

FRONTIER AIRLINES

Special letter from CEO Dave Siegel for November 17, 2014

Frontier Team,

As we progress towards a more successful future, it is important that we continue the conversation about transforming Frontier into an ultra-low cost carrier – a strategy that relies increasingly on the value of the local customer. Although we have made some headway, there is still more work to be done.



We must reduce our costs further, diversify our revenue streams and decrease our exposure to high-cost, low revenue connecting passengers – all of which is driving the reallocation of aircraft to new markets. We must operate our company in a responsible manner to ensure our long-term success.

In Colorado, we are also faced with escalating taxes and airport charges at Denver International Airport (DIA) where operating cost have risen faster than any other major U.S. airport over the past decade. As an example, Colorado property taxes have doubled in the last two years and airport landing fees are up by 30% over the past three years. The cumulative effect of these increasing costs is that connecting traffic is no longer profitable for our airline.

While we will continue to work collaboratively with our state and local business partners to address these cost concerns, we must act now and do what is within our control to manage our business. This includes the need to right size our operation at DIA ahead of signing a new lease with the airport in 2016. This may come as a surprise but we do not receive economic incentives as the hometown airline adding to our cost burden.

While Frontier's low fares stimulate the local market, saving hundreds of millions of dollars annually for travelers to and from the state of Colorado, the size of our local operation at DIA is fully dependent on both current and projected future costs. Though it is our desire to continue to focus on the local Colorado customer while providing a reliable, hassle free and affordable travel experience it is important that we seek a more cost effective solution.

Make no mistake – today we are not turning our backs on Coloradans. In fact, local traffic is up nearly 8% year-over-year, demonstrating the value of the Colorado market to us. We are also working on expanded service within the region to solidify our position as the Rocky Mountain airline of choice. Stay tuned for additional details in early 2015.

With fewer flights and connecting passengers at DIA, we will need fewer employees to staff the operation with the new winter schedule. While not guaranteed, it is our hope that staffing reductions can be absorbed through retirements and natural attrition. I also know engaging an outside vendor is a question on your minds. As we have stated in the past, it is critical that Frontier be competitive and this remains an option under review as do a range of other cost cutting measures.

I know change isn't always easy and can be stressful but I strongly believe that the steps we are taking today to transform Frontier will better position our airline for the future.

We will continue to keep each of you updated as we move forward in these efforts. As always, should you have any questions, please reach out to a member of your departmental leadership team or to myself directly.

Thank you for all you do every day to provide a great product to our valued customers.

Dave