The JetBlue And Spirit Airlines Merger Could Lead To More Service Meltdowns, Higher Fares, And Even Less Competition In The Airline Industry Oligopoly

SUMMARY: Southwest Airlines' 2022 holiday season "meltdown," which was driven largely by "inadequate computer systems" and underinvestment, "reignited" airline workers' and consumers' demands for updated flight infrastructure. One Southwest pilot noted workers had seen the meltdown "'coming like a slow-motion train wreck'" for years, all while executives were more focused on "Wall Street.'"

Meanwhile, consumers face a new looming threat in the already-concentrated airline industry, in which just four corporations control over 80% of the domestic air market. JetBlue Airways has proposed a $3.8 billion merger with Spirit Airlines, potentially creating the country's fifth-biggest mega-airline.

Consumers and industry workers have already filed an antitrust lawsuit against the proposed JetBlue/Spirit merger, arguing it would give the new airline "'a chokehold over certain routes'" and further deepen the airline industry's oligopoly after years of a "'furious feeding frenzy of mega-mergers.'" And industry experts have called the merger "'bad news for travelers,'" with one warning that industry-wide competition could be harmed without Spirit's "'downward pressure on airfares.'"

JetBlue is already facing a pending antitrust lawsuit from the Justice Department (DOJ) over its "Northeast Alliance" route-sharing pact with American Airlines. The Department has called the alliance a "' merger in all but name'" and charged that it could raise fares in busy markets around New York and Boston.

A Spirit Airlines executive has even testified against JetBlue's Northeast Alliance, warning that it could open a "'Pandora's Box'" of similar anti-competitive pseudo-mergers. In March 2023, the DOJ, alongside State attorneys general from Massachusetts, New York, and District Of Columbia, formally sued to block JetBlue's proposed acquisition of Spirit.

Amid all of this, an Accountable.US review has found that JetBlue and Spirit have disclosed underinvestment and vulnerabilities in their businesses that could make them susceptible to the same kind of service failures that roiled Southwest in late 2022:

Both airlines have disclosed that the proposed merger could cause disruption to their operations, including difficulties in integrating their technology systems, which were the main culprit of the Southwest meltdown:

- JetBlue has disclosed that the Spirit merger could "cause disruption" in its business, including difficulties in integrating the two airlines' "complex systems and technologies"—including reservation systems and IT infrastructure—in addition to distracting management from "day-to-day business."

- Spirit Airlines has also disclosed that the JetBlue merger "may cause disruption" in its business, may place a "significant burden" reporting risks in integrating the two airlines' technology systems, and distract management from "day-to-day business concerns." Spirit also disclosed several technology integration risks related to its previously abandoned merger with Frontier Airlines that could be "disruptive" to its operations.

Both airlines have disclosed weaknesses in their overall business models and finances that could undermine their operations or make them unable to invest in needed upgrades:

- Disclosing broader risks to its business, Spirit has reported that it relies "heavily" on automated systems—including reservation and flight operation systems—and that it is "especially vulnerable to flight delays or cancellations or aircraft unavailability." Meanwhile, its spending on equipment and

property in its FY 2021 was just 54% of what it was in FY 2020 and just 64% of what it was in pre-pandemic FY 2019.

- JetBlue's working capital deficit—a measure of "the short-term health" of its business—ballooned by 947% to $1.8 billion in its FY 2022. This came as JetBlue planned to "restrict non-aircraft capital expenditures" and reported that its FY2021 spending on investment activities was just 54% of what it spent in FY 2020 and 64% of what it spent in FY 2019.

Both airlines have disclosed combined losses of over $1.5 billion in FY 2021 and FY 2022 after boosting CEO pay by double-digits and after taking over $2.75 billion in pandemic bailouts:

- JetBlue reported net losses of $182 million in FY 2021 and $362 million in its FY 2022. And according to its most recently available executive compensation data, its CEO pay rose by 67% to almost $3.5 million from FY 2020 to FY 2021, nearly matching pre-pandemic FY 2019's pay level.

- Spirit reported net losses of $473 million in its FY 2021 and $554 million in its FY 2022. And according to most recently available executive compensation data, its CEO pay rose by 49% to almost $3.9 million in FY 2021, 14% more than in pre-pandemic FY 2019.

- JetBlue and Spirit together took over $2.75 billion in pandemic bailouts. By the end of 2021, the airline industry was facing scrutiny over "major flight disruptions and delays" after it took $37 billion in pandemic bailouts and executives were seeking ways to avoid the bailouts' limits on executive pay.

Southwest Airlines' 2023 Holiday Season "Meltdown," Driven Largely By "Inadequate Computer Systems" And Underinvestment, "Reignited" Demands For Updated Infrastructure, With One Pilot Noting Workers Had Seen The Meltdown "'Coming Like A Slow-Motion Train Wreck'" For Years While Executives Were More Focused On "'Wall Street.'"

Southwest Airlines' "Service Meltdown" In The 2023 Holiday Season—Due Largely To "Inadequate Computer Systems" And Underinvestment—Resulted In Nearly 17,000 Flight Cancellations At The End Of December 2022, Costing The Airline Nearly $1 Billion.

Late 2022: Southwest Airlines Had A "Service Meltdown" During The Year-End Holiday Season In Which 16,700 Flights Were Canceled Between December 21 And 29, Costing The Airline Nearly $1 Billion. "The cost of the service meltdown at Southwest Airlines over the year-end holidays cost the airline nearly $1 billion and will cause the company to report a loss rather than a profit in the fourth quarter, the airline said in a filing on Friday. The airline, the nation's largest domestic carrier, said the cost of canceling more than 16,700 flights between December 21 and 29 will be somewhere between $725 million and $825 million." [CNN, 01/06/23]

- **Over Half Of The $1 Billion Loss Was From "Lost Ticket Revenue That Will Be Refunded To Customers."** "A bit more than half the cost - between $400 million and $425 million - will come from lost ticket revenue that will be refunded to customers." [CNN, 01/06/23]

- **The $1 Billion Cost Did Not Include Any Possible Fines From The U.S. Department Of Transportation, Which Said It Was Investigating Southwest's Service Failure.** "The costs did not include any possible fines that could be imposed by the Department of Transportation. DOT has said it is investigating the service problems at Southwest and members of Congress are calling on it to take firm action against the airline." [CNN, 01/06/23]

"Thousands Of Travelers Were Stranded At Airports," With Many Saying, "Southwest Had Done Little Or Nothing To Get Them To Their Destinations." "Thousands of travelers were stranded at airports, and many said Southwest had done little or nothing to get them to their destinations. Southwest canceled more than 2,900 flights on Monday; scrapped about 2,500 each day for the next two days, more than 60 percent of its schedule; and said it could take days to fully restore normal operations." [The New York Times, 12/27/22]

The Incident, Which Was The "Biggest Operational Meltdown" In The Company's Five-Decade History, Was Due Largely To "Inadequate Computer Systems That Made It Hard For The Airline To Get Crews To Waiting Planes And Put Passengers On Alternative Flights." "After a winter storm pummeled many parts of the country, most airlines quickly bounced back from delays and cancellations. But not Southwest Airlines, which days later is still struggling from what executives and analysts describe as its biggest operational meltdown in its five-decade history. The bad weather, coming a few days before Christmas, hit the airline harder than the rest of the industry because of inadequate computer systems that made it hard for the airline to get crews to waiting planes and put passengers on alternative flights, and a flight model that allowed problems at one airport to cascade to others." [The New York Times, 12/27/22]

One Expert Said, "'This Is The Worst Round Of Cancellations For Any Single Airline I Can Recall In A Career Of More Than 20 Years As An Industry Analyst.'" "'This is the worst round of cancellations for any single airline I can recall in a career of more than 20 years as an industry analyst,' Henry Harteveldt, who covers airlines for Atmosphere Research Group, said." [The New York Times, 12/27/22]

Just Days After Announcing The Service Meltdown Cost It Nearly $1 Billion, Southwest Announced A Round Of Executive Promotions And Did Not Appear To Demote Any Of Its Highest-Ranking Officers.

January 2023: Days After Announcing The Holiday Service Meltdown Would Cost The Airline Nearly $1 Billion, Southwest Announced, "A Number Of Executive Promotions" And Did Not Appear To Demote Any Of Its Highest-Ranking Executives. "Southwest Airlines announced a number of executive promotions on Monday, days after announcing that last month's service meltdown will cost the company up to $825 million, but none of the changes involved the highest ranking officers." [ABC News, 01/09/23]

- **Headline: Promotions, not job cuts, follow Southwest's holiday chaos** [ABC News, 01/09/23]

Southwest Claimed The Executive Changes Would "'Strengthen Our Operational Execution.'" "The airline said the changes 'will strengthen our operational execution' while also saying they were long-planned and a continuation of restructuring that began in September under a new CEO, Robert Jordan." [ABC News, 01/09/23]

Southwest's Service Meltdown "Reignited Calls For Updated Infrastructure," With A Pilots' Union Representative Noting That "'We've Had A Meltdown Once Or Twice A Year'" In Recent Years And That The Airline Did Not Make Investments Despite Past Discussions About The Need For Upgrades.

Southwest's Meltdown "Reignited Calls For Updated Infrastructure," With Pilots Saying The Airline's Outdated Scheduling Software Caused A "'Snowball Effect'" Of Delays And Cancellations. "The Southwest Airlines meltdown over the holiday week has reignited calls for updated infrastructure to prepare for future disruptions. While a historic nationwide storm was the initial cause of flight delays and cancellations, pilots say the company's scheduling software caused a 'snowball effect.'" [CBS News, 12/29/22]

Vice President Of The Southwest Airlines Pilots Association Michael Santoro Said, "'The Major Problem Is That Our Scheduling IT Infrastructure Is Outdated And Can't Handle The Massive Cancellations'" That Resulted From The Storm That Occurred During The Holiday Season. "Capt. Michael Santoro, vice president of the Southwest Airlines Pilots Association and a pilot for the carrier for more than 13 years, told CBS News the infrastructure can't process crew reassignments after about 300 changes. 'The storm was the catalyst that started this whole event, but the major problem is that our scheduling IT infrastructure is outdated and can't handle the massive cancellations that had to happen that day when the weather event occurred,' he said Wednesday." [CBS News, 12/29/22]

Santoro Said There Were Discussions About The Need For New Infrastructure But That "'The Investment Wasn't Made.'" "There had been past discussions about the need for new infrastructure, but 'the investment wasn't made,' Santoro said." [CBS News, 12/29/22]

Santoro Said The Scheduling Meltdowns Were Common, Stating That "'We've Had A Meltdown Once Or Twice A Year For The Past Several Years,'" Due To The Airline's Network Complexity Outpacing Its Ability To Adapt To Service Disruptions. "But, the issues with Southwest's scheduling software aren't new to Santoro. 'We've had a meltdown once or twice a year for the past several years,' he said. The pilots association said in a statement the problem 'began many years ago when the complexity of our network outgrew its ability to withstand meteorological and technological disruptions.'" [CBS News, 12/29/22]

In Addition To The Meltdown Leaving Passengers "Stranded," Southwest's Pilots Had To Wait Up To Five Hours To Be Reassigned To New Flights And Crew Members Had To Find Hotel Rooms Or Sleep In Airports. "As thousands of passengers were left stranded, pilots were also left waiting for information, Santoro said. 'Wait times for scheduling was over 4 or 5 hours to find out what our next assignment was,' he said. Some crew members had to book hotel rooms or sleep in the airports if rooms weren't available, he added." [CBS News, 12/29/22]

A Southwest Pilot Said Frontline Workers Had Seen The Meltdown "'Coming Like A Slow-Motion Train Wreck'" For Years, With Employees "'Begging'" Leadership For Operation Improvements While Executives "'Focused More On Return On Investment, Stock Buybacks And Wall Street.'"

Southwest Pilot Larry Lonero Said Southwest's "'Frontline Employees Have Been Watching This Meltdown Coming Like A Slow-Motion Train Wreck'" And That Workers Have Been "'Begging Our Leadership To Make Much Needed Changes'" For Two Decades. "Boyd's comments validate statements made by Southwest pilot Larry Lonero, whose social media post went into great detail about his theory on what happened. 'Many of you have asked what caused this epic meltdown,' Lonero said on Facebook. 'Unfortunately, the frontline employees have been watching this meltdown coming like a slow-motion train wreck for some time. And we've been begging our leadership to make much needed changes in order to avoid it. What happened … started two decades ago.'" [Las Vegas Review-Journal, 01/07/23]

Lonero Noted That Southwest's Leadership Has Been "'Focused More On Return On Investment, Stock Buybacks And Wall Street'" Than On Sound Operations. "When [Southwest Co-Founder Herb] Kelleher retired as CEO in 2004, the reins were turned over to Gary Kelly, an accountant by training and a person more focused on the financial aspects of the airline than its operations. 'They all disengaged the operation, disengaged the employees and focused more on return on investment, stock buybacks and Wall Street. This approach worked for Gary's first eight years because we were still riding the strong wave that Herb had built,' according to Lonero." [Las Vegas Review-Journal, 01/07/23]

July 2022: JetBlue Airways Proposed A $3.8 Billion Merger With Spirit Airlines, Potentially Creating The Nation's Fifth-Biggest Airline And Prompting Consumers And Workers To File An Antitrust Suit Against The Deal After A "'Furious Feeding Frenzy Of Mega-Mergers'" Helped The Top Four Airlines Control Over 80% Of The Domestic Air Market By 2020.

July 2022: JetBlue Airways Proposed Buying Spirit Airlines For $3.8 Billion, Potentially Creating The Nation's Fifth-Biggest Airline, With JetBlue's CEO Claiming The Merger Would Be A "'A Solution To The Lack Of Competition In The U.S. Airline Industry.'"

July 2022: JetBlue Airways Proposed Merging With Spirit Airlines For $3.8 Billion, Potentially Creating The Nation's Fifth-Largest Airline. "JetBlue is buying Spirit Airlines for $3.8 billion, creating the nation's fifth-largest airline." [CBS News, 07/28/22]

- **JetBlue Was The Sixth-Largest Airline And Spirit Was The Seventh-Largest Airline As Of November 2022.** "JetBlue, the sixth-largest US airline, and Spirit, the seventh-largest, didn't immediately respond to requests for comment Friday." [Bloomberg Law, 11/04/22]

JetBlue CEO Robin Hayes Claimed The Deal Would Be "'A Solution To The Lack Of Competition In The U.S. Airline Industry And The Continued Dominance Of The Big Four,'" Referring To American, United, Delta, And Southwest. "'We believe we can uniquely be a solution to the lack of competition in the U.S. airline industry and the continued dominance of the Big Four,' JetBlue CEO Robin Hayes said in a statement in a reference to American, United, Delta and Southwest. 'By enabling JetBlue to grow faster, we can go head-to-head with the legacies in more places to lower fares and improve service for everyone.'" [CBS News, 07/28/22]

The Airline Resulting From The Merger Would Have A Combined 458 Aircraft. "The combined carrier will have a fleet of 458 aircraft and add more than 1,700 daily flights to more than 125 destinations in 30 countries." [CBS News, 07/28/22]

JetBlue Expected Up To $700 Million In Annual Savings Once The Merger Is Done, With Annual Revenue Climbing To $11.9 Billion. "JetBlue expects $600 million to $700 million in annual savings once the transaction is complete. Annual revenue for the combined company is anticipated to be about $11.9 billion, based on 2019 revenues." [CBS News, 07/28/22]

November 2022: Consumers And Flight Attendants Filed An Antitrust Lawsuit Against The Proposed Merger, Arguing It Would Lower Competition, Give The Resulting Airline "A Chokehold Over Certain Routes," And Deepen The Industry's Oligopoly After A "'Furious Feeding Frenzy Of Mega-Mergers.'"

November 2022: Consumers And Flight Attendants Filed An Antitrust Lawsuit To Stop JetBlue Airways And Spirit Airlines' $3.8 Billion Merger, Arguing It Would "Eliminate One Of The Country's Last Major Discount Air Carriers" And Give "The Combined Airline A Chokehold Over Certain Routes." "A group of consumers and flight attendants sued JetBlue Airways Corp. and Spirit Airlines Inc., seeking to halt their planned $3.8 billion merger over concerns that it would eliminate one of the country's last major discount air carriers. The antitrust lawsuit, filed late Thursday, seeks an injunction permanently blocking the planned transaction, which would merge Spirit into JetBlue, allegedly giving the combined airline a chokehold over certain routes that neither one currently dominates." [Bloomberg Law, 11/04/22]

The U.S. Justice Department Was Also Investigating The Proposed Merger. "The transaction is also being investigated by the Justice Department, which is reportedly weighing whether to move against the merger." [Bloomberg Law, 11/04/22]

The Lawsuit Argued The Merger Would Worsen An Airline Oligopoly Produced By The "'Furious Feeding Frenzy Of Mega-Mergers'" In Recent Years That Has Reduced The Number Of Major Airlines From Eight To Four. "Merging it into JetBlue would allegedly eliminate not only a significant player in the discount airline market but also a meaningful check on 'abuses' by major airlines that have enjoyed an oligopoly since the 'furious feeding frenzy of mega-mergers' reduced their number from eight to four." [Bloomberg Law, 11/04/22]

The Lawsuit Also Sought To Stop A $400 Million "Side Payment" That Plaintiffs Argued Was "'Hush Money'" To Appease Spirit Airlines' Shareholders Who Might Otherwise Object To The Deal. "The suit, filed in the US District Court for the Northern District of California, also seeks to stop a related part of the deal, a side payment of $400 million allegedly given to Spirit's shareholders as 'hush money' so they wouldn't object. Spirit investors approved the deal in October." [Bloomberg Law, 11/04/22]

December 2022: Spirit Airlines Indicated Its Planned Merger Was Still Projected To Close In The First Half Of 2024. "Spirit Airlines (NYSE:SAVE) indicated its planned merger with JetBlue Airways (JBLU) is still slated to close in the first half of 2024. In an SEC filing released after Wednesday's market close, the airline indicated that it received requests for information from antitrust regulators in September. As of Monday, both airlines 'certified substantial compliance' with the regulators' requests for information. 'Spirit continues to anticipate that the Merger will close no later than the first half of 2024, subject to the satisfaction of all closing conditions,' the filing concluded." [Seeking Alpha, 12/14/22]

Industry Experts Have Warned That Fares Could Rise Without Spirit's "'Downward Pressure On Airfares,'" With One Calling It "'Bad News For Travelers.'"

Kerry Tan, A Loyola University Economics Professor, Noted That Jet Blue Was Not Likely To Adopt Spirit's Low-Fare Business Model And Warned That "'With Spirit No Longer Providing That Downward Pressure On Airfares, There Is A Real Concern About What Might Happen.'" "Kerry Tan, an associate professor of economics at Loyola University Maryland, said a merger with Spirit could help improve JetBlue's operations by providing it with additional jets and staffing. On the flip side, JetBlue is unlikely to adopt Spirit's business model, which focuses on low fares with few frills. Tan said that could lead to concerns that airfares will rise if the merger is approved. 'With Spirit no longer providing that downward pressure on airfares, there is a real concern about what might happen,' he said." [The Washington Post, 10/19/22]

Scott Keyes, The Founder Of Scott's Cheap Flights, Called The Proposed Merger "'Bad News For Travelers'" And Noted That "'Competition Between Airlines Is The Single Biggest Determinant Of How Many Cheap Flights You See On Any Given Route.'" "'I think it's bad news for travelers,' Scott Keyes, founder of Scott's Cheap Flights, said in an interview with ABC News. 'Competition between airlines is the single biggest determinant of how many cheap flights you see on any given route.' Keyes said Spirit is an 'anchor' in the market and its low fares tend to drive down ticket prices offered by mainline carriers." [ABC News, 10/19/22]

- **Keyes Noted That Bigger Airlines' Fares Tend Be Cheaper For Routes Where They Are Competing With Spirit Airlines.** "'Your Delta fares, your American fares are actually cheaper if they're on a route where they're competing with Spirit, because they need to drop those fares to try to compete and get more customers,' Keyes said." [ABC News, 10/19/22]

According To The Justice Department, The Top Four Airlines' Control Of The Domestic Air Market Has Boomed From 55% In 2000 To 81% In 2020.

The U.S. Justice Department Has Found That The Top Four Airlines' Control Of The Domestic Air Travel Market Has Increased From 55% In 2000 To 81% In 2020, Due To "The Number Of Smaller Competitors Dwindling." "The proposed merger comes at a time when bankruptcies and mergers mean just a handful of major players dominate the industry. According to the Justice Department, the top four airlines had 55 percent of the domestic air travel market in 2000, with a dozen smaller carriers competing for the rest. By 2020, the top four accounted for 81 percent of the market, with the number of smaller competitors dwindling." [The Washington Post, 10/19/22]

The Justice Department Has A Pending Antitrust Suit Against JetBlue's And American Airlines' "Northeast Alliance" Route-Sharing Pact, Calling It A "'Merger In All But Name'" And Charging It Could Raise Fares—A Spirit Executive Has Even Testified Against JetBlue, Warning That Its Alliance Could Open A "'Pandora's Box'" Of Similar Pseudo-Mergers.

The Justice Department And Seven Attorneys General Have Brought An Antitrust Suit Against JetBlue Over Its "Northeast Alliance" With American Airlines, Calling It A "'Merger In All But Name.'"

The U.S. Justice Department And Attorneys General From Six States And The District Of Columbia Already Have A Pending Antitrust Suit Against JetBlue Over Its "Northeast Alliance" Partnership With American Airlines That Allows The Two Companies To Share Planes And Revenue On Certain Routes Around Boston And New York. "JetBlue is embroiled in an antitrust suit brought by the Justice Department and attorneys general in six states and the District of Columbia over a partnership it launched in 2021 with American Airlines. The arrangement, known as the Northeast Alliance, allows the two carriers to share jets and revenue on certain routes in the Boston and New York areas." [The Washington Post, 10/19/22]

- **The Trial Began In September 2022.** "The trial, which began late last month, is taking place in U.S. District Court in Massachusetts." [The Washington Post, 10/19/22]

The Justice Department Alleges The Partnership "Reduces Competition And Could Lead To Higher Prices In One Of The Nation's Busiest Air Corridors." "The carriers contend the partnership enables them to better compete with larger players such as Delta Air Lines and United Airlines that operate more flights in those markets. The Justice Department argues the arrangement, while not a traditional merger, reduces competition and could lead to higher prices in one of the nation's busiest air corridors." [The Washington Post, 10/19/22]

The Justice Department Has Called The Partnership A "'Merger In All But Name.'" "Central to the government's argument is the allegation the alliance is a 'merger in all but name,' effectively giving the two airlines outsized control over airport gates and flight slots in the region." [Bloomberg, 10/13/22]

JetBlue Competitors Southwest Airlines And Spirit Airlines Testified That The Partnership Makes It Harder To Compete In The Boston And New York Markets, With A Spirit Executive Calling JetBlue A "'Feeder Airline For American.'" "Earlier in the trial, senior airline executives from competitors Southwest Airlines Co. and Spirit Airlines Inc. testified that the alliance makes it harder for them to compete in Boston and New York. An executive for Spirit accused JetBlue last month of being 'a feeder airline for American.'" [Bloomberg, 10/13/22]

A Spirit Executive Has Testified That Competition Could Be "'Harmed'" By The Alliance And It Could Open A "'Pandora's Box'" Of Similar Pseudo-Mergers.

Spirit's Vice President Of Network Planning Testified Against The Partnership, Stating, "'I Think Competition Is Harmed By This Combination.'" "A Spirit Airlines executive denounced the American Airlines-JetBlue Airways partnership in federal court on 30 September – just two months after Spirit agreed to be purchased by low-cost competitor JetBlue. [...] 'The alliance is great for American and JetBlue,' Kirby tells the court. 'It does allow them to operate similar to a merger without being merged. But overall, I think competition is harmed by this combination.'" [Flight Global, 09/30/22]

- **John Kirby Is Spirit's Vice President Of Network Planning.** "John Kirby, Spirit's vice-president of network planning, testified in Boston that the American-JetBlue alliance stifles competition in an already highly consolidated industry, adding to previous testimony that JetBlue has become a 'feeder airline' for American." [Flight Global, 09/30/22]

Kirby Testified That The Partnership Could Encourage Other Airlines To Enter Similar Arrangements And Undermine Competition, Stating, "'I View This As Opening Pandora's Box.'" "On 29 September, Kirby testified that the NEA could expand and potentially encourage other major US airlines to form similar alliances, strangling competition. 'I view this as opening Pandora's box,' he says." [Flight Global, 09/30/22]

JetBlue Has Disclosed That The Spirit Merger Could "Cause Disruption" In Its Business, Including Difficulties In Integrating The Two Airlines' "Complex Systems And Technologies"—Including Reservation Systems And IT Infrastructure—In Addition To Distracting Management From "Day-To-Day Business."

JetBlue Has Disclosed That Its Proposed Merger With Spirit Could "Cause Disruption" In Its Business, Expecting A "Significant Burden" That Could Cause "The Diversion Of Management's Attention Away From Day-To-Day Business."

In Its Q2 2022 Filing, JetBlue Disclosed That Its Proposed Merger With Spirit Airlines Could "Cause Disruption" In Its Business, With The Company Expecting "A Significant Burden" That Could Cause The "Diversion Of Management's Attention Away From Day-To-Day Business." "ITEM 1A. RISK FACTORS [...] The pendency of the proposed Merger may cause disruption in our business. [...] The preparation for the proposed Merger and the subsequent integration with Spirit's business is expected to place a significant burden on our management and internal resources. The diversion of management's attention away from day-to-day business concerns and any difficulties encountered in the transition and integration process could adversely affect our business, results of operations and financial condition." [JetBlue Airways Corporation SEC Form 10-Q, 08/05/22]

JetBlue Disclosed That Historically, Airline Mergers Have "Proven To Be More Time Consuming, Costly And Require More Resources Than Initially Expected." "ITEM 1A. RISK FACTORS [...] Although we expect that the Merger will result in synergies and other benefits to us, we may not realize those benefits because of required divestitures, difficulties related to integration and the achievement of such synergies and other challenges. [...] Historically, the integration of separate airlines has proven to be more time consuming, costly and require more resources than initially expected. We expect we will be required to devote significant management attention and financial and other resources to integrating our two business practices, cultures and operations." [JetBlue Airways Corporation SEC Form 10-Q, 08/05/22]

JetBlue Disclosed That The Merger Could Pose Difficulties In Combining The Two Airlines' "Complex Systems And Technologies," Including Reservation Systems And Information Technology Infrastructure.

JetBlue Disclosed That The Merger Could Pose Difficulties In Combining The Two Companies' "Complex Systems And Technologies"—Including Reservation Systems, Networks, And Its Aircraft Fleets—And In Combining The Two Companies' Information Technology Infrastructure. "In connection with the integration of our business with Spirit's in a manner that permits us to achieve the synergies anticipated to result from the Merger we will need to address, among other things, the following issues: [...] combining the companies' separate operational, financial, reporting and internal control functions; [...] integrating complex systems and technologies, including implementing an integrated customer reservations system, operating procedures, regulatory compliance programs, aircraft fleets, networks, and other assets in a manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies; [...] integrating the businesses' corporate, administrative and information technology infrastructure, including coordinating geographically dispersed companies;" [JetBlue Airways Corporation SEC Form 10-Q, 08/05/22]

JetBlue Also Disclosed That The Merger Could Result In Difficulties In "Managing The Expanded Operations Of A Significantly Larger And More Complex Company." "In connection with the integration of our business with Spirit's in a manner that permits us to achieve the synergies anticipated to result from the Merger we will need to address, among other things, the following issues: [...] managing the expanded operations of a significantly larger and more complex company;" [JetBlue Airways Corporation SEC Form 10-Q, 08/05/22]

Spirit Airlines Has Also Disclosed That The JetBlue Merger "May Cause Disruption" In Its Business While Being A "Significant Burden," Reporting Risks In Integrating The Two Airlines' Technology Systems And Distracting Management From "Day-To-Day Business Concerns"—Spirit Also Disclosed Several Technology Integration Risks Related To Its Abandoned Merger With Frontier Airlines And That It Could Be "Disruptive."

Spirit Airlines Has Disclosed That Its Proposed JetBlue Merger "May Cause Disruption" In Its Business And "Place A Significant Burden On [Its] Management And Internal Resources," Potentially Driving "Management's Attention Away From Day-To-Day Business Concerns."

Spirit Airlines Has Disclosed That Its Proposed Merger With JetBlue "May Cause Disruption" In Its Business. "ITEM 1A.RISK FACTORS [...] The pendency of the proposed Merger may cause disruption in our business. On July 28, 2022, we entered into the Merger Agreement with JetBlue and Merger Sub, pursuant to which and subject to the terms and conditions therein, Merger Sub will merge with and into Spirit, with Spirit continuing as the surviving entity." [Spirit Airlines, Inc. SEC Form 10-Q, 08/08/22]

Spirit Disclosed That The Proposed Merger May "Place A Significant Burden On Our Management And Internal Resources," Potentially Diverting "Management's Attention Away From Day-To-Day Business Concerns." "The pursuit of the Merger is expected to place a significant burden on our management and internal resources. The diversion of management's attention away from day-to-day business concerns and any difficulties encountered in the transition process could adversely affect our business, results of operations and financial condition." [Spirit Airlines, Inc. SEC Form 10-Q, 08/08/22]

In Its 2021 Annual Report, Spirit Airlines Disclosed Several Risks Related To Integrating Its Technology Systems As Part Of Its Then-Pending Merger With Frontier Airlines, Noting That Such Integration "Has Taken Longer, Been More Disruptive And Cost More Than Originally Forecast."

In Its FY 2021 Annual Report, Spirit Airlines Disclosed Multiple "Risks Relating To Integrating Various Computer, Communications And Other Technology Systems" Associated With Its Then-Pending Merger With Frontier Airlines, Which Was Terminated In July 2022. "We face challenges in integrating our computer, communications and other technology systems. [...] Among the principal risks of integrating Frontier's and the Company's businesses and operations are the risks relating to integrating various computer, communications and other technology systems, including designing and implementing an integrated customer reservations system, that will be necessary to operate Frontier and the Company as a single airline and to achieve cost synergies by eliminating redundancies in the businesses." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

- **July 2022: Spirit Airlines' Proposed Merger With Frontier Airlines Was Terminated After JetBlue Offered To Merge With Spirit Instead.** "Spirit Airlines terminated its merger agreement with Frontier Airlines on Wednesday, months after a rival bid by JetBlue Airways marred the planned tie-up. The announcement ends a protracted battle over the budget airline known for its bare bones service and low fares. Spirit said it would continue its 'ongoing discussions with JetBlue as we pursue the best path forward for Spirit and our stockholders.'" [CNBC, 07/27/22]

Spirit Airlines Noted That Technology Integration In Prior Airline Mergers "Has Taken Longer, Been More Disruptive And Cost More Than Originally Forecast," With A Potential Risk To "Business, Results Of Operations And Financial Condition." "The integration of these systems in a number of prior airline mergers has taken longer, been more disruptive and cost more than originally forecast. The implementation process to integrate these various systems will involve a number of risks that could adversely impact our business, results of operations and financial condition. The related implementation will be a complex and time-consuming project involving substantial expenditures for implementation consultants, system hardware, software and implementation activities, as well as the transformation of business and financial processes." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

The Many Risks Spirit Airlines Disclosed Included: "Challenges In Simultaneously Activating New Systems Throughout Our Global Network; Difficulty In Training Employees In The Operations Of New Systems; The Risk Of Security Breach Or Disruption." "As with any large project, there will be many factors that may materially affect the schedule, cost and execution of the integration of our computer, communications and other technology systems. These factors include, among others: problems during the design, implementation and testing phases; systems delays and/or malfunctions; the risk that suppliers and contractors will not perform as required under their contracts; the diversion of management attention from daily operations to the project; reworks due to unanticipated changes in business processes; challenges in simultaneously activating new systems throughout our global network; difficulty in training employees in the operations of new systems; the risk of security breach or disruption; and other unexpected events beyond our control. We cannot assure you that our security measures, change control procedures or disaster recovery plans will be adequate to prevent disruptions or delays." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

Disclosing Risks To Its Business, Spirit Airlines Has Reported That It Relies "Heavily" On Automated Systems—Including Reservation And Flight Operation Systems—And That It Is "Especially Vulnerable To Flight Delays Or Cancellations Or Aircraft Unavailability" As It Reported Significant Cuts To Spending On Equipment And Property.

Spirit Airlines Has Disclosed That It Relies "Heavily" On Automated Systems, Including Reservation And Flight Operations Systems, And That It "Cannot Assure" That Its "Change Control Procedures And Disaster Recovery Plans Will Be Adequate To Prevent Disruptions Or Delays."

While Discussing Risks To Its Business, Spirit Airlines Has Disclosed "We Rely Heavily On Technology And Automated Systems To Operate Our Business And Any Failure Of These Technologies Or Systems Or Failure By Their Operators Could Harm Our Business"—These Systems Include Its Reservation, Flight Operations, And Maintenance Systems. "Risks Related to Our Business [...] We rely heavily on technology and automated systems to operate our business and any failure of these technologies or systems or failure by their operators could harm our business. [...] We are highly dependent on technology and automated systems to operate our business and achieve low operating costs. These technologies and systems include our computerized airline reservation system, flight operations system, financial planning, management and accounting system, telecommunications systems, website, maintenance systems and check-in kiosks. The performance and reliability of our technology are critical to our ability to operate and compete effectively." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

Spirit Disclosed That It "Cannot Assure" That Its "Change Control Procedures And Disaster Recovery Plans Will Be Adequate To Prevent Disruptions Or Delays." "We cannot assure you that our security measures, change control procedures and disaster recovery plans will be adequate to prevent disruptions or delays. Disruption in or changes to these systems could result in an interruption to our operations or loss of important data. Any of the foregoing could result in a material adverse effect on our business, reputation, results of operations and financial condition." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

Spirit Has Disclosed That It Is "Especially Vulnerable To Flight Delays Or Cancellations Or Aircraft Unavailability" Due To The "High Daily Aircraft Utilization Rate" Associated With Its Low-Cost Model.

Spirit Has Disclosed That It Is "Especially Vulnerable To Flight Delays Or Cancellations Or Aircraft Unavailability" Because It Relies On "Maintaining A High Daily Aircraft Utilization Rate To Implement [Its] Low-Cost Structure." "We rely on maintaining a high daily aircraft utilization rate to implement our low-cost structure, which makes us especially vulnerable to flight delays or cancellations or aircraft unavailability." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

Spirit Noted It Had Historically Maintained A High Aircraft Utilization Rate, With 12.3 Hours Per Aircraft Per Day In Pre-Pandemic 2019. "Historically, we have maintained a high daily aircraft utilization rate. During 2020 and, to a lesser extent, 2021, we operated our aircraft at lower utilization levels due to the COVID-19 pandemic and as such our average daily aircraft utilization of 6.9 hours and 9.7 hours, respectively, were unusually low compared to prior years. Our average daily aircraft utilization was 12.3 hours for 2019. Aircraft utilization is the average amount of time per day that our aircraft spend carrying passengers." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

In Its FY 2021, Spirit Airlines Spent 64% Of What It Spent On Investing Activities In FY 2020 And 54% Of What It Spent On Equipment And Property Purchases In FY 2020 And 77% Of What It Spent On Investing Activities In FY 2019 And 64% Of What It Spent On Equipment And Property In FY 2019.

**In Its FY 2021, Spirit Airlines Spent $352.4 Million On Investing Activities—64% Of The $554 Million It Spent In Its FY 2020 And 77% Of The $456.9 Million It Spent In FY 2019—
"Mainly Driven By A Decrease In Purchases Of Property And Equipment."** "Net Cash Flows Used In Investing Activities. During 2021, investing activities used $352.4 million, compared to $554.0 million used in

2020. The decrease was mainly driven by a decrease in purchases of property and equipment, year over year, as well as a decrease in PDPs paid, net of refunds, driven by timing of future aircraft deliveries.” [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

- **Spirit Airlines Spent $456.9 Million On Investing Activities In Its FY 2019.** “During 2020, investing activities used $554.0 million, compared to $456.9 million used in 2019. The increase was mainly due to an increase in purchases of property and equipment, year over year, as well as an increase in PDPs paid, net of refunds, driven by timing of future aircraft deliveries.” [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

In Its FY 2021, Spirit Airlines Spent $213.8 Million On Purchases Of Property And Equipment—54% Of What It Spent In Its FY 2020 And 64% Of What It Spent In Its FY 2019:

Investing activities:			
Purchase of available-for-sale investment securities	(105,361)	(118,893)	(122,410)
Proceeds from the maturity and sale of available-for-sale investment securities	104,500	117,665	120,830
Pre-delivery deposits on flight equipment, net of refunds	(119,352)	(143,220)	(102,102)
Capitalized interest	(17,258)	(12,233)	(10,774)
Assets under construction for others	(1,207)	(3,944)	(7,936)
Purchase of property and equipment	(213,767)	(393,375)	(334,537)
Net cash used in investing activities	**(352,445)**	**(554,000)**	**(456,929)**

[Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

In FY 2021, Spirit Airlines’ Spending On Deferred Heavy Maintenance Was Only 42% Of What It Spent In Pre-Pandemic FY 2019, A Decrease Of Almost $102 Million.

In Its FY 2021, Spirit Airlines Spent $74 Million On Deferred Heavy Maintenance—Nearly $102 Million Less Or Just 42% Of The $176 Million It Spent In Pre-Pandemic FY 2019:

	Year Ended December 31,		
	2021	2020	Restated 2019
[...]			
Deferred heavy maintenance, net	(74,083)	(75,230)	(175,957)

[Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

JetBlue’s Working Capital Deficit—A Measure Of “The Short-Term Health” Of Businesses—Ballooned By 947% To $1.8 Billion In The First Nine Months Of 2022 After It Planned To “Restrict Non-Aircraft Capital Expenditures” And Reported That Its FY 2021 Investment Spending Was Just 54% Of What It Spent In FY 2020.

JetBlue’s Working Capital Deficit Ballooned 947% From $172 Million At The End Of FY 2021 To $1.8 Billion At The End Of FY 2022—Working Capital Is Commonly Used To “Gauge The Short-Term Health Of An Organization.”

As Of December 31, 2022, JetBlue Had A “Working Capital Deficit Of $1.8 Billion” Compared To $172 Million At The End of 2021. “We had a working capital deficit of $1.8 billion as of December 31, 2022 compared to a deficit of $172 million as of December 31, 2021. Our working capital decreased by $1.7 billion due to several factors, including a decrease in cash and cash equivalents due to debt repayments on our outstanding debt and finance lease obligations and an increase in current maturities of long term debt related to sale leaseback transactions." [JetBlue SEC Form 10-Q, 02/27/23]

- **Working Capital Is "A Commonly Used Measurement To Gauge The Short-Term Health Of An Organization."** "Working capital, also known as net working capital (NWC), is the difference between a company's current assets—such as cash, accounts receivable/customers' unpaid bills, and inventories of raw materials and finished goods—and its current liabilities, such as accounts payable and debts. It's a commonly used measurement to gauge the short-term health of an organization." [Investopedia, accessed 01/11/23]

Due In Part To Increased Demand, JetBlue's Working Capital Deficit For 2021 Had Decreased From A Working Capital Surplus Of $671 Million At The End Of 2020. "Working Capital [...] We had a working capital deficit of $170 million as of December 31, 2021 compared to a surplus of $671 million as of December 31, 2020. Our working capital decreased by $501 million due to several factors, including an overall increase in our air traffic liability resulting from the increase in customer bookings as demand for air travel began to recover from the COVID-19 pandemic." [JetBlue Airways Corporation SEC Form 10-K, 02/22/22]

For Its FY 2022, JetBlue Planned To "Restrict Non-Aircraft Capital Expenditures" As It Disclosed That Its FY 2021 Investment Spending Was Just Over Half Of What It Spent In Its FY 2020 While Its Spending On Ground Equipment And Facilities Improvements Was Just 76% Of What It Spent In Its FY 2020.

For Its FY 2022, JetBlue Disclosed That It Planned To "Restrict Non-Aircraft Capital Expenditures To Those That Are Most Critical To Our Path To Recovery." "We currently anticipate capital expenditures of approximately $175 million for the first quarter of 2022, and approximately $1.0 billion for the full year 2022. We plan to restrict non-aircraft capital expenditures to those that are most critical to our path to recovery." [JetBlue Airways Corporation SEC Form 10-K, 02/22/22]

In Its 2021 Fiscal Year, JetBlue's Spending On Investing Activities Was $704 Million—54% Of What It Spent In Its FY 2020 And 64% Of What It Spent In Its FY 2019. "Investing Activities [...] Cash used in investing activities totaled approximately $704 million, $1.3 billion, and $1.1 billion in 2021, 2020, and 2019, respectively." [JetBlue Airways Corporation SEC Form 10-K, 02/22/22]

In Its FY 2021, JetBlue Spent $93 Million On "Ground Equipment Purchases And Facilities Improvements," 76% Of The $123 Million It Spent In Its FY 2020. "Investing Activities [...] Other property and equipment capital expenditures included ground equipment purchases and facilities improvements for $93 million. Investing activities in 2021 also included the net proceeds of $296 million from our investment securities." [JetBlue Airways Corporation SEC Form 10-K, 02/22/22]

- **In Its FY 2020, JetBlue Spent $123 Million On "Ground Equipment Purchases And Facilities Improvements."** "Investing Activities [...] Other property and equipment capital expenditures included ground equipment purchases and facilities improvements for $123 million. Investing activities also included the net purchase of $767 million in investment securities." [JetBlue Airways Corporation SEC Form 10-K, 03/02/21]

- **In Its FY 2019, JetBlue Spent $158 Million On "Ground Equipment Purchases And Facilities Improvements."** "Investing Activities [...] During 2019, capital expenditures related to our purchase of flight equipment included $478 million for the purchase of six new Airbus A321neo aircraft and the buyout of one Airbus A320 aircraft lease, $224 million for flight equipment deposits, $249 million for flight equipment work-in-progress, and $48 million for spare part purchases. Other property and equipment capital expenditures included ground equipment purchases and facilities improvements for $158 million." [JetBlue Airways Corporation SEC Form 10-K, 03/02/21]

In Its FY 2021, JetBlue Spent $637 Million On New Aircraft And Spare Engines, $88 Million On Deposits For Flight Equipment, $133 Million For "Flight Equipment Work-In-Progress," And $44 Million For Spare Parts. "During 2021, capital expenditures related to our purchase of flight equipment included $637 million for the purchase of eight new Airbus A321neo aircraft, seven Airbus A220 aircraft, and a number of spare engines; $88 million for flight equipment deposits, $133 million for flight equipment work-in-progress; and $44 million for spare part purchases." [JetBlue Airways Corporation SEC Form 10-K, 02/22/22]

- **In Its FY 2020, JetBlue Spent $426 Million On New Aircraft, $76 Million On Deposits For Flight Equipment, $151 Million For "Flights Equipment Work-In-Progress," And $15 Million For Spare Parts.** "During 2020, capital expenditures related to our purchase of flight equipment included $426 million for the purchase of seven new Airbus A321neo aircraft, our first Airbus A220 aircraft, and the buyout of one Airbus A321 aircraft lease, $76 million for flight equipment deposits, $151 million for flight equipment work-in-progress, and $15 million for spare part purchases." [JetBlue Airways Corporation SEC Form 10-K, 03/02/21]

- **In Its FY 2019, JetBlue Spent $478 Million On New Aircraft, $224 Million For Deposits On Flight Equipment, $249 Million For "Flight Equipment Work-In-Progress," And $48 Million On Spare Parts.** "During 2019, capital expenditures related to our purchase of flight equipment included $478 million for the purchase of six new Airbus A321neo aircraft and the buyout of one Airbus A320 aircraft lease, $224 million for flight equipment deposits, $249 million for flight equipment work-in-progress, and $48 million for spare part purchases." [JetBlue Airways Corporation SEC Form 10-K, 03/02/21]

In Its FY 2021, Even As Its Net Cash Was Higher Than In The Previous Four Fiscal Years, JetBlue's Capital Expenditures Were Lower Than In Pre-Pandemic FY 2019, FY 2018, And 2017.

In Its FY 2021, JetBlue's Capital Expenditures Were Less Than In Pre-Pandemic FY 2019, 2018, and 2017, Although It Enjoyed Significantly More Free Cash Flow In FY 2021 Due To Over $1.6 Billion In Net Cash Provided By Operating Activities:

NON-GAAP FINANCIAL MEASURE
RECONCILIATION OF FREE CASH FLOW

(in millions)	Year Ended December 31,				
	2021	2020	2019	2018	2017
Net cash provided by (used in) operating activities	$ 1,642	$ (683)	$ 1,449	$ 1,200	$ 1,379
Less: Capital expenditures	(907)	(715)	(932)	(908)	(1,074)
Less: Pre-delivery deposits for flight equipment	(88)	(76)	(224)	(206)	(128)
Free Cash Flow	**$ 647**	**$ (1,474)**	**$ 293**	**$ 86**	**$ 177**

[JetBlue Airways Corporation SEC Form 10-K, 02/22/22]

JetBlue Reported Net Losses Of $182 Million In FY 2021 And $362 Million In FY 2022—Meanwhile, Its CEO Pay Rose By 67% To Almost $3.5 Million, Nearly Matching Pre-Pandemic FY 2019's Pay Level.

JetBlue Reported A Net Loss Of $182 Million In FY 2021 And A Net Loss Of $362 Million In Its FY 2022.

JetBlue Had Net Losses Of $182 Million In Its FY 2021 And $1.4 Billion In Its FY 2020:

	Years Ended December 31,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (362)	$ (182)	$ (1,354)

[JetBlue Airways Corporation SEC Form 10-Q, 02/27/23]]

JetBlue Had A Net Loss Of $362 Million In Its FY 2022:

	Years Ended December 31,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (362)	$ (182)	$ (1,354)

[JetBlue Airways Corporation SEC Form 10-Q, 02/27/23]

JetBlue's CEO's Total Compensation Rose By 67% To Nearly $3.5 Million In FY 2021—Nearly Matching His $3.9 Million In Total Compensation In Pre-Pandemic 2019.

In 2021, JetBlue's CEO Had A Total Compensation Of $3.45 Million—67% More Than His 2020 Compensation Of $2.06 Million And 87% Of His Compensation Of $3.96 Million In Pre-Pandemic 2019:

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Non-Equity Incentive Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Robin Hayes Chief Executive Officer	2021	593,750		2,424,975	410,000	21,030	3,449,755
	2020	435,417		1,199,992	410,200	17,580	2,063,189
	2019	598,333		2,549,990	787,200	20,000	3,955,523

[JetBlue Airways Corporation SEC Schedule 14A, 04/07/22]

Spirit Reported Net Losses Of $473 Million In Its FY 2021 And $554.2 Million Its FY 2022—Meanwhile, Its CEO Pay Rose By 49% To Almost $3.9 Million In FY 2021, 14% More Than In Pre-Pandemic FY 2019.

Spirit Reported A Net Loss Of $472.6 Million In FY 2021 And A Net Loss Of $270.7 Million In Its FY 2022.

Spirit Airlines Reported A Net Loss Of $472.6 Million In Its FY 2021:

	Year Ended December 31,		
	2021	2020	2019
[...]			
Net income (loss)	$ (472,569)	$ (428,700)	$ 335,255

[Spirit Airlines, Inc. SEC Form 10-Q, 02/08/22]

Spirit Airlines Reported A $554.2 Million Net Loss In Its FY 2022:

	Three Months Ended December 31,		Percent Change	Year Ended December 31,		Percent Change
	2022	2021		2022	2021	
[...]						
Net loss	$ (270,664)	$ (87,159)	210.5	$ (554,150)	$ (472,569)	17.3

[Spirit Airlines, 02/06/23]

Spirit's CEO's Total Compensation Rose By 49% To Nearly $3.9 Million In FY 2021—And Rising 14% More Than The $3.4 Million He Took In Pre-Pandemic FY 2019.

Spirit Airlines' President And CEO Edward M. Christie Had A Total Compensation Of $3.87 Million In 2021—49% More Than His 2020 Compensation Of $2.59 Million And 14% More Than The $3.40 Million He Took In Pre-Pandemic 2019:

Name and Principal Position During 2021	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Non-Equity Incentive Plan Compensation ($) (2)	All Other Compensation ($) (3)	Total ($)
Edward M. Christie III	2021	700,000	—	2,101,739	1,037,535	32,007	3,871,281
	2020	638,750	—	1,921,116	—	31,579	2,591,445
	2019	700,000	—	1,935,273	738,500	26,680	3,400,453

[Spirit Airlines, Inc. SEC Schedule 14A, 03/30/22]

- **Edward M. Christie Is Spirit Airlines' President And CEO.** "Edward M. Christie III [...] President, Chief Executive Officer and Director" [Spirit Airlines, Inc. SEC Schedule 14A, 03/30/22]

Spirit Airlines Had A Net Loss Of $472.6 Million In Its FY 2021 And A Net Loss Of $428.7 Million In Its FY 2020:

	Year Ended December 31, 2021	2020	2019
[...]			
Net income (loss)	$ (472,569)	$ (428,700)	$ 335,255

[Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

In Its FY 2021 Annual Filing, Spirit Disclosed That It May Retain Earnings To Fund Share Repurchases. "We do not intend to pay cash dividends for the foreseeable future. [...] We have never declared or paid cash dividends on our common stock. We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and fund share repurchases under programs approved by our Board of Directors." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

JetBlue And Spirit Together Took Over $2.75 Billion In Pandemic Bailouts—By The End Of 2021, The Airline Industry Was Facing Scrutiny Over "Major Flight Disruptions And Delays" After It Took $37 Billion In Pandemic Bailouts And Executives Were Seeking Ways To Avoid The Bailouts' Limits On Executive Pay.

JetBlue Took Over $2 Billion From Three Rounds Of Federal Pandemic Bailouts, Over $1.5 Billion Of Which Was In Grants And About $535 Million Of Which Was Loans.

April 2020: As Part Of The CARES Act's Payroll Support Program, JetBlue Accepted About $963 Million, $704 Million Of Which Was Grants And $259 Million Of Which Was Loans. "On April 23, 2020, we entered into a Payroll Support Program Agreement (the 'PSP Agreement') under the CARES Act with the United States Department of the Treasury ('Treasury') governing our participation in the Payroll Support

Program. Under the Payroll Support Program, Treasury provided us with a total of approximately $963 million (the 'Payroll Support Payments') consisting of $704 million in grants and $259 million in unsecured term loans." [JetBlue Airways Corporation SEC Form 10-K, 02/22/22]

January 2021: JetBlue Accepted $580 Million, $436 Million Of Which Was Grants And $144 Million Of Which Was Loans, Under December 2020's Payroll Support Program 2. "Consolidated Appropriations Act – Payroll Support Program 2 [...] On January 15, 2021, we entered into a Payroll Support Program Extension Agreement with Treasury governing our participation in the federal Payroll Support Program for passenger air carriers under the United States Consolidated Appropriations Act, 2021 (the 'Payroll Support Program 2'). Treasury provided us with a total of approximately $580 million (the 'Payroll Support 2 Payments') under the program, consisting of $436 million in grants and $144 million in unsecured term loans, with funding received on January 15, 2021, March 5, 2021 and April 29, 2021." [JetBlue Airways Corporation SEC Form 10-K, 02/22/22]

- **December 2020: The Payroll Support Program 2 Was Created Under The Consolidated Appropriations Act Of 2021.** "The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted on March 27, 2020, created the Payroll Support Program (PSP1) for air carriers and certain contractors. PSP1 provided assistance to over 600 companies, supporting hundreds of thousands of aviation jobs. The Consolidated Appropriations Act, 2021, enacted on December 27, 2020, created the Payroll Support Program Extension (PSP2) for passenger air carriers and certain contractors." [U.S. Department of the Treasury, accessed 01/12/23]

May 2021: JetBlue Accepted $541 Million, $409 Million Of Which Was Grants And $132 Million Of Which Was Loans, Under March 2021's Payroll Support Program 3. "American Rescue Plan Act – Payroll Support Program 3 [...] On May 6, 2021, we entered into a Payroll Support 3 Agreement with Treasury governing our participation in the federal payroll support program for passenger air carriers under Section 7301 of the American Rescue Plan Act of 2021 (the 'Payroll Support Program 3'). Treasury provided us with a total of approximately $541 million (the 'Payroll Support 3 Payments') under the program, consisting of $409 million in grants and $132 million in unsecured term loans." [JetBlue Airways Corporation SEC Form 10-K, 02/22/22]

- **The American Rescue Plan Act Of 2021 Authorized The Payroll Support Program 3, Which Provided Up To $15 Billion To "Passenger Air Carriers And Certain Contractors."** "The American Rescue Plan Act of 2021 (ARP) authorizes the Treasury Department to provide up to $15 billion to passenger air carriers and certain contractors for the continuation of employee payroll. To be eligible for PSP3, participants must have participated in the Payroll Support Program Extension (PSP2) under the Consolidated Appropriations Act, 2021." [U.S. Department of the Treasury, accessed 01/12/23]

- **The American Rescue Plan Act Of 2021 Became Law On March 11, 2021.** [Congress.gov, accessed 01/12/23]

Spirit Airlines Took $754.4 Million From Three Rounds Of Federal Pandemic Bailouts, $618.1 Million Of Which Were Grants And $136.3 Million In Low-Interest Loans.

April 2020: Spirit Airlines Took $344.4 Million, $73.3 Million Of Which Was A Loan, Under The CARES Act's Payroll Support Program To Bail Out The Air Industry During The Pandemic. "On April 20, 2020, we entered into a PSP Agreement with the United States Department of the Treasury ('Treasury'), pursuant to which we received a total of $344.4 million, used exclusively to pay for salaries, wages and benefits for our Team Members through September 30, 2020. Of that amount, $73.3 million is in the form of a low-interest 10-year loan." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

- **The Payroll Support Program, Enacted Under The Cares Act, Provided $25 Billion In Payroll Support To "Passenger Air Carriers, Cargo Air Carriers, And Certain Contractors."** "The Payroll Support Program under Division A, Title IV, Subtitle B of the CARES Act provides payroll support to passenger air carriers, cargo air carriers, and certain contractors for the continuation of payment of employee wages, salaries, and benefits. A total of up to $25 billion is available for passenger air carriers; $4 billion for cargo air carriers; and $3 billion for certain contractors." [U.S. Department of the Treasury, accessed 01/12/23]

January 2021: Spirit Airlines Took $212.1 Million Under The Payroll Support Program 2, Which Was Authorized In December 2020's Consolidated Appropriations Act Of 2021 And Provided The Air Industry An Additional $15 Billion In Bailouts. "On December 27, 2020, the PSP2 was signed into law which extended the PSP portion of the CARES Act through March 31, 2021 and provided an additional $15 billion to fund the PSP2 for employees of passenger air carriers. We entered into the PSP2 payroll support program agreement with the Treasury on January 15, 2021. During the first and second quarters of 2021, We received a total of $212.1 million through the PSP2, used exclusively to pay for salaries, wages and benefits for our Team Members through March 31, 2021." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

- **December 2020: The Payroll Support Program 2 Was Created Under The Consolidated Appropriations Act Of 2021.** "The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted on March 27, 2020, created the Payroll Support Program (PSP1) for air carriers and certain contractors. PSP1 provided assistance to over 600 companies, supporting hundreds of thousands of aviation jobs. The Consolidated Appropriations Act, 2021, enacted on December 27, 2020, created the Payroll Support Program Extension (PSP2) for passenger air carriers and certain contractors." [U.S. Department of the Treasury, accessed 01/12/23]

April 2021: Spirit Airlines Took $197.9 Million Under The Payroll Support Program 3, Which Was Authorized In March 2021's American Rescue Plan Act Of 2021 And Provided The Air Industry An Additional $15 Billion In Bailouts. "In addition, the ARP, enacted on March 11, 2021, authorized the Treasury to provide additional assistance through the PSP3. Under the ARP, Treasury provided approximately $14 billion to fund the PSP3 for employees of passenger air carriers. We entered into the PSP3 payroll support program agreement with the Treasury on April 29, 2021. During the second quarter of 2021, we received a total of $197.9 million through the PSP3, to be used exclusively to pay for salaries, wages and benefits for our Team Members through September 30, 2021." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

- **The American Rescue Plan Act Of 2021 Authorized The Payroll Support Program 3, Which Provided Up To $15 Billion To "Passenger Air Carriers And Certain Contractors."** "The American Rescue Plan Act of 2021 (ARP) authorizes the Treasury Department to provide up to $15 billion to passenger air carriers and certain contractors for the continuation of employee payroll. To be eligible for PSP3, participants must have participated in the Payroll Support Program Extension (PSP2) under the Consolidated Appropriations Act, 2021." [U.S. Department of the Treasury, accessed 01/12/23]

- **The American Rescue Plan Act Of 2021 Became Law On March 11, 2021.** [Congress.gov, accessed 01/12/23]

$63 Million Of The Payroll Support Program Assistance That Spirit Received In 2021 Was In The Form Of A Loan. "Of the amounts received in 2021 mentioned above, $63.0 million is in the form of a low-interest 10-year loan. In addition, in connection with our participation in the PSP2 and PSP3, we issued to the Treasury warrants pursuant to a warrant agreement to purchase up to 137,753 shares and 80,539 shares of our common stock at a strike price of $24.42 per share (the closing price for the shares of our common stock on December 24, 2020) and $36.45 (the closing price for the shares of our common stock on March 10, 2021) with fair values of $2.8 million and $1.5 million, respectively." [Spirit Airlines, Inc. SEC Form 10-K, 02/08/22]

By The End Of 2021, Consumer Groups And Congress Members Were Questioning How The Airline Industry Used Its $37 Billion Pandemic Bailout As Consumers Suffered "Major Flight Disruptions And Delays"—With Spirit Airlines Canceling "Thousands Of Flights" In Mid-2021—While Airlines Managing To Find Ways Around The Bailouts' Limits On Executive Pay.

By The End Of 2021, Consumer Groups Were Questioning The Airline Industry's $37 Billion In Pandemic Bailouts As Consumers Were Suffering "Major Flight Disruptions And Delays." "Buoyed by federal aid, planes kept flying as air travel plummeted by more than 90 percent. But after handing airlines tens of billions of dollars in grants, the value of stock deals struck on taxpayers' behalf is not in Buffett's league. Those stock agreements, similar to options, this week are worth about $260 million, or less than 1 percent of the $37 billion the U.S. government gave 10 major passenger airlines last year to help pay their workers, according to a Washington Post analysis of Treasury Department data. [...] Consumer groups have cited major flight disruptions and delays this year in asking whether airlines have held up their end of the bargain with taxpayers. On Wednesday, the chief executives of major airlines will be summoned to Capitol Hill to testify on their performance." [The Washington Post, 12/14/21]

Although The Bailouts Prohibited Airlines From Firing Workers, Their Workforce Shrank By About 42,000 Full-Time Workers And 14,000 Part-Time Workers By September 2021. "The terms of the bailout stated that airlines could not force out workers. But although taxpayers were providing more than $50 billion — meant to keep employees on the job — their workforce shrank by about 42,000 full-time workers and 14,000 part-time workers as of the end of September, when the Payroll Support Program concluded, according to an analysis of data that airlines provided the Transportation Department." [The Washington Post, 12/14/21]

- **The Bailouts Allowed Voluntary Workforce Reductions, But These Reductions "Would Come Back To Hit Customers" As Travel Demand Returned.** "The voluntary reductions were allowed under the bailout, but they would come back to hit customers as coronavirus vaccines became available and travel began to ramp up." [The Washington Post, 12/14/21]

August 2021: Spirit Airlines "Canceled Thousands Of Flights" Amid Industry-Wide Staffing Problems. "The first sign of trouble emerged this past summer. American Airlines canceled more than 900 flights in early July to better match its schedule with staffing levels. In August, Spirit Airlines canceled thousands of flights in an episode that cost the company $50 million. In October, thousands of Southwest Airlines passengers were left stranded for days as the carrier scrambled to recover, later admitting that it was short-staffed. Less than two weeks after executives at American boasted during an earnings call that it had posted the best operational performance in the carrier's history the previous month, it suffered a meltdown at the end of October." [The Washington Post, 12/14/21]

National Consumers League Vice President For Public Policy, Telecommunications, And Fraud John Breyault Asked What Airlines Did With Their Bailouts, Noting The Bailouts Were "'Specifically Designed So That Airlines Would Not Have Work Shortages.'" "'I think it's right for taxpayers and Congress to ask, 'What did you do with this money?' said John Breyault, vice president for public policy, telecommunications and fraud at the National Consumers League. 'The bailout money was specifically designed so that airlines would not have work shortages. While they didn't lay off people, they did furlough many employees. There were many early-retirement packages. And now we're seeing the results of that.' Added William McGee, the aviation adviser for Consumer Reports, who worked in airline ground and flight operations before becoming a consumer advocate: 'That bailout money was specifically designed for airlines not to have worker shortages.'" [The Washington Post, 12/14/21]

Breyault Also Found That Airlines "Managed To Find Ways" Around The Bailouts' Executive Pay Limits, With United Airlines Promising Executives Deferred Cash Awards For Staying Until The Limits Expired And Delta Offering Bonuses To Managers Whose Pay Were Reduced. "Consumer advocates have their doubts. While airlines say they followed rules laid out under the Cares Act, Breyault said the industry managed to find ways around some elements, including limits on executive compensation. United Airlines, for example, disclosed in regulatory filings that it would give cash awards to its top executives if they stayed with the company for three years or until Cares Act restrictions on executive compensation expired. United maintained that the bonuses were necessary to ensure stability. Delta Air Lines also gave bonuses to managers whose pay had been reduced early in the pandemic." [The Washington Post, 12/14/21]

December 2021: A Bipartisan Slate Of House Transportation Members Told A Leading Airline Industry Trade Group To "'Take Whatever Measures Are Available'" To Solve Staffing Problems, Adding That "'Travelers Don't Care Why Their Flight Is Delayed. They Care Just That It's Delayed.'" "In a letter this month to Nicholas E. Calio, chief executive of Airlines for America, which represents the nation's largest airlines, members of the House Transportation Committee sought details about the airlines' management of federal bailout money and urged carriers to 'take whatever measures are available' to manage staffing issues. Reps. Peter A. DeFazio (D-Ore.) and Sam Graves (R-Mo.) said in the letter that while many factors might be at play, 'travelers don't care why their flight is delayed. They care just that it's delayed.'" [The Washington Post, 12/14/21]