

20 June 2003

SUBMISSION NO. 182

Mr Paul Neville MP  
 Chairman  
 House of Representatives Standing Committee  
 on Transport and Regional Services  
 Parliament House  
 CANBERRA ACT 2600

Dear Mr Neville

Thank you for the opportunity to provide input to the House of Representatives Standing Committee on Transport and Regional Services in regard to its inquiry into commercial regional aviation services in Australia and transport links to major populated islands. I also welcome the invitation to have representatives of Virgin Blue appear before the Committee at 9.15 am on Wednesday 25 June 2003.

Virgin Blue is fully committed to enhancing the quality and availability of airline services to regional Australia. Since its establishment in late 2001, Virgin Blue has grown to be a substantial player in this nation's aviation market, including in regional areas. We operate 30 new 737 aircraft, offering attractive fares and friendly, efficient service from an enthusiastic Virgin Blue team. We now have around 30% of the domestic aviation market, with plans to expand domestic services as 10 new aircraft arrive in the coming year.

In addition to operating to all major capital cities, Virgin Blue also operates services to the following regional locations: Alice Springs, Broome, Cairns, Coffs Harbour, Coolangatta, Launceston, Mackay, Rockhampton, Maroochydoore, Townsville and Proserpine.

Early in its life, Virgin Blue operated services to Mt Isa. Immediately we did so, our major competitor swamped that route with overcapacity, forcing us to abandon the service. Not surprisingly, the cost of flying to that location now is far greater than would otherwise have occurred, had we been able to compete properly. We have applied to the ACCC to stamp out such predatory behaviour, thus far to no avail.

Planning is underway to offer services to international destinations, such as Fiji and New Zealand, commencing later this year.

As recently as last week, Virgin Blue finalised an agreement with Regional Express (Rex) to improve the quality and availability of services to people in regional areas. The agreement allows passengers to book flights on both airlines while being able to check their luggage through to their final destination on connecting flights.

www.virginblue.com.au 13 0789

Earlier this month, Virgin Blue added the Sydney to Canberra connection, twice daily. Fares of \$49 one way have been offered throughout June, and further attractive fares will apply from 1 July. This connection will prove especially attractive for business people, politicians and public servants travelling on official business. Unfortunately, we have an absurd situation where 98% of all domestic airline travel by public servants is on Qantas. This situation has occurred because the majority of Commonwealth agencies and departments have engaged Qantas Business Travel (QBT) as their exclusive booking agent. Consequently, QBT does not offer "best value for taxpayers money" despite being required to do so under existing legislation. I would strongly recommend that your Committee seek to rectify this situation when reporting to the Parliament.

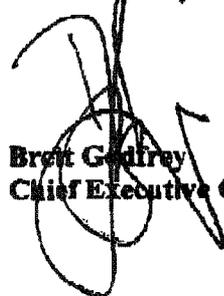
Since the appalling events of 11 September, Virgin Blue has played its part in seeking to improve the security of not just its operations, but the industry as a whole. The cost of implementing new and improved security measures has cost the airline industry some hundreds of millions of dollars. This has posed substantial challenges to our low cost structure, which not surprisingly is the essence of our low fares. We have not been helped by the raft of tax imposts on the industry. Whilst welcoming the Government's recent decision to abolish the Ansett levy, it is the case that it was kept in place far too long. There is a strong case for using any excess proceeds from that levy to upgrade aviation security, particularly at those regional airports handling jet aircraft.

Since our commencement in 2001, Virgin Blue has seen a massive hike in charges. For example, Sydney Airport charges have escalated substantially, which has impacted materially on our operating costs. Some of the regional centres, such as the Gold Coast, have also forced steep rises in landing and other charges, which add unnecessary costs to airlines and passengers. We are concerned that other regional airport owners will follow suit, thus jeopardizing the viability of some routes.

It is the case that, for a successful low cost model like Virgin Blue's, the combination of excessive fees and charges, including constant pressure to implement costly security measures, makes it a lot less viable to operate into regional centres. Insufficient attention is given by decision-makers to that cocktail of imposts, which is of major concern to me.

I look forward to having senior Virgin Blue representatives provide additional information to the Committee at its meeting on 25 June.

Yours sincerely



**Brett Godfrey**  
Chief Executive Officer