

US Justice Dept sues to block JetBlue-Spirit airline merger

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Attorney General Merrick Garland Announces DOJ Lawsuit To Block JetBlue-Spirit Merger.

The US Justice Department on Tuesday sued to block a \$3.8 billion JetBlue-Spirit airline merger, saying that the combination would harm

consumers and violate antitrust law.

The suit puts in jeopardy a transaction that JetBlue has characterized as consumer-friendly because it would create a stronger competitor to the "Big Four" carriers that dominate the United States market.

"This merger will limit choices and drive up ticket prices for passengers across the country," Attorney General Merrick Garland said at a news conference, adding that the deal "will be particularly harmful for travelers who rely on what are known as ultra-low-cost carriers in order to fly."

The companies defended the tie-up, saying in a joint statement Tuesday that they would "continue to advance" their effort to extend the "JetBlue Effect," which has historically pressured bigger airlines to price more affordably.

"We believe the DOJ has got it wrong on the law here and misses the point that this merger will create a national low-fare, high-quality competitor to the Big Four carriers which -- thanks to their own DOJ-approved mergers -- control about 80 percent of the US market," said JetBlue Chief Executive Robin Hayes.

The joint press release said JetBlue would retrofit Spirit aircraft to allow more legroom, adding that the lost seats on aircraft would be offset by a greater number of flights.

"Together, we intend to democratize flying for travelers across the country -- a goal we believe is worthy of the government's support," said Spirit Chief Executive Ted Christie.

Valuable disruptor

The suit argues that removing Spirit from the travel market would "eliminate the unique competition" it provides as a low-cost carrier.

This would "leave tens of millions of travelers to face higher fares and fewer options," the department said in its complaint, adding that JetBlue has evolved from a "disruptor to closer ally of the Big Four."

The department has also challenged an alliance between JetBlue and American Airlines that it argues impedes competition. The two sides presented arguments to a federal court in Boston in November, but a judge has yet to rule on that case.

Tuesday's US complaint, joined by Massachusetts and New York states and the District of Columbia, characterized Spirit as a valuable disruptor in air travel—an industry that has heavily consolidated over the last 15 years.

Spirit's practice of "unbundling" features of flying to charge separately for carry-on bags, food and other items, has been "particularly important for cost-conscious travelers," the DOJ said.

The US agency also cited Spirit's initial resistance of the tie-up with JetBlue. Spirit had cited antitrust risk for a JetBlue deal, advocating for a merger with peer carrier Frontier that fizzled after JetBlue launched a hostile bid for Spirit.

DOJ officials said that prior to the pandemic, Spirit had planned to double its fleet of airplanes by the end of 2025 and add flights to five more cities in 2023 alone.

"And if this acquisition is complete, all that growth would be over before it even has a chance to start," said Doha Mekki, a deputy assistant attorney general.

Mekki also said that Spirit's growth since 2010 spurred major carriers to unveil "basic economy" service on flights—no-frills tickets that are cheaper.

The DOJ complaint was not joined by Florida, which unveiled Monday a settlement in which the state cleared the merger in addition for commitments from JetBlue to add at least 2,000 jobs in the state and increase service between major cities.

Florida Attorney General Ashley Moody said she was "proud" of the agreement to add jobs and affordable flights "to support our growing economy."

Shares of Spirit Airlines gained 3.9 percent to \$17.00 in afternoon trading, while JetBlue sank 2.7 percent to \$8.18.

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