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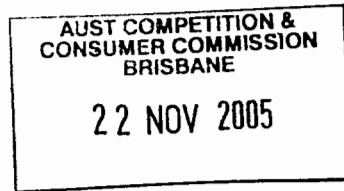
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22 November 2005



The Regional Director
Australian Competition & Consumer Commission
Level 3
AAMI Building
500 Queen Street
BRISBANE QLD 4000

FILE No.
DOC:
MARS/PRISM:

Dear Sir or Madam

LoyaltyCo Pty Ltd as trustee for the Loyalty Trust
Virgin Blue Loyalty Program
Third Line Forcing Notifications

Introduction

Velocity Rewards Pty Ltd ACN 116 089 448 ("LoyaltyCo") is a wholly owned subsidiary of Virgin Blue Holdings Limited ACN 100 686 226. As such LoyaltyCo is a part of the group of companies ("the Virgin Blue Group") that includes Virgin Blue Airlines Pty Ltd ACN 090 670 965 ("VBA"), which operates domestic airline passenger services in Australia. Other companies in the Virgin Blue Group operate international airline passenger services in Australia.

On 15 November 2005 LoyaltyCo, in its capacity as trustee of the Loyalty Trust, established the Velocity Loyalty Program ("Loyalty Program") associated with the Virgin Blue Group.

Details of the Loyalty Program were provided to the Australian Competition & Consumer Commission by LoyaltyCo in its third line forcing notifications N50170 and N50171 dated 31 October 2005 in those notifications, LoyaltyCo was named LoyaltyCo Pty Ltd). The two notifications were the subject of the Commission's letter dated 14 November 2005, advising that on the basis of the information we provided it is not intended that further action be taken in the matter at this stage.

This letter provides two further notifications of conduct to be undertaken by LoyaltyCo in the course of the operation of the Loyalty Program.

Proposed aspects of the Loyalty Program

LoyaltyCo will offer to allocate rewards points under the Loyalty Program to Members who:

- (a) apply for and obtain a specially branded credit card issued by National Australia Bank, within 60 days of the credit card becoming available; or
- (b) purchase goods or services using the specially branded credit card issued by National Australia Bank.

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Notifications

LoyaltyCo recognises that arguments could be put, not necessarily accepted by LoyaltyCo, that certain conduct it proposes to undertake in relation to the Loyalty Program may breach section 47(6) or section 47(7) of the *Trade Practices Act* 1974. Such arguments may be put on the basis that LoyaltyCo will allocate rewards point to Members on condition that they acquire goods or services of a particular kind or description from another person, and will not allocate rewards points to Members who have not acquired goods or services of a particular kind or description from another person.

Accordingly, we enclose two notifications by LoyaltyCo pursuant to section 93(1) of the *Trade Practices Act* as follows:

- (c) Form G Notification regarding the allocation of rewards points to Members who apply for and obtain a specially branded Loyalty Program credit card issued by National Australia Bank, within 60 days of the credit card becoming available; and
- (d) Form G Notification regarding the allocation of rewards points to Members who purchase goods or services using the Loyalty Program credit card issued by National Australia Bank.

Also accompanying the Forms is the notification lodgement fee for the two notifications of \$200.

Allocation of rewards point conditional on obtaining the Loyalty Program credit card

The notified conduct

LoyaltyCo will allocate rewards points to Members of the Loyalty Program when they apply for and obtain a Loyalty Program credit card issued by National Australia Bank, within 60 days of the credit card becoming available.

It is expected that the Loyalty Program credit card will become available during December 2005. Members of the Loyalty Program who apply for and are issued the credit card within the first 60 days will be allocated 5,000 rewards points. This offer will not apply after the first 60 days in which the credit card is available.

Lack of anti-competitive effect

The relevant market for assessing the notified conduct is the market for credit card issuing in Australia.

There is a significant number of credit cards available from a variety of financial institutions in Australia. Credit card issuers compete on a broad range of product dimensions including card fees, interest rates, interest free periods, reward programs and member services. The notified conduct will assist National Australia Bank in offering a competitive credit card in this highly competitive market and so is pro-competitive.

Public benefit

There is no obligation on Members to apply for the Loyalty Program credit card to be issued by National Australia Bank, but those Members who do so will be allocated rewards points they can redeem for rewards. There is no cost to Members to obtain the credit card, and having obtained the card there is no obligation on Members to use it, or even retain it. Persons who are not Members can apply for and obtain the credit card, but will not be allocated rewards points unless they become a Member.

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The proposed conduct by LoyaltyCo offers significant benefits to Members by providing them with the opportunity to earn valuable rewards as a result of applying for and obtaining the Loyalty Program credit card at no cost.

Allocation of rewards point conditional on purchase of goods and services using the credit card issued by National Australia Bank

The notified conduct

LoyaltyCo will allocate rewards points to Members of the Loyalty Program when they purchase goods or services using a Loyalty Program credit card issued by National Australia Bank. Transactions on a Member's Credit Card or any linked credit card account, including by any additional cardholder, will earn an allocation of rewards points calculated as the relevant points earn rate multiplied by the Australian dollar value (inclusive of any taxes, including any GST, included on the transaction) of the transaction.

Excluded transactions that will not earn an allocation of rewards points include balance transfers, cash advances, bank fees, repayments of credit card debt and transactions for business purposes.

Lack of anti-competitive effect

The relevant market for assessing the notified conduct is the market for credit card issuing in Australia.

There is a significant number of credit cards available from a variety of financial institutions in Australia that offer rewards for spend on the card. Examples of credit cards where account holders earn rewards points for spend on the card accounts and these rewards points can be redeemed for rewards including frequent flyer points, accommodation, car hire and vouchers that may be used at selected stores include:

- Westpac Altitude Card
- Commonwealth Bank True Rewards Program
- ANZ Rewards
- National Australia Bank Gold Rewards Program
- American Express Membership Rewards
- Diners Club Australia

Credit card issuers also compete on a broad range of product dimensions including card fees, interest rates, interest free periods, reward programs and member services. The notified conduct will assist National Australia Bank in offering a competitive credit card in this highly competitive market and so is pro-competitive.

Public benefit

There is no obligation on Members who obtain the loyalty Program credit card to be issued by National Australia Bank to use the card to acquire goods or services of any particular kind or description, or at all. Those Members who use the card will however be allocated rewards points they can redeem for valuable rewards.

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22 November 2005

The proposed conduct offers significant benefits to Members by providing them with the opportunity to earn valuable rewards as a result of using specially branded credit card.

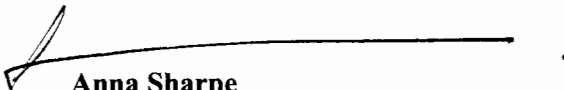
Conclusion

LoyaltyCo submits that the Australian Competition & Consumer Commission should not serve a notice under section 93(3A) of the *Trade Practices Act* in respect of any of the notified proposed conduct because the notified proposed conduct:

- (a) will not lessen competition in any relevant market and so will not create any detriment to the public; and
- (b) will benefit the public by providing the opportunity to obtain valuable rewards

Please do not hesitate to contact the writer if you have any questions or require any further information.

Yours sincerely



Anna Sharpe
Partner
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asharpe@claytonutz.com

Form G

Commonwealth of Australia
Trade Practices Act 1974 ---- Sub-section 93(1)
**EXCLUSIVE DEALING
NOTIFICATION**

To the Australian Competition and Consumer Commission:

Notice is hereby given, in accordance with sub-section 93(1) of the *Trade Practices Act 1974*, of particulars of conduct or of proposed conduct of a kind referred to in sub-section 47(2), (3), (4), (5), (6) or (7), or paragraph 47 (8) (a), (b) or (c) or (9) (a), (b), (c) or (d) of that Act in which the person giving notice engages or proposes to engage.

1. (a) Name of person giving notice

Velocity Rewards Pty Ltd ACN 116 089 448 ("LoyaltyCo") as trustee of the Loyalty Trust.

(b) Short description of business carried on by that person

Administrator of a rewards program associated with the Virgin Blue Group, comprised by Virgin Blue Holdings Limited ACN 100 686 226 and its subsidiaries ("Loyalty Rewards Program").

(c) Address in Australia for service of documents on that person

Level 7
Centenary Square
100 Wickham Street
Fortitude Valley Queensland 4006

2. (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates

Allocation of rewards points to members of the Loyalty Rewards Program associated with the Virgin Blue Group, and procuring the provision of rewards to such members upon the redemption of allocated rewards points.

(b) Description of the conduct or proposed conduct

Allocation of rewards points to Members of the Loyalty Rewards Program when they apply for and obtain a specifically branded Loyalty Program credit card issued by National Australia Bank, within 60 days of the credit card becoming available.

3. (a) Class or classes of persons to which the conduct relates

Members of the Loyalty Rewards Program associated with the Virgin Blue Group, comprised by Virgin Blue Holdings Limited ACN 100 686 226 and its subsidiaries.

(b) Number of those persons--

(i) At present time

More than 50,000

(ii) Estimated within the next year

1,200,000

(c) Where number of persons stated in item 3(b)(i) is less than 50, their names and addresses

Not applicable

4. Names and address of person authorised by the person giving this notice to provide additional information in relation to this notice

Ms Leigh Balderson
Lawyer
Virgin Blue Group
Centenary Square
131 Barry Parade
FORTITUDE VALLEY Q 4006
Australia

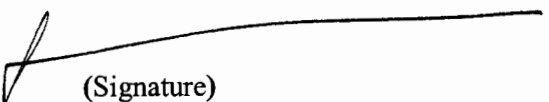
Tel: (07) 3295 5027

Fax: (07) 3839 4024

Email: leigh.balderson@virginblue.com.au

DATED this 22nd day of November 2005

Signed on behalf of the applicant giving notice


(Signature)

ANNA SHARPE

Partner,
Clayton Utz,
Solicitors for the Applicant
GPO Box 55
BRISBANE Q 4000
Ref: 12375/80026662

AUST COMPETITION &
CONSUMER COMMISSION
BRISBANE

22 NOV 2005

Form G

Commonwealth of Australia
Trade Practices Act 1974 ---- Sub-section 93(1)
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(b) Description of the conduct or proposed conduct

Allocation of rewards points to Members of the Loyalty Rewards Program when they purchase goods or services using the Loyalty Program credit card issued by National Australia Bank.

3. (a) Class or classes of persons to which the conduct relates

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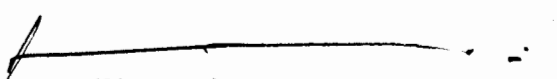
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