

Spirit will continue to pursue a merger with Frontier instead of JetBlue



Spirit Airline's board of directors has rejected JetBlue's bid to acquire the airline and will proceed with its existing merger agreement with Frontier, one of its ultra-low-cost competitors, Spirit announced in a press release. A deal with JetBlue has "a low probability of receiving antitrust clearance" and poses "an unacceptable level of closing risk" to its shareholders, Spirit notes.

After Frontier first announced its plans to buy Spirit in a cash and stock deal valued at \$2.9 billion in February, JetBlue followed up with an all-cash offer of \$3.6 billion last month. The airline even offered to throw in a \$200 million breakup payout in case antitrust issues prevented the deal from going through. Despite all this, Spirit still rejected the deal, citing JetBlue's North American Alliance (NEA) with American Airlines as its main concern.

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concerns

In 2020, JetBlue and American Airlines announced the NEA, an initiative to combine their services in New York City and Boston. The NEA aims to make it easier for passengers to board connecting flights from either airline and is supposed to bring more routes to both cities. While both companies claim the NEA increases competition, the Department of Justice (DOJ) filed an antitrust complaint against the alliance last September, stating it “will not only eliminate important competition in these cities, but will also harm air travelers across the country by significantly diminishing JetBlue’s incentive to compete with American elsewhere, further consolidating an already highly concentrated industry.”

Spirit believes a deal with JetBlue wouldn’t dissipate the DOJ’s concerns and may not benefit passengers. “We struggle to understand how JetBlue can believe DOJ, or a court, will be persuaded that JetBlue should be allowed to form an anticompetitive alliance that aligns its interests with a legacy carrier and then undertake an acquisition that will eliminate the largest ULCC [ultra-low-cost carrier] carrier,” Mac Gardner, the chairman of Spirit Airline’s board of directors, said in a letter to JetBlue.

Spirit’s deal with Frontier is expected to close in the second half of 2022. The deal will make Frontier / Spirit the fifth largest airline in the US.

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