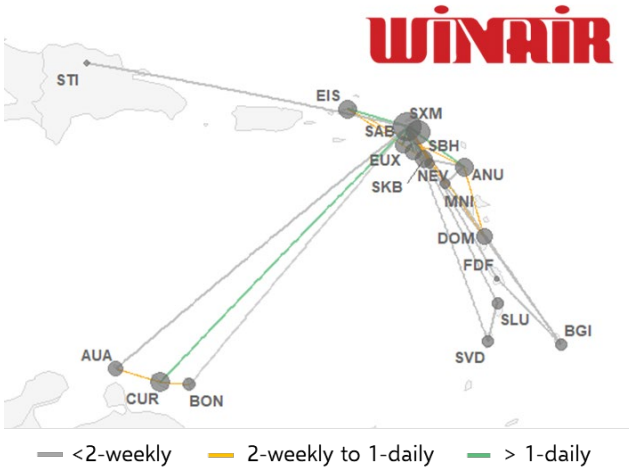


Source: Cirium, NACO Analytics

3.5.1.3 Winair

Winair, by comparison, deploys a niche-type business model. Based in Sint Maarten, the airline focuses mainly on short inter-island connections within the Leeward Islands (St. Barth, St. Kitts and Nevis, Dominica, St. Vincent and others), as well as the Dutch ABC (Aruba, Bonaire, Curacao) islands. With a small fleet of ATR 42 and de Havilland Twin Otters, Winair specializes in serving thinner markets with relatively frequent services.

Figure 26 – Winair route network, 2025 (based on weekly frequencies per route)



Source: Cirium, NACO Analytics

3.5.1.4 Arajet

Emerging carriers based in The Dominican Republic – i.e., Arajet and Sky High Dominicana – represent another layer of market differentiation within the Caribbean landscape in recent years.

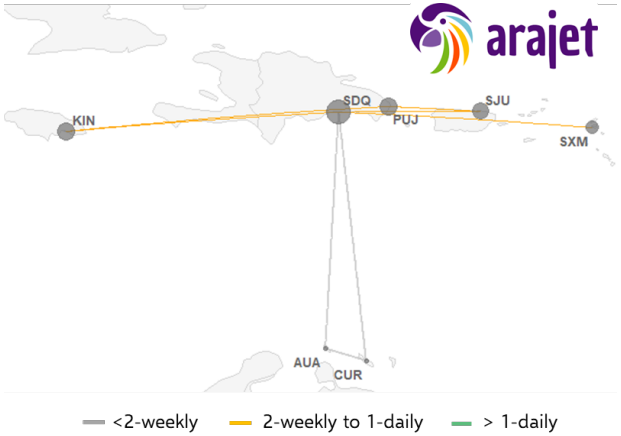
Anchored in Santo Domingo (SDQ), Arajet has adopted an ultra-low-cost model with rapid expansion into the United States, Central and South America where the airline deployed 86% of its total seat capacity so far in 2025, with modest operations on intra-Caribbean routes.

The carrier operates a handful of Caribbean routes, namely between the Dominican Republic (SDQ), Puerto Rico (SJU) and Sint Maarten (SXM). The carrier has grown more than 10 times since 2022 in terms of the total seat capacity, from roughly 100,000 seats (one-way) to more than 1 million seats (one-way) in 2025.

Capacity to North America has increased 18 times, from 20,000 seats in 2022 to 360,000 seats in 2024. Supported by an all-Boeing 737 MAX fleet, the airline competes head-to-head with larger and well-established low-cost players in the region, including long-standing players such as JetBlue, Frontier, and Copa Airlines.

The figures below compare Arajet's route network in the Caribbean region, with a focus on intra-Caribbean on one side, and extra-Caribbean on the other.

Figure 27 – Arajet intra-Caribbean network, 2025 (based on weekly frequencies per route)



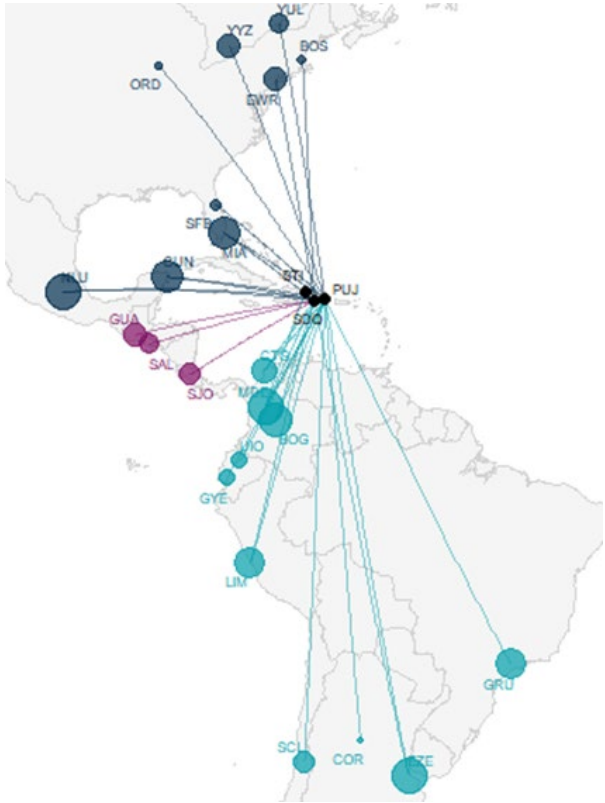
Source: Cirium, NACO Analytics

As shown in the figure above, Arajet's intra-Caribbean network focuses mainly on neighbouring countries (i.e., Jamaica, Puerto Rico) and three Dutch Caribbean islands (Sint Maarten, Aruba, and Curacao).

Most intra-Caribbean routes are operated at a frequency of 2 to 6 weekly flights, offering most travellers reasonable but not necessarily daily connectivity, an important consideration for the business segment.

The figure to the right illustrates the continental focus of Arajet's expanding route network, which currently serves multiple destinations in North America (U.S., Canada), Mexico and Central America (Guatemala, El Salvador, Costa Rica), as well as South America (Colombia, Ecuador, Peru, Chile, Argentina, and Brazil) respectively. The gradual move of The Dominican Republic towards greater air transport liberalization in recent years has certainly contributed to the airline's rapid expansion in the Americas.

Figure 28 – Arajet extra-Caribbean network, 2025



Source: Cirium, NACO Analytics

3.5.1.5 SKYhigh Dominicana

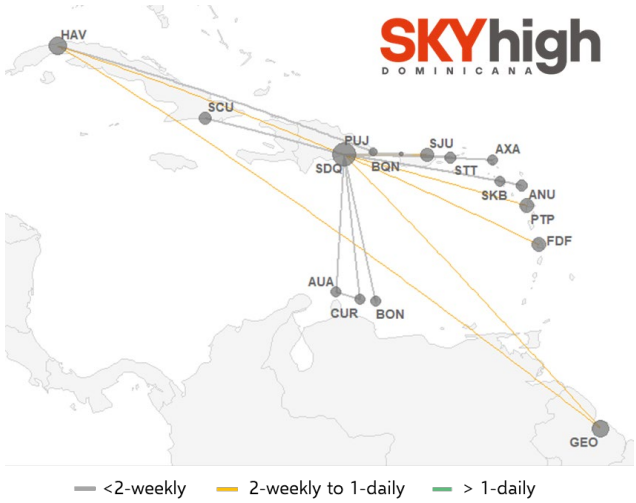
SKYhigh Dominicana, meanwhile, remains more regionally focused. Based in Santo Domingo (SDQ), the airline focuses on scheduled and charter flights within the Caribbean market, with strategic expansion into North and South America.

SKYhigh uses mostly Embraer jets (E190), supplemented by B737 for all-cargo services, differentiating the airline from Arajet's strictly passenger business model.

SKYhigh's extra-Caribbean network focuses mainly on Miami (MIA), while also operating tag flights between from Santo Domingo (SDQ) and French Guyana (CAY) via Martinique (FDF).

In comparison, SKYhigh's intra-Caribbean network focuses on neighbouring countries, including a number of destinations in the Eastern Caribbean and the Dutch islands located north of Venezuela – mostly operated at a frequency of 2 to 6 weekly flights.

Figure 29 – Sky High intra-Caribbean network, 2025 (based on weekly frequencies per week)



Source: Cirium, NACO Analytics

Table 5 – Summary profiles of selected Caribbean-based airlines

	Bases	Total seat capacity, one-way 2025	Intra-Caribbean seat capacity, one-way 2025 (excl. domestic)	Intra-Caribbean routes (excl. domestic)	Extra-Caribbean routes	Fleet
Caribbean Airlines	POS (Trinidad & Tobago) KIN (Jamaica)	1.65m	0.72m	41	18	20 ATR72 – 10 B737 - 10
interCaribbean	PLS (Turks & Caicos)	0.5m	0.44m	38	0	13 AT42 – 6 EM2 – 2 ER4 – 2 DHT – 1 CR9 – 1 AT72 - 1
WINAIR	SXM (Sint Maarten)	0.34m	0.34m	28	0	9 AT42 – 4 DHT - 5
AIR CARAÏBES	PTP (Martinique) FDF (Guadeloupe)	0.61m	0.01m	4	5	12 AT72 – 4 A330 – 2 A350 - 6
SKYhigh DOMINICANA	SDQ (Dominican Republic)	0.18m	0.15m	18	3	8 E190 – 5 B737 (F) - 3
arajet	SDQ (Dominican Republic)	1.0m	0.14m	8	31	11 B737 - 11

3.5.1.6 Foreign airlines: U.S. and Europe

Amongst the non-Caribbean carriers, U.S.-registered JetBlue and Frontier Airlines operate several intra-Caribbean routes (predominantly to The Dominican Republic) from their base in Puerto Rico (SJU). This is in addition to direct services originating from various U.S. airports, with the major share of traffic originating to and from New York (JFK), Orlando (MCO), Boston (BOS), and Fort Lauderdale (FLL).

A notable player in the past, American Eagle – the regional brand of American Airlines – once operated an extensive network of intra-Caribbean routes from its base in San Juan, Puerto Rico (SJU). For example, the airline connected Puerto Rico with The Dominican Republic, the British Virgin Islands, several islands in the Eastern Caribbean, Trinidad and Tobago, Haiti, and St. Maarten.

Operating primarily a turboprop fleet, American Eagle effectively served the region's thin but essential inter-island markets. However, in 2013, the carrier closed its Puerto Rican base as part of American Airlines' Chapter 11 restructuring. This strategic shift led to the termination of SJU hub operations with a renewed focus on larger American Airlines' hubs, particularly Miami (MIA).

American Eagle's withdrawal had a significant negative impact on regional connectivity. At its peak, the airline was the second-largest intra-Caribbean carrier, accounting for roughly 15 percent of total seat capacity in 2010. Although Seaborne Airlines and JetBlue absorbed parts of the defunct airline's network, a noticeable connectivity gap remains to this day, reducing the efficiency and accessibility of air travel within the Caribbean.

It is also worth noting that a smaller portion of the intra-regional seat capacity (roughly 10%) is distributed among European carriers operating tag and fifth freedom routes to/from Europe – predominantly British Airways, KLM, Virgin Atlantic, TUI and Air France. They operate from their European hubs to multiple Caribbean islands as a part of one flight. Inclusion of tag sectors allows these airlines to support more frequent wide-body services from Europe and ensure higher utilization of aircraft.

3.5.2 Air connectivity: foreign v. Caribbean-based airlines

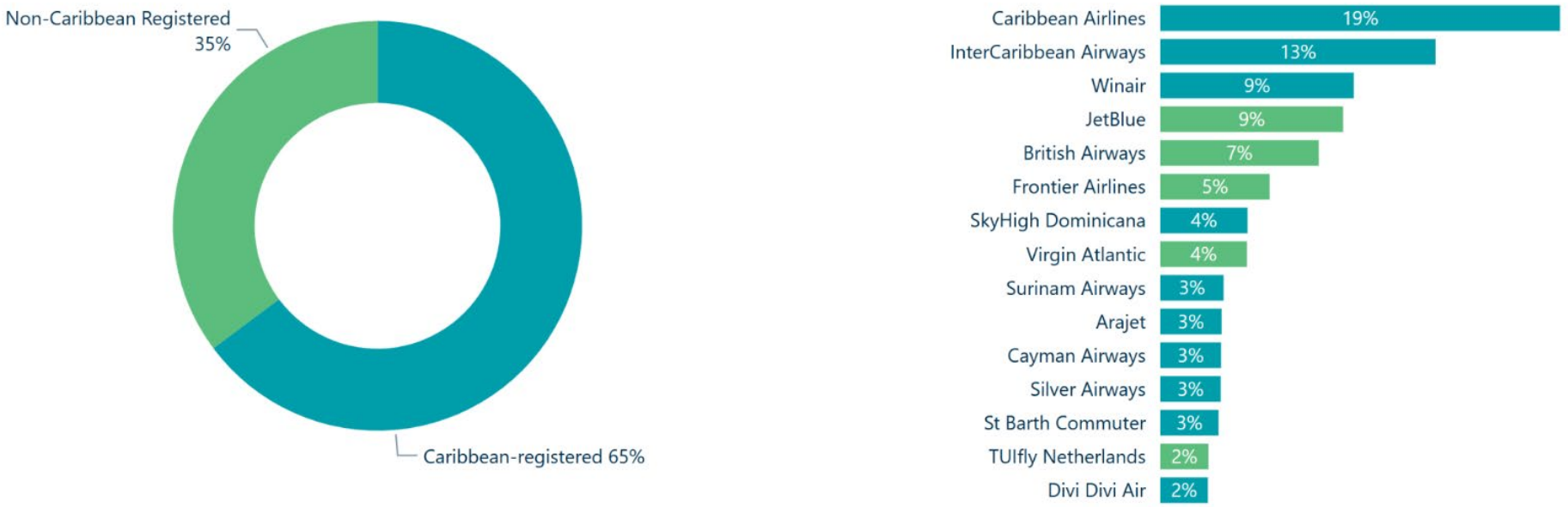
As illustrated in Figure 32 below, about two-thirds of intra-Caribbean seat capacity is currently offered by Caribbean-based airlines. The top 3 players in the market (i.e., Caribbean Airlines, InterCaribbean Airways and Winair) were responsible for roughly 40% of the total inter-Caribbean traffic (excluding domestic) in 2024.

In comparison, extra-Caribbean seat capacity is heavily dominated by non-Caribbean airlines, bringing leisure travellers from their respective countries to Caribbean destinations, especially during the winter months. In fact, only 7% of extra-Caribbean seat capacity belongs to Caribbean-based airlines, implying higher reliance on the non-Caribbean carriers to for extra-Caribbean connectivity.

The airline market in the Caribbean is highly fragmented, as most airlines seem to focus on serving a few key strategic markets that support their operational hubs.

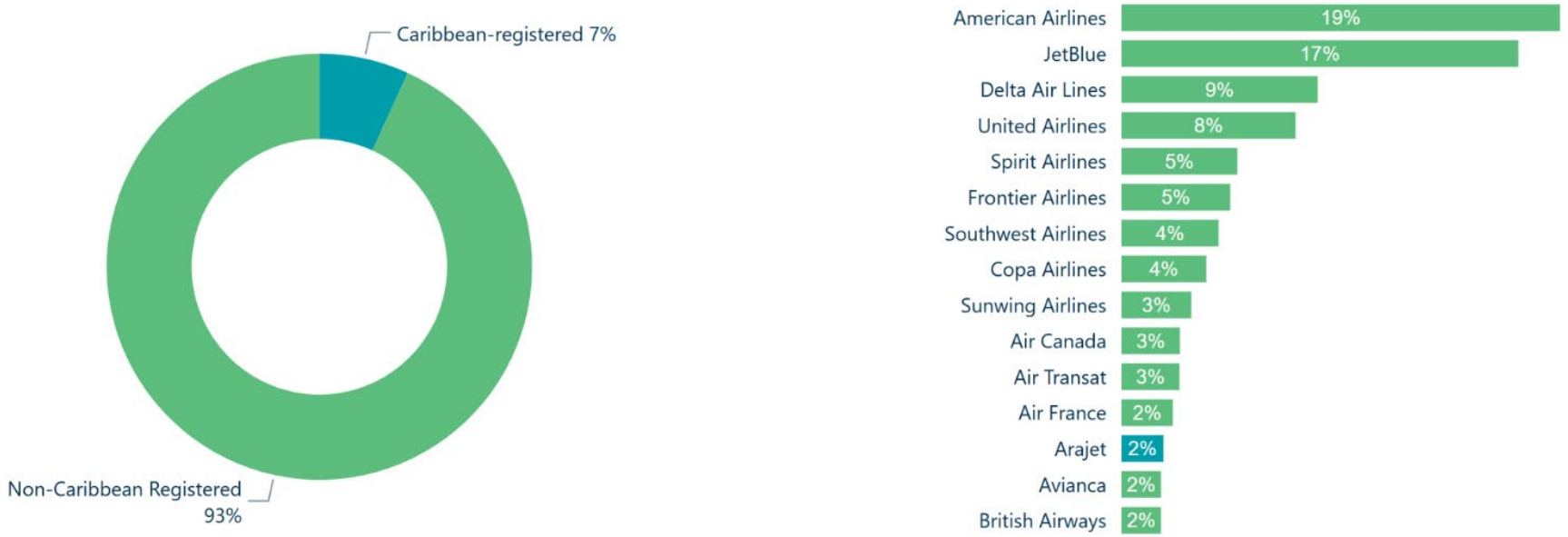
US-based carriers stand out by their market share of extra-Caribbean passenger traffic. For example, American Airlines provides close to one-fifth (19%) of the total extra-Caribbean capacity, with roughly 60% at Miami International Airport (MIA). JetBlue also has a relatively high share of the seat capacity (17%), with roughly half of it being allocated to its main base in New York (JFK).

Figure 30 – Overview of the intra-Caribbean market by airline market share (by seat capacity) – excluding domestic, 2024



Source: Cirium, NACO Analytics

Figure 31 – Overview of the extra-Caribbean market by airline market share (by seat capacity), 2024



Source: Cirium, NACO Analytics

3.5.3 Airline commercial cooperation remains weak

As discussed above, the airline landscape on the Intra-Caribbean routes is very fragmented. It seems to be a general trend that airlines focus on their own niche markets or business model, with limited commercial collaboration with other airlines in terms of codeshare and/or interline agreements.

While Caribbean Airlines and InterCaribbean Airways have developed relatively comprehensive networks across the entire region, Air Caraibes focuses mainly on the French islands (i.e., Martinique, Guadeloupe), JetBlue's focus is almost exclusively on Puerto Rico and the U.S. Virgin Islands, and Winair serves mostly the Dutch Caribbean islands.

Airline partnerships can play an important role in improving intra-regional connectivity through expanded network reach, commercial synergies, cost efficiencies, and access to new markets.

Based on the most recent data, there are several airline partnerships in the region but there is still room for further improvement. Noteworthy is the small number of code-share agreements between U.S.-based airlines and Caribbean carriers, suggesting a strong commercial focus on point-to-point markets by U.S. airlines and a lack of business case for hub connections.

Figure 32 – Summary of select airline partnerships in the Caribbean, 2025

	International Partners	Intra-Caribbean Partners
Caribbean Airlines	1 • Virgin Atlantic	1 • Winair • Air Caraibes
interCaribbean	1 British Airways	0
AIR CARAÏBES	5 • French Bee • ITA Airways • Chalair • Iberia • Air Corsica	4 • St. Barth • Winair • Sunrise • Caribbean Air • Sky High Dominicana
WINAIR	6 • British A. • Surinam A. • United A. • KLM • JetBlue • Air France	3 • Caribbean Airlines • Air Caraibes • Sunrise Airways

Source: CAPA, Airline websites

3.5.4 High operating costs in intra-Caribbean routes

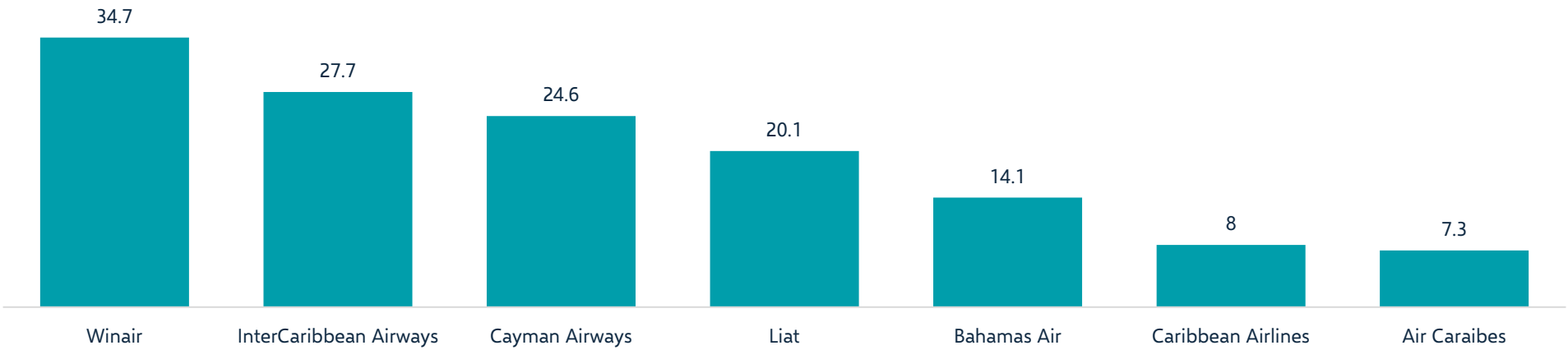
Caribbean-based airlines – especially those operating intra-Caribbean routes – tend to rely on smaller aircraft types, with an average aircraft size of 47 seats per flight in 2025.

Operating routes with relatively thin demand and short distances makes the unit cost of operations relatively high, as economies of scale are harder to achieve. For example, based on IATA, Eurocontrol[15] and FAA[16] studies, the estimated average operating unit cost of a 50-seater is roughly twice as high as the cost of a standard narrowbody (e.g. B737) per available seat kilometre.

Furthermore, some of the local airlines operate a relatively old fleet. Winair and InterCaribbean Airways, top market players by the number of intra-Caribbean flights, operate a fleet of an average age of 34.7 and 27.7 years, respectively.

Older aircraft most likely result in higher maintenance cost as parts deteriorate, systems become outdated, and repairs become more complex. Another aspect to consider with older aircraft is that ground times become longer and consequently operational costs tend to rise.

Figure 33 - Average fleet age of the key local players (September 2025)



Source: Planespotters

3.5.5 Challenging yet dynamic airline market

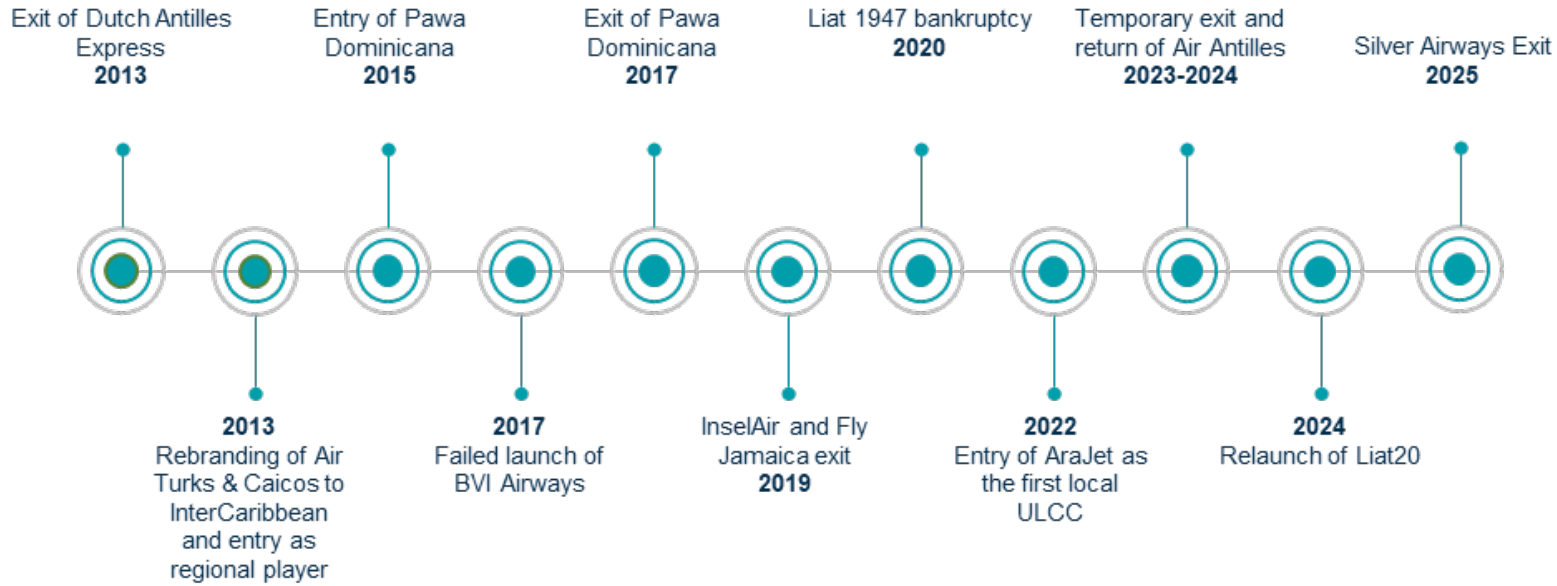
Since 2010, the Caribbean market has experienced a series of airline entries, exits, and restructurings that reflect the structural difficulties of operating in the region. While some carriers entered and left the market after only a few years of

operation, other airlines such as Caribbean Airlines, InterCaribbean Airways, and Winair have continuously expanded their reach.

New initiatives such as LIAT 2020 and the launch of Arajet in 2022 indicate continued efforts to strengthen regional air travel.

Yet recurring issues, such as small and dispersed markets, high operating costs, political fragmentation, and the lack of a cohesive aviation policy, continue to challenge the stability of the airline market.

Figure 34 - Selected airline exits and entries, 2013-2025



Source: CAPA, NACO Analytics

3.6 Air connectivity mostly linked to international tourism

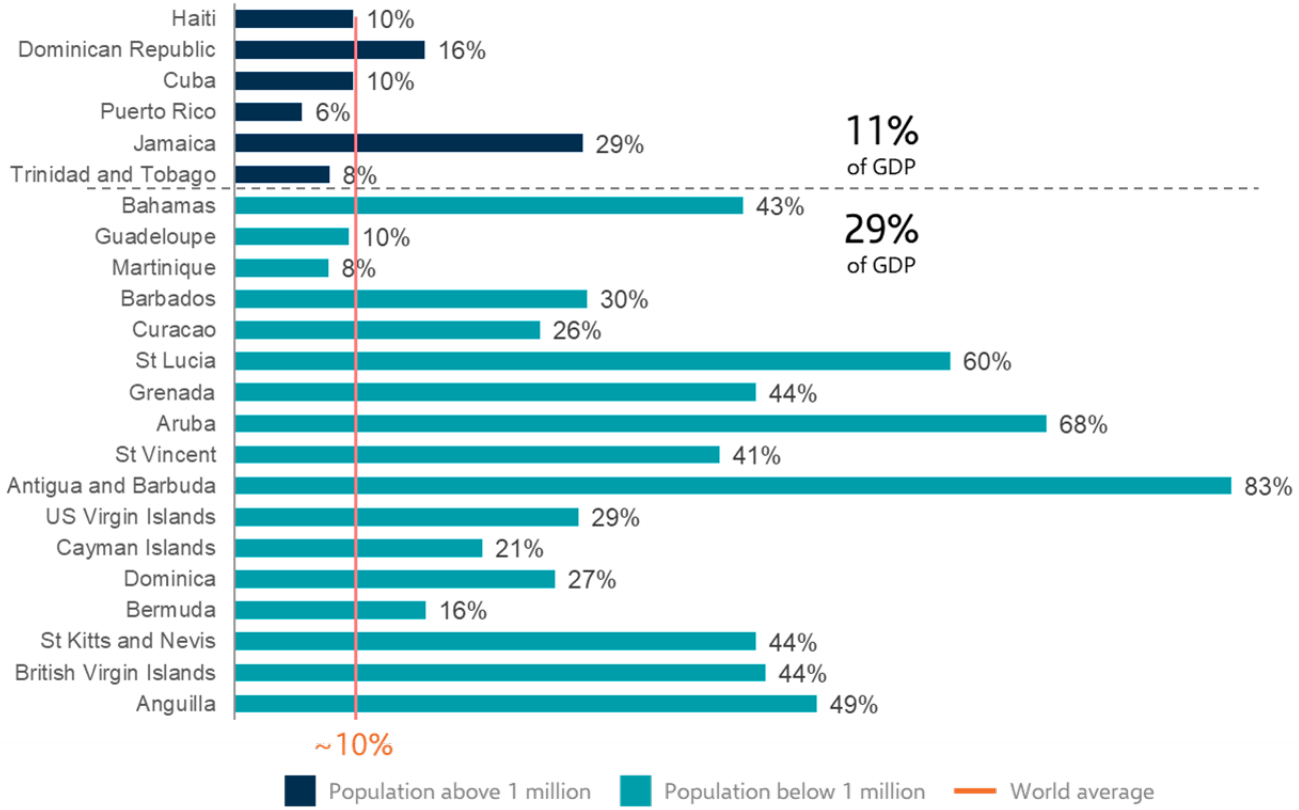
Tourism is the engine of economic development as well as air travel demand growth in most Caribbean countries, especially extra-Caribbean routes that attract middle-class and wealthy North Americans and Europeans.

Small Caribbean islands are highly dependent on tourism (as % share of tourism in GDP). For example, Antigua and Barbuda, Aruba, and Saint Lucia derive more than 60% of their national output directly from the tourism sector.

At the same time, we note that, with the exception of The Dominican Republic, large population centres that could have supported robust intra-Caribbean demand driven by hub-and-spoke models or point-to-point services are unable to do so because of relatively weak purchasing power. For instance, Cuba and Haiti account for more than half of the total Caribbean population, yet their relatively low average incomes (~ $7,600 and $1,200 respectively) and ailing political and economic outlooks limit their ability to generate strong passenger demand.

By contrast, the smaller island economies, with populations under 3 million reach far higher income levels ($28,400 on average) and tourism contributes close to 30% of GDP, with destinations such as Antigua & Barbuda, Aruba, and Saint Lucia deriving more than 60–80% of national output directly from the sector. It is thus not surprising that the Caribbean region is omnipresent in air service development events in the Americas and beyond.

Figure 35 – Snapshot of the Caribbean region's tourism dependence and contributions of tourism sector to national GDP (by country, in percentage), 2019



Source: Oxford Economics, CAPA, WTTC, NACO Analytics

4

Barriers to Intra-Regional Connectivity

Intra-Caribbean air connectivity has long been constrained, not necessarily by a single root cause, but by a tightly interlocking set of structural market and socio-economic characteristics, which, in turn, have been compounded by fragmented aviation policies and regulatory frameworks. The prospect of improving levels of Intra-Caribbean air connectivity is rather challenging both commercially and operationally.

The intra-Caribbean operating environment is subject to over 20 civil aviation authorities, multiple bilateral agreements with various levels of market access rights, and distinct visa regimes. In addition, the great diversity and number of stakeholders magnify the difficulty of aligning often divergent policy objectives.

The key barriers preventing higher levels of intra-Caribbean connectivity are reviewed in the following sections. While some are outside the control of governments, others can serve as starting points for further discussions.

4.1 Small scale and limited route density

Intra-Caribbean air connectivity is challenged by limited both scale and concentration. Relatively small and geographically dispersed populations across the Caribbean region limit the size of catchment areas, undermining the commercial viability of commercial air services. Most islands have fewer than 300,000 people – and many far less – which means that the pool of potential travellers

is relatively small and spread out across many territories.

The small scale and limited route density in the Caribbean is a structural market reality that cannot be modified or improved by way of government policies or regional initiatives. Any policies to incentivize intra-Caribbean connectivity cannot escape the natural characteristics of the region.

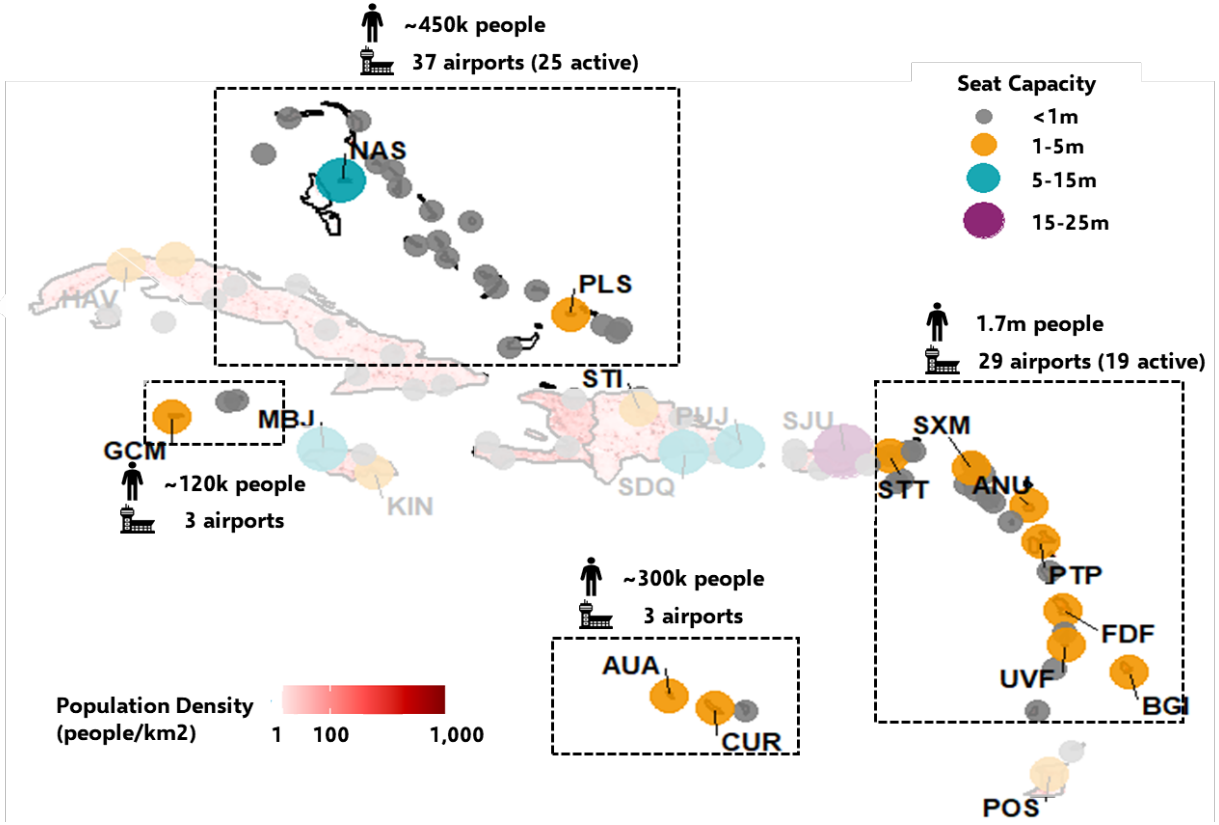
4.1.1 Demand spread out too thin across many nodes

The figure below highlights the mismatch between population size and airport density across sub-regions. For example, the Eastern Caribbean hosts around 29 airports (19 commercially active) for only 1.7 million people, while the Bahamas and Turks & Caicos operate 37 aerodromes for a population of 450,000. The Dutch cluster of Aruba, Curaçao, and Bonaire together operate 3 international airports for only about 300,000 residents.

This fragmentation means that although airports provide geographic coverage, demand is spread too thin across many nodes, preventing any single airport from reaching the scale needed to anchor commercially viable intra-Caribbean connectivity.

It is also important to note that the notion of "scale" is not a fixed threshold but a dynamic interplay of factors: (1) the composition of customer segments and their willingness to pay (e.g., business vs. leisure tourism), (2) the seasonality of demand, and (3) the compatibility of available fleet types with market size. These variables jointly determine whether a route can sustain adequate frequency and load factors at viable cost levels for airlines.

Figure 36 – Population density map of Caribbean countries vs airport sizes by seat capacity.



Source: ACI, Oxford Economics, NACO Analytics

4.1.2 Actual demand between Caribbean destinations

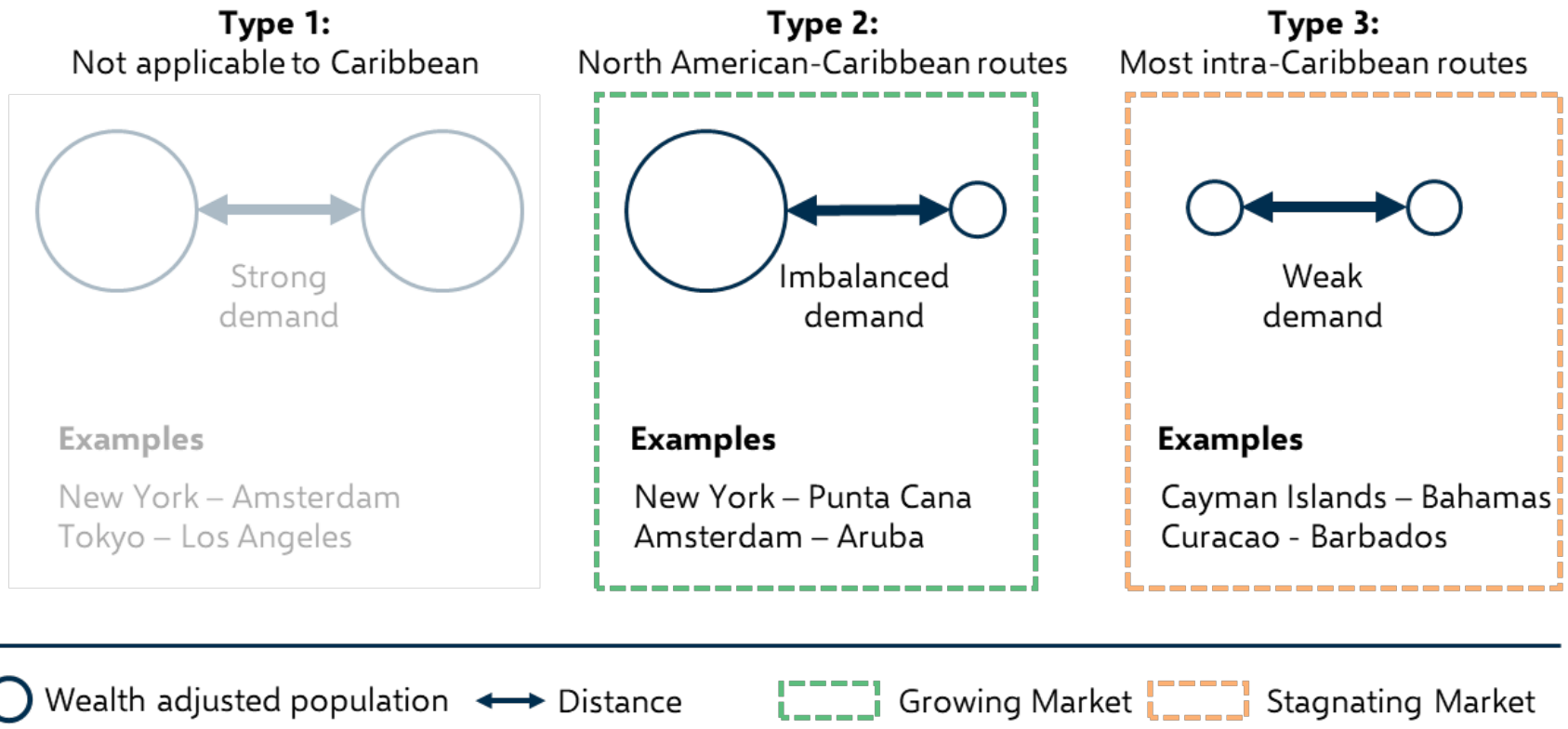
Air connectivity is also inherently a bilateral equation: for a route to be sustainable, there must be *first* sufficient demand concentrated on at least one end, and ideally on both Origin and Destination (O/D) points. This is another challenge to intra-Caribbean air connectivity.

To illustrate, when two small islands of roughly 100,000 inhabitants are linked, the aggregate demand is typically too limited to support regular commercial services.

By contrast, pairing a small island with a major metropolitan area of several million residents can create the necessary gravitational pull to support new air services, provided underlying drivers are strong enough to support growing demand (i.e., a well-developed tourism industry, sufficient people-to-people links: labour migration, average incomes, visiting friends and relatives, business and political meetings, student travel, etc.). The figure below illustrates this reality.

Most intra-Caribbean destinations display weak demand on both ends (Origin and Destination), whereas the growing North American/South American-Caribbean market displays strong demand on one end of the equation, even for medium-size cities such as Minneapolis (U.S.), Quebec City (Canada), and Medellín (Colombia).

Figure 37 - Illustration of potential demand across O&D pairs, categorized by catchment area strength



Source: NACO Analytics

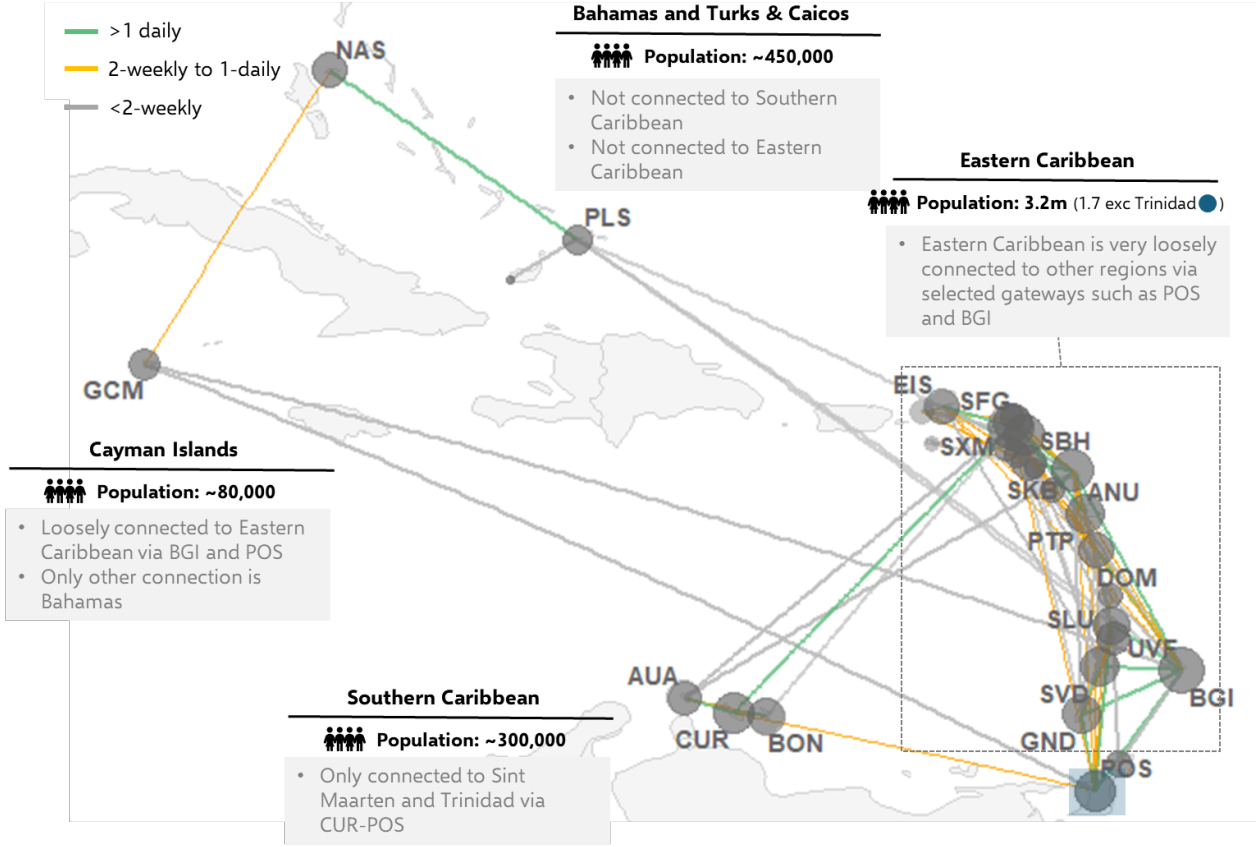
4.2 Sub-regional market fragmentation

Some sub-regions in the Caribbean (and countries within those sub-regions) are unlikely to connect with direct (non-stop) flights in the foreseeable future.

To illustrate this, Figure 40 below shows that connectivity across the Eastern, Southern, and Northern clusters of the Caribbean region is markedly sparse, with most thin links dependent on a few gateways such as Port of Spain (POS), Bridgetown (BGI), and Curacao (CUR).

In the Eastern Caribbean, a population base of around 3.2 million (1.7 million without Trinidad & Tobago) is spread out across numerous small islands, leaving most connections to depend on connections via either POS or BGI. Furthermore, The Bahamas and Turks & Caicos (Northern Caribbean), with a combined population of around 450,000, remain disconnected from the Southern and Eastern Caribbean. Similarly, the Cayman Islands, home to only about 80,000 people, have limited connections to the Eastern Caribbean through BGI and POS, with the Bahamas being their only other regional link.

Figure 38 – Intra-Caribbean route network map excluding Greater Antilles and domestic routes (with assessment of weekly frequencies available), 2025



Source: Cirium, Oxford Economics, AOG, NACO Analytics

4.3 Limited number of airport anchors

While geographic fragmentation constrains connectivity in parts of the Caribbean, the number of large population centres with the potential to anchor intra-regional air travel demand are often held back by structural socio-economic challenges and domestic instability.

The Caribbean region can only realistically rely on four major markets (countries) with sizable airport anchors that are also relatively connected to extra-Caribbean destinations such as The Dominican Republic, Jamaica, Puerto Rico, and Trinidad and Tobago.

However, we note that Jamaica and Trinidad and Tobago have faced a prolonged period of relative economic stagnation (2010-2024) and limited household purchasing power continues to dampen outbound travel within the Caribbean, even as inbound international tourism (mostly from North America) remains significant in both countries.

From the three anchor markets, Jamaica and Trinidad and Tobago – but also more robustly The Dominican Republic – still benefit from relatively strong economic fundamentals, with The Dominican Republic's booming economy, Jamaica's tourism-led post-COVID rebound, and Trinidad and Tobago's energy-based growing high-income economy.

In our view, these three countries are better positioned to anchor intra-Caribbean demand in the coming years. Puerto Rico could also represents a potential anchor, yet as an overseas U.S. territory, travel to the island requires a U.S. visa. This is a significant barrier for many regional travellers, particularly given the U.S. government's increasingly stringent stance on immigration and tourism visas.

4.4 Airport competition for inbound international traffic

Caribbean destinations have become fiercely competitive in attracting international tourists, especially from North America (U.S. and Canada). North America accounts for the lion's share of visitors to the Caribbean region – for example, the U.S. alone contributed about 16.3 million stay-over arrivals in 2023 (roughly 50% of all Caribbean tourists), with Canada adding roughly 3 million.

Given the Caribbean's heavy reliance on North American demand, most airports in the region end up competing for the same pool of inbound travellers and airline routes, leading to substantial overlaps in their air service networks.

Figures 41 and 42 below illustrate this competitive dynamic by comparing the route networks of select benchmarked Caribbean airports. Here, we introduce a simple, yet effective measure called Route Network Overlap Index, which is calculated as the total seats offered to overlapping extra-Caribbean destinations by both airports, divided by the combined total seats of the two airports.

The results show extremely high levels of overlap among leading tourism hubs: Montego Bay (MBJ) and Aruba (AUA) share about 85%, Punta Cana (PUJ) and Montego Bay (MBJ) 83%, Nassau (NAS) and Barbados (BGI) 85%, and Nassau (NAS) and Punta Cana (PUJ) 70%.

By contrast, overlaps are far lower for markets with weaker North American links – for example, Pointe-à-Pitre (PTP) and Curaçao (CUR) overlap by only 16%, while Havana (HAV) and Punta Cana (PUJ) overlap by 49%.

The analysis also shows that while Cuba (HAV) and the French Caribbean (FDF, PTP) are exceptions due to political considerations and local institutional constraints, most of the region's tourism hubs (and their airports) are competing for the same North American East Coast traffic, with very little differentiation.

As expected, these competitive dynamics shape government and airport priorities, as air service development resources and political attention are devoted primarily to securing lucrative flights from North America to support local tourism and jobs.

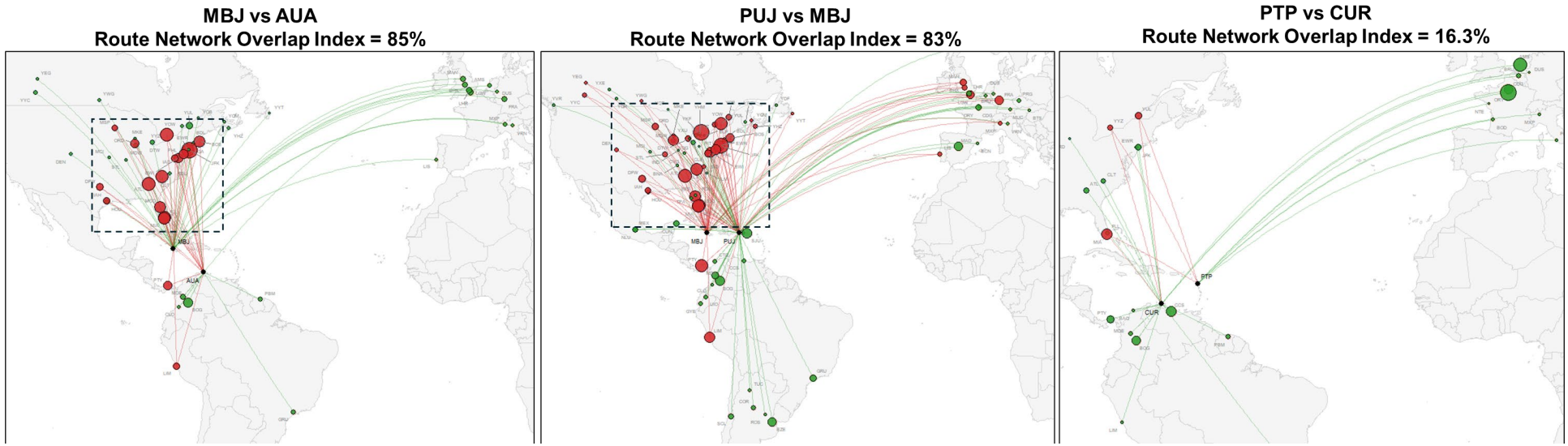
In many small island states, tourism is not just an industry but an economic lifeline. As discussed earlier, the travel and tourism sector contribute to as high as 60 to 80 percent of the GDP in some Caribbean countries such as Antigua, Saint Lucia, and Aruba. For these markets, attracting more flights from key source markets (i.e., North America and Europe) is therefore an economically existential goal.

As one Caribbean aviation executive candidly noted, "We put our limited resources where we see immediate returns – and that's flights from the U.S., not necessarily other Caribbean islands".

Industry stakeholders interviewed for this study reiterated that they would welcome stronger intra-regional connectivity but admitted that it is generally treated as a "nice to have" rather than a strategic commercial priority for airports.

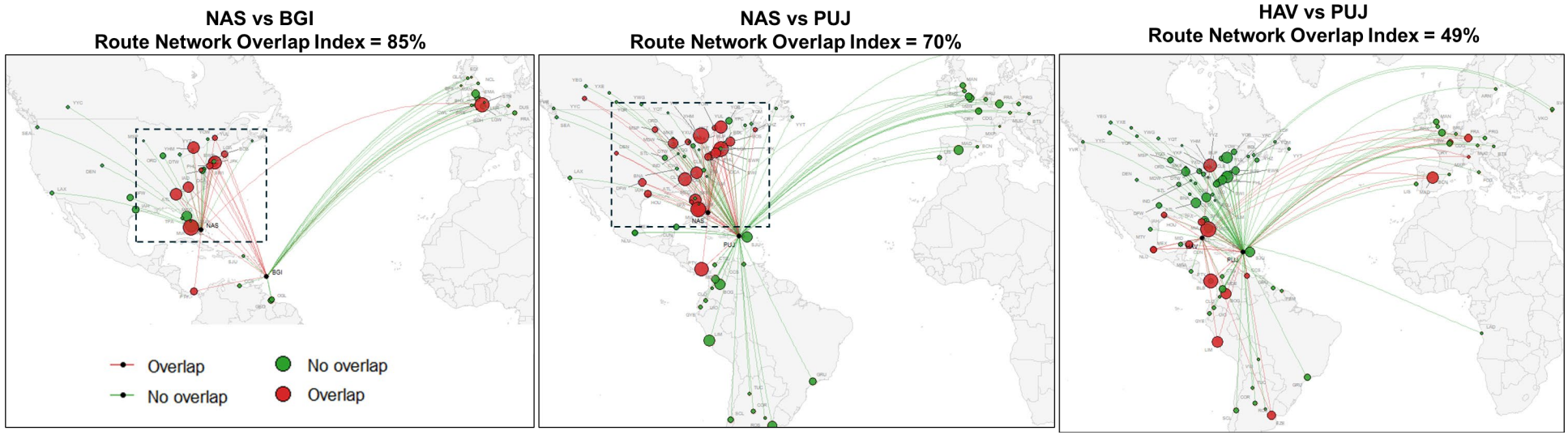
The current approach is unequivocally clear: a new direct route from New York (JFK) or Toronto (YYZ) delivers high-spending visitors and immediate jobs and tax revenues, whereas launching a flight to a neighbouring island yields more modest and perhaps less tangible benefits.

Figure 39 – Comparative extra-Caribbean network overlap and route network overlap index for selected Caribbean airport pairs serving major clusters of international tourism



Source: NACO Analytics

Figure 42 – Comparative extra-Caribbean network overlap and route network overlap index for selected Caribbean airport pairs serving major clusters of international tourism



Source: Cirium, NACO Analytics,

4.5 Limited potential of island-hopping tourism models

Another factor reinforcing the focus on extra-regional at the expense of intra-regional connectivity is the nature of the Caribbean tourism product and travellers' preferences in key markets such as North America. The demand for "one-stop-one-island" holidays does not contribute to fostering increased intra-regional connectivity or island-hopping models.

According to market research, the typical North American vacationer has relatively few vacation days (around 12 days off per year on average) and tends to take vacation once a year for approximately 8 days. Consequently, North American tourists usually fly directly to a single island and stay there for the entire duration of their holiday, rather than visiting multiple islands in one trip.

It is not surprising that the region's tourism offering has evolved to cater to this behaviour: all-inclusive resorts and point-to-point flights are the norm, providing a convenient and efficient one-stop holiday.

As one industry stakeholder explained, "American tourists don't have time for island-hopping: they come to the Caribbean for five to seven days and they want to spend their entire vacation in one location". As a result, the region's internal air network remains thin, infrequent, and less financially viable.

This predominance of single-island itineraries by North American tourists means there is little demand from potential visitors for multi-destination travel that could potentially unleash intra-Caribbean connectivity or the proliferation of island-hopping models.

4.6 High costs of travel

The cost of travel is often cited as a key barrier to more regional connectivity within the Caribbean. The price paid by regional travellers goes beyond airfares. Visitors face a range of other trip-related costs, such as multiple government taxes, exorbitant hotel costs, inconvenient schedules, and additional times associated with transfers and connections. These costs appear to be higher in the Caribbean compared to other regions, particularly if adjusted to local income levels.

It is critical to highlight that discrepancies in the cost of travel and local income levels are a reflection of the fundamental challenges elaborated above, such as thin demand, high operating airline costs, high cost of infrastructure, and over-reliance on inbound tourism from high-income countries in North America and Europe.

4.6.1 Intra-Caribbean airfares

Intra-Caribbean air travellers continue to face disproportionately high airfares. According to Sabre MIDT data, the average regional single-way total airfare is USD 225 (2024), while the majority of the Caribbean islands cluster above the average rate, as illustrated in the figure below. This is particularly high considering that the average non-stop flight distance in the region, excluding domestic segments, is approximately 470 kilometres.

To add perspective, the figure below also provides average one-way fares from the Caribbean islands to Miami, New York, Orlando and Panama City. The average fare to fly to these major cities and transfer hubs is USD 275 (2024) for an average distance of 1,800 kilometres. This implies higher unit fare costs (on a per-kilometre basis) on intra-Caribbean routes compared to extra-Caribbean.

During the interviews conducted with industry stakeholders, the high cost of travel within the Caribbean region was often flagged as a barrier to intra-regional tourism. Caribbean travellers often prefer a cheapest and more convenient trip to Panama, Miami or New York.

Figure 43 - Average airfare for intra-Caribbean and selected examples of extra-Caribbean routes (USD), January-August 2024

Source: Sabre MIDT, NACO Analytics

To put our analysis into perspective, the figure below compares the average fares of the top 10 Intra-Caribbean routes vs selected Origin-Destination (O/D) markets with comparable travel distances from Southeast Asia, segmented by domestic vs. international routes.

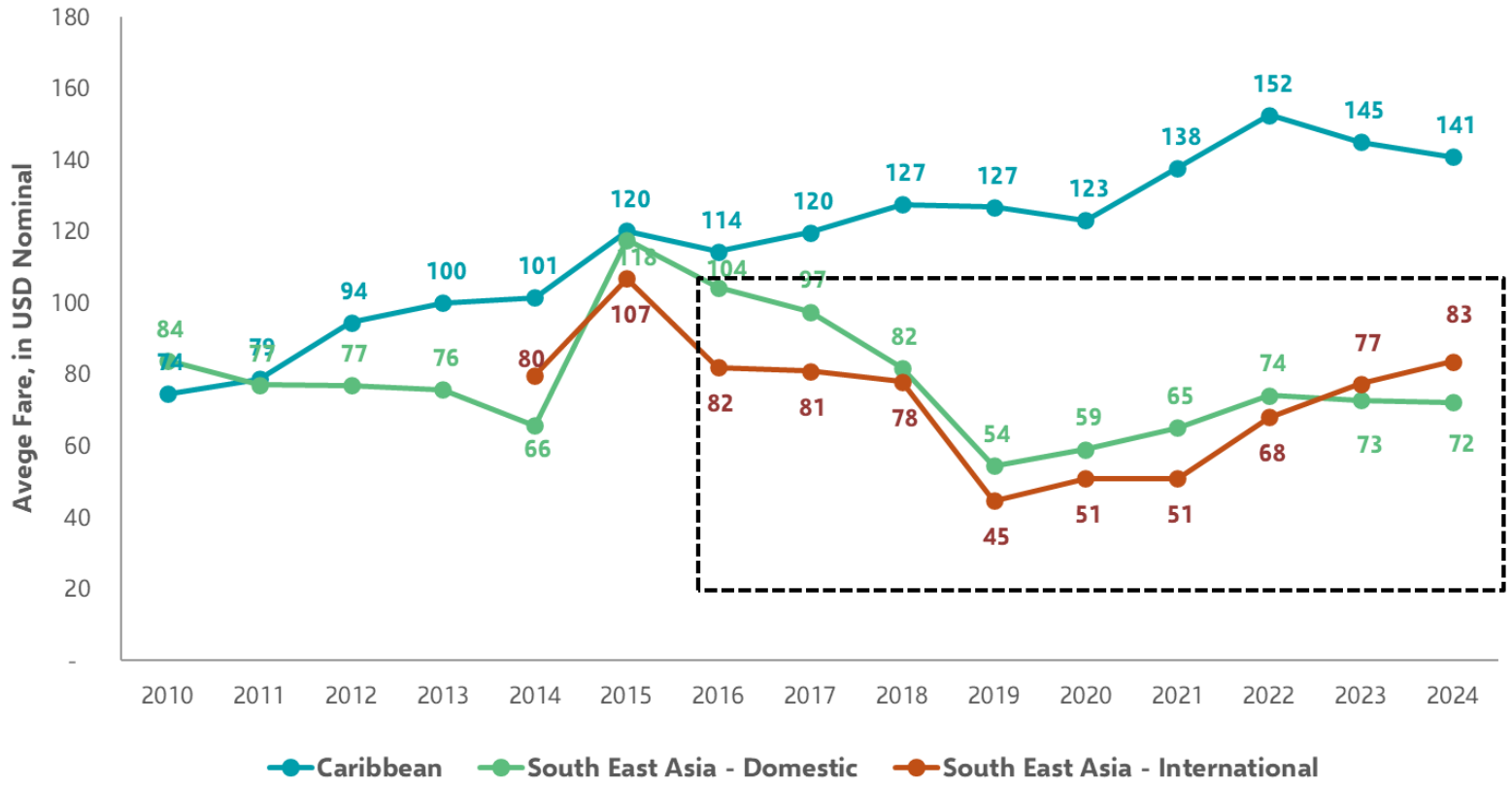
Although airfares were at similar levels during the early 2010s in both regions, the Southeast Asian market experienced significant fare reductions since then, especially triggered by the ASEAN open skies suite of agreements and the explosion of the LCC model in the region.

In contrast, the average fares for the top 10 intra-Caribbean routes have gradually increased since 2010. The divergence is partly driven by the rapidly growing -large population economies (including average income levels) of Southeast Asia making air travel available to large masses, and the aggressive expansion of LCC such as Air Asia and others.

Most intra-Caribbean routes feature high operating costs and heavy add-on charges – both barriers to foster increased intra-regional connectivity

Relatively high airfares on intra-Caribbean routes are the result of the specific operational conditions in the region, including the scale and route density issue discussed above, which in the end affect local travel and affordability.

Figure 44 – Comparison of average fares on top10 intra-Caribbean routes vs selected Island market pairs from Southeast Asia, in USD nominal, 2010-2024



Source: Sabre MIDT, NACO Analytics

4.6.2 Differentiated charges and government taxes

ICAO's guidance on taxation in the field of international air transport actually makes a distinction between a charge and a tax in that "a *charge* is a levy that is designed and applied specifically to recover the costs of providing facilities and services for civil aviation, and a *tax* is a levy that is designed to raise national or local government revenues which are generally not applied to civil aviation in their entirety or on a cost-specific basis"[17].

Additional taxes and fees on passengers or airlines ultimately result in higher costs for passengers. Such fees and taxes are directly or indirectly included in the total ticket cost paid by passengers.

Several Caribbean states introduced differentiated airport charges and taxes. These charges and taxes range from $20 to $90 per passenger depending on the country.

Several Caribbean countries offer differentiated pricing on passenger charges and fees between travellers arriving from other Caribbean states versus international travellers.

For instance, the Dutch Caribbean Cooperation of Airports ("DCCA") has introduced a reduced passenger facility charge ("PFC") of $15 USD in 2024 for passengers arriving from other Dutch Caribbean islands. This is a part of efforts to stimulate regional travel. The proposed charge is significantly lower than $41 USD charged to other international travelers.

Dominica's passenger service charge is roughly 35% lower for CARICOM nationals compared to other non-CARICOM foreign visitors. This suggests that some local airport operators in the Caribbean may see some benefits in differentiating the charges to stimulate intra-regional travel.

Our analysis highlights that the share of government taxes and fees may be as significant as airport charges in countries such as Martinique, Guadeloupe, and Jamaica. Other governments have decided not to impose any taxes/fees on air travel (i.e., Barbados, St. Lucia, Antigua and Barbuda, Curacao, Sint Maarten, Trinidad & Tobago, Puerto Rico, and Dominica).

There is great level of disparity across the region in the way governments approach aviation taxation. As a result, the combination of relatively high visiting costs with high airfares end up affecting the attractiveness of air travel in the Caribbean region as a whole.

Overreliance on inbound international travellers may also explain why local governments attempt to generate additional tax revenue by imposing higher taxes on extra-Caribbean (inbound international) passengers.

There is no consistency across the region in terms of government taxes on aviation. Some examples include but are not limited to the following: Aviation Tax (Martinique, Guadeloupe), CAA Tax (Martinique, Guadeloupe), Tourism Tax (Bahamas, Dominican Republic), Immigration Fee (Haiti), Passenger Solidarity Tax (Martinique, Guadeloupe), Sanitary Tax, Departure Tax (Guyana), Airport Authority Fee (Dominican Republic), among others.

4.6.3 Premium pricing for lodging

According to the Caribbean Tourism Organisation[1], the Average Daily Rate (ADR) for an overnight hotel stay in the Caribbean region was $437 USD in 2024. In comparison, the ADR for an overnight hotel stay (4-star-hotel) in the U.S. and Southern Europe are $273 USD[18] and $243 Euros[19] respectively.

As illustrated in the next page, some destinations in the Caribbean such Anguilla and Turks & Caicos have an ADR exceeding the USD $1,000 threshold. The rest of the destinations cluster in the range of $200-900 USD, with the majority of Caribbean countries clustering around ~$350-550 USD.

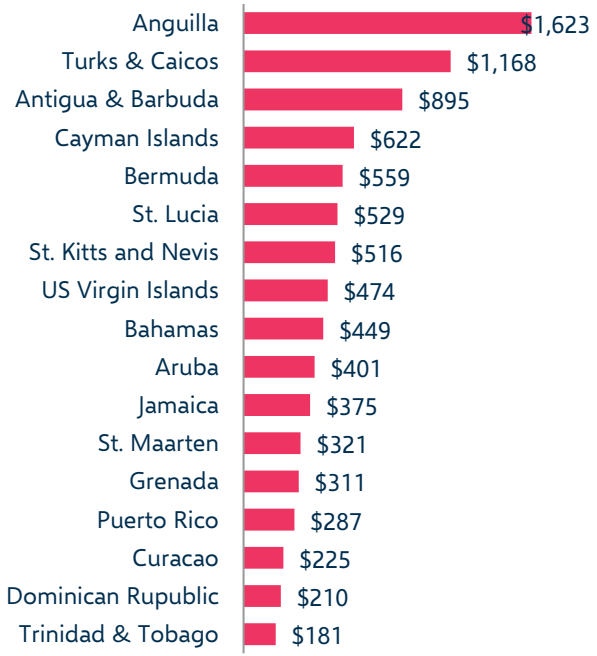
The variations in ADR observed across Caribbean countries reflect the type of visitors targeted by Caribbean governments, airlines, and airports, as

[1] CTO "Caribbean Tourism Maintains Strong Growth in 2024" accessed at: https://www.onecaribbean.org/caribbean-tourism-maintains-strong-growth-in-2024-surpassing-pre-pandemic-levels/

well as the local tourism offering that focuses on high-income countries.

Larger mass-tourism destinations such as The Dominican Republic and Jamaica tend to attract high volumes of visitors based on frequent scheduled services, thus enabling competition across hotel segments and keeping ADRs relatively moderate.

Figure 40 – Average Daily Rate (ADR) for overnight hotel stays in select destinations in the Caribbean, 2024



Source: CTO, IRR, STR

By contrast, smaller islands such as Anguilla, Antigua and Barbuda, Bermuda and Saint Lucia tend to rely on niche upscale international inbound markets, which tend to push local hotel operators toward luxury positioning, resulting in much higher ADR often exceeding $500 USD depending on the travel season.

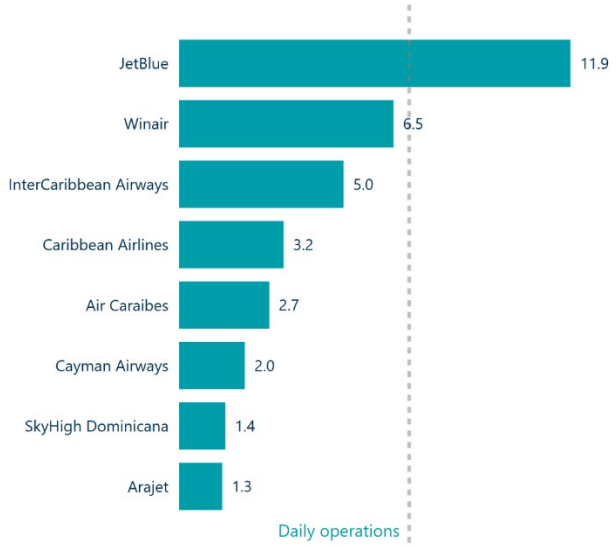
4.6.4 Travel time and inconvenient itineraries

With the exception of JetBlue, most airlines operating in the Caribbean offer between 1 to 6 weekly frequencies per route on intra-Caribbean segments (excluding domestic). This local operational reality suggests that most intra-regional passengers either need to stay longer at their destination to catch the return flight or opt for a transfer at a non-Caribbean airport (most often MIA or PTY), with

potential long layovers (more than 4 hours), and in some cases an overnight stay with additional hotel costs.

At the same time, 28 Caribbean countries offer on average two daily frequencies to/from Miami (MIA), allowing in some cases – but not all – for more convenient itineraries. This product offering is particularly relevant for business travellers who typically prefer early morning departures and late evening arrivals.

Figure 41 – Intra-Caribbean carriers' average weekly frequencies per route in 2024



Source: Cirium

The route networks of Caribbean-based carriers tend to be highly fragmented, with each airline focusing on its own intra-regional routes with little or no schedule coordination. This fragmentation limits the offering of convenient (time and price) connections between islands.

For instance, there is currently no direct flights between the Cayman Islands (GCD) and Martinique (FDF). A summary analysis of schedules publicly available to travellers suggests that indirect connectivity between the two countries is highly inconvenient and time-consuming.

According to flight search engines, a one-way trip typically takes at least 24 hours

and involves a minimum of two layovers. Due to the infrequency of flights on certain legs, passengers may even need up to two days to complete a single-way journey.

Another example is the lack of direct air connectivity between Bonaire (BON) and Barbados (BGI) illustrated in Figure 47 below. Both countries are located at approximately 1,000 km distance from each other. A direct flight from BON to BGI would normally take 2-3 hours.

A flight engine search conducted on September 30, 2025, revealed that there is no schedule coordination between airlines offering the 2-stop itinerary between BON and BGI, leading to very significant travel times for the average passenger (more than 20 hours), and thus impacting intra-Caribbean tourism flows but also business relations between both countries.

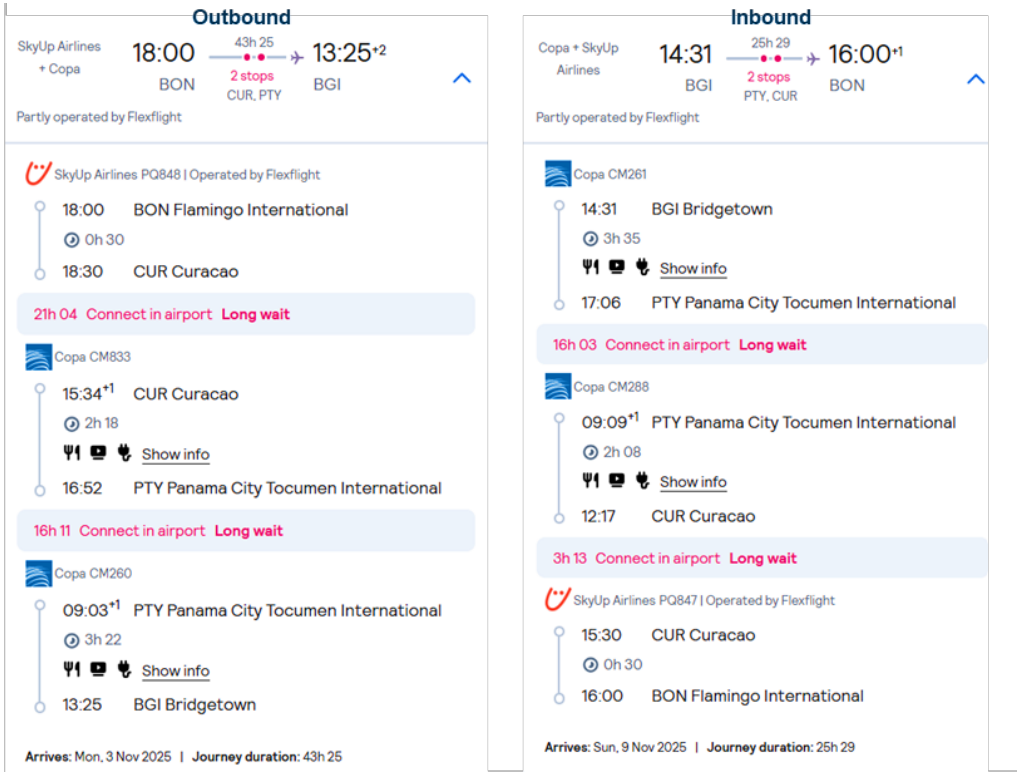
The case study on the cost of travel of BON-BGI connection is illustrated below, where in addition to the airfare costs, a quantification of the total cost of the itinerary using the Value of Time (VoT) concept was conducted.

In addition to the airfare and cost of time, accommodation expenses were factored in to consider the costs associated with a need for an overnight stay. The analysis of the cost of travel does not include any other expenses that could be incurred during the trip such as meals and transportation.

Based on estimations for the business and leisure/VFR passenger segments, the cost of waiting time in relation to the total cost of travel is 70% for the business segment and 32% for leisure/VFR travellers. It is clear from this case study that inconvenient and multiple connection itineraries increase the total cost of travel between Caribbean islands.

Inconvenient and costly air connectivity between Caribbean islands are important barriers to business relations and people-to-people exchanges.

Figure 42 – Cost of travel (business v. leisure) for a flight connecting the Dutch Caribbean (Bonaire) to Barbados



Air fare	~500 USD	
Total waiting time	~60 hours	
Value of time	*Business* ~3000 USD	*Leisure/VFR* ~380 USD
Total flying time	~12 hours	
Value of time	*Business* ~600 USD	*Leisure/VFR* ~75 USD
Hotel costs (layover CUR)	~225 USD	
Total cost of travel between BON and BGI	*Business* ~4325 USD	*Leisure/VFR* ~1,180 USD

**Business estimation based on 50 USD average hourly rate*

**Leisure/VFR estimate based on average salary in Bonaire (Source CBS)*

4.6.5 Caribbean average incomes insufficient to cover travel costs

Industry stakeholders interviewed for this study highlighted the unaffordability of intra-regional travel for the average resident in the Caribbean.

While reliable and consistent data is not available for all the members of the Caribbean region, the gathered data, illustrated in the figure below, indicates that the average monthly salary in the region oscillates between $600 and $1000 USD per month.

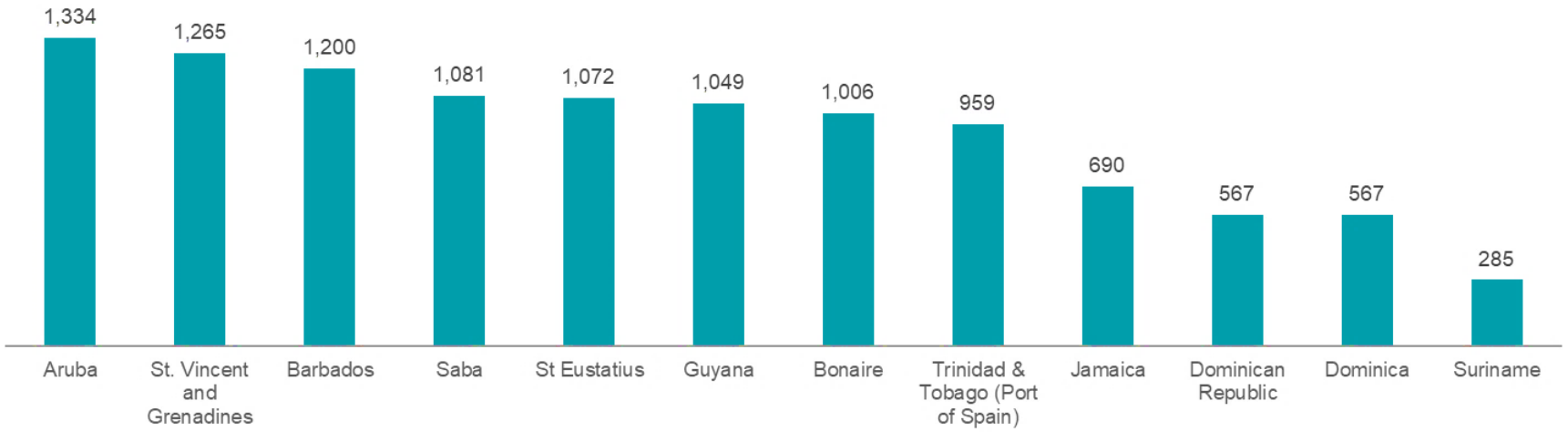
Combining the average one-way airfare for intra-Caribbean routes ($ 225 USD) and an ADR of $437 USD, a two-night trip within the Caribbean would cost, on average, approximately $1300 USD per person, without including any food-related expenses, transportation and local taxes.

A weekend trip to another Caribbean Island costs more than the average monthly salary in most Caribbean countries, making intra-regional tourism unaffordable for most local residents.

The cost of travel within the Caribbean is clearly disproportional to local income levels, significantly affecting the demand for regional travel and tourism.

To add an international perspective to the analysis, according to Eurostat[20], the average EU citizen spends on average EUR 289 on a domestic trip and EUR 1,013 on an international/intra-EU trip. This is compared to an average full-time salary in the EU estimated at EUR 3000 per month (before taxes)[21]. Based on these numbers, EU citizens are able to afford more trips per year – even within the EU – compared to Caribbean nationals.

Figure 43 – Average monthly salary per country (in USD), 2024



Source: Numbeo, WageCenter, CBS, Dominican Republic Bureau of Statistics

Note: (i) due to the limited availability of this data in public sources, the presented data is an estimate (ii) some salaries reported pre-tax and some post-tax (iii) the purpose of this graph is to provide an order of magnitude salaries in the region.

4.7 Policy and Regulatory Fragmentation

The policy and regulatory framework for aviation varies across Caribbean countries, with key regulatory areas such as pilot licensing, aircraft certification, air operator certification, and safety and security oversight under the jurisdiction of national civil aviation authorities.

Despite several regional initiatives to promote regulatory harmonization in recent years, real and effective alignment across Caribbean countries on issues such as entry and visa requirements, recognition of airport security protocols, and simplified processes for permits and authorizations for new air services remains a challenge.

While the Eastern Caribbean Civil Aviation Authority (ECCAA) promotes a collective and uniform approach amongst its members[22], other islands have opted for a country-based approach to the policy and regulatory aspects relevant to promote and foster air connectivity.

For instance, Caribbean countries have different requirements for landing permits, with significant differences in required application times and documentation required. Some countries require special application procedures, adding to the administrative burden of airlines.

The imposition of unreasonable lengthy authorization processes for new air services, including one-time charter operations, has been flagged by some of the airport executives interviewed for this study. Unreasonable authorization processes can result in the cancellation of planned flights due to the inability of airlines to market and sell the new services to the public on time.

The liberalization agenda has been actively promoted at the regional and national levels in recent years. However, the resulting multilateral frameworks have not addressed the issue of fragmentation.

For example, the CARICOM Multilateral Air Services Agreement (MASA)[23] aims to create an open skies-type framework for the provision of international air services within the Caribbean region.

Signatory parties to the MASA include a number *but not all* Caribbean states, namely Antigua and Barbuda, Barbados, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

The MASA rightly expands the scope of market access rights available to CARICOM designated airlines to seventh freedom and cabotage, including a series of operational flexibility provisions similar to those proposed by the LACAC Open Skies Agreement and the U.S. Model Open Skies Agreement Text.

In addition to uneven ratification of the MASA, no superseding clause was inserted in the text of the agreement. This means that restrictive provisions in existing bilateral air services agreements between CARICOM Member States continue to apply.

We also note that CARICOM Member States have undertaken to elaborate a Protocol to address issues such as essential air services, subsidies, and a single security check for direct transit passengers on multi-stop intra-Community flights.

The implementation of harmonized rules and standards on issues such as one-stop security remains uncertain for now and likely subject to several rounds of multilateral discussions in the coming years.

As noted by an industry executive, perhaps the best way forward to circumvent the problem of regulatory fragmentation in the region is to identify concrete country-to-country opportunities that are suitable to foster intra-regional connectivity and progress these issues bilaterally.

5

A Renewed Vision for Progress

Several studies have attempted to elucidate the root causes of poor air connectivity within the Caribbean region in recent years[24]. The barriers to achieve increased air connectivity identified in these studies – mostly conducted during the pre-pandemic era – resonate with the observations made in this study, namely: the high costs associated with air travel, a burdensome and fragmented regulatory framework for air operations, and thin demand to support intra-regional routes.

A renewed vision to progress the intra-Caribbean connectivity agenda should acknowledge the great diversity and complexity of the region and formulate policy recommendations based on a deeper understanding of the structural and local socio-economic realities, while also acknowledging the competitive dynamics between countries and airports.

While a one-size-fits-all approach is not recommended, policymakers and industry stakeholders should also be optimistically cautious about embracing multilateral solutions that may take years or even decades to materialize. Multilateral regional organisations can certainly serve as platforms for dialogue and collaboration, but ultimately the intra-Caribbean connectivity agenda requires political will at the national level and is most likely to progress if based on concrete and actionable commercial opportunities.

Identifying regional and sub-regional clusters – organized, for example, around population size, route network overlaps, city-pairs with tourism, business and trade potential – may help to unlock targeted solutions. The clustering approach will likely allow decision-makers from industry and government to develop more nuanced and realistic agendas that target the group of countries that deserve greater attention.

5.1 Observations from the airport industry

Based on interviews conducted with over 20 airport executives from the Caribbean region in 2025, high costs of travel and inconvenient connections are generally perceived as the biggest barriers to develop intra-regional connectivity. Other obstacles mentioned by 90% of executives included costly and burdensome regulatory barriers, as well as restrictive immigration policies and entry requirements. Geographical fragmentation was pointed as a natural barrier to intra-Caribbean connectivity.

Most importantly, the majority of airports interviewed consider North America (i.e., U.S. and Canada) as a top-priority market, followed by Europe, and increasingly South America. In fact, Latin America emerged as a market worth exploring in the coming years for approximately 60% of the airports. Most airports expressed an interest in supporting a less fragmented Caribbean market but also acknowledge the great challenges ahead.

More than 90% of the airports interviewed see the role governments in the region as crucial in promoting and fostering intra-Caribbean connectivity. CARICOM was also mentioned as an essential organisation to support the development of intra-regional connectivity, including regulatory harmonization and policy alignment.

Approximately 80% of the airports see the idea of multi-stakeholder partnerships including tourism organisations, tour operators, tourism travel companies (wholesale and retail), municipalities and local governments as the preferred path towards establishing better intra-regional connections.

5.2 Recommendations

5.2.1 Identify concrete bilateral opportunities while leveraging multilateral initiatives at the regional level

The adoption of a market-specific approach based on bilateral opportunities should be the primary pathway to enhance intra-Caribbean air connectivity, at least in the short-run. The identification of concrete commercial priorities should be supported by a rigorous assessment of growing and/or potential demand between markets, and be pursued through bilateral channels, namely airport-to-airport or country-to-country.

This does not mean that regional organisations such as CARICOM or the Caribbean Tourism Organisation (CTO) are no longer relevant to promote the intra-regional connectivity agenda.

On the contrary, the pursuit of aspirational goals such as Caribbean economic integration through a Single Market vision with a long-term view to increase the competitiveness of the entire region remains relevant in 2025. International experiences demonstrate that regional organisations are essential to promote a common approach to air connectivity, including sharing resources, industry knowledge, and lessons learned.

In fact, multilateral structures can play an important role in promoting single issues across the region such the development and promotion of regional travel and tourism programs, including training and education to Caribbean nationals.

The identification of bilateral opportunities can allow governments, airlines and airports to drive a more manageable agenda. Instead of stretching limited funding and political efforts towards broader regional schemes, a bilateral approach puts emphasis on maximizing the value of a single partnership while ensuring that results are tangible and measurable.

Jamaica, for example, has recently brokered new bilateral links with carriers in Turks & Caicos to strengthen connections to Montego Bay[25], while Trinidad & Tobago pursued bilateral air service agreements with neighbouring states to expand regional traffic rights[26].

5.2.2 Focus on gradual regulatory convergence rather than harmonization at all costs

One of the key policy agenda items in the Caribbean region has been the aspirational goal of regulatory harmonization – albeit with a certain level of vagueness in terms of what exactly it entails for governments.

Generally, proposals have pointed to the importance of "strengthening" regulatory harmonization in a region "where the need to comply with multiple regulatory regimes increases complexity and cost for the key actors and negatively impacts airlines' ability to develop connectivity"[27]. In practice, proposals in favour of *regulatory harmonization* promote higher levels of regulatory *uniformity* – similar to that of the EU – in a naturally fragmented region such as the Caribbean.

In contrast with the uniformity vision underlying regulatory harmonization, *regulatory convergence* points to a multilateral or bilateral process whereby regulatory requirements across countries or regions become *more similar* or *aligned* on common principles, frameworks, rules, and standards.

In the context of the Caribbean, regulatory convergence is a more suitable and realistic approach to align multiple regulatory regimes and promote intra-regional connectivity in the short-term – both practically and politically.

Regulatory convergence is a concept that has been commonly used in other highly regulated industries (i.e., broadcasting, telecommunication, pharmaceuticals) with the view to align on common global principles, practices, and technical standards. The concept is intrinsically linked to a liberalization context and the need for market players and consumers to reap the benefits of newly open markets.

The EU has been particularly active in promoting this concept in the context of air transport, especially with a view to ensuring *alignment* with non-EU countries on areas relevant to aviation activities such as competition law, consumer and environmental protection regulations, labour conditions, ground handling, and data protection, to name a few[28].

Regulatory convergence can be achieved by identifying those areas that require immediate attention in the short-term to support intra-regional connectivity.

For instance, CARICOM's Multilateral Air Services Agreement (MASA)[29] already recognizes "the fundamental importance of the concept of the *Community of Interest* shared amongst Member States and the embodiment of the principle in ICAO Resolution A38-14". The Agreement also seeks to "establish a single market for air transport services within the *Community"* and establish measures to "promote the adoption of uniform standards and recommended practices for the provision of air transport services" and "ensure uniformity in licensing and certification of aviation personnel within the *Community*".

In the context of the Caribbean, and with the view to achieving some level of progress towards the "Community" objectives set out in the MASA, a low-hanging fruit gradual approach should be considered by Caribbean countries.

A low-hanging fruit approach to regulatory converge would entail the selection of 1 or 2 issues where there is a need to curb down the negative effects of current national policies on intra-regional Caribbean connectivity, particularly those that prevent seamless connectivity – for example, visa and entry requirements or airport security protocols.

To put things into perspective, it has taken the European Commission more than 20 years to progress regulatory convergence with non-EU partners and even today the aspiration of a single and cohesive single aviation market seems unfinished[30].

5.2.3 Implement regional incentive schemes that tackle both offer and demand for air travel

A third recommendation to foster intra-Caribbean connectivity would be the implementation of regional connectivity incentive schemes with a firm end date and tailored so that airlines actively engage in the promotion and growth of new routes.

Local governments and tourism industry stakeholders – including airports – should not be in the business of subsidizing supply of air services without a clear end in sight.

A review of various public service obligations and regional connectivity schemes around the world reveal that the promotion and implementation of regional air connectivity schemes is above all a matter of (national) public policy.

For example, the EU Public Service Obligations (POS) framework[31] provides that Member States may impose public service obligations on routes that are considered as "vital for the economic development of the region they serve". In case no air carrier is interested in operating the route on which the obligations have been imposed, the Member State concerned may restrict access to the route to a single air carrier and compensate the operational losses resulting from the PSO. Countries and communities that currently benefit from the POS framework are Croatia, Cyprus, Estonia, Finland, France (with a strong representation of Caribbean overseas territories), Greece, Ireland, Italy, Portugal, Spain, and Sweden[32].

Some schemes put the onus on the airlines to prove that there is an actual need for air services between underserved airports.

For instance, Australia's Remote Air Services Subsidy (RASS) Scheme is part of the Australian Government's Regional Aviation Access Program (RAAP). The RASS Scheme subsidizes a regular weekly air transport service for the carriage of passengers and goods such as educational materials, medicines, fresh foods and other urgent supplies to communities in remote and isolated areas of Australia.

In contrast with the European approach, local communities wishing to apply for a regular air service under Australia's RASS Scheme should demonstrate the need for a weekly service between two points, emphasizing that they are sufficiently remote in terms of surface travel to a population centre or neighbouring community that already benefits from a weekly transportation service[33].

There are currently eight airlines delivering services across 10 regions with substantial indigenous populations. The RASS subsidy is paid directly to the air operator.

The U.S. Essential Services Program provides subsidies for scheduled air service to small and rural communities that otherwise lack commercial air links. The U.S. Department of Transport (DOT) will offer selected airlines with contracts that may range from two to four years. This approach allows for a competitive bidding process to keep subsidy costs.

Air carriers will usually submit service and subsidy proposals. The DOT will then formally solicit the views of the communities as to which air carrier proposal they prefer. The following factors are considered: (1) the demonstrated reliability of the applicant in providing scheduled air service, (2) the contractual, marketing, code-share, or interline arrangements the applicant has made with a larger air carrier serving the hub airport, (3) preferences of the actual and potential users of air transportation at the eligible place, including the views of the elected officials representing the users of the service; (4) whether the air carrier has included a plan in its proposal to market its service to the community, and (5) the total compensation proposed by the air carrier for providing scheduled air service[34].

In the context of the Caribbean, a bilateral approach to regional connectivity incentive schemes may offers a practical solution whereby two countries willingly decide to jointly fund a specific route based on national public policy considerations.

Some countries such as Spain offer resident travel discounts to foster internal connectivity. For example, based on the government program "Bonificación al

Transporte Aereo de Residentes No Peninsulares" (SARA)[35], managed by the Ministry of Transportation and Sustainability Mobility, residents of the Canary Islands, Balearic Islands, Ceuta, and Melilla receive government-subsidized travel discounts of up to 75% on domestic flights and ferry tickets between the islands and mainland Spain, but also to inter-island travel.

Incentive schemes to promote regional connectivity should also target travel demand, especially in light of the high costs of travel within the Caribbean

Similar programs exist in France, Italy, and New Zealand with a focus on improving the air connectivity of certain disadvantaged segments such as students, seasonal travellers, and remote islands. These programs vary in scope but share the goal of improving connectivity and reducing the cost burden for residents in geographically isolated areas.

5.2.4 Focus on reducing costs – with a travel journey vision

A common theme raised during the interviews with airport executives is that the cost of intra-regional travel is completely disproportionate to current income levels in most Caribbean countries.

As the cost of travel extends beyond airfares, Caribbean travellers are also burdened with additional government-imposed taxes, expensive overnight stays, and longer than reasonable travel times.

Addressing the cost of travel between Caribbean islands requires a holistic approach that also considers the quality of air connectivity with a focus on the travel journey

Given that air travel has an elastic demand, reductions in travel costs typically stimulate greater demand. Local governments and tourism authorities may potentially consider some of the incentive schemes aimed at encouraging intra-island travel by local residents, particularly during the low season. There are several examples of such initiatives worldwide. For example, Thailand's "We Travel Together" scheme is aimed at stimulating domestic tourism during the low season.

Airports should work closely with airlines in order to achieve better schedule optimisation with a view to enable same-day return services, an important limitation hindering inter-island travel at the moment.

There is potential for greater schedule coordination between airlines, particularly on connecting routes. Reducing the duration of travel journeys for local passengers is likely to eliminate the need for overnight stays, lowering travel costs for residents who are otherwise subject to hotel rates more suitable for international visitors from higher-income countries.

Another aspect to tackle is the general tendency to add government taxes on air passengers as a means of supplementing public revenue for non-aviation purposes.

Governments should seriously assess the long-term benefits of reducing general taxes on aviation activities. A recalibration of taxes for intra-regional travellers could stimulate regional connectivity, ultimately strengthening economic competitiveness and integration across the Caribbean.

5.2.5 Focus on effective rather than paper liberalization

Most governments today will embrace the idea of air liberalization – and even sign open skies-type agreements with trade and tourism partners – but oftentimes the doing business landscape remains costly, burdensome and inefficient.

The Caribbean region should move from paper liberalization to effective liberalization by focusing on tangible improvements to the business and regulatory landscape for air services.

Caribbean countries should ensure that their Bilateral Air Services Agreements (BASA) are fully aligned with the aspirational goals of CARICOM's Multilateral Air Services Agreement (MASA) which already promotes regulatory convergence and the notion of Caribbean Community.

Understandably not all Caribbean countries may be in a position to fully

embrace the Community vision, but efforts should be made to provide an open market environment for air services, including a sound and non-distortive business and policy landscape for air operations.

Continuous liberalization efforts based on regulatory and operational flexibility should be expected to produce tangible results for intra-Caribbean air connectivity in the coming years.

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End Notes

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