

Spirit Airlines shuts down, industry's first Iran war casualty

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Summary Companies

Spirit says oil-price jump impacted its financial outlook

White House had proposed \$500 million financing for 90% equity

Board meeting ended with no agreement to rescue the company, source said

Jet fuel price spike during Iran war derailed Spirit's bankruptcy exit plan

Iran war has plunged global airline industry into worst crisis since COVID

WASHINGTON, May 2 (Reuters) - Bankrupt discount carrier Spirit Airlines ([FLYYQ.PK](#))  ceased operations on Saturday, the industry's first casualty linked to the [Iran war](#), after failing to secure creditor support for a U.S. government bailout plan.

The collapse of the carrier following a doubling in jet fuel prices during the two-month-old Iran war will cost [thousands](#) of jobs. It is a blow to President [Donald Trump](#), who had proposed \$500 million to save Spirit despite opposition from some of his closest advisers and many Republicans in Congress.

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No U.S. carrier of Spirit's size - it accounted for 5% of U.S. flights at one point - has liquidated in two decades. Spirit helped keep fares lower in markets where it competed against major carriers.

ALL FLIGHTS CANCELED, RIVALS TO BENEFIT

A Spirit board meeting had ended without an agreement to rescue the company, a person close to the discussions told Reuters late on Friday.

"Unfortunately, despite the company's efforts, the recent material increase in oil prices and other pressures on the business have significantly impacted Spirit's financial outlook," Spirit said in a statement announcing "an orderly wind-down of operations."

All flights have been canceled, the statement said, asking passengers not to go to the airport.

Spirit had 4,119 domestic flights scheduled between May 1 and May 15, offering 809,638 seats, according to data from aviation analytics firm Cirium.

Global carriers are contending with surging jet fuel prices since the U.S.-Israeli strikes on Iran disrupted traffic through the Strait of Hormuz, in the air travel industry's worst crisis since the COVID-19 pandemic. Spirit was already struggling to turn a profit before the fuel shock.

Spirit built its brand around affordable fares for budget-conscious travelers ready to eschew add-ons such as checked bags and seat assignments. That demand tapered off after the pandemic as passengers preferred to opt for comfort and experience-based travel, leaving ultra-low-cost carriers struggling to adapt.

Spirit's shutdown will benefit rivals such as JetBlue Airways ([JBLU.O](#))  and Frontier Airlines ([ULCC.O](#)) , also reeling from the cost shock. Spirit's volatile over-the-counter stock plunged 25% on Friday, while Frontier rose 10% and JetBlue gained 4%.

In an early sign competitors were ready to fill the gap, JetBlue said it would expand its service from Fort Lauderdale, one of Spirit's key markets, with 11 new cities and more flights on existing routes.

Trump said on Friday that the White House had given Spirit and its creditors a final rescue proposal after talks hit an impasse over a \$500 million financing package that would have helped the airline keep operating through bankruptcy.



[1/6] A departure board displays cancelled flights informing passengers of the airlines shutdown of Spirit Airlines at LaGuardia Airport in Queens, in New York City, U.S., May 2, 2026. REUTERS/David... [Purchase Licensing Rights](#)  [Read more](#)



"If we can help them, we will, but we have to come first," Trump told reporters. "If we could do it, we'd do it, but only if it's a good deal."

U.S. jet fuel prices have surged following U.S.-Israeli war on Iran

FUEL-PRICE SHOCK THREATENS WEAKER AIRLINES

Spirit's collapse highlights the unintended consequences of the Iran war launched by Washington.

"More generally, the war's spillovers, if not contained, risk pushing other fragile businesses over the edge and severely burdening vulnerable households and economies alike," said Mohamed El-Erian, economist and senior global fellow at the Wharton School.

The collapse shows how the Iran war's fuel-price shock has exposed weaker airlines. Spirit's restructuring plan assumed jet fuel costs of about \$2.24 a gallon in 2026 and \$2.14 in 2027, but prices had climbed to around \$4.51 a gallon by the end of April, leaving the carrier unable to survive without fresh financing. Jet fuel accounts for about a quarter of airlines' operating expenses.

Transportation Secretary Sean Duffy told Reuters he had tried to get many airlines to buy Spirit but found no takers. "What would someone buy?" Duffy asked. "If no one else wants to buy them, why would we buy them?"

A creditor close to the deal said: "The Trump administration made an extraordinary effort to try and save Spirit, but you can't breathe life into a corpse."

Spirit had reached a [deal with its](#) lenders that would have helped it emerge from its second bankruptcy by late spring or early summer. But the spike in jet fuel prices derailed those plans, upending Spirit's cost projections and complicating its bankruptcy exit.

The airline flew around 1.7 million U.S. domestic passengers in February, with a 3.9% market share, down from 5.1% last year, Cirium data showed.

After Spirit's announcement, major U.S. carriers rolled out rescue-fare options for affected passengers. Frontier announced systemwide discounts and plans to add summer routes, JetBlue offered \$99 fares through Wednesday, Southwest introduced special fares, United capped prices on one-way tickets and American added rescue fares while reviewing options to boost capacity on key routes.

Last month Trump said his administration was looking to buy the embattled carrier at the "right price".

It would have been the latest move by the government to intervene directly in corporate America. Last year, the U.S. government [took](#) a 10% stake in Intel ([INTC.O](#)), among other moves into U.S. critical minerals firms.

Sources said that the administration had proposed \$500 million in financing in exchange for warrants equivalent to 90% of Spirit's equity. There had been disagreements inside the Trump administration over whether and how to fund the bailout, the Wall Street Journal reported, citing people familiar with the matter.

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