

Thank you very much, Charlene, for the kind introduction. It is a genuine pleasure to be here today, and have the opportunity to address this distinguished club. I, for one, am truly appreciative of the role that this club has played as an intelligent and introspective forum on the massive challenges and the opportunities facing aviation for over 40 years. And, I'm honored to see so many esteemed guests and industry colleagues in the audience.

Before I proceed any further, I would like to recognize several of my teammates in this exciting venture who have joined me here today:

- Terry Rendleman, Senior Vice President for Technical Operations
- Bob Weatherly, Senior Vice President for Flight Operations
- Todd Pawlowski, Vice President of Airports and Customer Service
- Joe Houghton, Chief Pilot
- Stacy Geagan, Director of Corporate Communications

Not with us today is Bob Dana, our CFO, who is traveling in Europe.

Turning to the industry, it seems to me that every time I think about our industry, or hear the very memorable leaders that have stood at this podium (including former colleagues such as Bob Crandall, Juergen Weber, or Leo Mullin) the word "change" shows up pretty quickly. It has always been an accurate description, but I think we would all acknowledge that this is one of the periods where the letters in that word are just a bit bigger – and perhaps more daunting – than all previous periods.

Commercial aviation is, in a short summary, exciting, dramatic, vexing, competitive, and always evolving in surprising and unexpected ways.

There is no doubt to me, having been a frequent flyer since the early 1950's before the term became part of our vocabulary, that the social, political, and economic fabric of our global society today is utterly dependent upon safe, ubiquitous, and affordable air travel. In a word, it is essential.

Moreover, it is an industry, that despite its well-known problems, has:

**Number 1.** achieved a level of safety, consistently improved over many decades, that make any other form of mobility pale in comparison.

**Number 2.** achieved operating standards that have risen to the point where it is so reliable that delays of mere minutes across our country or across oceans can make hundreds of passengers glance with consternation at their watches.

Why, in light of these attributes, does financial adequacy, not to mention success, elude the industry as a whole? That is a mystery I will not attempt to solve today . . . even if we did have the time!

So you will all be relieved to hear that I am not here to pontificate on master solutions to the airline industry, but I would appreciate sharing just a couple of observations, as thought partners, with you today:

First, I reject the notion that the airline industry is destined to remain a quasi-private industry – private in name but financially backstopped by governments as crises arise. I believe commercial aviation in the United States can and indeed must be financially self-sustaining. It will, however, require a willingness to embrace the market as it is, while appropriately continuing to provide great safety oversight.

The so-called "Field of Dreams" philosophy of offering commercial air service is the wrong flight plan. Even if you offer flights, customers will not necessarily choose to come onboard. The days of passengers having low expectations, coming away disappointed but nonetheless, coming back to be disappointed time and time again are really over. What is the motto that some passengers ascribe to some airlines? "We're not happy until you're not happy." Today, consistently providing value everyday is table stakes.

As an aside, let me add that I disagree with those who say low-cost service is the single silver-bullet solution. I believe consumers of air service are demanding value. Yes, a lower cost product is part of that equation, but it is not the sole answer. Consumers want a secure, safe, reliable and enjoyable travel experience that provides a good value.

Southwest and JetBlue, just to name two carriers that I personally admire, continue to enjoy success because consumers believe they consistently deliver a good value product. Yes, their low fares are important, but it is the totality of the travel experience that makes customers regard them to be a good value.

My second observation is that change is not just a moniker or a label. It requires a willingness to take bold and decisive action. In my opinion, peripheral adjustments like rebranding, renaming, expensive advertising campaigns and gimmick fares that ignore required core industry changes are merely a short-term bridge to more financial challenges.

Had you asked me several years ago if I could see myself heading up a new high-value, low-cost carrier, I would have said, "Why not? But where and how?" After all, I have spent virtually my entire career building and optimizing global airline networks. Aside from heading the operations of a great European airline, my airline career has moved my family to such far-flung places as New Delhi and Dhahran as well as Frankfurt, London and Paris. Yet, here I am. It is a new day for all of us.

Parenthetically, as I will explain in a few moments, I believe introducing a Virgin-branded carrier into the U.S. domestic market is a natural, evolutionary step for commercial aviation and is not as removed from my career path as it might seem.

The third observation, with apologies for repetition, is that the foundation of a successful carrier must be an unwavering commitment to customer service. Customer service should not be an afterthought or reaction to government pressure. It is the core of an airline and the core of the venture we plan to create.

This might actually be an appropriate moment to transition to the project that our team hopes to launch ... in the very near future!

By way of introduction, let me summarize just some of what it is exactly that we have planned.

It is our intent, our ambition, and our aspiration to launch a brand new airline serving the U.S. domestic Market. When? As soon as circumstances permit, but we aspire to launch somewhere around the middle of 2005.

This airline will be very much "born in the USA" despite all the publicity about its illustrious foreign investor. By that I mean, formed with an ownership structure that includes U.S. majority equity investors with 75% voting rights, fully consistent with U.S. laws, and run by an American management team. We will seek nothing more from the Government than the opportunity to compete and bring an innovative, financially sound new carrier to the market place.

Every company has a personality, and if I were to search for words to describe this new airline, some that would come to mind include honest, open, utterly professional, flexible, compassionate, tolerant, and maybe a tad irreverent and self-deprecating every now and then!

A slight elaboration on a few of the attributes we will strive to earn:

First, this airline intends to be utterly consumer-driven, market-responsive, offering high value for low fares. It sounds ridiculous, doesn't it, to say "low fares" these days! As if the market hadn't spoken loud enough. Just for fun, I wanted to say "really high fares" just to see if you would burst out laughing.

Importantly, there will be no tradeoff between price and service. In fact, we think our customers might be ready to trade up, a better quality experience for a lower price. We are fully prepared to accept the verdict from the marketplace and consumers.

Next, we aspire to the highest possible levels of operational integrity, safety, and rigor when it comes to service delivery. Operational integrity really wins the Triple Crown: the passengers prefer it big time, the employees love getting home on time as much as the passengers do, and it delivers the best economics by a long shot.

It is also our intention to partner with the FAA to gain their approval to utilize all of the enhancements available today through advanced technology. For instance, we plan to equip our Operations Control Center with the latest Information Technology, thereby enhancing safety, productivity and the integrity of our operation. Additionally, we have the ability to obtain all of the most recent Avionic improvements such as predictive wind shear, a terrain awareness database and an Electronic Flight Bag, which will provide the most accurate up-to-date information to our pilots, to name just a few.

Third, we will have a viable, sustainable, and rational cost structure that meets the nonnegotiable table stakes set by, you guessed again, the market. The imperatives here are the very best use of technology to please customers and delight employees, flexible clean sheet work processes, high levels of productivity, brand new aircraft and breakthrough bouts of common sense!

Fourth, a total and absolute focus on customer service is often easily said, not always done. Of course the core, the absolute center of the virgin brand, is, quite simply, service with a capital S!!

The fifth, and for us, most unique attribute will be brand value.

This project will be the only airline ever to be launched in America with the power and respect of a well-established global brand. And what a brand!

Virgin is one of the few, if not the only brands to be recognized across dozen of industries in many countries. By recognition, let me give you some dimensions:

Virgin was rated the 4<sup>th</sup> most effective marketing company in the world by Forbes magazine just last year.

Virgin, still a youngster compared to Sony, IBM & Coke, is seen as the 11<sup>th</sup> most recognized brand in the world by Interbrand.

And, the unaided recall of Virgin Atlantic in the U.S. cities it served in 2002 was a staggering 78%!

And what does it all really mean?

In the words of Patrick Palmer, a marketing executive in Europe, "Virgin doesn't think about what products [it makes], but how [its] products make people feel."

When you get right down to it, Virgin does not possess proprietary technology or even breakthrough products. Virgin competes in service intensive industries (like financial services, entertainment, airlines, and so forth) and focuses on, and even fights for, the welfare of customers (and employees by the way).

In its essence, the Virgin brand has earned a global reputation for its unwavering commitment to customer service, its leadership in customer-friendly innovation, and for creating real value regardless of the industry.

My team and I are elated, but also deeply humbled, to have the privilege to earn the same reputation for the Virgin-branded U.S. airline.

Before I close with a summary of our checklist, I would like to take a slight detour and comment on our country's well-deserved reputation for its long standing commitment to and track record in promoting free trade, internationalization of industries, and embracing customer choice.

Good global brands are so embedded in our economy we don't even think about it! Sony, Daimler-Chrysler, Honda & Toyota consistently show up as "best of best" in U.S. consumer's eyes.

General Motors makes fine cars. German automobiles, made in Germany, among other places. Not all drivers of the British classic Jaguar know they are owned by Ford or that Giant Foods, right here in DC, is owned by a Dutch company.

Next time Herb Kelleher speaks here, give him a bottle of Wild Turkey in thanks, but do not forget to mention that it is owned by Pernod Ricard.

Mon Dieu!

So, the act of licensing a "Born in the USA" airline to carry a variant of a fine, established, and valued brand is not exactly reinventing the wheel in the context of our nation's economic philosophy! Branding is clearly a marketing practice that is part of the fabric of U.S. domestic and global aviation.

I am addressing this because the airline industry, while being inherently one of the most global businesses to ever exist, is known by rational observers to be somewhat protectionist at times. I think it is a fair criticism and fault no country for it --- it is part of aviation history.

Irrespective of the current differences between the European Union and the United States on aviation bilateral issues, I for one admire the fact that both parties share a genuine goal of ultimate liberalization.

This is, however, a sideline observation since there happens to be no relationship whatsoever between the current events in international aviation and the founding of an independent and fully compliant U.S. domestic carrier.

What this project is, fundamentally, is a new airline formation, with a powerful licensed brand concept, an airline for which a highly respected foreign investor is willing and able to commit significant capital as a minority investor. In an industry, as you well know, that badly needs capital infusion.

Well, it all conforms quite smartly with the core philosophy of U.S aviation policy, not to mention the letter of the law.

With that said, let us focus on the specific checklist items needed in our countdown to file for permission to certify and operate our airline:

1. Raising capital...In process.
2. Management team in place...Done
3. Headquarters & operation base identified...Done.

Incidentally, we plan to add more than 3,000 new direct U.S. jobs and to boost the U.S. economy by supporting up to 50,000 new U.S. jobs economy-wide.

4. Aircraft fleet type selected...Done

We are proud to announce our selection of the Airbus A320 family as our choice of aircraft. We have placed an order for 33 new Airbus aircraft, including 11 A319s and 22 A320s, with the option to buy up to 72 more. As part of this order, we plan to lease 15 aircraft from GE Capital Aviation Services with first deliveries scheduled for early 2005. In addition to being the most technologically advanced narrow body

aircraft available, their modern design and features are just the perfect fit for what we intend to accomplish!

5. Launch the Web site...Done
6. And, finally, name the baby...Done.

Ladies and Gentlemen, in the hopefully not too distant future, we will be proud to welcome you aboard Virgin America!

*I look forward to sharing more information with you soon and thank you again for the opportunity to speak with you today.*

*I believe we have a few minutes for questions.*