#### JETBLUE CHIEF EXECUTIVE OFFICER ROBIN HAYES ADDRESS TO THE INTERNATIONAL AVIATION CLUB WASHINGTON | OCTOBER 16, 2019

As delivered

Good afternoon, everyone!

Thank you for the introduction, and to the board for the invitation to speak today. There's always a lot going on in Washington so it's exciting to come here.

Some of you may know this, some of you may not, but JetBlue is actually a few months away from our 20<sup>th</sup> anniversary. Rob Land is here. Rob is now the longest serving JetBlue crewmember and he leads the government affairs team here at JetBlue – and I thank him for everything he does.

Rob remembers twenty years ago when airlines and labor organizations were actively lobbying for JetBlue not to start. There was no shortage of naysayers back then. Our founder David Neeleman had this idea of creating a low-cost, customer-focused airline in New York but lots of people thought it would quickly fail.

But here we are, nearly two decades later, a success story, I believe, in a completely transformed industry that's seen many brands disappear due to mergers, acquisitions, and shutdowns.

But one thing that hasn't changed is the protectionist tendencies of our industry. That sentiment has only become more pronounced as legacy airlines in the U.S. have become larger and gained more market power.

In fact, when one of the first of the mega-mergers of our industry was proposed back in 2000, again, twenty years ago, between United and US Airways, remember that? David Neeleman testified on the Hill and shared his prediction of the consequences of such as massive tie-up. And his perspective rings eerily true today.

David said – and I quote – "This industry consolidation could conceivably result in three or four major carriers carrying upwards of 85 percent of all U.S. domestic traffic."

And mind you, back then, the largest four airlines only had 55 percent market share of the U.S. market.

He continued, "As an entrepreneur who has started and then sold companies, including an airline, I am not against airline mergers per se, nor am I against the concept of this merger. However, industry consolidation such as would occur through this merger, and

others, absent protections for smaller carriers trying to compete fairly in the domestic marketplace, can only be seen as harmful to the American consumer."

And David said this back in the year 2000. And look at where we are today with the four largest airlines controlling about 80 percent of the U.S. market. And JetBlue, despite our considerable growth to a fleet of more than 250 airplanes, has just a 5 percent slice of the market.

We are so grateful that 20 years ago there were some, like DOT, who did more than pay lip service to free markets but who actually believed and understood that an airline like JetBlue could shake up the status quo. You don't need to look any further than Kennedy Airport, where we first launched, for evidence of the power of new entrants to keep the giants in check by lowering fares, offering a better customer experience, and ultimately stimulating traffic.

The year before JetBlue was founded, about 30 million people flew through JFK. Twenty years later, that number had soared to 62 million thanks to the market JetBlue stimulated.

It's not just new entry that spurs competition but *low fare* new entry. Let's give you an example when JetBlue started flying between DCA and Boston. Before we did, the lowest walk-up fare in that market was \$600 one way. Six hundred dollars for a short flight between DCA and Boston! When JetBlue began service, straight away those tickets fell by 60 percent.

On the flip side, if you look at the shuttle duopoly that exists here in Washington to New York LaGuardia, where we do not compete, that market remains extremely high-priced. The cheapest walk-up fare today is still \$499 – twice the price to fly half the distance of going to Boston.

My point in sharing all these numbers is to demonstrate something we have to keep pounding: that when given a fair chance to compete, smaller carriers and new entrants generate outsized benefits including tempering how much the legacy carriers can charge.

In my over 30 years in aviation, we've seen significant changes in the landscape. From 9/11 to fuel spikes, a global recession, pandemics, geopolitical upheaval, and seeing so many airline brands disappear through that time.

In fact, since the last time I had the opportunity to speak to this club in 2015, the industry continues to change and be as lively as ever. One of the biggest distractions of the last few years was the Gulf carrier debate. This seems to have more or less faded into the background for now with the U.S., U.A.E., and Qatar siding with the consumer and choosing to preserve the integrity of America's Open Skies agreements.

But we still see too many worrying signs of protectionism that serve no good public policy purpose and distract us from the real issues facing our industry.

One of these distractions, of course, is the made-up controversy around Air Italy. As my friend Henrik Hololei said when he was here in July from the European Commission, it's an EU carrier whose rights will be defended if protectionist actions are taken against them. s

And of course there is the never-ending fight against Norwegian, and efforts to prevent another carrier like them, in the form of so-called flag of convenience legislation proposed in Congress.

Having to spend so much time beating back the hypocrisy of the legacy carriers' campaigns gets tedious, but it's a fight that we have to continue.

Most U.S. airlines are experiencing record profitability and record employment, so you have to roll your eyes when you hear things like those made-up numbers about U.S. job losses caused by certain foreign airlines operating in this country – it's the kind of rhetoric that is pure propaganda.

On the point of job losses, I was surprised as most of you back in August – well, maybe not all of you –to see Delta's pilots come out swinging against the carrier's request to expand their transatlantic joint venture, claiming that these JVs have actually caused job losses and flying to shift to foreign partners in Europe, Asia, and Mexico. It's something we've been observing for years.

So much for that dubious claim that the Gulf carriers are the ones killing off U.S. jobs.

Despite these challenges which keep our industry exciting, we at JetBlue are very excited about our own growth plans. Today we serve more than 100 cities and our model has been a proven recipe for success. We're looking to build on that momentum as we get ready for transatlantic service in 2021, initially from Boston and New York to London but also many other markets after that.

We've ordered 26 longer-range A321 aircraft capable of transatlantic operations, and we look forward to the opportunity to cross the pond and replicate our success in a number of promising markets that are hungry for a better experience from an airline like JetBlue.

When you look at the premium end of the transatlantic, consumers are being gouged by the dominant legacy carriers and JetBlue is the only U.S. airline currently with the capabilities along and interest and proven track record to do this.

And as I always do when I talk about this topic, I go on the web sites and look at what it's going to cost me to fly from here to London. So if you wanted to depart today and

return on Friday, if you want to go from Dulles you're going to pay from eight-and-half to twelve-and-a-half thousand dollars, if you want to go from Boston to Heathrow, it's going to cost you between \$9,300 and \$14,000 and if you want to go from JFK to Heathrow tonight and back Friday it's going to cost you up to \$12,000. These fares are obscene – they are obscene – and they should not be permitted to exist. But competition is the way to fix it.

You have to look at the U.S. transcon market if you want clear proof of the JetBlue effect. We started flying between New York and L.A. in 2014. We did so because we saw business class fares in the market at obscene levels. Fares between New York and L.A. have been cut in half since we rolled out our Mint product – premium fares have been halved – since we rolled out our Mint product in 2014 with lie-flat seats. And we now have over 80 flights a day between the west and coasts with the Mint experience for our customers. For the past several years Mint has been named the Best Business Class by TripAdvisor and The Points Guy, proving you can offer a great experience and a low fare at the same time – people don't have to choose. Most importantly for travelers, Mint's runaway success has forced the legacy airlines to up their game and drop their prices and I'm happy about that because that's great for all consumers!

Looking at London, as I said earlier, there's no reason a walk-up fare in business class from the Northeast should set anyone back \$10,000– or more – roundtrip when a roundtrip to California is actually not that much shorter can be had for five times less.

I can tell you that our newly imagined Mint experience is inevitably going to drive down the high fares charged by the alliances and JVs that dominate 80-90 percent of transatlantic traffic so it's no wonder we've already seen a competitive reaction from them.

In fact, Delta and Virgin announced new service to Gatwick from Boston and New York a week before we even announced European service. More recently, American announced a return to Boston/Heathrow. Fortunately, we at JetBlue has plenty of experience with these tactics and head-on competition and they are just a fact of life.

While we have indeed announced service to London, we are still in discussions with the different airports, and we see an opportunity to actually operate from more than one of them, just as we do very successfully in metro areas around this country including New York, L.A., and South Florida.

The reality of the London market is that the most in-demand airport, Heathrow, is effectively closed to competition. Immunized JVs account for virtually all the flights between the U.S. and Heathrow and they control 75% of Heathrow slots. The concentration of power in the hands of a few giants is stifling to competition.

However, there may be signs of hope for Heathrow. The third runway is a much-needed development, and even if it's built, it's not expected to open until 2026. An early growth

proposal could add 25,000 new movements per year before the runway opens and would be a very important development for new entrants like JetBlue eager to bring competition and lower fares to Heathrow.

I want to applaud the Trump administration and the DOT for their support of Heathrow's early growth plans and their urging the U.K. to allocate 50 percent of new capacity to new entrants in line with IATA's Worldwide Slot Guidelines.

Actions like this are much-needed in a landscape where giants dominate the industry through their alliances and their government-sanctioned immunity from anti-trust laws, leaving small carriers having to fight for the scraps – if there are any to fight for. My prediction is that JVs will continue to try and convince governments that they need to keep growing for the consumer's own good, with arguments like, "My competition is getting bigger so I need to get bigger, too." That logic is a bit perverse when it comes to immunity from laws designed to protect competition.

Most recently, when an expanded JV between Delta, Virgin Atlantic and Air France-KLM was tentatively approved, our government had a tremendous opportunity to inject competition into some of Europe's largest fortress hubs in London, Paris and Amsterdam.

We're working hard here in Washington as well as in the U.K. and Europe to urge lawmakers and regulators to consider the harm caused by increased market concentration in the hands of a few immunized JVs. This system has now become selfperpetuating to the point that it's broken and harmful to consumers.

Competition in our view is not merely two or three immunized joint ventures charging identical high fares – which is exactly in many cases what the definition of competition has become – and maintaining how competitive things are. Competition, which regulators are charged with protecting, means NOT excluding different and new business models from the marketplace.

The American Antitrust Institute, an independent, bi-partisan organization, recently examined the consumer harm of ATI and urged DOT to reform its policies. Another recent study by a University of California economist found that if anti-trust immunity were removed, travelers in gateway-to-gateway markets – in other words, the trunks routes that represent some of the largest traffic volumes across the Atlantic – would be more likely to enjoy lower fares.

Unfortunately, transatlantic competition is indeed on the wane. In the last few years, and even just in the last few weeks, we've witnessed a number of independent carriers exit the transatlantic market: Air Berlin, WOW, Primera, Thomas Cook, XL Airways, just to name a few. To our north, Air Canada, part of the Star JV, is purchasing Air Transat and eliminating another transatlantic competitor while at the same time Delta is forming a joint venture with WestJet. The net result of all of these developments is that

transatlantic JVs are stronger than ever, while at the same time applying to regulators everywhere to grow even larger, and with immunity from antitrust laws.

Alfred Kahn, once chairman of the Civil Aeronautics Board, some of us remember, and widely viewed as the father of airline deregulation, said in the 1990s, and I quote, "The Government could actively attempt to make markets more competitive by assuming responsibilities that it has neglected. It could vigorously enforce the antitrust laws. It could also remove barriers to competition," end quote.

I can only imagine what he would say today.

Perhaps it's time for a new set of eyes to join with DOT in taking a look at joint ventures from a competitive perspective. Perhaps DOT needs to more closely partner with other experts like those at the Antitrust Division of DOJ or perhaps Congress needs to change the anti-trust immunity laws so vibrant competition with different types of business models is ensured – not just legacy carriers that lead joint ventures.

What else can be done? Well, DOT currently has a record number of ATI cases pending before it, including a request for the dominant JV at Heathrow, the oneworld JV, to grow larger by incorporating Aer Lingus. Since regulators approved this joint venture in 2010 contingent on a four-slot-pair remedy, BA and its parent company IAG have increased their share of Heathrow slots from around 45 percent to nearly 60 percent.

And unlike U.S.-imposed slot remedies which are typically permanent, the four-slot pair remedy from 2010 actually expires next year and those slots will revert back to the oneworld JV carriers, thus letting them grow even larger.

If regulators imposed a remedy in 2010 when BA controlled 45 percent of the slots and dominated certain markets, then surely there are valid public policy arguments for a remedy to be re-imposed in 2019 when BA and IAG now control close to 60 percent of the slots.

By the way, a few years ago, when American and US Airways merged and the combined carrier approached 60% at DCA, our DOJ forced a significant divestiture of slots to remedy the competitive harm and we were the beneficiary of those, and brought more low fares to DC. The same should be done at Heathrow now. In fact, we believe the four-slot-pair remedy should be greatly enhanced to account for the anti-competitive changes in the landscape over the last decade.

But it's not just IAG. It is egregious that at Heathrow right now, Delta, one of the largest airlines on earth, which only gained access to the airport a decade ago but now owns 49 percent of Virgin Atlantic, which the second-largest slot holder, is still operating so-called "remedy slots" it acquired a decade ago as a new entrant – slots that were intended to inject competition into the airport. These include even more remedy slots operated by Flybe, which was just yesterday rebranded as "Virgin Connect."

It's hard to fathom that a mega JV that has just tentatively been given the green light to get even larger remains deserving of any remedy slots, especially when Virgin themselves have Heathrow slots they're leasing out to others. We have filed formal complaints with the competition authorities in Washington, London and Brussels regarding Delta's misuse of remedy slots and we will always continue to fight for access and freedom to compete.

We are encouraged, though, by some recent DOT actions that seem to demonstrate that they will probe JV agreements more forcefully and take action, when necessary, to preserve and enhance competition. We are also hopeful that in a post-Brexit U.K., these agreements will also get fresh scrutiny as the Competition and Markets Authority begins to assume transatlantic aviation anti-trust functions. No market and no airport is more deserving of intense competitive scrutiny than London Heathrow.

While JetBlue supports free markets, there is a role governments have to play. JetBlue has never sought a handout or even a hand up – just the right to compete and fight for our customers. It's what we've been doing since David Neeleman, by the way who's 60 today, raised that red flag two decades ago on the Hill and warned us of the harms of unbridled consolidation.

Before I close, and most importantly, I want to thank the entire team of more than 22,000 JetBlue crewmembers who work tirelessly every day to deliver a great experience for our customers. We have a number of them here today – too many to introduce, but they make the magic happen. Also we have Ben Baldanza here who's one of our board of directors to keep an eye on me. I'm incredibly proud of their passion and our unique culture that makes JetBlue one of the best places to work in America – not just in aviation, but across all sectors. This industry keeps us on our toes, and there's no better team to work alongside.

Thank you for your invitation again to speak here today. It's been a pleasure and I look forward to welcoming many of you – I wish it could be more of you! – aboard a JetBlue flight – whether at DCA or across the pond in 2021 when I can offer you – promise you – a much lower fare and much better service than you're getting today.

With that, thank you, I'm happy to take any questions.

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