

# Spirit to merge with Frontier, creating major low-cost US airline

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Ultra-low-cost carriers Frontier and Spirit have announced their intention to merge, creating the fifth largest US airline.

Budget US carriers Spirit Airlines and Frontier Airlines announced Monday they will merge to create a competitive low-cost airline that aims to test the dominance of larger rivals.

The cash and stock deal is valued at \$6.6 billion and expected to close in the second half of the year, pending approval from US antitrust regulators.

Executives said the deal will challenge the "Big Four" US carriers American, United, Delta and Southwest by expanding low-fare options for service in the United States, the Caribbean and Latin America.

"This transaction is centered around creating an aggressive ultra-low fare competitor to serve our guests even better, expand career opportunities for our team members and increase competitive pressure, resulting in more consumer-friendly fares," Spirit chief executive Ted Christie said in a statement.

"We look forward to uniting our talented teams to shake up the airline industry," he added.

Travel demand slowed to a trickle when Covid-19 broke out, but short-distance flights have recovered more quickly than transcontinental service, with US giants touting heavy demand for leisure fares within the United States.

The deal—with Frontier Airlines controlling 51.5 percent of the new entity and Spirit controlling the remaining 48.5 percent—would create the nation's fifth largest airline.

Frontier and Spirit, which did not announce a new name for the joint company or its headquarters location, said the merger would save consumers about \$1 billion annually.

Some of the savings will come from improvements in efficiency that are expected by combining the assets of Denver-based Frontier, a player in the western United States, with Florida-based Spirit, which counts numerous East Coast airports within its network.

Executives, on a conference call with analysts, said the expanded network would enable broader service that allows the company to increase flights and passenger loads and boosts options at airports that serve smaller cities.

The companies, which both fly exclusively Airbus aircraft, aim to create some 10,000 jobs by 2026.

## **Antitrust concerns?**

The new airline would have a fleet of more than 350 aircraft, and offer 1,000 daily flights to 145 destinations in 19 countries.

While considerably bigger as a combined force, this scale is still dwarfed by larger companies. United Airlines flies more than 3,100 flights daily and serves 80 international destinations, according to a company fact sheet.

On the conference call, executives said they did not expect a difficult process with antitrust regulators—an outlook broadly shared by antitrust expert Christopher Sagers of Cleveland-Marshall College of Law.

While ensuring competitive ticket prices are an imperative that would likely prevent transactions involving giant US carriers, "these two companies have a very small market share," Sagers said.

"It's very unlikely that the government would try to stop this merger," he said, adding that regulators could potentially require divestments in areas

where service overlaps, but would allow the overall transaction to go through.

On Wall Street, Spirit's stock jumped more than 13 percent to \$24.63 in mid-morning trading Monday, while those of Frontier Group, the parent company of Frontier Airlines, added 0.3 percent to hit \$12.43.

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