

1 May 2014

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The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

AUST. COMPETITION &
CONSUMER COMMISSION

02 MAY 2014

CANBERRA

Dear Sir/Madam

Please find the following documents **enclosed**:

1. Form G –Notification of Exclusive Dealing in relation to Velocity Frequent Flyer; and
2. Cheque to the value of \$100 for lodgement fees.

An electronic copy of the Form G –Notification of Exclusive Dealing has been emailed to you.

In relation to the lodgement fees, please provide us with a receipt in due course.

Please feel free to contact me should you have any queries.

Kind Regards



Natalie Fraser
Legal Counsel
Virgin Australia Airlines Pty Ltd

Form G

Commonwealth of Australia
Competition and Consumer Act 2010 — 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 *Competition and Consumer Act 2010*, 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:

N97393 Velocity Rewards Pty Ltd ACN 116 089 448 (“Velocity”) as trustee of the Loyalty Trust.

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

Administrator of a rewards program known as “Velocity Frequent Flyer Program” and associated with the Virgin Australia group of airlines, comprising Virgin Australia Holdings Limited ACN 100 686 226 and its subsidiaries and associated companies.

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

Legal Department
Virgin Australia Airlines
56 Edmondstone Road
Bowen Hills, Qld 4006

2. Notified arrangement

(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 Velocity Frequent Flyer Program and procuring the provision of rewards to such members upon the redemption of allocated rewards points. Rewards points are allocated to Members who acquire goods and/or services from participating businesses.

(b) Description of the conduct or proposed conduct:

Allocation of rewards points to Members of Velocity Frequent Flyer Program when they acquire goods and/or services from companies operated and/or managed by Program Partners of Velocity Frequent Flyer from time to time and pay their invoices for these goods and/or services in accordance with the agreed payment terms. In particular when they acquire or receive medical, pharmaceutical, cosmetic, or beauty goods and/or services and pay their invoices for these goods/services in accordance with the agreed payment terms.

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:
Velocity Members
- (b) Number of those persons:
 - (i) At present time:
Approximately 3.8 million
 - (ii) Estimated within the next year:
Approximately 5 million
- (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:

There is no obligation on Members, or persons with whom they are associated, to acquire or hire any goods or services from or through the Program Partner, but those who do and pay for their invoices in accordance with the agreed payment terms will be allocated rewards points that Members can redeem for valuable rewards. Members can also earn rewards points by acquiring goods and services from other Program Partners, even if they do not acquire goods and/or services from or through the Program Partner (or any other person that becomes a Program Partner). Members and their associates will not, by reason of their eligibility for rewards points, pay more than other customers to acquire or hire goods and services from or through the Program Partner.

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

Velocity considers that the allocation of rewards points in respect of the acquisition and timely payment of products and/or services from these Program Partners will increase competition in their respective markets by making the relevant products/goods and services more attractive to potential customers.

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):

The market for airline loyalty programs in Australia and New Zealand is highly competitive. There are a large number of competitive offers available

to the public in respect of the provision of airlines loyalty programs at any given time.

Similarly, the market for banking and investment products and services as described at 2 (b) in Australia and New Zealand is also highly competitive with multiple providers.

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:

It is Velocity's submission 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 section 5.

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

Velocity considers that the allocation of rewards points in respect of the purchase and timely payment of these goods and services from Program Partners will increase competition in the markets for products and services described in 2 (b) by making the relevant products/ goods and services more attractive to potential customers.

The proposed conduct:

- In no way limits the genuine choice of customers in choosing a provider of the products and services described in 2 (b); and
- Will not lessen competition as customers will be under no obligation to acquire goods and services from Program Partners that provide the products or services described in 2(b) simply because they are a Velocity Member, and similarly non-Velocity Members will be free to acquire goods and services from providers of medical, pharmaceutical, cosmetic, or beauty products and services (whether they are Program Partners or not).

7. Further information

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

Natalie Fraser
Legal Counsel
Virgin Australia Airlines Pty Ltd
56 Edmondstone Road
Bowen Hills QLD 4006

Tel: (07) 3087 4482

Fax: (07) 3295 3996
Email: natalie.fraser@virginaustralia.com

Dated this 1st day of May 2014

Signed by/on behalf of the applicant

A handwritten signature in black ink, appearing to be 'N Fraser', written over a dotted line.

(Signature)

Natalie Fraser
Virgin Australia Airlines Pty Ltd
Legal Counsel

DIRECTIONS

1. In lodging this form, applicants must include all information, including supporting evidence that they wish the Commission to take into account in assessing their notification.

Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.

2. If the notice is given by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the notice, and the notice is to be signed by a person authorised by the corporation to do so.
3. Describe that part of the business of the person giving the notice in the course of the which the conduct is engaged in.
4. If particulars of a condition or of a reason of the type referred to in section 47 of the *Competition and Consumer Act 2010* have been reduced in whole or in part to writing, a copy of the writing is to be provided with the notice.
5. Describe the business or consumers likely to be affected by the conduct.
6. State an estimate of the highest number of persons with whom the entity giving the notice is likely to deal in the course of engaging in the conduct at any time during the next year.
7. Provide details of those public benefits claimed to result or to be likely to result from the proposed conduct including quantification of those benefits where possible.
8. Provide details of the market(s) likely to be affected by the notified conduct, in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the notification.
9. Provide details of the detriments to the public which may result from the proposed conduct including quantification of those detriments where possible.