

JetBlue founder to start new airline in Brazil

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By Todd Benson

SAO PAULO (Reuters) - JetBlue Airways (JBLU.O: [Quote](#), [Profile](#), [Research](#)) founder David Neeleman unveiled plans on Thursday for a new low-cost airline in Brazil's fast-growing aviation market, saying he had already raised \$150 million for the venture.

The carrier, still unnamed, will start with a fleet of three jets made by the Brazilian manufacturer Embraer (EMBR3.SA: [Quote](#), [Profile](#), [Research](#))(ERJ.N: [Quote](#), [Profile](#), [Research](#)) and should take to the skies in early 2009. In five years, it expects to have a fleet of 76 planes.

"Brazil is a country that needs more competitors, and in particular a different type of competitor," Neeleman said in Portuguese at a news conference in Sao Paulo.

Like JetBlue, the U.S. discount carrier that Neeleman founded in 1998, the new Brazilian airline will offer low fares and use a point-to-point route structure that flies travelers from one city to another without layovers.

The new carrier will face stiff competition from TAM Linhas Aereas (TAMM4.SA: [Quote](#), [Profile](#), [Research](#))(TAM.N: [Quote](#), [Profile](#), [Research](#)) and Gol Linhas Aereas (GOLL4.SA: [Quote](#), [Profile](#), [Research](#)) (GOL.N: [Quote](#), [Profile](#), [Research](#)), which together command more than 90 percent of Brazil's domestic aviation market.

But with the Brazilian economy booming and air travel expanding annually at a double-digit pace, Neeleman is betting there is plenty of room for a new player in an enormous country where travelers have few options and where airfares tend to cost 50 percent more than they do in the United States.

"We believe airfares in Brazil are too expensive. It's time to lower prices to allow more people to fly," Neeleman said.

Neeleman said the new airline, which still needs government approval, will aim to bring affordable air travel to under-served cities outside congested hubs like Sao Paulo and Rio de Janeiro.

For its fleet, Neeleman chose the 118-seat Embraer 195, a stretched version of the roomy Embraer 190 that JetBlue flies. The planes will be outfitted with two leather seats on each side of the aisle and live television broadcasts.

"Nobody likes middle seats," Neeleman said.

Neeleman already placed a \$1.4 billion firm order for 36 of the planes, with options to buy 40 more. If all options are converted, the value of the deal could surpass \$3 billion.

DISCOUNT AIRLINE PIONEER

Neeleman, 48, has a long history of shaking up the airline industry in the United States. He got his as a college student selling package tours to Hawaii before co-founding discount carrier Morris Air in 1984.

In 1993, he sold Morris to Southwest Airlines (LUV.N: [Quote](#), [Profile](#), [Research](#)) for \$22 million in stock. Five years later, he raised \$135 million and started JetBlue, whose electronic ticketing platform and leather seats with live TV helped redefine affordable air travel.

Because he was born in Brazil, Neeleman is exempt from a law there that caps foreign ownership of domestic airlines at 20 percent. He was raised in the United States, but returned to Brazil at the age of 19 as a Mormon missionary, an experience that helped him polish his Portuguese language skills.

Neeleman, a father of nine, said he is trying to persuade his wife to move the family to Brazil so he can give full attention to the new airline. For now, he plans

to divide his time between Brazil and the United States.

Last May, Neeleman was ousted as JetBlue's chief executive after an embarrassing service meltdown that left thousands of passengers stranded and cost the airline more than \$30 million. Since then, he has been nonexecutive chairman, a role he said he may have to give up to focus on the Brazilian airline.

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