HARVARD | BUSINESS | SCHOOL

9-609-046

REV: JUNE 27, 2011

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JetBlue Airways: Managing Growth

It was May 11, 2007, and David Barger finally had a moment to take in the view from his office window at JetBlue Airways' modest corporate headquarters in Forest Hills, New York. Less than 24 hours earlier, Barger, previously president and COO of JetBlue, was named the airline's CEO. JetBlue's board promoted Barger to the CEO role in the wake of a highly publicized operational crisis in February that led to the cancellation of over 1,100 JetBlue flights and adversely affected the travel plans of thousands of passengers. Though numerous interviews and meetings during the past day allowed Barger to outline his vision for the airline, he realized that he needed to move quickly in implementing that vision to maintain the confidence of customers, employees, and shareholders.

Just a few miles outside Barger's window was John Fitzgerald Kennedy (JFK) Airport, where JetBlue began operations as a low-cost carrier (LCC) in 2000 and, by the beginning of 2007, held a 30% share of domestic departures. Looking beyond the construction site for JetBlue's new Terminal 5—an $800 million state-of-the-art facility that was scheduled to open in the fall of 2008 and would offer 26 gates and a wide range of passenger amenities—Barger noticed one JetBlue plane, a 100-seat Embraer 190 (E190), taking off. Immediately following it was another JetBlue plane, a 150-seat Airbus 320 (A320). Wrapping up some e-mail responses, Barger was pleased to see other JetBlue planes—some E190s and some A320s—take to the air over the next fifteen minutes. He could not help but appreciate this setting as an appropriate backdrop for some critical short-term decisions that the airline needed to make.

In late 2005, JetBlue added the E190 to its fleet, which was then composed exclusively of 85 A320s. This decision was a break with the traditional practice of many LCCs of limiting their fleets to one type of aircraft to streamline operations and reduce costs. JetBlue was in the simultaneously advantageous and risky position of being the launch customer for the E190. By the end of 2006, JetBlue had 23 E190s in its fleet of 119 planes.

By late 2006, JetBlue, like other airlines, faced softening demand and higher costs due to increasing fuel prices. Barger played a large role in the airline's decision at the end of 2006 to slow its rate of growth by reducing its purchase commitments for new planes.

In light of the operational challenges JetBlue faced in February 2007, as well as the unabated rise in fuel costs (**Exhibit 1**), Barger realized that the airline would need to take further steps to slow its rate of growth. Though convinced JetBlue needed to decrease plane deliveries once again, Barger was not certain about the best way to distribute these reductions across E190s and A320s. The E190 was a promising plane that presented interesting growth opportunities and challenges for JetBlue. At the same time, the A320 was a proven plane that had served as the basis for JetBlue's operations over the

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Professors Robert S. Huckman and Gary P. Pisano prepared this case with the assistance of Global Research Group Research Associate Mark Rennella. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

past six years, and the company had developed a high level of comfort with it. Given the current pressures facing JetBlue and the industry, Barger knew this decision would not be easy.

LCCs and the Airline Industry

The airline industry in 2006 included two groups of competitors: legacy carriers and LCCs. Most of the best-known U.S. airlines, such as United and American Airlines, were legacy carriers, so called because of their long histories—reaching back, in some cases, as far as the 1920s. One part of this legacy was the "hub-and-spoke" system that characterized the operations of these companies. In this system, airlines created large "hubs" at specific airports where thousands of passengers were shuttled every day to connecting flights (the "spokes"). Delta Air Lines pioneered the "hub-and-spoke" system in 1955[1]; it became increasingly useful to airlines in the turbulent years after airline deregulation in 1978 as a means to keep costs low and protect market share. By centralizing the transfer of passengers during long journeys across the country, such structures allowed passengers to travel between numerous destinations without changing airlines. Some carriers also used hubs to dominate geographical segments of the market, as did Delta in Atlanta's Hartsfield International Airport. Despite the advantages of the hub-and-spoke model, however, this kind of centralization proved challenging if weather, maintenance problems, and air traffic delays interfered with flight schedules.

Emerging in Texas in the late 1960s, Southwest Airlines offered an alternative business model of air transportation. In contrast to the hub-and-spoke model, Southwest took passengers directly (i.e., "point to point") between cities that were often less than 500 miles apart and, wherever possible, used secondary airports serving major metropolitan areas. Attracting passengers who would have otherwise traveled by car or bus, Southwest was able to maintain high levels of plane utilization, thereby keeping its operating costs low enough to support its discounted fares. A key component of Southwest's ability to manage costs was its reliance on a single type of plane—the Boeing 737. Over time, Southwest's ground and flight personnel became very familiar with the 737; this decreased the airline's average turnaround time between landing a plane and putting it back into the air. This efficiency, combined with the shrewd use of fuel hedges, buoyed Southwest's profits.

Attempts by competitors to mimic Southwest's LCC model were typically unsuccessful, as demonstrated by the infamous rise and fall of no-frills People Express Airlines during the 1980s and the short-lived attempts of several major airlines—including Continental Airlines, Delta Air Lines, and United Airlines—to create LCC subsidiaries during the 1990s. By 2006, Southwest was firmly established as the only consistently profitable airline in an industry rocked by deregulation, fare wars, overcapacity, and the terrorist attacks of September 11, 2001. Specifically, Southwest was the only airline in America to show a profit for each year since 1973 up to 2005. **Exhibit 2** provides a comparison of Southwest, JetBlue, and selected major carriers in 2005.

After September 11, the airline industry experienced more troubles. Domestic airline yields (computed by dividing passenger revenues by revenue passenger miles) dropped almost 20% in the aftermath of the attack and remained below pre-attack levels until 2005. As of October 2006, five major U.S. airlines, including US Airways Group, were operating under Chapter 11 bankruptcy protection.[2]

JetBlue: A Short History

JetBlue was founded by David Neeleman in 1999 after he had already established a strong record as a leader in the airline industry. Neeleman was previously executive vice president of Morris Air, an airline based in his home state of Utah and modeled after Southwest Airlines. In 1993, at the age of 34, Neeleman sold Morris Air to Southwest for $129 million in stock.[3]

JetBlue entered the market by connecting large, typically northeastern, U.S. cities (e.g., New York) with warmer cities in the southeast (e.g., Ft. Lauderdale, Florida). Starting with just 10 airplanes in 2000, the company achieved major-airline status in 2004 by exceeding $1 billion in annual revenue. As JetBlue's CEO, Neeleman planned from the beginning to make the airline a "growth company" and set ambitious annual goals that the company largely met. These included consistent, quarterly profitability during each of the airline's first five years. In 2005, JetBlue became the ninth-largest passenger carrier in the United States.[4] **Exhibit 3** provides information on financial performance and selected operating statistics for JetBlue from 2003 to 2006. By 2011, the company planned to have 290 planes in service.

JetBlue was often compared to Southwest Airlines—where Neeleman had spent a short tenure in the 1990s—due to its emphasis on low fares and its decision to eschew the hub-and-spoke architecture of legacy airlines. Consistent with Southwest's decision to limit its aircraft fleet to a single type of plane, JetBlue's fleet was comprised entirely of A320s. The A320 was introduced by Airbus in 1988 and had rapidly become one of the most popular planes in commercial use.[a] Its maximum capacity (162 passengers[b]) and range (2,700 nautical miles, or approximately 3,100 miles) made it capable of serving a variety of medium- and long-haul routes, and it did so with relatively high fuel efficiency. By using the A320 as its sole aircraft type, JetBlue was able to standardize its training and servicing processes around the aircraft and had also gained flexibility in scheduling and capacity management.

Despite some similarities, JetBlue differed from Southwest in several ways. Southwest focused on customers whose priority was low-cost, on-time performance. There were no frills, not even seat assignments. JetBlue offered fares up to 65% lower than legacy competitors, but added comfort features such as assigned seating, leather upholstery, and satellite TV on individual screens in every seat.[5] A key operating principle for JetBlue was that flight cancellations should be avoided at all costs. As such, JetBlue was routinely a top performing airline in terms of flight completion, though success on that dimension came at the expense of performance in terms of on-time arrivals. In contrast to Southwest, JetBlue flew significantly more long-haul flights (i.e., flights longer than 500 miles) and offered numerous overnight "red-eye" flights from California to eastern cities. **Exhibit 4** provides data on the routes served by JetBlue as of late 2005.

JetBlue supported its lower fares by providing customers with incentives to reserve and purchase tickets via the company's website. To support customers who wanted to make reservations over the phone, the company set up a corps of reservations agents,[c] most of whom worked part-time from

[a] Between the launch of the A320 and the end of 2006, Airbus had received orders for more than 2,932 of these aircraft; as of the end of 2006, 1,633 of these planes had been delivered. This significant and growing backlog, together with the A320's ubiquity across airlines and regions, created a vibrant secondary market for A320s.

[b] Between 2005 and 2007, JetBlue removed two rows of seats (i.e., 12 seats) from the standard 162-seat A320 configuration to create several rows with additional legroom.

[c] By 2007, JetBlue employed roughly 2,000 reservations agents.

their homes. Given the flexibility offered to these part-time employees, JetBlue was able to run its reservations function at a significantly lower cost relative to other airlines.

Despite JetBlue's success in gaining share along its existing routes, Neeleman and his colleagues realized the need to consider new markets as a source of growth. They decided that the largest growth opportunity existed in connecting the large cities already served by JetBlue to medium-sized cities that were currently served by regional airlines affiliated with legacy carriers.[d]

Regional airlines tended to serve medium- and small-sized markets with regional jets (RJs) that had a capacity of no more than 76 seats. To a large degree, these size limits were dictated by the demands of the Air Line Pilots Association (ALPA).[e] ALPA's demands concerning the size of RJs helped to shape the relationship between regional airlines and major airlines. To ensure that regional airlines would not encroach upon the routes flown by the larger legacy airlines, pilots' unions demanded the inclusion of "scope clauses" in their contracts. These clauses limited the number and seating capacity of the flights that regional airlines could fly. After 2001, the demand for smaller regional routes expanded as many airlines cut longer routes as a way to reduce costs. Since that time, regional carriers had become quite profitable.[6] One source of this profitability was financial support from their affiliated legacy airlines in the form of profit margin guarantees and coverage of key expense items (e.g., insurance, fuel, and landing fees). This support helped ensure that regional airlines provided a steady flow of passengers to fill the seats on the longer-haul routes of their affiliated legacy carriers. **Exhibit 5** provides data on passenger emplanements and fleet size for mainline and regional airlines.

Because its employees were not unionized and it did not have an affiliation with a legacy carrier, JetBlue did not face limitations on the size of the planes that it could use to serve routes traditionally served by RJs. Nevertheless, JetBlue—like other LCCs—had not entered these markets in any significant way due to concerns that they would not generate enough traffic to fill the larger jets (e.g., the A320 or Boeing 737) that served as the mainstay of the LCCs' fleets.

Unwilling to forego the opportunity to serve regional markets, JetBlue decided to consider whether it could profitably enter such markets using a mid-sized aircraft. After looking at seven airplanes ranging from a capacity of 68 passengers (the CRJ-700) to 117 passengers (Airbus A318), JetBlue decided that the Embraer's E190—a new airplane for which JetBlue would serve as the launch customer—represented its best option for efficiently serving medium-sized markets while offering passengers a more comfortable flight than they would receive on the typical RJ. In 2003, JetBlue signed a deal with Embraer for the purchase of 101 E190s (for delivery through 2011) and options to purchase up to 100 additional E190s between 2011 and 2016.

[d] For example, American Eagle was the regional affiliate of American Airlines, and Northwest Airlink was the regional affiliate of Northwest Airlines.

[e] As of the summer of 2006, the maximum RJ seating capacity that the ALPA agreed upon was 76, up from the limit of 50 that most airlines had followed for years. Only US Airways had a higher limit, thanks to an agreement made with the ALPA as the airline was emerging from bankruptcy protection and merging with America West Airlines in September 2006. A US Airways executive explained that its regional feeder airlines could now fly "anything below an E-190," which meant a fixed number of 90-seater aircraft. See Mary Kirby, "Drawing the Line," *Flight International*, May 16, 2006, via LexisNexis, accessed January 2007.

The E190

When JetBlue agreed to become the launch customer for the E190 in 2003, the airplane existed only on paper and was planned as Embraer's largest plane to date. This gave JetBlue the opportunity to play a significant role in designing the interior of the aircraft to improve passenger comfort. **Exhibits 6a** and **6b** provide pictures of the interiors of the E190 and A320, respectively. **Exhibit 7** presents a comparison of various features of the two planes.

JetBlue projected that the E-190 could be operated at a cost per available seat-mile (CASM) that was 12% *greater* than that for an A320 and 34% *less* than that for a typical RJ. Because of its greater range and seating capacity relative to RJs (see **Exhibit 8**), the E190 could target a wider range of profitable destinations. Rob Maruster, senior vice president of customer service, claimed, "If we decided to open a focus city in Kansas City tomorrow, we could probably serve every market in the U.S. with the E190. That's an incredibly powerful corporate weapon."

The E190 increased the range of choices available to JetBlue passengers by feeding customers to connecting A320 flights at "focus cities," such as New York. For example, a customer flying on an E190 from Portland, Maine to JFK could connect with an A320 flight to Oakland, California. Prior to the introduction of the E190, this Portland customer would not have considered JetBlue as an option. Of course, A320s could feed into E190 flights as well, resulting in higher loads and improved economics for JetBlue. Transfers at focus cities would also improve the utilization of existing airport facilities, increasing productivity and reducing downtime for airport crew members. This synergy between the E190 and A320 enabled JetBlue to run E190s at an average daily utilization of 10 to 11 hours a day, significantly more than the average of 8 hours per day for RJs. In 2004, JetBlue flew its A320s an average of 13.4 hours a day.

Ramping Up

The initial plans for integrating the E190 were ambitious. After taking on seven E190s in the last two months of 2005, JetBlue took delivery of 16 additional E190s in 2006 and planned to take on another 18 in 2007. Maruster noted that, because the number of passengers required for a flight to meet the typical "breakeven" load of 75% to 80% was much lower on the E190 than the A320, the new plane made it easier for JetBlue to introduce service in new markets. In fact, a key assumption in JetBlue's planning was that it would add an average of one new city-pair market with the delivery of each E190. See **Exhibit 9** for data on JetBlue routes as of April 2007.

Tom Anderson, senior vice president of Fleet Programs, explained: "We wanted to get to efficient scale quickly. With any new airplane type in your fleet, in general, you need to get to 40 or 50 airplanes before you benefit from economies of scale."

Successful integration of the E190 into the fleet also provided some extra advantages over competitors. According to Barger, JetBlue was buying E190s "as fast as Embraer could make them." Neeleman added, "Embraer is somewhat limited in its production capacity—it was able to build about 10 planes a month, and that was split between several models—E170s, E175s, E190s, and E195s. To go bigger than that, Embraer would have to build a whole other facility."

While taking delivery of new E190s, JetBlue also continued its purchases of A320s. The A320 had proven to be an extremely reliable plane around which JetBlue had standardized its operations. Furthermore, the wide adoption and popularity of the A320 across airlines—combined with the relatively standard formats for the plane—provided significant flexibility with respect to firm orders

and options for additional planes. In comparison, the E190 was a newer plane that had many specific customizations for each of the relatively small number of airlines that had adopted it.

Though individual pilots could theoretically be trained to fly both the A320 and the E190, simultaneous dual certification was infeasible practically. Certification depended on the number of flights a pilot had flown on a given aircraft type within the prior month. As a result, it was simply not possible for a pilot to obtain enough flights as an E190 captain and enough as an A320 captain during a single month to retain dual certification in the following month. Shifting from one plane to another thus required a period of non-revenue "training" flying that was simply too expensive for the airline to subsidize. As a result, most JetBlue pilots were only trained to fly one of the two plane types.

In addition to training, the introduction of the E190 brought changes in pilot compensation. An E190 captain (i.e., pilot in command) received hourly pay that was lower than that for an A320 captain but higher than that for an A320 first officer (i.e., co-pilot). Anderson explained that JetBlue had to manage pilot expectations with respect to these changes. He observed:

> The way you get the pilots comfortable with this sort of quasi-regional jet being introduced into our fleet is you keep taking deliveries of A320s at the same rate and creating A320 captain jobs that are the top of the pyramid—the highest paying pilot jobs in the company. So from a career-path perspective, pilots would not feel that we slowed down A320 deliveries to make room for the E190. We'd have a lot of unhappy, highly influential employees. So we had to keep the status quo with the A320 deliveries.

Long-Haul vs. Short-Haul Routes

After some debate over the best initial market for the E190, JetBlue decided to introduce the plane in November 2005 on select flights between New York and Boston. Though both cities represented major markets with busy airports, JetBlue already had well-established operations in each city. Although the short-haul routes to be served by the E190 promised an increase in JetBlue's revenues (**Exhibit 10**), they also brought increased costs, as more frequent flights required E190s to spend more time on the ground than A320s for taxiing, loading, and unloading between flights.

Reactions to the E190

Pilots

An additional problem with the introduction of short-haul routes was that most E190 pilots would be at a disadvantage in accumulating flying hours (and increasing their seniority) vis-à-vis pilots of the long-haul A320. Pilots accumulated flying hours only for time spent in the air; any time spent on the ground because of bad weather or congested air traffic (which could be acute on routes connecting busy cities like Boston and New York) was not included in their block accumulation of hours. Seniority was important not only in terms of raising pilots' compensation per flight hour but also in terms of providing them with greater say over their number of flight hours per month.[f]

These changes concerned many JetBlue pilots. Scott Green, vice president of flight operations, described the initial reaction of many pilots to the adoption of the E190: "If it ain't broke, don't fix it.

[f] In contrast, the seniority of flight attendants was not determined by hours spent in flight.

We're doing well financially with the A320, so why on earth would we put our company at risk by doing this?"

Employees

In addition to requiring changes to JetBlue's airport infrastructure (e.g., lowering the height of its current jetways to accommodate a smaller plane), the E190 posed challenges for the airline's personnel who had grown accustomed to the A320.

Steven Predmore, vice president and chief safety officer, described how seemingly innocuous variations in the design of the two planes resulted in unexpected changes for employees. He noted the innovation of using non-skid flooring on the cargo bins of the E190 (versus the bare floors found on the A320). This was adopted as a safety feature to prevent baggage handlers from slipping on the floor of the cargo bin while loading and unloading bags under rainy or snowy conditions. With respect to the non-skid flooring, Predmore noted:

> From a health and safety standpoint, it seems to be a good thing. But the loading procedure established with the A320 was to slide bags along the floor of the bins. Well, now we couldn't slide bags. This not only increased loading time, but also increased the potential for strains and back sprains as handlers had to lift bags they previously would have slid.

Vicky Stennes, vice president of in-flight service, added that flight attendants also had to make a significant adjustment to the E190. Though the ratio of available seats to flight attendants was the same (i.e., 50 to 1) for both the A320 and E190, the latter plane had smaller galleys from which to serve customers. Further, the shorter duration of E190 flights provided less time for each attendant to provide the high level of service to which JetBlue passengers had become accustomed.

For those employees involved with servicing and maintaining JetBlue's aircraft, the adoption of the E190 created additional operating complexity. Because the A320 and E190 were different sizes and their engines, avionics, and other major components were manufactured by different companies, there were few opportunities to standardize parts and servicing procedures across the two types of aircraft. Given the volume of E190 flights either originating or arriving at JFK, JetBlue decided to invest in maintenance capabilities (i.e., equipment and staff) for the E190 at that airport. However, investing in similar capabilities at other airports—smaller JetBlue focus cities and other destinations—was not economically justifiable. Further, the novelty of the E190 meant that there were few opportunities to outsource or share with other carriers the maintenance responsibilities for E190s at airports other than JFK.

Customers

The E190 also required changes in behavior and expectations for JetBlue's existing customers. For example, overhead storage bins on the E190 were smaller than those on the A320, causing many passengers to be surprised and disappointed when they were told that they would need to check their luggage at the gate. Maruster reflected on the impact of this and related differences between the two planes, saying, "So now we had to tell customers to do two different things. If it's the first plane, you do this. If it's the other plane, you do that. Those kind of differences were a bit concerning to me."

Beyond the airline's existing customers, the short-haul routes that JetBlue introduced with the E190 brought new customers with new expectations. JetBlue had grown as an airline geared toward personal and leisure travel, determined to overcome delays and technical problems to get passengers

to their destinations. Passengers flying from New York to vacation spots in Florida, for example, were usually not following a tight schedule. This was not the case, however, for the business travelers who would fly short-haul routes on the E190. David Ramage, vice president of technical operations, described the attitude of these business travelers: "I've got to be in Boston by 8:00, and if I'm not, there are serious consequences." Ian Deason, director of alliances and partnerships, added, "With business customers, you get one chance. If they are not satisfied the first time, it's hard to get them back."

The short-haul routes attracted other passengers that tested the limits of JetBlue's "get-to-the-destination-at-all-costs" culture. One such test occurred during on New Year's Eve in 2005. A 6:00 p.m. E190 flight from Boston to New York was filled with revelers who were planning to spend the evening in New York and return the next morning. Mechanical problems combined with bad weather resulted in a long delay. As usual, JetBlue was determined to get its passengers in the air, but the flight crew did not communicate how long the delay was expected to last. After a while, flight attendants soon had to soothe angry passengers. One passenger's complaint captured the feeling of many: "If you had cancelled me I would have been happier. I would have gotten off the plane and *driven* to New York."

These were new kinds of demands that Mike Barger and others involved in training JetBlue employees now had to face. He noted:

> Our "secret sauce" historically has been that when something goes wrong, you buy a pizza and give somebody a hug, and everything's great. As for the business customers, they do not want a slice of pizza. Instead, they are thinking, "I've got a meeting in the city." The "a-ha moment" from a training perspective was that we did not prepare our customer-facing people to deal with the passenger who says, "I don't want a pizza. In fact, go get my bag off the airplane!"

Complex Intangibles

Drawing on his experience at one of the legacy airlines, Maruster reflected on another issue that arose from adding a new plane into JetBlue's operating system:

> When you start adding complexity, you start to lose your ability to track it and put your finger on it. When I was at another airline, we got rid of a sub-fleet of 12 airplanes that was sitting out there all by itself, requiring different processes and training. We really didn't have a strong financial case for getting rid of this fleet; everybody just knew we had to do it.

The high standards of service and reliability JetBlue had set in the past increased the frustrations of working through the integration of the E190. Neeleman noted:

> We wanted the plane to work, and we wanted to make sure that it worked every time. When you launch an airplane, there's this process of flying it and figuring out why this thing broke, particularly when the plane is so new. Does it need to be re-engineered? Does the software need to be re-written? Does this clamp need to be replaced? Moreover, why did this clamp fail? Well, it wasn't strong enough. Why wasn't it strong enough? Well, because it's a new plane.

Applying the Brakes

On a crisp autumn evening in 2006, Barger held a meeting with several members of JetBlue's management team, and others from a key banking advisor, over dinner at Il Corso in New York City. The goal of the meeting was to discuss options for financing the future growth of the airline. Mark Powers, senior vice president and treasurer, presented data on the cash flow implications of the airline's prior and planned aircraft purchases and growth over the next several years.

Though Powers presented several slides, he spent the majority of his time discussing only one of them—a picture showing the cash flows associated with the acquisition of each new airplane. Powers recalled:

> That slide showed a much longer path to breaking even on a cash basis than most of us in that room ever assumed. When you took the cash flow picture for the average plane acquisition and multiplied it by the number of planes we were acquiring each year, it was clear that, if we stayed on the current course, we would grow ourselves to death.

By the end of the dinner, it was clear that the data and analysis Powers presented—combined with rapidly increasing fuel prices—dictated that JetBlue slow its rate of growth significantly. To that end, within several months of the dinner, JetBlue announced that it would decrease the rate at which it took delivery of new airplanes and redouble efforts to sell used aircraft. With respect to new aircraft, the company reduced its planned deliveries of A320s from 17 to 12 for both 2007 and 2008. For E190s, planned deliveries decreased from 18 to 10 for both 2007 and 2008. **Exhibit 11** provides JetBlue's actual and expected fleet size from 2000 to 2011 under its original and revised assumptions about annual plane deliveries. At the time JetBlue announced these reductions, the airline noted that its plan was to slow the annual rate of growth in available seat miles (ASMs) for the airline from 18–20% to 14–17%.[7]

JetBlue's pilots were arguably impacted more than any other department by the decision to slow growth. Reducing aircraft purchases, explained Scott Green, "hurts the pilot group unlike any other work group, because your whole seniority and income ability is tied to the number of airplanes that we take."

The Valentine's Day Crisis

On February 14, 2007, JetBlue faced the beginning of what then-CEO Neeleman would later refer to as "the worst operational week in JetBlue's seven-year history."[8] JetBlue's flights from JFK were heavily booked on that particular Wednesday, as many customers in northeastern states hoped to get a head start on travel for the upcoming President's Day weekend. The weather forecast for JFK predicted early snow turning to rain. Despite the fact that the snow lingered longer than expected, JetBlue continued to board flights at JFK and have them taxi to their runways in anticipation of the expected changeover to rain.

Unfortunately, the snow turned to freezing rain, creating "ice pellet" conditions under which the Federal Aviation Administration (FAA) prohibited domestic flights from taking off. Because planes were still able to land at JFK under these conditions, the planes on the tarmac were left without gates to which they could return. The result was that several JetBlue planes were stranded on the tarmac at JFK, with nine spending at least six hours each waiting for gates.[9] Beyond the disgruntled passengers on these flights, the inability of JetBlue planes to leave JFK wreaked havoc on the entire JetBlue system as planes and flight crews were increasingly out of position and unable to make scheduled

flights. Over the course of the six-day event, over 1,100 flights were cancelled—approximately 40% of JetBlue's operations. In total, more than 131,000 JetBlue customers were affected by cancellations, delays, or diversions during the period.[10]

The crisis exposed the informal patchwork of operating systems that had emerged since JetBlue's founding but had not previously created significant problems for the airline. In response to the crisis, JetBlue took several steps to shore up its operations in the areas of information systems, reservations staffing, and airport staffing (e.g., it gave corporate staff at Forest Hills the credentials to staff selected operations positions at JFK on an emergency basis). Most importantly, the crisis highlighted the need to reconsider JetBlue's long-standing operating principle of not cancelling flights.

The crisis prompted Neeleman, on February 20, to introduce JetBlue's Customer Bill of Rights. The Bill of Rights, which was the first of its kind among U.S. airlines and was retroactively applied to those affected by the February crisis, delineated JetBlue's responsibilities to its customers in information sharing, cancellations, departure delays, overbookings, and on-board ground delays for arrivals and departures (**Exhibit 12**). Prior to the crisis, *BusinessWeek* had compiled its list of top-performing companies with respect to customer service, placing JetBlue in the fourth spot. When the list appeared in the March 5 issue of the magazine, however, the cover showed JetBlue's name scratched off the list with the title "Customer Service Champs . . . and One Extraordinary Stumble."

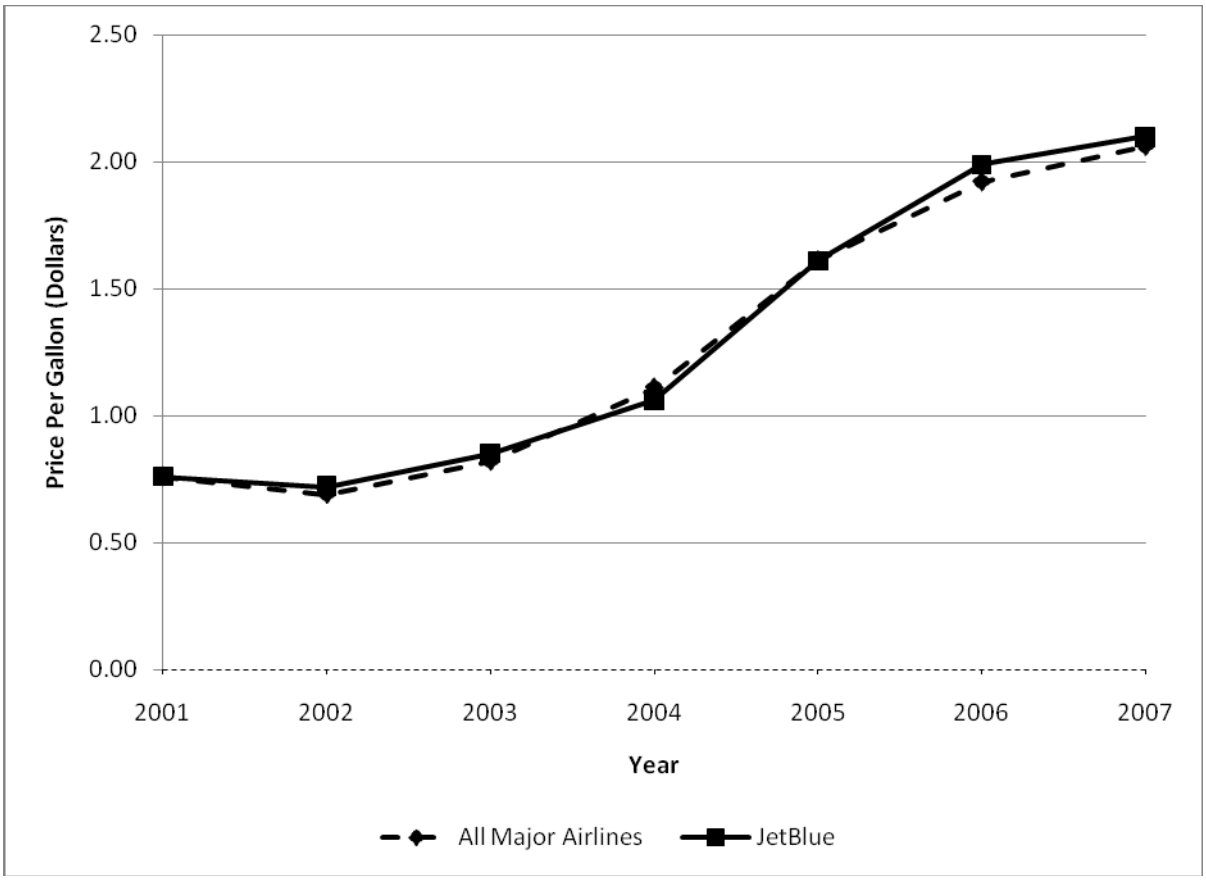
At multiple points during February and March, the provisions of the company's Bill of Rights were tested by weather conditions in the eastern U.S. On those occasions, the airline moved proactively to cancel flights. In early March, JetBlue introduced Russ Chew, former COO of the FAA, as the airline's new COO, with Barger retaining the title of president. In May, Neeleman announced his resignation as CEO, and Barger was named as his successor.

Moving Forward

Though disappointed by the crisis itself, Barger was pleased with the manner in which the airline had moved swiftly to shore up its operating procedures in the three subsequent months. As the immediate stress of crisis recovery began to subside, however, Barger found himself facing an equally perplexing issue related to JetBlue's capacity. Despite the steps taken to slow JetBlue's rate of aircraft deliveries in late 2006, it was clear—particularly in light of rapidly increasing fuel costs—that the airline needed to curtail further its capacity growth.

While the exact magnitude of the necessary reductions in capacity growth was still unclear, Barger realized that the cuts would be significant. What was not clear was how much of the capacity reduction should come from the E190 fleet versus that of the A320. Barger saw the E190 as a unique plane that JetBlue could use as an engine for future growth. At the same time, the A320 was a proven aircraft around which JetBlue had standardized its training and operating activities over the past seven years. Ultimately, Barger knew that neither Embraer nor Airbus would be pleased with any future reductions or deferrals sought by JetBlue. While the need for slower capacity growth was clear, the best path for achieving it was less certain.

Exhibit 1 Average Fuel Prices for U.S. Domestic Commercial Air Travel, 2001 to 2007



Note: Figures for 2007 are estimated.

Source: U.S. Department of Transportation, Research and Innovative Technology Administration website, http://www.transtats.bts.gov/fuel.asp?pn=1, accessed August 2008.

Exhibit 2 2005 Financial and Operational Results for Selected Carriers

	Continental	Delta	Southwest	JetBlue	American[a]	United[b]
Operating revenues ($ millions)	$11,208	$16,191	$7,584	$1,701	$20,657	$17,304
Operating expenses ($ millions)	11,247	18,192	6,764	1,653	21,008	17,529
Operating profit (loss) ($ millions)	(39)	(2,001)	820	48	(351)	(225)
Net income (loss) ($ millions)	(68)	(3,836)	548	(20)	(892)	(21,036)
Earnings (loss) per share	(0.96)	(23.75)	0.70	(0.13)	(5.21)[f]	
Wages, benefits, etc ($ millions)	$2,649	$5,058	$2,702	$428	$6,173	$4,014
Fuel/oil ($ millions)	2,443	4,271	$1,342	$488	5,080	4,032
Passengers ($ thousands)[c]	44,939	118,856	77,693	14,729		67,000
Revenue passenger miles ($ millions)[d]	71,261	119,954	60,223	20,200	138,374	114,272
Available seat miles (millions)	89,647	156,659	85,172	23,703	176,112	140,300
Passenger load factor[e]	79.5%	76.5%	70.7%	85.2%	78.6%	81.4%
Breakeven load factor		87.0%		86.1%		82.8%
Employment	42,200	55,700	31,729	6,797	88,400[g]	57,000
Fleet	356	649	445	92	699	460

Source: Compiled from 10-K and annual reports for selected carriers, 2005.

[a]American is a subsidiary of the AMR Corporation, which also owns regional carrier American Eagle.

[b]United is a subsidiary of UAL Corporation.

[c]Revenue passengers measured by each flight segment flown.

[d]The number of scheduled miles flown by revenue passengers.

[e]Revenue passenger miles divided by available seat miles.

[f]Loss per share for AMR Corporation.

[g]For the AMR Corporation.

Exhibit 3 JetBlue Financial and Operating Summary, 2003-2006

	2006	2005	2004	2003
Selected Financial Data (in millions)				
Operating revenues	$2,363	$1,701	$1,265	$998
Salaries, wages and benefits	553	428	337	267
Aircraft fuel	752	488	255	147
Total operating expenses	2,236	1,653	1,154	831
Operating income	127	48	111	167
Net income (loss)	(1)	(20)	46	103
Cash and cash equivalents	10	6	19	103
Short-term investments	689	478	431	505
Other current assets				
Total current assets	927	635	514	746
Total other assets				
Total assets	4,843	3,892	2,797	2,186
Total current liabilities	854	676	488	370
Total long-term debt	2,626	2,103	1,396	1,012
Total other liabilities				
Total liabilities	3,891	2,981	2,043	1,515
Total shareholders' equity	952	911	754	671
Total liabilities and shareholders' equity	4,843	3,892	2,797	2,186
Selected Operating Statistics				
Average fare	$119.93	$110.03	$103.49	$107.09
Flights	159,152	112,009	90,532	66,920
Average flight length (miles)	1,186	1,358	1,339	1,272
Revenue passengers (thousands)	18,565	14,729	11,783	9,012
Revenue passenger miles (millions)	23,320	20,200	15,730	11,527
Available seat miles (ASMs) (millions)	28,594	23,703	18,911	13,639
Passenger load factor	81.6%	85.20%	83.20%	84.50%
Breakeven load factor	81.4%	86.10%	77.90%	72.60%
Operating revenue per ASM (cents)	8.26	7.18	6.69	7.32
Operating expense per ASM (cents)	7.82	6.98	6.1	6.09
Operating expense per ASM, excluding fuel (cents)	5.19	4.92	4.75	5.01
Employees (FTEs)	9,515	8,326	6,601	5,012
Pilots	1,545	1,253	897	684
Fleet (average number of operating aircraft)	106.5	77.5	60.6	44
Cities served	50	34	26	21

Source: Adapted from JetBlue Corporation Annual Reports.

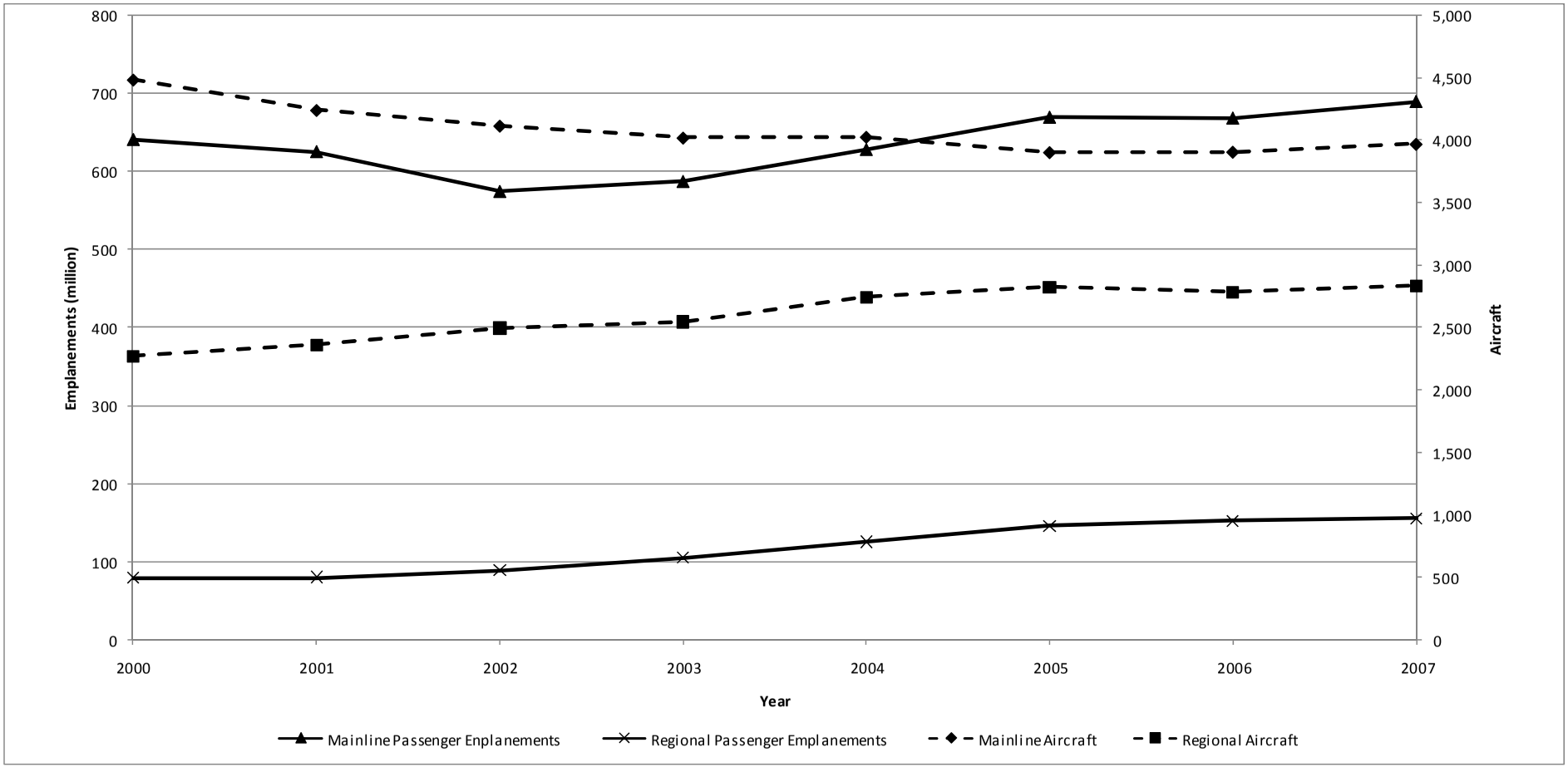
Exhibit 4 Routes Served by JetBlue as of November 2005

Airport	City	Airport	City	Distance (Miles)	Average Passengers/ Flight	A320 Round Trips/Day	Revenue/ Available Seat-Mile (Cents)
BOS	Boston, MA	DEN	Denver, CO	1,751	111.82	1	4.18
BOS	Boston, MA	FLL	Fort Lauderdale, FL	1,240	130.54	4	6.49
BOS	Boston, MA	LGB	Long Beach, CA	2,599	129.66	2	4.25
BOS	Boston, MA	MCO	Orlando, FL	1,124	121.91	4	5.97
BOS	Boston, MA	OAK	Oakland, CA	2,690	125.33	2	3.89
BOS	Boston, MA	RSW	Fort Myers, FL	1,252	127.19	1	7.01
BOS	Boston, MA	TPA	Tampa, FL	1,187	122.86	2	5.62
FLL	Fort Lauderdale, FL	IAD	Washington, DC	904	130.57	2	8.76
FLL	Fort Lauderdale, FL	LGA	New York, NY	1,079	132.86	7	7.55
FLL	Fort Lauderdale, FL	LGB	Long Beach, CA	2,326	131.54	1	4.51
IAD	Washington, DC	LGB	Long Beach, CA	2,275	134.43	4	5.01
IAD	Washington, DC	OAK	Oakland, CA	2,405	132.15	2	4.50
IAD	Washington, DC	SMF	Sacramento, CA	2,355	99.67	1	2.89
JFK	New York, NY	BQN	Aguadilla, PR	1,582	135.01	1	6.31
JFK	New York, NY	BTV	Burlington, VT	267	129.78	3	16.22
JFK	New York, NY	BUF	Buffalo, NY	301	126.72	7	16.91
JFK	New York, NY	DEN	Denver, CO	1,623	123.90	2	5.45
JFK	New York, NY	FLL	Fort Lauderdale, FL	1,072	136.97	10	8.12
JFK	New York, NY	LAS	Las Vegas, NV	2,246	131.39	4	5.18
JFK	New York, NY	LGB	Long Beach, CA	2,462	140.89	7	5.07
JFK	New York, NY	MCO	Orlando, FL	947	137.85	9	8.95
JFK	New York, NY	MSY	New Orleans, LA	1,183	136.59	1	7.72
JFK	New York, NY	NAS	Nassau, BS	1,100	112.98	1	8.16
JFK	New York, NY	OAK	Oakland, CA	2,572	132.21	5	4.25
JFK	New York, NY	ONT	Ontario, CA	2,427	139.27	2	4.86
JFK	New York, NY	PBI	West Palm Beach, FL	1,031	136.01	7	8.57
JFK	New York, NY	PHX	Phoenix, AZ	2,151	123.67	1	4.31
JFK	New York, NY	ROC	Rochester, NY	264	123.61	4	17.18
JFK	New York, NY	RSW	Fort Myers, FL	1,077	131.27	6	7.78
JFK	New York, NY	SAN	San Diego, CA	2,443	132.30	2	4.46
JFK	New York, NY	SDQ	Santo Domingo, DO	1,555	101.18	1	3.88
JFK	New York, NY	SEA	Seattle, WA	2,418	139.46	1	4.77
JFK	New York, NY	SJC	San Jose, CA	2,566	127.75	2	3.99
JFK	New York, NY	SJU	San Juan, PR	1,603	130.25	3	6.42
JFK	New York, NY	SLC	Salt Lake City, UT	1,986	128.61	1	4.80
JFK	New York, NY	SMF	Sacramento, CA	2,518	130.93	1	4.30
JFK	New York, NY	STI	Santiago, DO	1,476	109.47	1	4.78
JFK	New York, NY	SYR	Syracuse, NY	209	133.14	3	20.65
JFK	New York, NY	TPA	Tampa, FL	1,008	137.27	7	7.94
LGB	Long Beach, CA	LAS	Las Vegas, NV	231	133.14	2	20.31
LGB	Long Beach, CA	OAK	Oakland, CA	354	126.40	6	13.75
LGB	Long Beach, CA	SLC	Salt Lake City, UT	590	129.53	1	10.48

Note: During 2005, the typical JetBlue A320 had 156 available seats.

Source: Company documents.

Exhibit 5 Passenger Enplanements and Aircraft for Mainline and Regional Airlines, 2000 to 2007



Source: Federal Aviation Administration, *FAA Aerospace Forecast, 2008–2025.*

Exhibit 6a Photograph of the A320 Interior, Rear to Front

Source: http://www.airliners.net/usephotos/, accessed July 2008.

Exhibit 6b Photograph of the E190 Interior, Front to Rear

Source: Company documents.

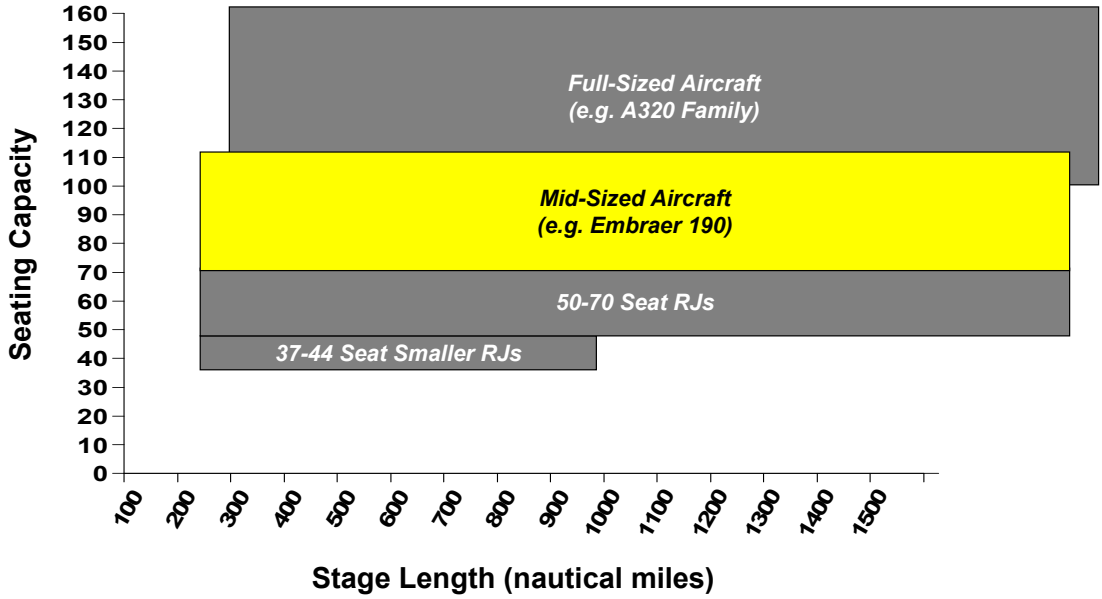
Exhibit 7 Comparison of Airbus A320 and Embraer 190

	Airbus A320	Embraer 190
Seats	150[a]	100
Seat configuration	25 rows (3-and-3 layout)	25 rows (2-and-2 layout)
Seat pitch	34-36 inches	32-33 inches
Seat width	17.8 inches	18.25 inches
Cabin height	7 feet, 1 inch	6 feet, 7 inches
Bathrooms	3	2
Length	123 feet, 3 inches	118 feet, 11 inches
Wingspan	111 feet, 10 inches	94 feet, 3 inches
Range	2,700 nautical miles (~3,100 miles)	2,100 nautical miles (~2,400 miles)
Estimated acquisition cost per plane	$50-60 million	$30-40 million

Source: Adapted from http://www.jetblue.com/about/whyyoulllike/about_whyairbusstats.html and http://www.jetblue.com/about/whyyoulllike/about_whyembraerstats.html, accessed August 2007.

[a]Initially, JetBlue's A320s were equipped with the standard 162 seats offered by Airbus. Between 2005 and 2007, JetBlue decreased the number of seats on its A320 on two occasions. First was the reduction from 162 to 156 seats by removing one row of seats from each plane. Later, JetBlue removed a second row of seats, reducing capacity to 150 seats. FAA regulations required the staffing of one flight attendant per 50 seats on an aircraft.

Exhibit 8 Range and Seating Capacity of the E-190 and Selected RJs



Source: Company documents.

Exhibit 9 Routes Served by JetBlue as of April 2007

Airport	City	Airport	City	Distance (Miles)	Average Passengers/ Flight	A320 Round Trips / Day	E190 Round Trips / Day	Revenue/ Available Seat-Mile (Cents)
BOS	Boston, MA	AUS	Austin, TX	1,695	71.88		1	6.51
BOS	Boston, MA	BUF	Buffalo, NY	395	59.36		3	9.33
BOS	Boston, MA	CMH	Columbus, OH	639	59.47		1	6.53
BOS	Boston, MA	DEN	Denver, CO	1,751	101.88	1		5.11
BOS	Boston, MA	FLL	Fort Laud., FL	1,240	132.35	2		8.60
BOS	Boston, MA	IAD	Washington, DC	413	72.14		5	14.06
BOS	Boston, MA	LAS	Las Vegas, NV	2,378	114.19	1		4.36
BOS	Boston, MA	LGB	Long Beach, CA	2,599	130.21	3		5.84
BOS	Boston, MA	MCO	Orlando, FL	1,124	125.75	4		8.99
BOS	Boston, MA	OAK	Oakland, CA	2,690	128.72	2		5.75
BOS	Boston, MA	PBI	W Palm Bch, FL	1,200	126.83	1		8.85
BOS	Boston, MA	PHX	Phoenix, AZ	2,297	92.41	1		3.44
BOS	Boston, MA	PIT	Pittsburgh, PA	495	55.16		2	8.42
BOS	Boston, MA	RDU	Raleigh, NC	612	62.16		1	9.99
BOS	Boston, MA	RIC	Richmond, VA	474	61.81		2	10.79
BOS	Boston, MA	RSW	Fort Myers, FL	1,252	119.26	2		8.63
BOS	Boston, MA	SEA	Seattle, WA	2,492	116.33	1		5.15
BOS	Boston, MA	SJC	San Jose, CA	2,685	126.16	1		5.38
BOS	Boston, MA	TPA	Tampa, FL	1,187	102.66	1	1	8.47
EWR	Newark, NJ	PBI	W Palm Bch, FL	1,027	131.41	1		9.97
EWR	Newark, NJ	RSW	Fort Myers, FL	1,071	122.44	1		8.37
FLL	Fort Laud., FL	EWR	Newark, NJ	1,068	130.61	4		9.55
FLL	Fort Laud., FL	IAD	Washington, DC	904	123.54	2		8.81
FLL	Fort Laud., FL	LGA	New York, NY	1,079	134.46	5		9.78
FLL	Fort Laud., FL	LGB	Long Beach, CA	2,326	124.39	1		5.29
FLL	Fort Laud., FL	OAK	Oakland, CA	2,574	102.20	1		3.76
FLL	Fort Laud., FL	SWF	Newburgh, NY	1,122	113.94	2		7.01
IAD	Washington, DC	LAS	Las Vegas, NV	2,063	107.85	1		3.99
IAD	Washington, DC	LGB	Long Beach, CA	2,275	128.23	4		6.05
IAD	Washington, DC	OAK	Oakland, CA	2,405	125.03	3		5.80
IAD	Washington, DC	SAN	San Diego, CA	2,251	113.34	1		4.90
JFK	New York, NY	AUS	Austin, TX	1,519	78.00		3	7.63
JFK	New York, NY	BNA	Nashville, TN	765	68.37		3	8.30
JFK	New York, NY	BOS	Boston, MA	187	81.71	5	3	21.22
JFK	New York, NY	BQN	Aguadilla, PR	1,582	134.08	2		7.36
JFK	New York, NY	BTV	Burlington, VT	267	117.47	4		17.31
JFK	New York, NY	BUF	Buffalo, NY	301	119.75	8	1	19.72
JFK	New York, NY	BUR	Burbank, CA	2,462	132.48	5		6.66
JFK	New York, NY	CLT	Charlotte, NC	541	76.19	1	4	12.60
JFK	New York, NY	CMH	Columbus, OH	482	60.00		3	8.13
JFK	New York, NY	CUN	Cancun, MX	1,559	117.82	2		8.18
JFK	New York, NY	DEN	Denver, CO	1,623	120.35	2		6.58
JFK	New York, NY	FLL	Fort Laud., FL	1,072	131.96	10		9.36
JFK	New York, NY	HOU	Houston, TX	1,428	90.45		3	4.22
JFK	New York, NY	IAD	Washington, DC	228	65.54		5	14.63
JFK	New York, NY	JAX	Jacksonville, FL	831	103.59	3		8.57

Exhibit 9 (continued) Routes Served by JetBlue as of April 2007

Airport	City	Airport	City	Distance (Miles)	Average Passengers/ Flight	A320 Round Trips / Day	E190 Round Trips / Day	Revenue/ Available Seat-Mile (Cents)
JFK	New York, NY	LAS	Las Vegas, NV	2,246	129.64	6		6.59
JFK	New York, NY	LGB	Long Beach, CA	2,462	135.83	6		6.63
JFK	New York, NY	MCO	Orlando, FL	947	132.96	11		9.84
JFK	New York, NY	MSY	New Orlns, LA	1,183	124.78	2		8.81
JFK	New York, NY	NAS	Nassau, BS	1,100	123.28	2		9.35
JFK	New York, NY	OAK	Oakland, CA	2,572	132.32	4		6.12
JFK	New York, NY	ONT	Ontario, CA	2,427	133.57	1		6.28
JFK	New York, NY	ORD	Chicago, IL	739	89.63	2	3	6.10
JFK	New York, NY	PBI	W Palm Bch, FL	1,031	128.63	5	1	9.53
JFK	New York, NY	PDX	Portland, OR	2,450	120.88	1		5.35
JFK	New York, NY	PHX	Phoenix, AZ	2,151	122.27	2		5.76
JFK	New York, NY	PIT	Pittsburgh, PA	339	61.07		4	11.84
JFK	New York, NY	PSE	Ponce, PR	1,623	126.02	1		6.24
JFK	New York, NY	PWM	Portland, ME	274	93.60	3	1	16.77
JFK	New York, NY	RDU	Raleigh, NC	427	70.95		5	14.17
JFK	New York, NY	RIC	Richmond, VA	288	67.54		4	15.84
JFK	New York, NY	ROC	Rochester, NY	264	113.34	5		18.77
JFK	New York, NY	RSW	Fort Myers, FL	1,077	124.63	4		8.53
JFK	New York, NY	SAN	San Diego, CA	2,443	130.05	3		5.72
JFK	New York, NY	SEA	Seattle, WA	2,418	132.64	2		6.17
JFK	New York, NY	SJC	San Jose, CA	2,566	129.02	2		5.77
JFK	New York, NY	SJU	San Juan, PR	1,603	129.13	4		7.20
JFK	New York, NY	SLC	Salt Lake Cty, UT	1,986	128.68	1		6.25
JFK	New York, NY	SMF	Sacramento, CA	2,518	121.78	1		5.18
JFK	New York, NY	SRQ	Sarasota, FL	1,044	130.11	1		9.66
JFK	New York, NY	STI	Santiago, DO	1,476	128.39	1		8.07
JFK	New York, NY	SYR	Syracuse, NY	209	119.50	3	1	21.55
JFK	New York, NY	TPA	Tampa, FL	1,008	131.62	6		9.09
JFK	New York, NY	TUS	Tucson, AZ	2,134	101.24	1		4.28
LGB	Long Beach, CA	LAS	Las Vegas, NV	231	113.43	6		21.39
LGB	Long Beach, CA	OAK	Oakland, CA	354	113.24	5		14.64
LGB	Long Beach, CA	ORD	Chicago, IL	1,734	126.93	2		4.74
LGB	Long Beach, CA	SLC	Salt Lake Cty, UT	590	121.94	2		11.61
LGB	Long Beach, CA	SMF	Sacramento, CA	388	89.32	2		9.20
MCO	Orlando, FL	BQN	Aguadilla, PR	1,131	114.15	1		7.37
MCO	Orlando, FL	EWR	Newark, NJ	940	123.72	4		9.67
MCO	Orlando, FL	LGA	New York, NY	953	129.42	11		9.65
MCO	Orlando, FL	SJU	San Juan, PR	1,191	126.48	2		8.01
MCO	Orlando, FL	SWF	Newburgh, NY	992	125.17	2		8.24
MCO	Orlando, FL	SYR	Syracuse, NY	1,056	129.50	1		9.09
PBI	W Palm Bch, FL	LGA	New York, NY	1,038	127.47	1		9.62

Note: As of April 2007, the typical JetBlue A320 had 156 available seats and each E190 had 100 available seats.

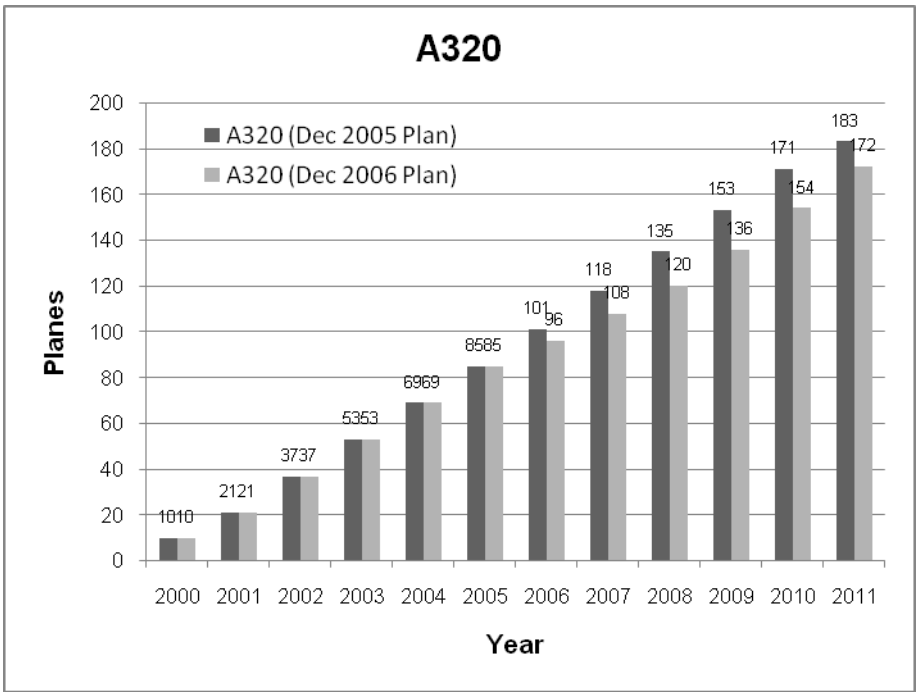
Source: Company documents.

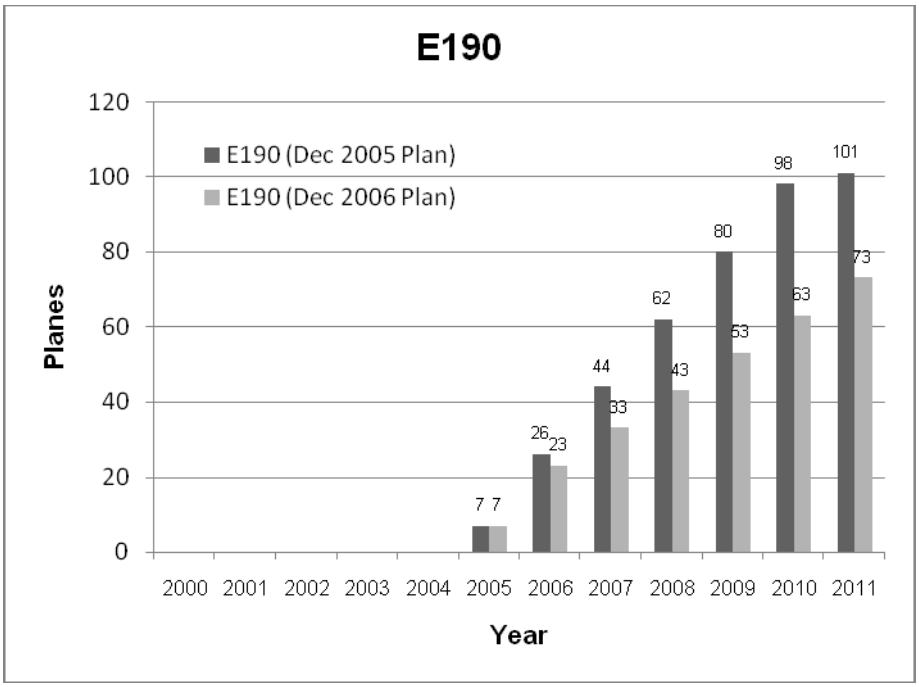
Exhibit 10 Average Number of Daily JetBlue Round Trips by City-Pair Distance and Year

City-Pair Distance	2005	2006	2007
<500 miles	27	57	78
500-1,000 miles	12	22	50
1,000-1,500 miles	49	55	67
1,500-2,000 miles	10	17	21
2,000-2,500 miles	34	40	40
>2,500 miles	16	17	19
TOTAL	148	208	275

Source: Company documents.

Exhibit 11 JetBlue Fleet by Plane Type, December 2005 Plan vs. December 2006 Plan





Note: Figures for 2006 forward are based on planned deliveries.

Source: JetBlue Annual Reports.

Exhibit 12 JetBlue Customer Bill of Rights

JETBLUE AIRWAYS CUSTOMER BILL OF RIGHTS

JetBlue Airways Customer Bill of Rights

Above all else, JetBlue Airways is dedicated to bringing humanity back to air travel. We strive to make every part of your experience as simple and as pleasant as possible. Unfortunately, there are times when things do not go as planned. If you're inconvenienced as a result, we think it is important that you know exactly what you can expect from us. That's why we created our Customer Bill of Rights. These Rights will always be subject to the highest level of safety and security for our customers and crewmembers.

INFORMATION

JetBlue will notify customers of the following:

- Delays prior to scheduled departure
- Cancellations and their cause
- Diversions and their cause

CANCELLATIONS

All customers whose flight is cancelled by JetBlue will, at the customer's option, receive a full refund or re-accommodation on a future JetBlue flight at no additional charge or fare. If JetBlue cancels a flight within 12 hours of scheduled departure and the cancellation is due to a *Controllable Irregularity*, JetBlue will also provide the customer with a Voucher valid for future travel on JetBlue in the amount paid by the customer for the roundtrip.

DEPARTURE DELAYS

1. Customers whose flight is delayed prior to scheduled departure for 1-1:59 hours due to a *Controllable Irregularity* are entitled to a $25 Voucher good for future travel on JetBlue.
2. Customers whose flight is delayed prior to scheduled departure for 2-3:59 hours due to a *Controllable Irregularity* are entitled to a $50 Voucher good for future travel on JetBlue.
3. Customers whose flight is delayed prior to scheduled departure for 4-5:59 hours due to a *Controllable Irregularity* are entitled to a Voucher good for future travel on JetBlue in the amount paid by the customer for the oneway trip.
4. Customers whose flight is delayed prior to scheduled departure for 6 or more hours due to a *Controllable Irregularity* are entitled to a Voucher good for future travel on JetBlue in the amount paid by the customer for the roundtrip.

OVERBOOKINGS (As defined in JetBlue's Contract of Carriage)

Customers who are involuntarily denied boarding shall receive $1,000.

ONBOARD GROUND DELAYS

For customers who experience an onboard Ground Delay for more than 5 hours, JetBlue will take necessary action so that customers may deplane. JetBlue will also provide customers experiencing an onboard Ground Delay with food and drink, access to restrooms and, as necessary, medical treatment.

Arrivals:

1. Customers who experience an onboard Ground Delay on Arrival for 30-59 minutes after scheduled arrival time are entitled to a $25 Voucher good for future travel on JetBlue.
2. Customers who experience an onboard Ground Delay on Arrival for 1-1:59 hours after scheduled arrival time are entitled to a $100 Voucher good for future travel on JetBlue.
3. Customers who experience an onboard Ground Delay on Arrival for 2-2:59 hours after scheduled arrival time are entitled to a Voucher good for future travel on JetBlue in the amount paid by the customer for the oneway trip.
4. Customers who experience an onboard Ground Delay on Arrival for 3 or more hours after scheduled arrival time are entitled to a Voucher good for future travel on JetBlue in the amount paid by the customer for the roundtrip.

Departures:

1. Customers who experience an onboard Ground Delay on Departure for 3-3:59 hours are entitled to a $100 Voucher good for future travel on JetBlue.
2. Customers who experience an onboard Ground Delay on Departure for 4 or more hours are entitled to a Voucher good for future travel on JetBlue in the amount paid by the customer for the roundtrip.

jetBlue AIRWAYS

JetBlue Airways
Forest Hills Support Center
118-29 Queens Blvd
Forest Hills, NY 11375

1-800-JETBLUE 1-800-538-2583 jetblue.com

*These Rights are subject to JetBlue's Contract of Carriage and, as applicable, the operational control of the flight crew, and apply to only JetBlue operated flights.

This document is representative of what is reflected in JetBlue's Contract of Carriage, the legal binding document between JetBlue and it's customers.

Source: http://www.jetblue.com/p/about/ourcompany/promise/Bill_Of_Rights.pdf, accessed April 2007.

Endnotes

[1] Delta Air Lines, "Delta Through the Decades," Delta Air Lines Company website, http://www.delta.com/about_delta/corporate_information/delta_stats_facts_/detla_through_the_decades/index.jsp, accessed February 2007.

[2] This section draws from Jim Corridore, "Airlines," Industry Surveys, *Standard & Poor's Industry Surveys*, November 23, 2006, via NetAdvantage, accessed November 15, 2006.

[3] Steve Huettel, "Soaring Ahead," *St. Petersburg Times*, via Factiva, accessed December 12, 2006.

[4] JetBlue, December 31, 2005 10-K (Forest Hills: JetBlue, 2005), p. 1, via Thomson Research, accessed January 2007.

[5] Susan Carey, "Balancing Act: Amid JetBlue's Rapid Ascent, CEO Adopts Big Rivals' Traits," *Wall Street Journal*, August 25, 2005, accessed via Factiva, December 19, 2006.

[6] Brian Nelson, "Worst Has Yet to Come for Regional Airlines," *Morningstar Column*, October 16, 2006, via LexisNexis, accessed January 31, 2007.

[7] "JetBlue Adjusts Fleet Delivery Plan Through 2016," JetBlue Airways press release (Forest Hills, NY, December 4, 2006.

[8] David Neeleman, "An Apology from David Neeleman," JetBlue company website, http://www.jetblue.com/about/ourcompany/apology/index.html, accessed March 2007.

[9] Jeff Bailey, "JetBlue Cancels More Flights, Leading to Passenger Discord," *New York Times*, February 18, 2007, via Factiva, accessed September 2007.

[10] JetBlue Airways conference call to announce details of Customer Bill of Rights Program, February 20, 2007, accessed via Thomson Financial, April 2007.