

Beyond Borders: Social Capital as the Foundation for a Unified Caribbean Airline

The Caribbean's fragmented air transport system faces operational challenges, high costs, and inadequate connectivity. This research explores how consolidating small Caribbean airlines could generate \$3.3 billion in regional GDP and create 200,000+ jobs, but only if the region can mobilize its social capital to build trust and cooperation.

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Research Foundation

This presentation highlights the comprehensive results and findings from our recently published peer-reviewed research paper.

Information

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Academic Rigor

Peer-Reviewed: Rigorous academic review process ensuring research quality and validity in a leading aviation journal.

Comprehensive Analysis: In-depth examination of regional aviation opportunities across the Caribbean.



The Caribbean Aviation Challenge

Growing Demand

IATA reports 7.7% year-over-year traffic increase in early 2024. Seat availability up 31% since 2014.

Tourism drives economic growth across the region.

Despite strong demand, the region's airlines remain unprofitable and unable to meet connectivity needs. Foreign low-cost carriers increasingly dominate the market.

Critical Gaps

Many islands lack direct flights, forcing connections through Miami or Panama City. Fragmented national carriers operate inefficiently with high costs and diverse fleets.



The Root Problem: A Social Capital Deficit



Trust Deficit

Lack of inter-island trust and competing national identities have persistently aborted regional cooperation initiatives.



Fragmented Networks

Siloed stakeholder relationships among governments, airlines, unions, and tourism boards hinder coordination.



Failed Integration

Historical failures like the original LIAT demonstrate the challenge of building bridging social capital across borders.

Economic gains from consolidation depend fundamentally on the region's ability to build trust, foster cooperative networks, and cultivate shared regional identity.

See next:
Current State: Operational
Fragmentation

Current State: Operational Fragmentation

1

High Operating Costs

Short-range flights, external taxes/fees, and non-homogeneous fleets strain finances. Government ownership leads to slow responses and unstable management.

2

Foreign Competition

LCCs and ULCCs dominate tourist traffic with superior products. Caribbean carriers relegated to niche markets with low load factors and yields.

3

Connectivity Crisis

64% of traffic is US-bound, 10% to Canada. Smaller islands depend on regional hubs for international access, creating inefficient routing.

See next:
The Connectivity Gap



The Connectivity Gap

Current routing inefficiencies dramatically extend travel times and costs. Direct flights could transform regional accessibility.

- 1
- 2
- 3

Sint Maarten to Cleveland

Current: 6h 51m with layovers **Direct potential:** 3h 50m

St. Thomas to Denver

Current: 9h 38m with connections **Direct potential:** 5h 0m

San Juan to Sint Maarten

Current: 3x weekly, 1h 10m **Optimized:** 40m with smaller aircraft

See next:
Fleet Standardization: The
Cost Opportunity

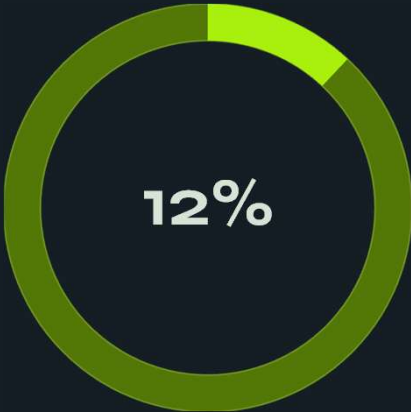
Fleet Standardization: The Cost Opportunity

Caribbean carriers operate diverse aircraft types, inflating maintenance and training costs. Standardization could reduce operational costs by up to 30%.



Fleet Homogeneity Impact

Streamlined maintenance, reduced inventory, simplified training, improved fuel efficiency



Shared Services

Consolidated admin, operations, and customer service functions



Total Savings Potential

Combined reduction in operational expenses through strategic integration

Transitioning to standardized narrow-body fleets (A320/B737) plus regional turboprops would dramatically improve economies of scale.

See next:
Financial Valuation of
Caribbean Airlines

Financial Valuation of Caribbean Airlines

The Data Challenge

Only 3 of 7 airlines were found to publish financial statements (Bahamasair, Caribbean Airlines, Cayman Airways). Data is outdated and incomplete, severely hindering consolidation feasibility.

Estimation Model

Used historical revenue per passenger and traffic statistics to approximate total revenue: ~\$500M for three airlines with data.

JetBlue-Spirit (Terminated Merger)

\$7.6B enterprise value

1.5x revenue multiple

Spirit's revenue: \$5.1B

Alaska-Hawaiian (Completed)

\$1.9B acquisition price

1.0x revenue multiple

Hawaiian's revenue: \$2.72B

\$400M-\$750M

Three Airlines Valuation

Based on 1.0x-1.5x revenue multiples

\$800M-\$1.5B

Speculative Total Estimate

Extrapolated from ~\$1B estimated total revenue

Financial opacity and lack of transparency for four airlines (Air Antilles, InterCaribbean, Winair, SVG Air) make comprehensive valuation impossible. This severely limits merger feasibility—essential due diligence cannot be conducted.

☐ **Alternative Path Forward:** Given merger challenges, the Pan-Caribbean virtual airline model offers a more flexible approach to operational synergy without requiring full financial integration.

See next:
The Virtual Airline Model: A
Pragmatic Alternative

The Virtual Airline Model: A Pragmatic Alternative

Full merger may not be politically feasible. A virtual airline model offers flexibility through coordination without ownership integration.

01

Coordinated Operations

Shared services, joint scheduling, harmonized systems among existing carriers

02

Strategic Deployment

Third-party funded aircraft deployed across networks to serve underutilized markets

03

Centralized Functions

Common ticketing, reservations, procurement, and maintenance reduce duplication

04

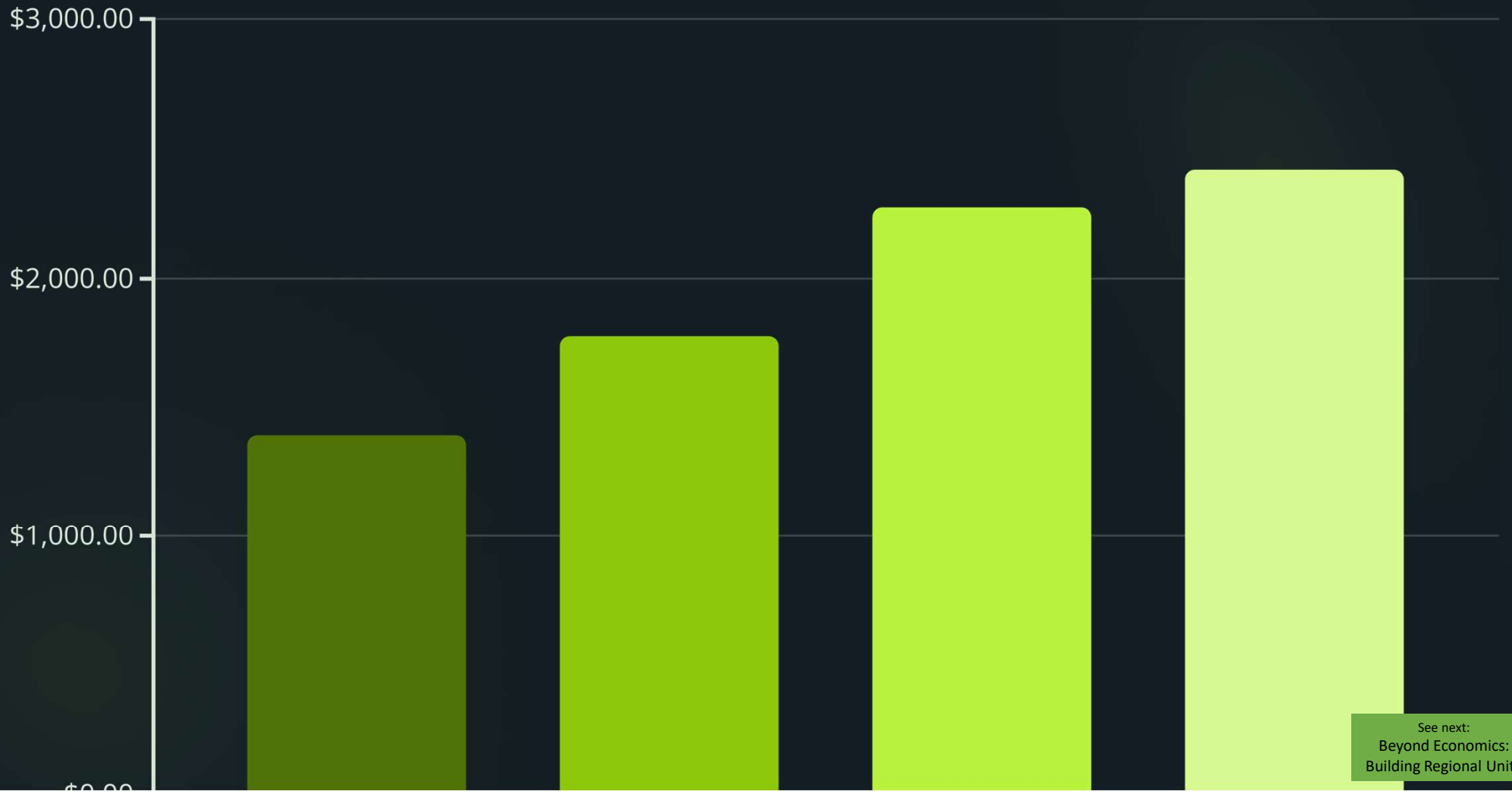
Preserved Identity

Individual airline brands and national identities maintained while achieving economies of scale

This low-risk strategy enables gradual trust-building and demonstrates cooperation through small wins, developing bridging social capital across boundaries.

See next:
Economic Impact Projections

Economic Impact Projections



See next:
Beyond Economics:
Building Regional Unity

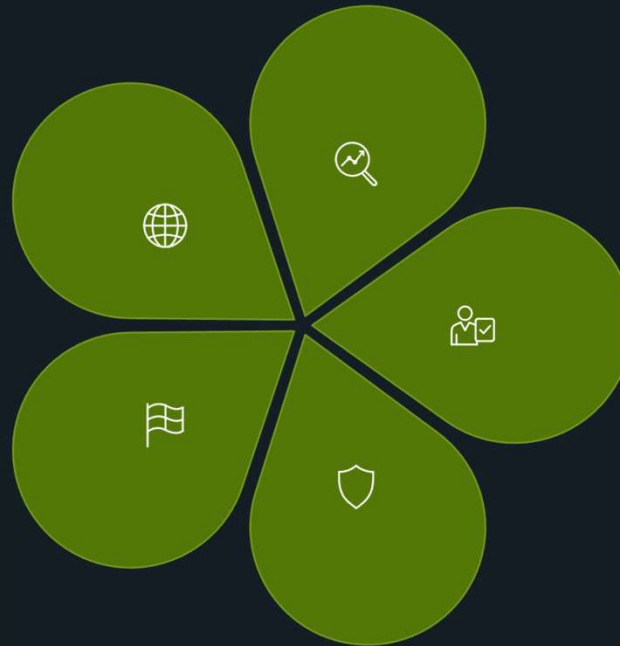
Beyond Economics: Building Regional Unity

Environmental Benefits

Reduced carbon footprint through efficient routing and modern fleet

Shared Identity

Pan-Caribbean brand strengthens regional consciousness



Tourism Growth

Multi-destination packages and enhanced global competitiveness

Social Capital

Trust-building through cooperation creates spillover benefits


Regional Resilience

Unified response capabilities for disasters and economic challenges

See next:
The Path Forward

The Path Forward

The journey toward a unified Caribbean airline requires building bridges of trust between people and institutions—not just bridges in the sky.



Invest in Relational Infrastructure

Prioritize trust-building initiatives and formalize collaborative stakeholder networks




Harmonize Regulations

Create shared norms and mutual trust through regulatory alignment



Champion Regional Narrative

Cultivate Pan-Caribbean identity that transcends national boundaries



Optimize Operations

Standardize fleets, rationalize routes, and implement shared services

The economic case is compelling: \$3.3B GDP impact and 207,000 jobs. But success depends on the region's capacity to address its social capital deficit and build the relational infrastructure necessary for true integration.





Thank You

For your attention and engagement during this comprehensive analysis.



For any questions or further discussion about this presentation, do not hesitate to contact me directly at my email:
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The End