

AUST COMPETITION &
CONSUMER COMMISSION
BRISBANE

21 NOV 2007



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20 November 2007

Australian Competitor & Consumer Commission
PO Box 10048
Adelaide Street Post Office
BRISBANE QLD 4000

Dear Sir/Madam

Please find **enclosed**:

1. Form G for general Velocity financial partners and Lounge membership points transfer promotion; and
2. Our cheque in the sum of \$100 in payment of your lodgement fee.

Please do not hesitate to contact me on 3295 3019 should you have any queries.

Yours faithfully

Emily Bird
Legal Counsel
Virgin Blue Airlines



**VOTED
WORLD'S
BEST LOW
COST
AIRLINE
2004
& 2005.**

Virgin Blue September 2005

Form G

Commonwealth of Australia

Trade Practices Act 1974 — subsection 93 (1)

NOTIFICATION OF EXCLUSIVE DEALING

To the Australian Competition and Consumer Commission:

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

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicant

- (a) Name of person giving notice:

(Refer to direction 2)

Virgin Blue Airlines Pty Ltd
ABN 52 090 670 965

N93224

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

(Refer to direction 3)

Virgin Blue Airlines Pty Ltd (**Virgin Blue**) operates an airline and other associated services — including airport lounge facilities in selected Australian domestic airports called “**The Lounge**”

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

Emily Bird
Legal Counsel
Virgin Blue Airlines
Level 12, 131 Barry Parade
Fortitude Valley QLD 4006
Fax (07) 3295 3996

2. Notified arrangement

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

This notice relates to the provision of:

- The ability for members of Velocity Rewards (a loyalty program operated by Velocity Rewards Pty Ltd (ABN 98 116 089 448) as trustee of the Loyalty Trust and associated with the Virgin Blue Group, comprised by Virgin Blue Holdings Limited ACN 100 686 226 and its subsidiaries) (“**Velocity**”) to transfer a certain number of points from loyalty programs operated by Velocity partners into their Velocity membership account, or to earn a certain number of Velocity points with Velocity partners (“**Points Promotions**”); and
- Airline travel and The Lounge facilities provided by Virgin Blue.

- (b) Description of the conduct or proposed conduct:

(Refer to direction 4)

The proposed conduct is to offer Points Promotions to Velocity members from time to time, whereby during the promotional period if a member earns a certain number of Velocity points either through eligible earn activities with Velocity partners, or by way of points transfer from other loyalty programs run by Velocity program partners, the member will then be eligible to receive:

- a discounted annual membership to The Lounge; and/or
- a discounted joining fee to join The Lounge; or
- a free Lounge membership (where both the annual membership fee and the joining fee is waived):

3. Persons, or classes of persons, affected or likely to be affected by the notified conduct

- (a) Class or classes of persons to which the conduct relates:
(Refer to direction 5)

Velocity members who earn the required amount of Velocity points by either points transfer from Velocity partners or through eligible earn activities during the relevant promotional periods, from time to time.

- (b) Number of those persons:

- (i) At present time:

Nil

- (ii) Estimated within the next year:
(Refer to direction 6)

May potentially apply to all Velocity Members (up to approximately 1.5 million), depending on the nature of the promotions.

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

Not applicable.

4. Public benefit claims

- (a) Arguments in support of notification:
(Refer to direction 7)

The proposed conduct offers significant benefits to Velocity members by giving them the opportunity to obtain a benefit from Virgin Blue (discounted or free membership to The Lounge) if they earn the required amount of Velocity points through points transfer or eligible earn activities with Velocity partners during the specified promotional periods, from time to time.

- (b) Facts and evidence relied upon in support of these claims:

The proposed conduct results in eligible Velocity members receiving discounted or free membership to the Lounge.

5. Market definition

Provide a description of the market(s) in which the goods or services described at 2 (a) are supplied or acquired and other affected markets

including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):
(Refer to direction 8)

The market for the provision of loyalty program services in Australia is highly competitive. Retail customers have a significant number of product options available to them, including loyalty programs provided by Westpac, Diners Club and American Express, Visa and MasterCard. There are also retail store loyalty programs run by stores such as Myer. Further there are other airline loyalty programs in Australia including Qantas Frequent Flyer. Australians can also be members of a number of international airline loyalty programs. Loyalty programs compete in relation to a broad range of product dimensions including:

- fees;
- redemption offers;
- earning opportunities;
- access to redemption offers; and
- member services.

The market for domestic airline travel and associated services including airline lounges is also competitive. Airline travel and associated services are offered by Qantas, Jetstar, Virgin Blue and other regional airlines. There are a large number of competitive offers available to the public in respect of the provision of airline travel and associated services at any given time.

6. Public detriments

- (a) Detriments to the public resulting or likely to result from the notification, in particular the likely effect of the notified conduct on the prices of the goods or services described at 2 (a) above and the prices of goods or services in other affected markets:
(Refer to direction 9)

Virgin Blue submits that there is no likely detriment to the public resulting from the proposed conduct, and that the proposed conduct would have a negligible effect on competition in the markets noted above in clause 2(a).

- (b) Facts and evidence relevant to these detriments:

The proposed conduct:

- in no way limits the genuine choice of customers in choosing whether to join Velocity or any other loyalty program, and the proposed conduct does not otherwise affect other qualities of the program, such as points earning and redemption.
- will not lessen competition as customers will be under no obligation to purchase Virgin Blue air travel and/or associated services, and will be able to purchase Virgin Blue air travel and/or associated services without joining Velocity, transacting with Velocity program partners, or earning the required amount of points. Virgin Blue air travel and associated services can be purchased by Velocity members and the general public at the standard, commercially available prices.

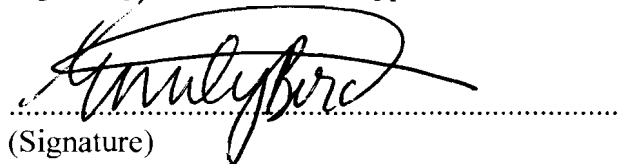
7. Further information

- (a) Name, postal address and contact telephone details of the person authorised to provide additional information in relation to this notification:

Emily Bird
Legal Counsel
Virgin Blue Airlines
Level 12, 131 Barry Parade
Fortitude Valley QLD 4006
Fax (07) 3295 3996
Tel: (07) 3295 3019
Email: Emily.Bird@virginblue.com.au

Dated 19 November 2007

Signed by/on behalf of the applicant



(Signature)

Emily Bird

(Full Name)

Virgin Blue Airlines Pty Ltd
(Organisation)

Legal Counsel
(Position in Organisation)

