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Federal Judge Blocks JetBlue's Acquisition of Spirit Airlines

Concerns over reduced competition and increased fares drive court decision against JetBlue-Spirit deal

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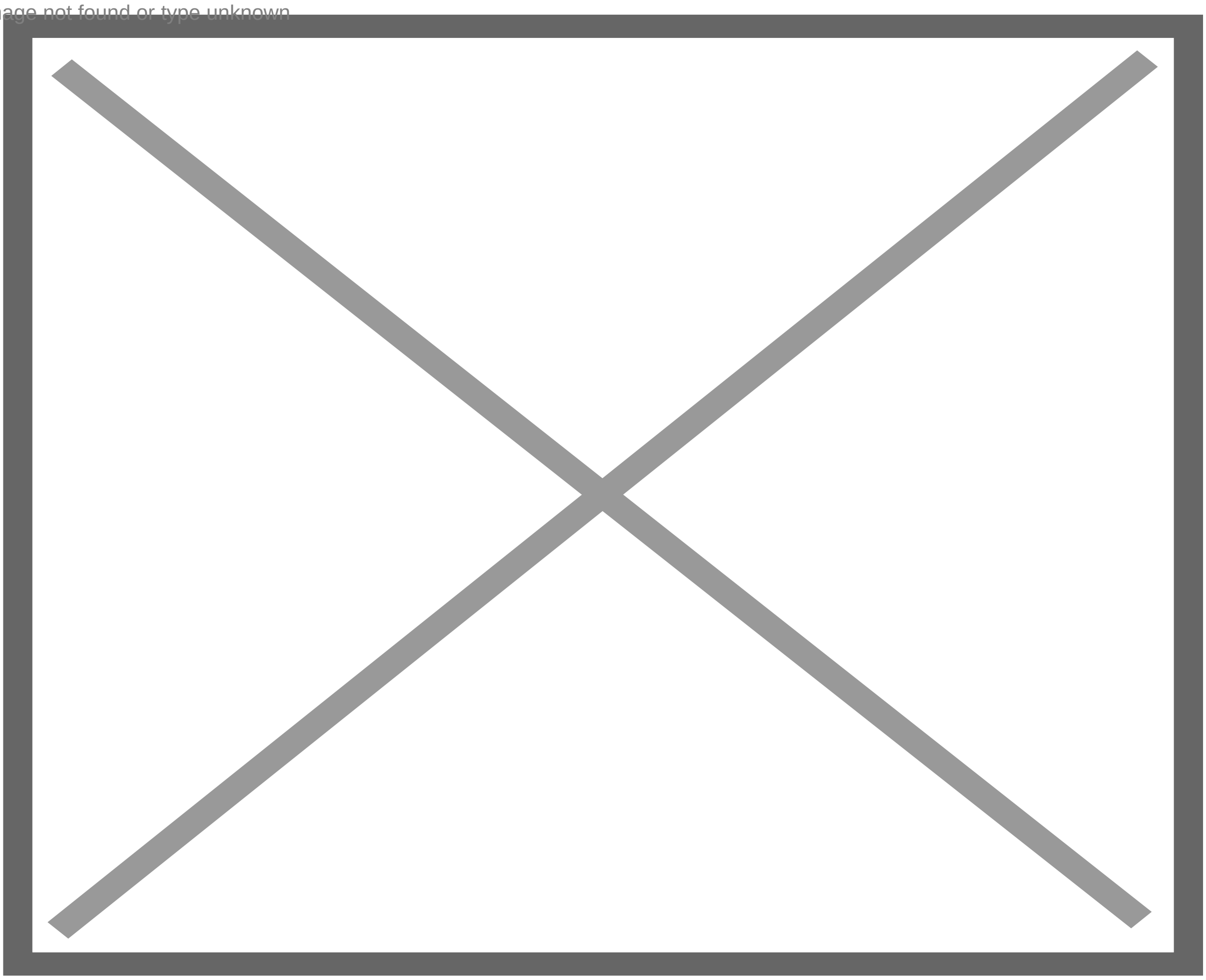

A Spirit Airlines commercial jet at the Henry E. Rohlsen Airport on Dec. 14, 2023. **By. ERNICE GILBERT, V.I. CONSORTIUM**

In a significant decision on Tuesday, a federal judge ruled against JetBlue Airways' proposed $3.8 billion acquisition of Spirit Airlines. The judge supported the Justice Department's stance that the merger would substantially lessen competition, particularly affecting price-conscious travelers.

JetBlue, the sixth-largest carrier in the U.S., and Spirit, ranking seventh, faced scrutiny from antitrust enforcers during a 17-day trial. The focus was on the deal's impact on current routes, potential future markets, and direct competition between the two airlines. Judge William Young agreed with the concerns raised, stating that Spirit's unique position in the industry was crucial for maintaining competitive pricing.

The court's decision aligns with the Biden administration's stricter approach to consolidation in the airline industry. Over the past two decades, a series of mergers have led to increased market concentration, with four airlines controlling about 80% of the domestic market. This ruling follows a recent order for American and JetBlue to dissolve a partnership that was deemed anti-competitive in key Northeast markets.

JetBlue had argued that the merger with Spirit was necessary to scale up and effectively compete with the top four airlines. The company envisioned a broader network and increased resources, including more planes and pilots, to attract more travelers. However, these claims did not sway the court.

JetBlue and Spirit issued a joint statement expressing disagreement with the court's ruling. They maintained that the merger was the "best opportunity" to enhance competition, keep fares low, and challenge larger carriers. Despite this setback, they are evaluating their next steps.

The ruling has significantly impacted the market, with Spirit shares dropping over 50% to $7.28 a share, while JetBlue shares rose nearly 2.5% to about $5 a share. This outcome may also have implications for Alaska Air Group's planned acquisition of Hawaiian Airlines in a $1 billion deal.

Since its inception in 1998, JetBlue has been recognized for bringing down fares in new markets, described by the Justice Department as a maverick in the industry. The government argued that Spirit's entry into new markets had an even more substantial effect, typically reducing prices by 20%.

The ruling highlights the challenges faced by airlines attempting to consolidate in a market increasingly concerned with maintaining competitive pricing and consumer choice. The decision could set a precedent for future mergers and acquisitions within the industry, reflecting a heightened focus on antitrust concerns in the current regulatory environment.