

The Rise, Bankruptcy, and Cessation of Spirit Airlines —Structural Challenges of the ULCC Model and Implications for Airline Management—

Kazuya Fukuhara, Japan International Transport and Tourism Institute, USA

1. Introduction

Spirit Airlines, a pioneering U.S. ultra-low-cost carrier (ULCC), officially announced the cessation of operations on May 2, 2026.¹⁾ Adopting an even more aggressive low-cost, low-fare strategy than conventional low-cost carriers (LCCs), Spirit Airlines experienced rapid growth in the U.S. aviation market after 2006. Among U.S. LCCs and ULCCs, the airline ranked as the third-largest airline in the United States in 2024 in terms of revenue passenger miles (RPMs), a measure of passenger demand calculated by multiplying the number of paying passengers by the distance traveled, following Southwest Airlines and JetBlue Airways.²⁾

Through its ULCC business model, Spirit Airlines significantly influenced price competition and product design within the U.S. aviation market. As a result, the airline's cessation of operations generated significant attention across the U.S. aviation industry and may have implications not only as the exit of a single airline, but also for the future structure and competitive environment of the market.

Given the important role played by Spirit Airlines, examining the background to and implications of its growth, deterioration in business conditions, two Chapter 11 bankruptcy filings, and eventual cessation of operations is important for understanding both the structural challenges of the ULCC model and broader changes in the U.S. aviation market. Furthermore, the case provides valuable insights into how changes in demand structures and competitive conditions can affect airline management.

Accordingly, this paper examines the development of

Spirit Airlines, the deterioration of its business environment, its two Chapter 11 bankruptcy proceedings, the cessation of operations, and its impact on the U.S. aviation market, before presenting concluding observations and implications.

2. Overview of Spirit Airlines

Spirit Airlines was originally established in 1964 as a Michigan-based trucking company. In 1983, the company entered the aviation sector by launching a charter airline known as Charter One Airlines in Detroit. Charter One Airlines primarily offered leisure travel packages combining air transportation and accommodation services.^{3),4)}

In 1992, following the introduction of jet aircraft, the company changed its name to Spirit Airlines. In June of the same year, it also began operating scheduled commercial flights, marking the start of its expansion as a full-fledged commercial airline.³⁾

In 2006, Indigo Partners, a private equity firm known for its investments in low-cost carriers, including Wizz Air, acquired a majority stake in the company. This acquisition marked a turning point for Spirit Airlines, leading to the aggressive adoption of an ultra-low-cost business model.⁵⁾



Figure 1. Spirit Airlines Aircraft with Its Distinctive Bright Yellow Livery

3. The Growth of Spirit Airlines and the ULCC Model

The most significant turning point for Spirit Airlines came after 2006, when the company aggressively adopted a low-cost airline business model. Under the leadership of CEO Ben Baldanza, who served from 2006 to 2015, Spirit Airlines transformed itself into one of the earliest and most prominent ULCCs in the United States.⁶⁾

According to some reports, Spirit Airlines was also the first airline to publicly identify itself as a ULCC at an industry conference held in 2007.⁷⁾ In doing so, the company sought to distinguish itself from conventional LCCs such as Southwest Airlines by emphasizing a more extreme low-cost, low-fare business model.

The main characteristics of Spirit Airlines' ULCC model can be summarized in the following three points.

(1) Expansion of Non-Ticket Revenue

The core concept of Spirit Airlines' ULCC model was the unbundling of virtually all ancillary services from the base airfare.⁴⁾ In particular, the "Bare Fare" pricing system introduced in 2007 significantly reduced the ticket price itself while separately charging for services that had traditionally been included in airfares.

Specifically, passengers were charged additional fees for checked baggage, carry-on baggage, seat assignments, onboard food and beverages, and even printing boarding passes at airports. This revenue model, which placed strong emphasis on ancillary revenue rather than ticket revenue alone, became one of Spirit Airlines' defining characteristics.

Ancillary revenue accounted for only approximately 4 percent of the company's total operating revenue in 2006. However, this figure expanded rapidly and reached approximately 51 percent of total operating revenue in 2019, prior to the COVID-19 pandemic. Although this increase partly reflected declining yields resulting from intensified competition, as discussed later, Spirit Airlines' ratio of ancillary revenue was among the highest in the global airline industry.

(2) Thorough Cost Optimization

Spirit Airlines' ULCC model was supported by an operational structure based on rigorous cost optimization.⁴⁾

First, the company placed strong emphasis on reducing CASM (cost per available seat mile), a metric representing the cost required to transport one seat for one mile. To achieve this, Spirit Airlines operated a single-aircraft fleet consisting primarily of the Airbus A320 family, thereby improving efficiency in maintenance, pilot training, and parts management. In addition, the airline adopted higher seat density than conventional LCCs and shortened gate turnaround times in order to maximize aircraft utilization.⁴⁾

Furthermore, Spirit Airlines sought to increase average daily aircraft utilization beyond levels typically seen at conventional LCCs, thereby spreading fixed costs such as depreciation, lease expenses, and insurance costs across a larger number of flights. The airline also adopted a point-to-point network rather than a traditional hub-and-spoke system, enabling it to avoid the higher airport charges and operational inefficiencies associated with major hub airports and connecting traffic.⁴⁾

(3) Development of Price-Sensitive Demand

Spirit Airlines aggressively expanded into Latin American and Caribbean markets at an early stage. In particular, the airline successfully captured VFR (visiting friends and relatives) demand generated by Latin American and Caribbean communities in South Florida. By offering extremely low fares, Spirit Airlines stimulated new demand among lower-income travelers who had previously found air travel difficult to afford.⁸⁾

To support this strategy, the airline chose Fort Lauderdale-Hollywood International Airport as its primary South Florida base instead of Miami International Airport, the major hub of American Airlines. Compared with Miami, Fort Lauderdale offered lower operating costs and less congestion, allowing Spirit Airlines to maintain both low-cost operations and high aircraft utilization.⁸⁾

As a result of these strategies, Spirit Airlines' RPMs increased approximately 7.7 times, from 4,561 million passenger miles in 2006 to 35,245 million passenger miles in 2019 (see Figure 2). In addition, the airline significantly improved its cost competitiveness. In 2006, Spirit Airlines' CASM stood at 10.93 cents, exceeding both the average CASM of LCCs at 8.94 cents and that of legacy carriers on domestic routes at 10.9 cents. By 2019, however, Spirit Airlines had reduced its CASM to 7.96 cents, falling below the LCC average of 11.18 cents and the domestic legacy carrier average of 12.86 cents in the same year (see Figure 3).

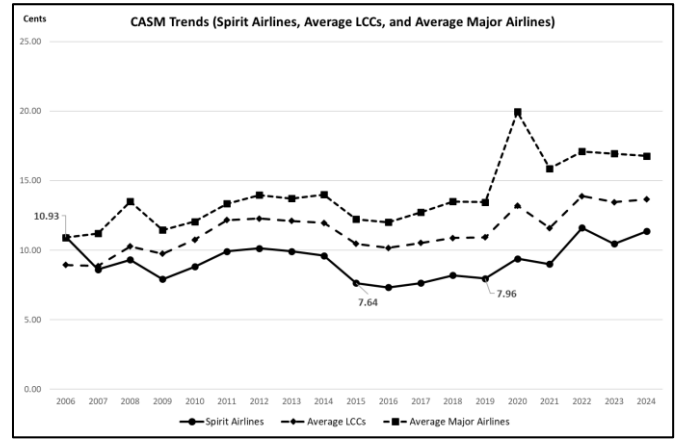


Figure 3. Changes in CASM (Spirit Airlines, Average LCCs, and Major Airlines)

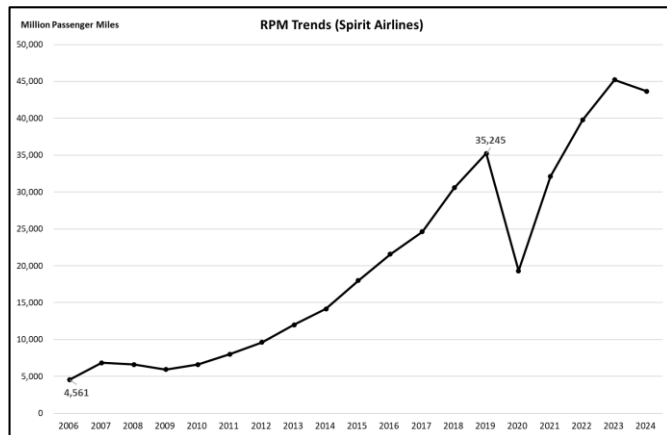


Figure 2. Changes in RPMs (Spirit Airlines)

In this way, Spirit Airlines' ULCC model represented more than simply a low-fare strategy. Rather, it represented a comprehensive management model that simultaneously achieved revenue growth, cost reduction, and demand expansion by combining the maximization of ancillary revenue, rigorous cost optimization, and the cultivation of price-sensitive demand. Through this integrated business model, the airline established a distinctive competitive advantage within the U.S. aviation market.

4. Deterioration of the Business Environment Surrounding Spirit Airlines

4.1 Challenges That Had Already Emerged Before the Pandemic

Although Spirit Airlines had established a unique competitive advantage, by the late 2010s, prior to the COVID-19 pandemic, the airline was already facing challenges on both the revenue and cost sides.

(1) Revenue Challenges

Intensified competition with both major airlines and LCCs led to a decline in Spirit Airlines' revenue yield, which fell from 7.04 cents in 2015 to 6.03 cents in 2019 (see Figure 4).

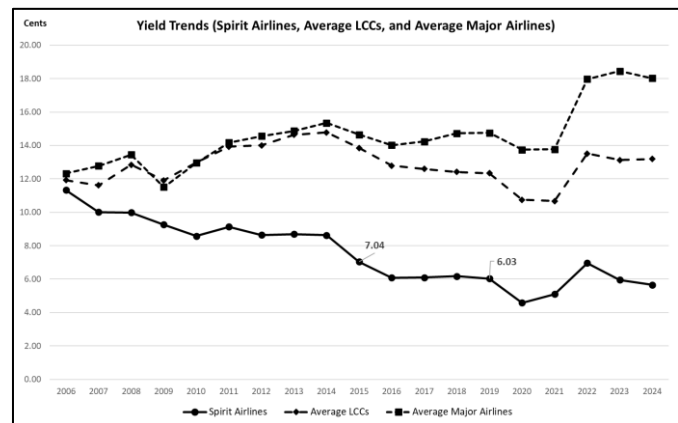


Figure 4. Changes in Yield (Spirit Airlines, Average LCCs, and Major Airlines)

Between 2012 and 2017, major U.S. airlines including Delta Air Lines, United Airlines, and American Airlines introduced “Basic Economy” fares, which offered low prices comparable to those of Spirit Airlines in exchange for restrictions on seat selection, baggage allowances, and other services. As a result, for some price-sensitive travelers, major airlines became more attractive because, for only a modest additional cost, passengers could access higher flight frequencies, broader networks, better reaccommodation during disruptions, and mileage programs. Consequently, demand increasingly shifted toward major airlines.^{6, 9)}

In addition, Spirit Airlines had traditionally maintained a strong presence in East Coast markets centered in Florida. However, as the airline expanded its network, its concentration in these core markets gradually declined. During the same period, LCCs such as JetBlue Airways and Southwest Airlines expanded capacity in East Coast markets, intensifying competition and making it increasingly difficult for Spirit Airlines to maintain its market share in the Florida-related markets where it had previously enjoyed strong advantages.¹⁰⁾

In this way, amid intensifying competition from both major airlines and LCCs, Spirit Airlines found it increasingly difficult to differentiate itself solely through the low-fare strategy of its traditional ULCC model, making it challenging to maintain adequate fare levels.

Although the airline attempted to secure profitability by increasing its dependence on ancillary revenue in the absence of meaningful yield improvements, this strategy also contributed to declining customer satisfaction and deterioration of the airline’s brand image.

(2) Cost Challenges

On the cost front, headwinds were also intensifying. Spirit Airlines’ CASM increased from 7.64 cents in 2015 to 7.96 cents in 2019 (see Figure 3).

The airline’s ULCC model depended on extremely high operational efficiency. In the first half of 2019, average daily aircraft utilization reached approximately 12.5 hours per aircraft, representing an exceptionally high level of utilization. As a result, operational buffers were

significantly reduced, weakening the airline’s ability to recover from disruptions caused by adverse weather and other operational irregularities, and growing costs associated with delays and cancellations.¹¹⁾

Furthermore, as Spirit Airlines expanded, it increasingly entered large and congested airports, exposing the airline to rising costs such as higher airport usage fees.

Thus, even before the pandemic, Spirit Airlines was already facing structural challenges within its ULCC model, as intensified competition made it difficult to maintain sufficient fare levels while rising cost pressures increasingly undermined profitability.

4.2 The Pandemic and Subsequent Changes in the Market Environment

Spirit Airlines was severely affected by the COVID-19 pandemic in 2020. Prior to the pandemic, the airline had aggressively expanded both its fleet and route network, which had reduced its cash reserves as growth-related investments increased.¹⁰⁾ Under these circumstances, the sudden collapse in passenger demand caused by the pandemic dealt a major blow to the airline’s ULCC business model, which relied heavily on high aircraft utilization and continuous demand growth. In 2020, the company recorded an operating loss of approximately \$800 million.

At the same time, because Spirit Airlines depended heavily on domestic leisure demand, the airline was able to benefit relatively early from the post-pandemic recovery, as leisure travel recovered faster than business travel. In response, Spirit Airlines restored its capacity, measured in available seat miles (ASMs), to approximately 97 percent of 2019 levels by 2021, and subsequently continued aggressive expansion, increasing capacity by approximately 20 percent in 2022 and 15 percent in 2023. However, much of the recovery in demand was driven by temporary “revenge travel” demand and did not translate into sustained long-term demand growth for the airline.¹⁰⁾

More importantly, the structure of demand and the competitive environment in the U.S. aviation market had fundamentally changed after the pandemic, as described below.

(1) Impact of Expanding Leisure Demand

After the pandemic, business travel recovered slowly, while leisure demand rebounded relatively quickly. In this environment, major airlines entered the low-cost leisure market more aggressively through products such as Basic Economy fares, further intensifying competition in the price-sensitive market segment where LCCs and ULCCs had traditionally held advantages.²⁾

Competition became particularly intense in major markets such as Las Vegas, Florida, and New York, where excess capacity also increased downward pressure on fares.⁶⁾ In addition, although Spirit Airlines vigorously expanded both capacity and routes, many of these routes operated at relatively low frequencies, resulting in increasing fragmentation of its network. Consequently, passengers faced fewer scheduling options, leaving Spirit Airlines vulnerable to schedule competition from rivals operating higher-frequency services.¹⁰⁾

(2) Impact of Expanding Premium Demand and Stagnation in Middle- and Lower-Income Demand

In addition, following the pandemic, premium travel demand continued to expand, supported in part by strong spending among higher-income consumers.²⁾ This enabled major airlines to secure substantial profits through first-class and business-class products, while also allowing them to sustain aggressive low-fare competition through Basic Economy offerings backed by premium revenue streams.

In contrast, middle- and lower-income consumers, who had traditionally formed the primary customer segment for ULCCs, became increasingly cautious about travel spending due to inflation and other economic pressures.²⁾ As a result, demand growth in the low-fare market segment targeted by Spirit Airlines slowed relative to other market segments, making profitability improvements increasingly difficult.

(3) Impact of Rising Wages

Furthermore, the tightening labor market after the pandemic had a major impact on the airline industry. During the pandemic, many pilots left the aviation industry through early retirement and other measures in response

to the sharp decline in demand. However, when travel demand later recovered, airlines were unable to secure a sufficient number of pilots, leading to a severe pilot shortage in the United States.

As a result, ULCCs were forced to offer wage levels comparable to those of major airlines, leading to significant increases in labor costs and making it increasingly difficult to maintain their traditional low-cost structures.²⁾

In this way, the deterioration of Spirit Airlines' business conditions was not merely the result of temporary weakness in demand. Rather, it was largely attributable to the inability of the airline's traditional ULCC model to adequately respond to structural changes in the market environment, including post-pandemic shifts in demand patterns, intensified competition, and rising cost pressures.

4.3 Failure of the Merger with JetBlue Airways

As Spirit Airlines faced worsening financial conditions during and after the pandemic, the airline began exploring restructuring opportunities through consolidation with other carriers. Because Spirit Airlines possessed a relatively young fleet, it was widely regarded within the industry as an attractive acquisition target.

In February 2022, Frontier Airlines announced plans to merge with Spirit Airlines. However, the situation changed significantly after JetBlue Airways submitted a competing acquisition proposal at a higher price. Ultimately, Spirit Airlines' shareholders supported JetBlue Airways' offer, and in July 2022, JetBlue prevailed over Frontier in the bidding war.¹²⁾

If completed, the merger with JetBlue Airways would have created the fifth-largest airline in the United States. For Spirit Airlines, which was facing cash shortages and substantial debt burdens, the merger had the potential to become a major turning point for financial stabilization and corporate survival.¹⁴⁾

However, the proposed merger also faced strong antitrust concerns. Under the Biden administration, which placed significant emphasis on airline consumer protection, the U.S. Department of Justice filed a lawsuit in March 2023, arguing that the merger between JetBlue Airways and Spirit Airlines would reduce competition among low-cost

carriers and harm consumers. In particular, the Department of Justice argued that Spirit Airlines played a “disruptive” role in lowering fares within the U.S. aviation market and that its disappearance would lead to higher fares.

In January 2024, a federal district court blocked the merger, ruling that it would “reduce competition and harm consumers.” President Biden also praised the ruling as “a victory for consumers and competition,” stating that if the merger had been completed, tens of millions of Americans would have faced higher fares and fewer choices. Following the ruling, JetBlue Airways and Spirit Airlines formally terminated their merger agreement in March 2024.¹³⁾

The failure of the merger represented more than simply the loss of a capital partnership opportunity for Spirit Airlines. During the approximately two-year period from 2022 to 2024, the company devoted substantial management resources and organizational energy to merger negotiations and regulatory responses, while fundamental challenges such as changes in demand structures, rising labor costs, and intensified competition continued to worsen.⁴⁾ As a result, the collapse of the merger deprived the airline of one of its most important restructuring options.

4.4 The Pratt & Whitney GTF Engine Issue

While merger negotiations with other airlines were ongoing, Spirit Airlines also faced problems related to Pratt & Whitney’s geared turbofan (GTF) engines, which imposed additional financial and operational burdens on the airline.

In July 2023, RTX, the parent company of Pratt & Whitney, announced that certain GTF engines manufactured between 2015 and 2021 for Airbus A320neo aircraft contained issues related to the powdered metal manufacturing process. As a result, approximately 1,200 of the more than 3,000 affected engines required additional inspections and engine removals to check for microscopic cracks caused by metal fatigue.¹⁴⁾

Spirit Airlines was reportedly the largest operator of A320neo aircraft equipped with GTF engines in the United States and was therefore significantly affected by the

issue.¹²⁾ Because the airline’s ULCC model depended heavily on high aircraft utilization and operational efficiency, even the grounding of a portion of its fleet had a major impact on its business operations.

4.5 Summary of the Situation Facing Spirit Airlines

As discussed above, even before the pandemic, Spirit Airlines had already been facing downward pressure on fares due to intensified competition, as well as rising cost pressures, making it increasingly difficult to maintain the competitive advantages of its traditional ULCC model.

Following the pandemic, the airline’s business environment became even more challenging due to structural changes in demand, the full-scale entry of major airlines into the low-cost market, expanding premium ridership, stagnation in middle- and lower-income consumer numbers, and rising labor costs.

Furthermore, the failure of merger efforts with other airlines and the additional burdens caused by the Pratt & Whitney GTF engine issue forced Spirit Airlines to confront deep structural management challenges while operating with a weakened financial foundation.

5. Two Chapter 11 Bankruptcy Proceedings

5.1 The First Chapter 11 Filing

On November 18, 2024, Spirit Airlines filed for protection under Chapter 11 of the U.S. Bankruptcy Code, which allows for debt restructuring while continuing business operations. The airline had recorded net losses of \$390 million in 2022 and \$475 million in 2023, and by mid-2024 its long-term debt had exceeded \$3.3 billion.¹⁵⁾

A notable feature of the filing was that it was structured as a prepackaged bankruptcy proceeding, meaning that the airline had already reached agreements with its major creditors prior to filing. Spirit Airlines secured \$300 million in debtor-in-possession financing from existing creditors to support operations during the restructuring process and also obtained agreements for an additional \$350 million in equity injections. In addition, the restructuring plan included the conversion of part of the company’s existing debt into equity, resulting in approximately \$795 million in debt reduction. Existing shares, however, were cancelled

and rendered worthless under the restructuring plan.¹⁵⁾

At the same time, Spirit Airlines introduced a business improvement initiative known as “Project Bravo.” Under this plan, the airline sought to capture higher-yield premium leisure demand by offering new bundled products that combined ancillary services such as baggage and seat selection, as well as products providing additional comfort and personal space through blocked middle seats in certain rows. In this way, the airline attempted to appeal not only to price-conscious passengers but also to travelers placing greater emphasis on comfort.

The company also planned to improve operational efficiency by reallocating 20 to 30 aircraft away from less profitable markets. In addition, Spirit Airlines sought to strengthen partnerships with other airlines and expand revenues through enhanced co-branded credit card partnerships and loyalty programs. Overall, the airline estimated that Project Bravo would improve TRASM (total revenue per available seat mile) from 9.6 cents in 2023 to 10.9 cents, generating an estimated annual revenue increase of approximately \$700 million.⁹⁾

Spirit Airlines emerged from its first Chapter 11 proceeding on March 12, 2025, only approximately four months after filing, making it an unusually short restructuring process.

5.2 The Second Chapter 11 Filing

However, following its emergence from the first Chapter 11 proceeding, Spirit Airlines failed to achieve a fundamental restructuring of its business.

The primary focus of the restructuring had been the improvement of the company’s financial position through debt reduction. Although revenue enhancement measures were introduced through Project Bravo, the initiative largely involved adding premium elements to the airline’s existing ULCC model rather than fundamentally restructuring its network, cost structure, or broader business operations.^{16), 17)}

Major airlines already possessed broad product portfolios across multiple fare segments as well as strong loyalty program foundations. Consequently, concerns were raised regarding whether Spirit Airlines could establish a

sustainable competitive advantage by entering higher-yield passenger segments as a late entrant.⁹⁾

As a result, structural problems such as declining profitability, intensifying price competition, and rising costs remained unresolved. By around the summer of 2025, recognition had grown that Spirit Airlines required not merely financial restructuring, but a comprehensive reorganization of its business operations themselves. On August 11, 2025, in its first quarterly report following emergence from bankruptcy, the company disclosed substantial doubt regarding its ability to continue as a going concern. Subsequently, on August 29, the airline announced that it would file for Chapter 11 protection for a second time.¹⁶⁾

The second Chapter 11 filing represented an extremely unusual situation for Spirit Airlines. At the time of filing, the company had recorded a net loss of approximately \$246 million in the second quarter of 2025 alone, sharply contradicting its earlier internal forecast of a full-year profit of \$252 million for 2025. In addition, the air

line’s cash outflows had become increasingly severe, with free cash flow at the end of the second quarter of 2025 reaching approximately negative \$1 billion.¹⁵⁾

During the second bankruptcy proceeding, Spirit Airlines secured up to \$475 million in debtor-in-possession financing from existing creditors, of which \$200 million was made immediately available. On February 24, 2026, the airline reached a restructuring agreement with creditors that proposed reducing fixed financial obligations, including aircraft lease liabilities, from approximately \$7.4 billion to approximately \$2.1 billion.

The plan also called for a substantial reduction in fleet size in order to lower aircraft-related and lease costs, as well as a reduction in overall capacity.¹⁵⁾

The restructuring plan aimed to avoid liquidation and reposition the airline as a smaller carrier. According to media reports, Spirit Airlines had initially targeted emergence from bankruptcy proceedings between late spring and summer 2026. However, subsequent increases in fuel prices and other factors ultimately made the restructuring plan even more difficult to achieve.¹⁵⁾

6. From Federal Government Assistance Efforts to the Cessation of Operations

At the end of February 2026, the Strait of Hormuz was effectively closed as part of Iran's retaliatory measures against military strikes conducted by the United States and Israel. As a result, crude oil prices surged, and by April, jet fuel prices had risen to more than \$4 per gallon. Spirit Airlines' restructuring plan had been formulated based on an assumed fuel price of approximately \$2.24 per gallon, and the sharp increase in fuel prices therefore had a significant impact on the feasibility of the company's restructuring plan.

Subsequently, in mid-April, creditors expressed concerns regarding the assumptions and feasibility of the revised restructuring plan and requested that the court postpone Spirit Airlines' emergence from Chapter 11 proceedings.⁴⁾
13), 18)

Against this backdrop, Spirit Airlines' financial crisis became even more severe. By late April 2026, negotiations were underway among the federal government, Spirit Airlines, and creditors regarding a potential government rescue loan reportedly worth approximately \$500 million. Facing a situation in which continued operations had become increasingly difficult, the airline sought federal assistance, although negotiations proved challenging. At the time, President Trump stated that "we are presenting very tough conditions," while also indicating that government support could help preserve employment if an agreement were reached.¹⁹⁾

One factor complicating the negotiations was the reported government demand that, in the event Spirit Airlines were ultimately liquidated in the future, the federal government would hold senior claims on the company's assets. This condition reportedly triggered strong opposition from existing shareholders and creditors, and negotiations ultimately collapsed during the final stage.⁶⁾

Ultimately, on May 2, 2026, Spirit Airlines officially announced the cessation of operations. The company stated that "It is with great disappointment that on May 2, 2026, Spirit Airlines started an orderly wind-down of our operations, effective immediately. To our Guests: all flights

have been cancelled, and customer service is no longer available."

As a result of the cessation approximately 17,000 employees lost their jobs, while a large number of passengers were also affected. The airline stated that tickets purchased using credit cards or debit cards would be automatically refunded and explained that arrangements were being made to reposition more than 1,300 crew members stranded across various locations.⁶⁾

The cessation of operations also became the subject of political debate. Some Republican lawmakers criticized Democratic lawmakers for strongly opposing the proposed \$3.8 billion merger between JetBlue Airways and Spirit Airlines, which had been blocked by a federal district court in 2024, arguing that the opposition had ultimately contributed to Spirit Airlines' collapse. Meanwhile, some Democrats argued that the spike in fuel prices triggered by the situation involving Iran had been the decisive factor behind the airline's failure.²⁰⁾

Nevertheless, many within the aviation industry maintained that Spirit Airlines' management problems had already become severe well before the rise in fuel prices. Scott Kirby, CEO of United Airlines, stated that "Spirit Airlines had already been in trouble for some time. A properly managed airline should be able to remain profitable even under these conditions." He further suggested that the Spirit Airlines ULCC model itself, which was based on reducing customer service to the absolute minimum, had inherent structural limitations.⁶⁾

7. Impact of Spirit Airlines on the Aviation Market

Although Spirit Airlines ultimately ceased operations, the airline has long been regarded as having played an important role in the U.S. aviation market as a "fare discipline mechanism." In particular, its ultra-low-fare and unbundled pricing model, under which ancillary services were charged separately, significantly influenced the pricing strategies and product design of other airlines.

According to media reports citing data from aviation analytics firm Cirium, Spirit Airlines contributed substantially to keeping ticket prices low within the U.S. domestic market. Cirium's data reportedly showed that

average fares on routes from which Spirit Airlines withdrew increased by 23 percent between the second quarter of 2024 and the second quarter of 2025.²¹⁾ In addition, a research paper published in 2024 by the Office of Inspector General of the U.S. Department of Transportation found that when low-cost carriers such as Spirit Airlines entered new routes, major airlines tended to reduce their lowest available fares in response.²¹⁾

Spirit Airlines has also been recognized for providing air travel opportunities to broad segments of the population that had previously found air travel difficult to afford. In particular, some observers have pointed out that the disappearance of the airline may make air travel less accessible for hourly wage earners and budget-conscious families.²¹⁾

Furthermore, the presence of ULCCs such as Spirit Airlines also affected the pricing strategies of major airlines themselves. As noted earlier, major airlines introduced “Basic Economy” fares and expanded their offerings in lower-priced market segments.

Against the backdrop of rising jet fuel prices and other cost pressures, airlines have increasingly sought to improve profitability through higher fares and increased ancillary fees. In this environment, the exit of Spirit Airlines, which had previously maintained downward price pressure across the market through extremely low fares, may create conditions that allow airlines to pass rising costs on to consumers more easily.

Prior to ceasing operations, Spirit Airlines itself warned that “travelers will notice our absence if we disappear.”²¹⁾ In practice, the effects of the airline’s exit have already begun to emerge in certain markets.

8. Discussion and Implications

(1) The ULCC Model of Spirit Airlines

As discussed in this paper, Spirit Airlines’ ULCC model was not merely a low-fare strategy. Rather, it was a comprehensive management model that simultaneously achieved improved profitability, cost reduction, and the creation of new demand by combining the maximization of ancillary revenue, rigorous cost optimization, and the cultivation of price-sensitive demand.

Through this model, Spirit Airlines differentiated itself from conventional LCCs and established a unique competitive advantage based on extremely low fares within the market environment of the time.

In addition, through competition, the airline contributed to lowering fares in the U.S. aviation market while also expanding access to air travel for segments of the population that had previously found air transportation difficult to afford. In this way, the airline played an important role in broadening the overall base of air travel demand within the United States.

Accordingly, the Spirit Airlines ULCC model can be regarded as having been effective within the U.S. aviation market at the time, as it was well aligned with prevailing market conditions, including the expansion of price-sensitive demand and the competitive environment involving major airlines.

(2) Structural Challenges of the Spirit Airlines ULCC Model

At the same time, however, the ULCC model possessed significant structural vulnerabilities.

First, the model was built on assumptions of high aircraft utilization and continuous demand growth. As a result, the sudden collapse in demand caused by the pandemic, combined with declining cash reserves, dealt an exceptionally severe blow to the airline. In other words, the highly efficient business structure that had functioned effectively during normal market conditions exposed its vulnerability in the form of limited managerial flexibility and resilience when the market environment changed abruptly.

Furthermore, as leisure demand expanded after the pandemic, major airlines entered the low-cost leisure market in earnest through products such as Basic Economy fares while also offering added value through higher flight frequencies, extensive networks, and loyalty programs. As competition increasingly shifted toward an environment in which Spirit Airlines was competing directly with major airlines offering higher levels of service, the airline was no longer able to maintain its previous competitive advantages. At the same time, it became increasingly

difficult to pass rising costs on to passengers through higher fares or ancillary revenues, exposing the limitations of the ULCC model.

In addition, even if Spirit Airlines had sought to avoid direct competition with major airlines, doing so would not have been easy because the airline had already expanded its capacity substantially. Maintaining such a large scale while fundamentally restructuring its network would have been difficult. In other words, as major airlines increasingly entered the low-cost leisure market, Spirit Airlines would have needed to shift toward different markets and network structures in order to avoid direct competition while maintaining operations. However, there were limits to the company's ability to pursue such a transition, and it is possible that, under the prevailing market conditions, the airline had already expanded beyond the appropriate scale for a ULCC.

Moreover, because the ULCC model depended heavily on aggressive cost reduction, there was limited capacity to absorb rising costs such as labor expenses.

Thus, while Spirit Airlines' ULCC model possessed strong competitiveness based on highly efficient operations, it lacked sufficient flexibility and managerial resilience to respond to market changes such as sudden demand declines, rising costs, and intensified competition with major airlines. These limitations constituted the structural challenges of the model.

Nevertheless, even amid intensifying competition with major airlines, it is possible that Spirit Airlines might still have survived if it had succeeded in developing new differentiation strategies or restructuring its business model in ways that allowed it to avoid direct price competition while maintaining profitability. However, as noted above, implementing such fundamental reforms would have been extremely difficult given the company's already large-scale capacity and cost structure.

(3) Failure of Business Restructuring

During its first Chapter 11 restructuring, Spirit Airlines improved its financial position through debt reduction. In addition, through "Project Bravo," the airline sought to capture premium leisure demand. However, the

restructuring measures largely remained supplementary adjustments to the existing ULCC model and did not amount to a fundamental transformation of the business model itself in response to changing market conditions, nor did they involve a comprehensive reconsideration of the airline's business structure, including its appropriate scale.

In other words, the restructuring process focused primarily on improving the balance sheet and failed to sufficiently redesign the airline's broader business strategy, including fundamental questions such as which markets to target, which customer segments to serve, and how to differentiate the airline from competitors in a changing market environment.

As a result, Spirit Airlines continued to face severe financial difficulties even after emerging from Chapter 11 and ultimately entered a second bankruptcy proceeding. This outcome should not be viewed as an accidental failure, but rather as a failure of business restructuring itself.

The Spirit Airlines case therefore demonstrates that successful restructuring requires not only improvements to financial conditions, but also the transformation of business models in response to changes in demand structures and competitive environments. Furthermore, in order to secure sustainable profitability within increasingly competitive markets, airlines must pursue comprehensive structural reforms, including the restructuring of differentiation strategies, the pursuit of appropriate operational scale, and the utilization of new technologies. The case suggests that financial restructuring alone, without such broader reforms, is insufficient to achieve sustainable recovery.

(4) Impact of External Factors

The Spirit Airlines case also demonstrates once again that the airline industry is highly susceptible to external factors such as politics, economic conditions, and security developments.

First, the blocking of the merger with JetBlue Airways reflected the Biden administration's policy emphasis on airline consumer protection and ultimately narrowed Spirit Airlines' restructuring options.

In addition, the effective closure of the Strait of Hormuz at the end of February 2026, following retaliatory measures

by Iran against military strikes conducted by the United States and Israel, caused fuel prices to surge and dealt a major blow to the airline's restructuring plan.

However, exposure to such external factors is by no means unusual within the aviation industry. More important was the extent to which Spirit Airlines possessed the flexibility and managerial resilience necessary to withstand sudden changes in the market environment. Because the airline's business structure was built upon highly efficient operations and intense price competition, its tolerance for external shocks was limited, leaving it insufficiently prepared to respond effectively to changes in the external environment.

In this respect, the case highlights the importance for airlines of maintaining sufficient flexibility and managerial resilience in preparation for sudden changes in external conditions.

9. Conclusion

This paper has examined the development of Spirit Airlines and the process leading to its cessation of operations, while also analyzing the characteristics and structural challenges of the ULCC model, changes in market structure following the pandemic, the failure of business restructuring, and the impact of external factors.

The ULCC model adopted by Spirit Airlines in the late 2000s functioned effectively within the market environment of the time and played an important role in the U.S. aviation market.

However, as changes in market structure following the pandemic and intensified competition with major airlines made it increasingly difficult to maintain the competitive advantages of the traditional ULCC model, Spirit Airlines was ultimately unable to fundamentally transform its business structure or establish sufficiently new differentiation strategies. This is considered to have led to the airline's eventual cessation of operations.

The Spirit Airlines case highlights the structural challenges inherent in the ULCC model and demonstrates that successful business restructuring requires not only improvements to financial conditions, but also a fundamental reconsideration of the business model itself in

response to changes in market structure and competitive conditions.

Furthermore, the case suggests that, in order to secure sustainable competitive advantages within the airline industry, it is particularly important for smaller airlines to establish clear differentiation strategies from major carriers while also maintaining sufficient flexibility and managerial resilience to respond to changes in the external environment.

I hope that this report contributes to future aviation industry analysis and aviation policy discussion.

Notes

Unless otherwise indicated, the data used in this report are based on figures published in the U.S. Department of Transportation Form 41 data.

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