

Flying the JetBlue Skies

Proposed Spirit Merger and Competition in Aviation

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Introduction

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Model and Results

Conclusion

- JetBlue Attempted to buy Spirit Airlines in 2022
- DOJ Sues to Block the Merger in 2023
- Merger Blocked in 2024 Following Trial
- This Paper Evaluates the Merger's Counterfactual Price Effects.

Preview of Results

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Literature Review

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Setting

Industry Ridership

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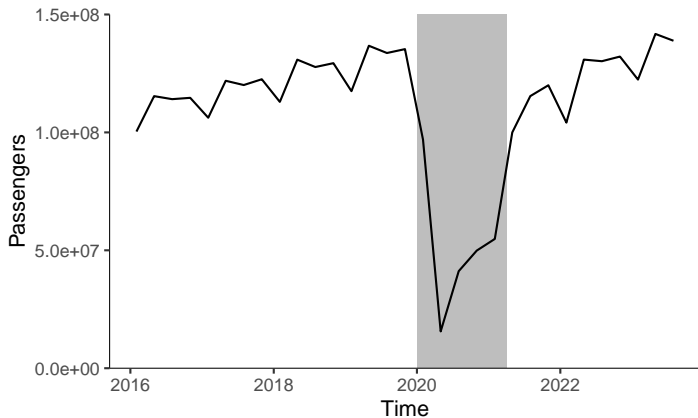
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Setting

United States Aviation Market

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- Post-Industry Coronavirus Changes
 - Increased Tourist Travelers
 - Decreased Business Travelers
 - Unclear Expectation of Change to Elasticity

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Spirit and JetBlue

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- JetBlue
 - Second (?) Largest Low-Cost Carrier
- Spirit
 - Largest Ultra-Low Cost Carrier
 - Maverick Firm Focused on Extremely Budget Focused Travelers
- Both
 - East Coast Focus
 - Airbus A321 Fleets

Data Sources

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- Airline Origin and Destination Survey (DB1B)
 - 10% Sample of Domestic Itineraries
 - Data on Origin, Destination, Price, Route, Carrier
- Energy Information Administration Jet Fuel Spot Price
- Census Population Data

Market, Product Definitions

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- Markets defined as Year-Quarter-Origin-Destination
- Market Size is the Geometric Mean of the Population of the Origin, Destination MSA
- Products Further Defined by Carrier, Nonstop Status
 - Connecting Product Characteristics are Weighted Average of Connecting Itineraries from a Firm

Model of Interest

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Random Coefficient Nested Logit Results

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Variable	Post-Pandemic	Pre-Pandemic
Price	-3.114 (0.44)	-2.947 (0.34)
Price	0.599 (0.12)	0.59 (0.12)
Nesting Parameter	0.115 (0.032)	0.136 (0.045)
Period	2017Q1-2019Q4	2021Q2-2023Q2
N Products	265196	307849
N Markets	70016	87363
Mean Elasticity	-5.211	-5.323
Spirit Mean Elasticity	-3.44	-3.15
JetBlue Mean Elasticity	-5.18	-5.16
Mean Markup	0.21	0.203

Merger Simulation

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Merger Simulation Results

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Merger Simulation Results: Average Market Fares

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Merger Simulation Results: Minimum Market Fares

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Thank You

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