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USVI to Benefit From Efforts to Fix Regional Air Travel Woes Currently at ‘Crisis Level’

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Silver Airways and Inter-Caribbean Airways at the Luis Muñoz Marín International Airport in San Juan, Puerto Rico on Dec. 5, 2022. By. ERNICE GILBERT/ V.I. CONSORTIUM

The U.S. Virgin Islanders may soon have easier access to the rest of the Caribbean region as the Caribbean Development Bank proposes a number of options to remedy the prevalent regional transportation issue where airlift has become difficult to access.

During the CDB’s annual press conference on Wednesday, President Dr. Hyginus Leon reiterated the sentiment of many Virgin Islanders and other Caribbean residents: “The region cannot go forward with the transportation problem that we have now.”

Heads of government in almost every island of the archipelago, including the USVI, have bemoaned the lack of efficient, affordable air and sea connections between neighboring islands.

Whether it is due to prices ratcheted up by fees and taxed beyond the reach of everyday citizens, or a poorly-organized, byzantine flight schedule bedeviled by ludicrous layovers, flying from one island to another is very often less feasible than using the mainland United States as a hub.

Last February, Governor Albert Bryan Jr. made the point at the winter 2022 meeting of the National Governors' Association, in Washington D.C. There, he pushed for the establishment of a hub in the northern Caribbean that would feed airlift to destinations in the region. "So I think that Puerto Rico needs to develop that Caribbean hub and they need to develop their transit flights from Europe, as well as South America. That would have a huge impact on not only Puerto Rico, but also smaller islands," Mr. Bryan suggested in a media release at the time.

Modern economics are driven by connectivity, said Leon, meaning transportation is of critical value. In the Eastern Caribbean, inter-island connectivity is at "crisis level", as the CDB head put it. "The demise of LIAT in 2020 meant a loss of airlift from an average of 500 weekly flights in 2019 to 50 flights in 2022," Leon noted.

In a convenient twist of coincidence, while the CDB head mourned the loss of LIAT's once serviceable network, [signs emerged at the meeting of the VI Port Authority's governing board](#) — happening at the same time as CDB's press conference — that the crippled airline was seeking to regain its footing. At one point in the meeting, former Senator Celestino White, a member of VIPA's Board, expressed concern about the lack of connectivity from the USVI to other Caribbean destinations. "If you fly from here to say, Antigua or so," Mr. White declared, "you got to stay a week before you come back". LIAT, Mr. White understood, had last month been making inquiries about adding another flight along that route. However, the former senator was disappointed to learn that any such talks, as it were, were in their nascent stages and the idea was still a nebulous one.

Meanwhile, the CDB president announced "decisive and integrated action" to reform regional air transportation. One pressing goal, said Dr. Leon, is to reduce wasteful competition and improve inter-airline connectivity, promoting cooperation amongst regional airlines. Another urgent priority is rationalizing the regulatory environment and addressing factors that contribute to the high cost of travel, as well as elements that hinder the seamless movement of people within the region.

In an exclusive interview with CDB Vice President Isaac Solomon following the press conference, Consortium journalists explored just how the CDB intends to make progress on the thorny issue.

It was on the heels of urgent requests from regional governments including those of Antigua & Barbuda, Barbados, Grenada, Saint Lucia, and Saint Vincent and the Grenadines to address the acute economic damage being dealt as a lack of air transportation, Mr. Solomon disclosed, that the CDB announced its approval of a technical assistance grant of US\$350,000 to address the woeful situation.

The funds will go towards tasking consultants with developing "urgent provisional measures", to re-establish a functional air transportation network in the Eastern Caribbean, according to a December 2022 [CDB press release](#).

According to Mr. Solomon, the economic blow goes beyond the tourism sector. “I think they all recognize that it is not just about moving visitors. It is not just about tourism. It’s not just about filling the hotel room. It is about that businessman who has a package to send to another island, who must use FedEx or DHL or one of these international couriers. But then we saw two or three weeks ago what happened in the United States, when their airports were shut down, it meant that we were then exposed to the vagaries of what was happening internationally.”

Solving the air transportation crisis is such a pressing issue, Mr. Solomon explained, that the CDB had moved forward with engaging with the specialists and appointing a technical working group to guide the consulting process even before the board approved the technical consultancy last month.

Regional heads requested an “immediate solution” to the issue, the first steps of which, the CDB vice president explained, involved taking “an inventory of the assets, the airlines that are now flying in the region, to try to get a mapping of the routes they fly currently, to determine where the gaps are and to see what solutions they can offer right now to fill those gaps.”

With those solutions providing some urgent relief, a permanent, sustainable plan would be crafted to address pricing, the regulatory environments, and physical hindrances encountered by travelers. An update on the work thus far is expected to be presented to regional heads in mid-February.

Whether the recommendations from the consultancy align with the hub-and-spoke model as suggested by Governor Bryan, or embrace a more diffuse network, it will be up to the heads of government to agree on and implement what is offered up. Mr. Solomon is convinced that having seen first-hand the implications the lack of regional airlift has had on their economic outlook, governments will not need much persuading.

As recently as September 2022, however, Barbados, a key sub-regional connectivity point, was pushing back on the idea of lowering ticket taxes and fees to help reduce the cost of travel. Speaking at IATA’s Caribbean Aviation Day, on a panel that included CDB President Dr. Leon, Barbados’ then-Tourism Minister [Lisa Cummins argued](#) that the country did not have enough airlift to offset lower revenues from reduced taxes. “We don’t have the number of seats that compensates for those losses in revenue by ensuring they are filled by volume, or by consumer spend on-island to supplement in the domestic economy,” Cummins said.

Minutes later in that discussion, regional economist (and frequent-flyer) Marla Dukharan called taxes on airline tickets “regressive”, and urged governments to rethink their approach.

“We really have to think very seriously about this tax structure,” [Ms. Dukharan said](#), suggesting that governments focus on “making sure the taxation structure is more progressive, meaning those who earn the most profits from this industry... are the ones who need to shoulder a relatively larger share of the taxes than those who are least profitable.” Whether that is airlines, hotels, or other industry players, Dukharan says, is something that needs to be analyzed. But In her professional opinion, attaching taxes to the ticket — taxing everyone in the destination equally, from taximan to the most luxurious resort — “doesn’t make sense.”

Given calls from everyone from pre-eminent regional economists to Carnival enthusiasts longing for a functional regional ‘Mas circuit to cut onerous ticket taxes, it seems almost inevitable that this will form part of the recommendations stemming from the CDB’s technical consultancy, and Solomon, the CDB vice president is confident that Eastern Caribbean governments are ready to

swallow the medicine.

Meanwhile, in addition to sub-par regional air connectivity, other barriers to inter-island air travel present a challenge. With the easiest route between islands often including a Miami layover, US entry requirements are often an additional hurdle for Caribbean travelers.

“We have a crisis especially in the region where you cannot move from one country to the other without necessarily getting a visa to go through the US as a connecting point,” Dr. Leon pointed out.

The USVI is taking steps to ease that friction somewhat, with the territory continuing to push to be included in a visa waiver program currently operating in Guam and the Northern Mariana Islands. [Legislation](#) to that effect was introduced in the 117th Congress by VI Delegate Stacey Plaskett, and a recent meeting by the Public Finance Authority [discussed advancing the matter](#) with Squire Patton, the firm that provides the government with lobbying services that span legal, government relations and other professional services.

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