

PCRB Action Plan Analysis

July 10

2008

This report is intended to provide a comparative analysis of the PCRB's findings and the Company's response to them. It presents the PCRB's findings section by section followed by a summary of the Company's response contained in the PCRB Action plan and an Analysis of that response by a former PCRB member. The reader is encouraged to judge for himself the extent to which the Company has or has not addressed the findings in the PCRB's report.

Pay Findings

Base Rates

- 1) JetBlue pilot base pay rates are below industry average for all seats.

Equipment Differential

- 1) Status Pay is not the industry standard of establishing pilot pay.
- 2) 90% pay differential between aircraft groups is industry standard for Captains.
- 3) The pay differential between aircraft groups at JetBlue is variable from 68% to 72%.

Seat Differential

- 1) The PCRB observed a trend that FO pay can be determined as a percentage of CA pay.
- 2) Average year 2 FO pay is 52% of CA pay.
- 3) Average year 5 FO pay is 62% of CA pay.
- 4) Average year 10 FO pay is 66% of CA pay.
- 5) JetBlue Airways A320 and E190 seat differentials do not follow the industry average.

Guarantee

- 1) JetBlue Airways line guarantee is 70 hours; industry average is 72 hours.
- 2) JetBlue Airways reserve guarantee is 75 hours; industry average is 74 hours.

Pay Table Adjustments

- 1) Airline year over year pay tables are adjusted an average of 2.34% which is separate from a longevity step within a table.
- 2) The CPI increased an average of 2.77% during JetBlue Airway's history.
- 3) The industry norm, based on CBA analysis, provides annual pay table increases and JetBlue does not have this feature.
- 4) A320 CA pay would approximate today's industry average pay had a mechanism been in place to keep up with average CPI increases (inflation) since 2002.

Company Response

“One of our primary objectives in analyzing the PCRB Report was to establish a permanent pay philosophy that targets the competitive peer set average for all seat positions. Consequently, we're pleased to report that effective September 1, 2008, we are providing pay scale increases for all seats, though not all longevities. A320 pay rate changes bring JetBlue Pilots to parity with the competitive peer average. As the rate-setter for the E190, we are raising the bar with a 5% increase for E190 First Officers, except for first-year First Officer. (Current first year E190 First Officers rate of \$47/hour will be grandfathered in for effected

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Pilots.) We are raising all E190 Captain rates by 10%. Not having a true competitive peer set from which to aim for an average, the guiding philosophy behind the 10% E190 CA increase was to create a base of approximately \$100,000 annual income (based on 81 credit hours per month) for a 5-year E190 Captain. An executive summary is provided on page 3, with further detail and commentary in the subsequent Sections.”

The Company has announced rate increases of 5% for A320 Captains in years 2 through 5 and a 1% increase in years 6 and 7. All other 320 Captain rates remain unchanged. For A320 First Officers year 4 received a 4% base rate increase and years 5-12 receive a 5% base rate increase. In the 190 Captains receive a 10% increase across the board and FO's received a 5% increase in years 2-12. Year 1 pay has been reduced to \$40/hr in all FO seats with existing pilots grandfathered in. No other changes in compensation have been announced.

Analysis

The Company's announced goal for the A320 was to achieve parity with a peer set identified as US Part 121 passenger carriers. Though the PCRB Action plan does not specifically state it the Company employed an 81 Hour blended rate to benchmark JetBlue against other airline base rates. The Company chose in selecting its methodology to ignore the PCRB's findings regarding how First Officer pay is set and how pay is set between different fleet types. While a model that focuses on industry parity can be seen as equally valid it's disappointing that the PCRB action plan chose to ignore these findings.

<u>JetBlue</u> A320	<u>Average</u> 320 CA	<u>320 CA</u> New	<u>320 CA</u> Vs Avg	<u>320 CA</u> 81 Blend	<u>320 CA</u> Vs Avg
110.49	96.30	110.49	14.74%	117.99	22.53%
113.00	129.79	118.65	-8.58%	126.71	-2.37%
115.51	132.23	121.29	-8.28%	129.53	-2.05%
118.07	134.59	123.97	-7.89%	132.39	-1.63%
120.69	137.54	126.72	-7.87%	135.32	-1.61%
126.72	139.28	127.99	-8.10%	136.68	-1.86%
129.26	140.99	130.55	-7.41%	139.41	-1.12%
131.84	142.93	131.84	-7.76%	140.79	-1.50%
134.48	144.83	134.48	-7.14%	143.61	-0.84%
137.16	147.10	137.16	-6.76%	146.47	-0.42%
139.90	148.94	139.90	-6.07%	149.40	0.31%
146.90	151.04	146.90	-2.74%	156.87	3.87%
146.90	151.56	146.90	-3.07%	156.87	3.51%
146.90	152.08	146.90	-3.41%	156.87	3.15%
146.90	152.41	146.90	-3.61%	156.87	2.93%

As the above table shows the Company has not achieved parity with the competitive peer set for A320 Captains. Base rates remain 7-8% below average and the 81 hour blended rate is 1-2% below average in the core years. The fallacy of using a blended or “effective rate” as a baseline for comparison is best illustrated by the facts that reserve pilots are generally limited to 75 hours of pay and that in the fall the Company has announced bid divisors of 65-70 hours. Furthermore, creating an effective pay rate based on historical means at JetBlue ignores both

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the impact of rigs, overrides, and premium pay among our competitors and the possibility that changes in flying (aka the fall 2008 schedules) could invalidate those historical means. There is no way for the Company to establish an effective pay rate at another carrier meaning that the Company is setting pay on the basis of an apples to oranges comparison.

<u>JetBlue</u>	<u>Average</u>	<u>320 FO</u>	<u>320 FO</u>	<u>320 FO</u>	<u>320 FO</u>
320	320 FO	New	Vs Avg	81 Blend	Vs Avg
47.00	37.44	40.00	6.83%	42.72	14.08%
57.34	64.42	57.34	-11.00%	61.23	-4.95%
67.09	75.08	67.09	-10.64%	71.65	-4.58%
72.45	80.97	75.35	-6.94%	80.47	-0.62%
75.35	85.74	79.12	-7.72%	84.49	-1.45%
76.86	88.53	80.70	-8.84%	86.18	-2.65%
78.40	90.65	82.32	-9.19%	87.91	-3.03%
79.97	92.46	83.97	-9.18%	89.67	-3.01%
81.56	93.91	85.64	-8.80%	91.46	-2.61%
83.20	95.40	87.36	-8.42%	93.29	-2.21%
84.86	96.49	89.10	-7.66%	95.15	-1.39%
86.56	97.38	90.89	-6.66%	97.06	-0.33%
86.56	97.45	90.89	-6.74%	97.06	-0.40%
86.56	97.53	90.89	-6.81%	97.06	-0.48%
86.56	97.61	90.89	-6.88%	97.06	-0.56%

As the above Table shows the picture for A320 First Officers is even worse than that for A320 Captains. First Officers are 7 to 11% below average in base pay rates and .6 to 5% below average based on the blended rate in the core years. It's also noteworthy that longevity steps 2 and 3 are farther below industry average than any other Airbus seat and longevity step. Yet despite this fact the Company determined no raise was required for these pilots.

With the E190 the Company has elected not only to ignore the PCRB finding that E190 Captains should be paid 90% of A320 Captains but the presence of a competitive peer set for purposes of determining pay as well. The Company has instead focused on the fact that the 190 is a "new category aircraft" and on "our unique status in the industry as the launch customer of this aircraft". Interestingly the Company did acknowledge a competitive peer set for the E190 defined as "Part 121 U.S. passenger air carriers operating similar aircraft size." The Company defined this group as being AirTran 717, Midwest 717, Northwest DC-9, and U.S. Airways E190. Hawaiian's 717 rates though not listed also qualify under the Company's definition and are consequently included in this analysis. A comparison of E190 pay rates to this competitive peer set is presented in the tables below.

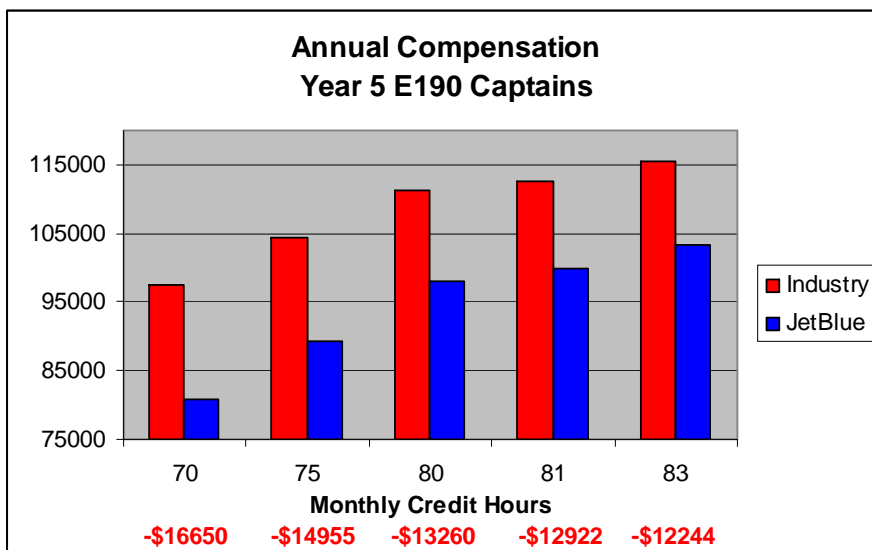
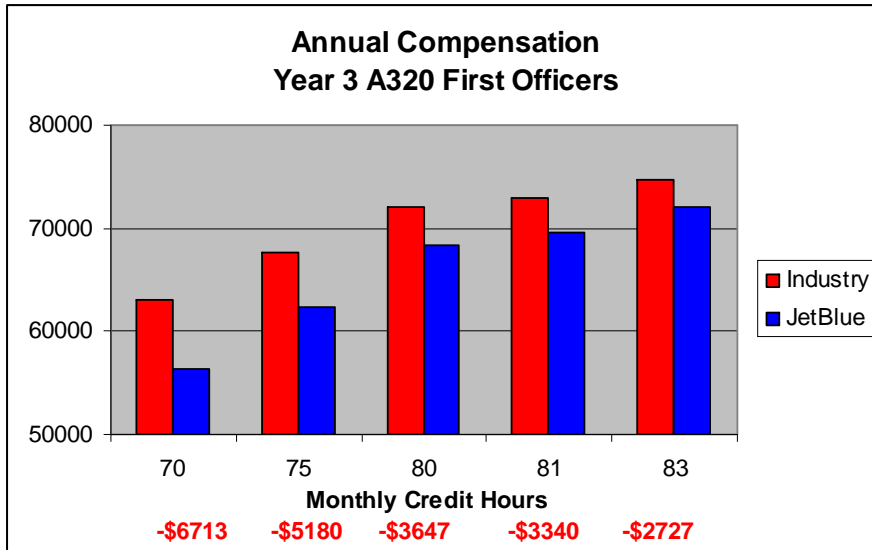
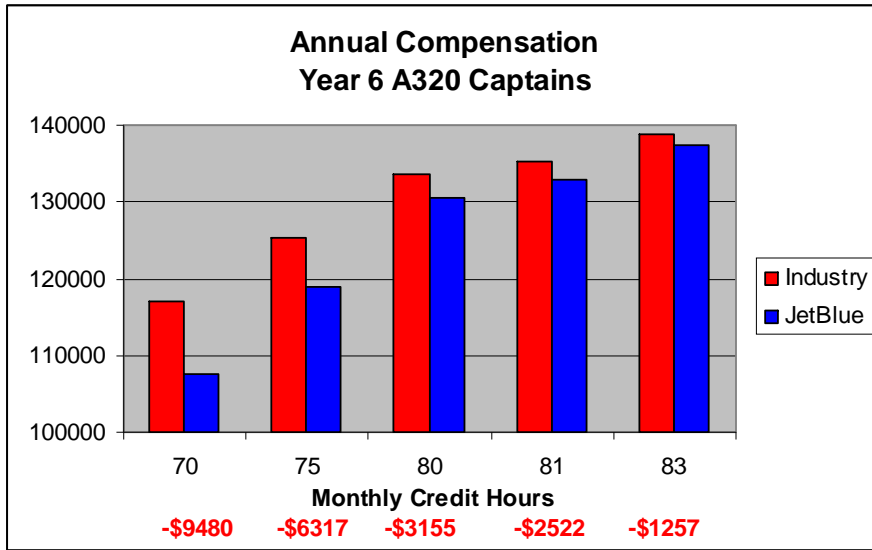
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<u>JetBlue</u>	<u>Average</u>	<u>190 CA</u>	<u>190 CA</u>	<u>Blend</u>	<u>Blend</u>
E190	190 CA	New	Vs Avg	81	Vs Avg
80.00	99.16	88.00	-11.26%	93.98	-5.23%
81.82	107.20	90.00	-16.04%	96.11	-10.34%
83.64	109.82	92.00	-16.23%	98.25	-10.54%
85.49	112.72	94.04	-16.57%	100.43	-10.91%
87.39	115.95	96.13	-17.09%	102.66	-11.47%
89.13	118.36	98.04	-17.17%	104.70	-11.54%
90.92	120.56	100.01	-17.05%	106.80	-11.41%
92.73	123.17	102.00	-17.19%	108.93	-11.56%
94.58	125.67	104.04	-17.21%	111.10	-11.59%
96.47	128.68	106.12	-17.53%	113.33	-11.93%
98.41	130.55	108.25	-17.08%	115.60	-11.45%
100.38	132.84	110.42	-16.88%	117.92	-11.24%
100.38	133.69	110.42	-17.40%	117.92	-11.79%
100.38	134.26	110.42	-17.75%	117.92	-12.17%
100.38	134.83	110.42	-18.11%	117.92	-12.55%
<u>JetBlue</u>	<u>Average</u>	<u>190 FO</u>	<u>190 FO</u>	<u>Blend</u>	<u>Blend</u>
E190	190 FO	New	Vs Avg	81	Vs Avg
47.00	38.37	40.00	4.24%	42.72	11.32%
50.61	57.00	53.14	-6.77%	56.75	-0.43%
52.70	64.25	55.34	-13.86%	59.10	-8.02%
55.55	68.25	58.33	-14.53%	62.29	-8.73%
58.30	71.79	61.22	-14.72%	65.38	-8.93%
59.46	74.19	62.43	-15.85%	66.67	-10.14%
60.65	76.93	63.68	-17.22%	68.00	-11.60%
61.86	78.30	64.95	-17.05%	69.36	-11.42%
63.10	79.72	66.26	-16.88%	70.76	-11.24%
64.36	80.85	67.58	-16.41%	72.17	-10.74%
65.65	81.92	68.93	-15.85%	73.61	-10.14%
66.96	82.86	70.31	-15.14%	75.08	-9.38%
66.96	83.41	70.31	-15.71%	75.08	-9.98%
66.96	83.98	70.31	-16.28%	75.08	-10.60%
66.96	84.57	70.31	-16.87%	75.08	-11.22%

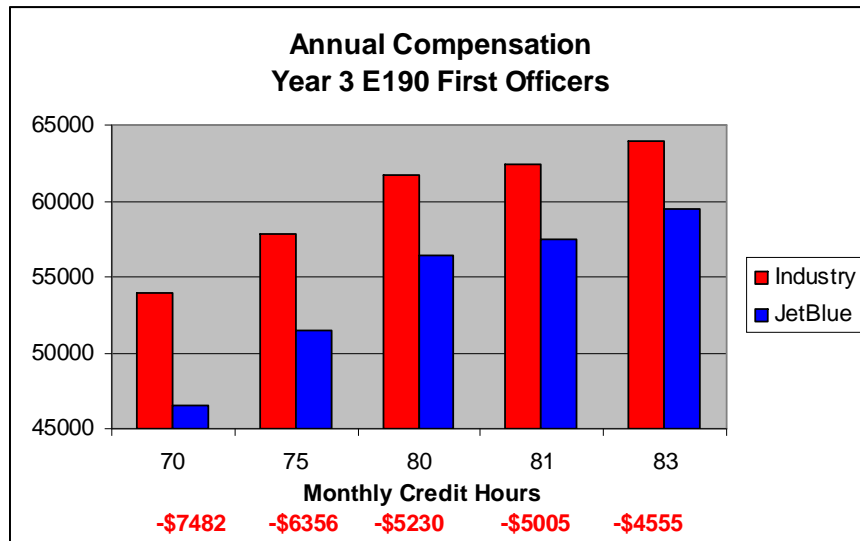
As the charts clearly show E190 pilots remain significantly underpaid relative to their peer set and with the exception of the USAir E190 rates they remain the lowest paid pilots in their category. Furthermore, the fall reductions in flying mean that the Company will not be able to achieve its goal of an annual income of \$100,000 for a 5th year E190 Captain since that calculation was based on an 81 hour blended rate. It's also noteworthy that despite having been through bankruptcy and operating in the brutally competitive Hawaiian interisland market Hawaiian's 717 rates are the highest in the industry.

Additional charts highlighting the differences in assumed pay on an annual compensation basis are provided below. These charts follow the Company's methodology and do not account for rigs, overrides, premium pay, etc at peer set carriers.

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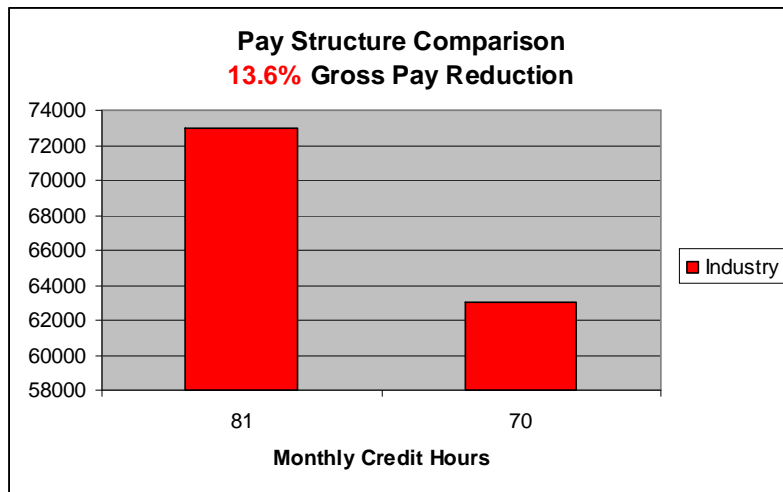


The Company's response to the PCRB's findings on COLA was limited to one sentence which read "No separate COLA; comparison to current peer set includes OAL COLA where it exists." The problem is that where the majority of our peer set are receiving annual pay table increases JetBlue still lacks a formal mechanism to protect our pilots from falling behind both in terms of purchasing power and in comparison to our peer set. Even after the most recent pay rate adjustments an A320 Captain enjoys less purchasing power today than he did in 2002. Especially since the PCRB action plan determined that annual reviews are not feasible the fallacy in the argument that no separate COLA adjustments are required is self explanatory.

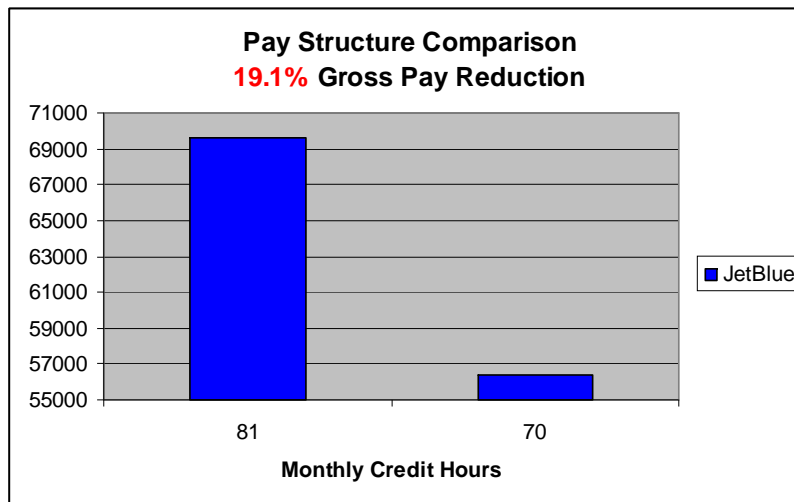
The PCRB also found that at JetBlue premium pay occurred at a lower hourly threshold than at any other airline in our peer group. The problem this creates is again tied to their use of a blended rate to set pilot compensation. In any month where a pilot's pay falls below the assumed blend number (in this case 81 hours) his effective pay rate is reduced relative to his peers along with his total compensation. **The fallacy in using a blended rate for comparison purposes cannot be overstated.** Furthermore the inordinate effect the loss of premium pay has on a pilot's compensation is illustrated by the charts below. They clearly show that JetBlue pilots suffer inordinately compared to their peers when monthly block hours are reduced.

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3rd year 320FO peer set



3rd year 320FO at JetBlue



It should not be forgotten that the premium pay system was designed to incentivize pilots to work additional hours allowing for reduced staffing and lower costs. As the continued use of a blended rate for comparison purpose shows it has unintentionally morphed away from that purpose and into a means of justifying below average base pay rates.

Finally the Company's contention that the E190 is a unique category of aircraft must be addressed. Though now retired the F-100 is an excellent example of an aircraft in the same category. It began life as the F-28 a nominally 65 seat aircraft just as the 190 began life as the 170 a nominally 78 seat aircraft. The F-100 at 107 seats was operated by both USAir and American and it's MGTW of 101,000lbs compares closely to the E190 at 114,200 lbs. American despite the fact that it retired the F-100 retains pay rates in their current CBA for the aircraft. Those pay rates follow the 90% rule and range from \$138.51 to \$149.74 for Captains and \$69.26 to \$101.83 for First Officers in years 2 through 12. Clearly both on the basis of seat count (Embraer rates the E-190 at 106 seats in a basic 1 class configuration analogous to the F-100 107 seat configuration) and MGTW the 190 is directly comparable not only to the now

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retired F-100 but also to the 717 and DC-9. It may represent a new generation but it's far from a new and unique category of aircraft.

Retirement Findings

- 1) The combined 5% Company match and 5% profit sharing of JetBlue's retirement plan is below the industry average of 13%.
- 2) JetBlue's Pilot 401(k) Plan Limitations
 - The 401(k) Plan details are contained outside the scope of the Pilot Employment Agreement (PEA) and are subject to change.
 - Pilot participation is required to receive employer matching and according to JetBlue benefits:
 - 10% of JetBlue pilots do not participate and thus not taking full advantage of the guaranteed 5% employer match.
 - 26% of JetBlue pilots contribute less than 5% and thus not taking full advantage of part of the guaranteed 5% employer match.

Example: First Officer X makes elective deferral of 3% of compensation for 2008, and JetBlue makes matching contribution of 3% and profit sharing contribution of 5%. *In this example the total JetBlue contribution = 8%*

- 3) 401(k) compliance test failure could limit a pilot's elective deferral to an amount less than \$15,500 per year.
- 4) Pilots potentially could lose benefits because of limitations under IRC Sections 415(c) and 401(a)(17). Currently JetBlue has no mechanism to provide such lost value through a cash payment.
 - \$46,000 IRC 415(c) limit
 - \$230,000 IRC 401(a) (17) limit
- 5) JetBlue's Profit Sharing Plan Limitations
 - Profit sharing contributions are subject to the Board of Directors approval and are not contained in the PEA.
 - Profit sharing above 5% is paid in cash and taxed as ordinary income.
 - Pilots do not have the option of directing all profit sharing into the qualified 401(k) plan.
 - The profit sharing plan disbursement does not allow pilots to take advantage of dollar cost averaging and the time value of money.
 - JetBlue lacks an option for after tax employee contributions into the 401(k) plan.
- 6) Current Company documentation does not reflect the following 2007 JetBlue retirement plan changes:
 - Profit sharing plan defined as 15% of pre-tax profits but not less than 5% of eligible pilot earnings.

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- Profit sharing above 5% is paid in cash and taxed as ordinary income.
- 7) The industry standard retirement plan is a B fund.
- 401(k) plans are uniformly available to pilots but they are not the primary source of retirement savings.
- 8) IRC non-discrimination rules limit a Company's ability to offer a B-Fund to only one employee group outside a collective bargaining agreement without risking the qualified status of the plan. The comparative airlines in this study have collectively bargained B-fund thereby exempting those from IRC non-discrimination rules.
- 9) The industry standard B-fund offers the following features:
- No participation is required by the employee to receive employer contributions.
 - The employer contribution percentage can differ between employee groups and the contribution is not subject to IRC non-discriminatory rules.
 - The terms of a B-fund are contained within the scope of the collective bargaining agreement and are not subject to change under the agreement.
 - Employer contributions to the B-fund are distributed monthly and thereby take advantage of the practice of dollar cost averaging and the principal of time value of money.

Company Response

The Company made no changes to our present retirement plan but did acknowledge that our current maximum company contribution of 10% is below the industry standard of 13%.

Analysis

Given the legal limitations imposed by operating outside a collective bargaining agreement (where pilot only plans become possible) it's understandable that the Company would elect not to make changes to our retirement plan. However, it's disappointing that they ignored the opportunity to address some of the action items that come at no cost. The Company could have created a non qualified plan to ensure that in the event a pilot reaches the 415(c) or 401 (a) (17) limits excess contributions would come to him in the form of cash. Some pilots have already been impacted by one of these limits.

Disappointingly the Company elected to ignore the opportunity to make a vital change in the way the 5% automatic profit sharing is paid out. By paying the 5% on a monthly basis as opposed to annually the effect of that money on a pilots retirement account is magnified significantly. While there is a negative cash flow effect the net dollars paid out annually would be the same. Especially given that the Company acknowledged that our pilots are 3% below our peers in terms of Company retirement contributions (equivalent to a 23% reduction) paying the profit sharing on a monthly basis seems like an easy way to help address this problem. Presently JetBlue pilots are actually more than 23% beneath our peer's average given the way profit sharing is paid out.

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Another issue is the lack of attention paid to the problems posed by failing ERISA testing. At present there is no guarantee that the Company will not limit or reduce pilot contributions to our 401K plan as a means of addressing ERISA test failure. Providing language in the employment agreement guaranteeing that a pilots retirement contributions (both personal and company provided) will not be limited by ERISA testing failure would address this concern.

The peer group standard is an employer contribution without requiring an employee elective deferral. It's condescending to suggest that professional pilots need to be encouraged to save for our future. Faced with base pay rates near the bottom of our category peer group a large percentage of our pilots cannot afford to electively defer income in order to earn the Company matching contribution. It would have been far better for the Company to simply state that the price tag for providing the entire company with a non-elective contribution (as would be required by law) was too high. That the company's 401K match is in the top 25% of PCRB comparables is disingenuous given the fact that only 4 of the 14 comparable airlines offer any 401K matching. The remainder provide all retirement funding through non-elective contributions.

In findings 2 and 6 above the PCRB highlighted its concern that retirement plan details reside outside the scope of the employment agreement. The Company response indicated that the retirement plan resides in paragraph E of the Pilot Employment Agreement (PEA). The problem is that paragraph E states in part that **"Notwithstanding the foregoing, and in accordance with the terms of the Plan, the Airline reserves the right to amend the Plan or any future plan at any time and from time to time, or to terminate the Plan or any such plan, consistent with applicable legal requirements."** This language gives the company the right to amend or cancel outright our retirement plan at any time and does not provide the protection enjoyed by our peer set. Furthermore the Summary Plan Description (SPD) provided online remains a 2005 document and still does not reflect the changes made in 2007.

Insurance Findings

1) JetBlue Health and Benefit plan limitations:

- The JetBlue Airways pilot agreement contains a framework of health, dental, vision, prescription drug, VSTD and LTD/LOL insurance benefits. However, plan details reside in documents outside the scope the PEA and the details of each plan can be amended by the Company.
 - Health plan features (deductibles, co-payments, co-insurance, out-of-pocket maximums and covered services) of each health and benefit plan are contained outside the scope of the PEA.
 - The pilot contribution amount for each health and benefit plan is outside the scope of the PEA.

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- While on LTD/LOL, or any Company approved leave of absence, crewmembers will be transitioned to direct billing for health plan benefits. The billing is handled by JetBlue's business partner Wage Works.
 - During the first 6 months premiums remain unchanged but are paid on an after tax basis directly to Wage Works (automatic withdrawal from your paycheck is not available);
 - If the crewmember is unable to return to work within 6 months, the crewmember will become responsible for both the employee and employer portions of premium payments (see appendix section for COBRA rates);
 - If the crewmember is unable to return to work after the 18 month COBRA period, health insurance is terminated; the crewmember must independently acquire health insurance.

- Upon the death of a pilot, the pilot's survivors (spouse and/or dependants) are not offered access to the JetBlue employer sponsored health plan other than the 18 months required by COBRA.
- Upon retirement, the pilot and pilot's spouse and/or dependants are not offered access to the JetBlue employer sponsored health plan other than the minimum required by COBRA.
- VSTD and LTD/LOL language requires pilots to be "under the care of a physician". This plan language does not take into consideration the unique nature of FAA medically certificated employees. Currently, when a JetBlue pilot is released from the regular care of his/her doctor and is awaiting the FAA to issue a new medical certificate, JetBlue's VSTD and the current version of LTD/LOL plan language does not ensure continuation of coverage.
 - The VSTD plan is self-insured allowing JetBlue to administer the plan within the Values of the Company. The PCRB has learned that the Company is currently administering the VSTD plan in this manner. However, VSTD plan language does not match current policy and practice and ensuring consistent application and protection for all crewmembers in the future.
 - The LTD plan is administered by Prudential, but unlike the VSTD plan, the LTD/LOL plan is fully insured. JetBlue cannot administer the LTD plan in the same manner as the VSTD plan. The LTD plan language in the current version is not written for FAA certificated employees.
 - If a JetBlue pilot is no longer under the regular care of his/his doctor and is awaiting the FAA to issue a new medical certificate, the current version of the LTD plan's language may exclude JetBlue pilots from satisfying the LTD elimination period or if currently collecting benefits from Prudential may cause benefits to cease.
- JCCF offers very limited access and benefits to crew members who are not covered by one or more of; JetBlue's sick time, OJI, VSTD or until LTD/LOL benefits begin.

2) Pilot agreements typically:

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- Prohibit changes in deductibles, co-payments, co-insurance, out-of-pocket maximums or other features of the health, dental, vision or prescription drug plans without the consent of the pilot group.
 - Preset pilot contributions to a fixed percentage of the fully funded cost or contain the actual pilot contributions amount.
 - Guarantee continuation of the employer sponsored group health plan at the current employee contribution rate or the fully funded rate to pilots on LTD/LOL.
 - Guarantee continuation of the employer sponsored group health plan at the current employee contribution rate or the fully funded rate to a pilot's survivors spouse and/or dependents or retirees spouse and/or dependent.
- 3) Pilot only Mutual Aid plans (PMA's) are created by pilots for pilots who are not covered under one or more of sick time, OJI or STD until LTD/LOL plan benefits began.
 - 4) The PCRB recognized that most comparable airlines STD and LTD/LOL plans are written specifically for FAA certificated employee groups when covering pilots.

Company Response & Analysis

The Company has made only limited changes. The change to the LTD language requiring a pilot to be under the care of an AME does not address the core of the problem. Furthermore the Company has not made any changes to the VSTD plan leaving pilots potentially uncovered during the VSTD period.

That a disabled pilot and his family will be without any access to healthcare (other than what can be obtained on the open market) after 18 months on COBRA (24 months total coverage) remains an area of concern. That the price of providing such coverage is "prohibitive" seems hard to understand given the invariably small numbers of employees that ever find themselves in such a situation. The peer set standard is to provide continued access to the Airline's Group Health Insurance to the pilot and his eligible dependents in the event a pilot is disabled, loses his life or elects to take early retirement.

The Company has agreed to guarantee 70 hours of pay in months 4 through 6 while on OJI. Pilots however, remain essentially uncovered in months 1 through 3 especially given that no changes have been made to PTO accrual rates or bank maximums. When all factors are considered JetBlue pilots continue to have the poorest OJI coverage in our peer set.

The Company also failed to address the need identified for a pilot only mutual aid account. Such an account could exist at virtually no cost to the Company and once properly funded could serve to eliminate the need for the Company to fund certain benefits to disabled pilots. The JCCF's limitations prevent it from serving this function.

The Company's failure to ensure the pilots are receiving the coverage they believe they are paying for under the VSTD and LTD/LOL plans is especially troublesome. Furthermore that a

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pilot could be injured on the job and not be protected by the Company seems a direct contradiction of our values.

The following example illustrates the lack of coverage provided by our current VSTD/LTD/LOL plans:

A pilot experiences and injury or illness causing paralysis in one hand. The pilot is released from the doctor's care after two months with the prognosis of permanent nerve damage/paralysis. The pilot is terminated from VSTD because he/she is no longer under the care of a doctor; the pilot does not qualify for LTD because he/she is not "under the care of a doctor"; the pilot loses his/her Class I/II medical and does not qualify for LOL because he/she is not "under the care of an AME".

Work Rules Findings

Standard Work Rules

- 1) JetBlue is below industry average in many of the benchmarked work rules.
 - The predominant Trip Rig is 1:3.5; JetBlue Airways is 1:4.0
 - The predominant Duty Rig is 1:2; JetBlue Airways does not have this rig.
 - The predominant Night Duty Rig is 1:1.75; JetBlue Airways does not have a night duty rig.
 - The predominant Minimum Average Daily Guarantee or Duty Period Minimum is 5.0 hours; JetBlue Airways does not have either of these rigs.
 - Max scheduled duty time (day) in the industry ranges from 12.4 to 14.0; JetBlue max scheduled duty time is 16.0.
 - Max scheduled duty time (night) in the industry ranges from 9.0 to 13.0; JetBlue max scheduled duty time is 16.0.
- 2) Many airlines pay an override for demanding types of flying, while JetBlue Airways does not.

Premium Pay

- 1) JetBlue premium pay triggers at a lower hourly threshold than the comparable airlines.
- 2) JetBlue pilot base pay rates are below industry average including the average base rates of the eight comparable carriers offering premium pay.
- 3) If a pilot calls in sick for a flight at JetBlue they are conditionally paid at a higher rate than a pilot who is granted planned time off.

Company Response & Analysis

The Company has announced that PTV will henceforth be paid at premium and PTS will no longer count towards premium pay. PTO remains unchanged. The Company announced no changes in work rules and seemed to completely ignore this section in the PCRB Action Plan. Given the enormous financial penalty associated with using PTO due to the loss of premium pay it's disappointing the Company did not elect to count PTO towards premium as well. It

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would seem that the PTO/PTV/PTS system is now designed to drive a pilot into use of PTV time exclusively which will have the effect of reducing the number of days a pilot can take off as a result of the high cost in PTO hours of utilizing vacation. The cost in PTO hours for a week of vacation is not only well above industry norms but greater than the pay a pilot could ever hope to realize in the same period.

The issue of our premium pay trigger has already been reviewed in the pay section.

Time Off Findings

- 1) The PCRB found that JetBlue PTO accrual rates are below average.

Longevity Step 1 Industry Average (sick + vacation): **121** JetBlue: **108**

Longevity Step 2 Industry Average (sick + vacation): **173** JetBlue: **126**

Longevity Step 3 Industry Average (sick + vacation): **208** JetBlue: **144**

- 2) Comparable airlines have separate bucket or bank systems for vacation (time off), sick time and OJI time. These programs are created to interact seamlessly with each other to ensure pilot compensation and benefits are maintained until LTD begins.
- 3) The PCRB determined 15 airlines offered pay protection above the minimum required by workers' compensation insurance. Non-Sick Bank methods of pay protection for an occupationally injured crew member is the industry standard. JetBlue Airways does not follow this standard.
 - Six companies offer line guarantee pay protections
 - Two offer OJI Bank Grants
 - Two offer a separate OJI Bank accrual
- 4) Policies, Procedures and Practices are not coordinated to provide a seamless transition between benefit plans. JetBlue time off programs function independently which creates challenges when a pilot transitions between PTO, OJI, VSTD and LTD benefit plans.

Company Response & Analysis

The Company's response to findings pertaining to VSTD/LTD/OJI has been addressed separately. The Company elected not to address at all finding #1 above that identified a significant shortage in paid time off (combined Sick and Vacation) compared to our peer set. The Company also failed to address the fact that JetBlue has the lowest maximum sick bank of any of our peer airlines.

Pilot Agreement Findings

The PCRB originally intended to conduct a study of the JetBlue Airways Employment Agreement for Pilot's (PEA) CHANGE OF BUSINESS section (Paragraph 15). The PCRB's

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initial plan was to contract two outside law firms (Baptiste & Wilder and James & Hoffman) who specialize in airline labor law to provide reviews of the protections afforded. The findings of the merger and acquisition study were to be published and distributed to all pilots. The PVC stepped in to help spearhead this initiative as it grew in scope. Currently, the PVC is working with JetBlue leadership and preparing to conduct an independent review similar to the one planned by the PCRB.

- 1) The five day open renewal period window in Paragraph 1 of the PEA is an area of potential exposure because, during this window, JetBlue can terminate the agreement without cause. (Employment and Term section)
- 2) Scope and displacement provisions are absent from the JetBlue Airways pilot agreement.
- 3) A provision to establish periodic COLA adjustments is absent from the PEA. (Compensation and Benefits section)
- 4) There are no provisions to furlough a pilot and establish recall rights, in lieu of not renewing the agreement. (Job Security section)
- 5) Scheduling, work rule, retirement, health and benefit plan provisions are contained within Company policy manuals/documents that are not contained in the PEA and could be subject to changes.
- 6) JetBlue pilots do not feel protected by the merger and acquisition language of the JetBlue PEA. As the result of the amount of research required to accurately define merger and acquisition protections, and in order to provide the strongest protections possible for JetBlue pilots, the PCRB has urged the PVC to retain outside legal counsel to examine our merger and acquisition language and determine the survivability of the PEA. (Change in Business section)
- 7) JetBlue pilots lack a unified plan to exercise their full rights afforded under the PEA. There is no process in place to organize and fund the JetBlue pilot's legal needs before, during or after a transactional event. (Change in Business section)
- 8) The internment provisions do not provide protection in the event of a kidnapping while at work. (Compensation and Benefits section)
- 9) A PEA amendment process is not documented in the PEA. It is unclear to the PCRB what rights a pilot has in the event a pilot chooses not to ratify an amended agreement.

Company Response

The full scope of the changes will not be apparent until the amendment is published in August. However, the Company has announced the following changes. The 5 day renewal window has been changed to only allow for termination for cause, retirement or resignation during this window. Changes have been made to the Merger and Acquisition language "to strengthen the definition of a Transactional Event and to provide individual financial assistance to allow the pilot to participate in seniority integration issues." The Company has clarified that a pilot may elect not to sign an amendment to his employment agreement and in such case his agreement will remain in force until "the next available Amendment Window." The Company has also indicated that the internment provisions will now include non-war protection as well. With regard to the other findings in this section the Company generally restated existing policy with

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the exception of finding #5 where they announced the formation of a permanent Work Rule Committee and finding #2 which was not addressed at all.

Analysis

The Company is to be commended for the change made to the 5 day renewal window as this should fully resolve concerns that a pilot could be terminated without cause during this time period. While an analysis of the changes to the Merger and Acquisition section is impossible until the actual language has been released the provision of financial assistance in such an event is an especially positive development. It seems that pilots will now have access to Company paid legal assistance to protect their rights in the event of any seniority integration. The company's decision to "provide ***individual*** financial assistance" raises the truly important question: has a mechanism been created for pilots to act collectively in the event of a merger and whether or not the agreement provides for Company funded legal assistance for such a collective action. The amendment to the internment provisions seems to address the concerns arising out of the lack of coverage in the event of a kidnapping.

The Company believes that it's no furlough policy means that no mechanism is required to furlough or displace pilots. The problem is that the current language in the PEA could be interpreted to allow to company to ignore a displaced pilots traditional rights. For example the Company might argue that a surplus of A320 Captains (and the resulting displacement) would not require them to retrain those pilots as E190 Captains but rather be displaced to A320 First Officer since they are not qualified in the E190. This lack of a displacement mechanism was highlighted (along with a lack of Scope protection) in finding #2 above but the Company elected not to address this finding.

The Company's announcement of a permanent Work Rule Committee is positive but the fact remains, that unlike our peer set where work rules are a part of a collective bargaining agreement, our work rules (such as how the Reserve System functions) remain outside the employment agreement and subject to change at any time without input from the pilot group. Benefit plan details will also remain outside the scope of the employment agreement as the Company cited a need for flexibility in this arena. Again unlike our peer group this leaves us vulnerable to changes being implemented which could radically alter our coverage.

It must emphasized that while many of the changes made appear very positive a true analysis will not be possible until the Agreement Amendment is distributed on August 1st. That pilots are being given only 30 days to make a take it or leave it judgment on the amendment seems unnecessarily swift.

Conclusion

The Company's primary objective in responding to the PCRB report was "to establish a permanent pay philosophy that targets the competitive peer set average for all seat positions." While in this time of skyrocketing oil prices and financial turmoil the Company is to be commended for providing any pay raises at all as can be clearly seen the PCRB Action Plan falls well short of the stated goal. It also fails to provide a road map forward for addressing areas of shortfall where the Company has taken no action at all. Given these facts and the PVC's repudiation of the PCRB Action plan the Company should withdraw it and restart the

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process. There is clearly a disconnect between the basic viewpoint of the pilot group (as represented by the PCRB report) and that of the Company. The only way to bridge that gap is to create a process whereby the Company and the pilot group can work together to address these issues. Therefore it seems logical to conclude that a joint pilot/management committee should be formed to begin addressing the PCRB's findings.