

* A U G A I R - A *

July 31, 2006

LETTER OF COMMENT NO. //

Mr. Lawrence W. Smith
Director of Technical Application and Implementation
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

RE: Proposed FASB Staff Position No. AUG AIR-a

Accounting for Planned Major Maintenance Activities

Dear Mr. Smith:

JetBlue Airways Corporation appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB) Proposed FASB Staff Position (FSP) No. AUG AIR-a, Accounting for Planned Major Maintenance Activities. We concur with the Board's conclusion to prohibit the use of the accrue-in-advance method of accounting for planned major maintenance activities which is currently permitted as an alternative method in the AICPA Industry Audit Guide, Audits of Airlines (Airline Guide). However, we believe further consideration should be given to the elimination of the use of the built-in overhaul and deferral methods of accounting for maintenance activities to avoid diversity in practice.

Although not cleared by the FASB, the proposed draft SOP on Property, Plant and Equipment (PP&E), recommended that expense-as-incurred method should be the only method of accounting allowed for planned major maintenance activities. We agree with this conclusion. It would bring U.S. Accounting Standards one step closer to convergence with International Accounting Standards (IAS) which require maintenance costs to be recognized in profit or loss as incurred. IAS also requires the replacement of an individual part of PP&E to be capitalized if it provides future economic benefits to the entity and the cost is measurable but an accounting policy, such as the built-in overhaul or deferral method, which capitalizes all maintenance work could result in PP&E assets that do not meet the criteria for providing future economic benefits, as usually maintenance only ensures the asset being repaired remains in service over it's original expected life,

Substantially all U.S. airlines, including JetBlue, are already using the expense-as-incurred method to account for major maintenance costs. We concur with AcSEC's proposal to reject the built-in overhaul method because we believe also that planned major maintenance activities do not increase the service potential of PP&E. Rather, we take into consideration when making the initial determination of the expected useful life (service potential) of a PP&E asset that we will perform repairs and maintenance activities, including planned major maintenance, periodically.

As further support for our position, expense—as-incurred is considered to be preferable to the other methods by many in the accounting profession and the SEC staff concluded that a change from the accrue-in-advance method is preferable, as evidenced in the Emerging Issues Task Force (EITF) Appendix D-88 on planned major maintenance activities. As well, the deferral method could effectively lead to the double recording of an asset, if the costs to repair an asset are capitalized and the original cost of the asset continues to be depreciated.

Thank you for your consideration of our comments. If you have any questions regarding our response, please contact me at 203-656-7604 or at holly.nelson@jetblue.com.

Sincerely,

Holly L. Nelson Senior VP & Controller

cc: John Harvey, Executive VP & CFO