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THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

The Honorable Arnold Schwarzenegger **APR 12 2007**
Governor of California
Sacramento, CA 95814

OST-2005-23307-15135

Dear Governor Schwarzenegger:

Thank you for your letter of March 7 pertaining to Virgin America, Inc.'s (Virgin America) application for authority to engage in interstate scheduled air transportation.

Please be advised that by Order 2007-3-16, served March 20, the U.S. Department of Transportation issued a show-cause order tentatively finding Virgin America fit to conduct its proposed operations. As you may know, on December 27, 2006, the Department tentatively found that Virgin America's original application failed to meet the citizenship test as defined in 49 U.S.C. § 40102(a)(15).

In response to our December order, the company amended its application, proposing substantial and material changes in areas that the Department had cited as concerns. Because of these proposed changes, the Department issued a subsequent tentative decision finding that Virgin America will be a citizen of the United States; will be fit, willing, and able to provide its proposed operations; and should be issued a certificate of public convenience and necessity authorizing such operations, subject to it executing fully its proposed changes. In addition, the Department is tentatively imposing various conditions in order to ensure that Virgin America will meet current standards for defining control by U.S. citizens.

Interested parties were given 21 days to file objections to the Department's proposed decision, with answers to objections due 7 business days thereafter. The Department will give full consideration to any objections and answers received before taking any final action in this proceeding. Please note that all orders, objections, answers, and other documents related to this matter may be accessed at the Department's Docket Management System (DMS) Web site, which is <http://dms.dot.gov>. Entering the docket number 23307 into the simple search function provides access to the full record.

As is our normal practice, I am placing a copy of your letter and this response in Docket OST-2005-23307 as a contact outside the record of this matter. I appreciate your interest in this proceeding.

Sincerely yours,

A handwritten signature in cursive script that reads 'Mary E. Peters'.

Mary E. Peters



GOVERNOR ARNOLD SCHWARZENEGGER

March 7, 2007

Via facsimile: (202) 366-7202

The Honorable Mary E. Peters
Secretary of Transportation
U.S. Department of Transportation
400 7th Street, SW
Suite 10200
Washington, DC 20590

Dear Madam Secretary,

I am writing to express my strong support for the Department's timely and favorable review of the revised application of Virgin America to become a new domestic airline. I understand that Virgin America has taken delivery of 11 aircraft, has 170 employees and has passed its Federal Aviation Administration safety review with flying colors. I also understand the company has made substantial changes to its ownership, funding and corporate governance agreements in order to fully address all of the Department's concerns and to demonstrate its commitment to satisfy each of the issues identified in the Department's Tentative Denial that was issued in December. I commend Virgin America for ensuring that it addresses both the spirit and "totality of circumstances" that the Department requires to establish clear U.S. citizen ownership and control.

As you know, California has no airline headquartered in our state. In addition, there is no significant low-fare airline based at San Francisco International Airport, and Virgin America intends to operate out of the \$914 million international terminal that was partially built with federal funds in 2000. I believe the Department should be encouraging, not discouraging, more competition in the airline industry – particularly when that new competition is in the form of a well-financed, new U.S. domestic airline that intends to offer a low-cost, high-quality product.

For these reasons and others noted below, I urge the Department to take the following actions:

- Ensure the Department acts in a timely manner in issuing Virgin America's Final Order approving its application for a certificate of public convenience and necessity;

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- Take a very serious – and fresh – look at Virgin America's revised application including the dramatic changes to its corporate and governance structure; and
- Recognize that Virgin America represents a historic opportunity to inject innovative service and competition, while complying fully with existing U.S. ownership requirements.

Madam Secretary, I hope that you and the Department will approve Virgin America's application and provide the flying public this exciting new choice. Thank you for your consideration.

Sincerely,



Arnold Schwarzenegger

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