

# ASX STATEMENT



## NEW FUEL MITIGATION MEASURES

### Further Capacity Reduction – No Redundancies Introduction of New Baggage Fees, Lower Lead-in Fares And 5% increase in Flexible Fares

**Friday 18 July 2008:** Virgin Blue Airlines today announced four key measures in its second round response to record fuel prices. These include:

- the removal of a further two aircraft from Australian flying
- the introduction of new baggage fees
- significant fare reductions on baggage heavy leisure routes to preserve Virgin Blue's commitment to air travel affordability
- an increase in the airline's Flexible Fares

"We have endeavoured to seek a reasoned and balanced approach to recover costs associated with current punitive fuel prices and the direct effects on our business," said Chief Executive, Brett Godfrey.

"The necessary introduction of baggage fees and the reduction of our lowest fares for our price sensitive Guests, is anticipated to yield both improved demand levels and revenue," he said.

"In addition the airline continues to see encouraging support from the business sector and expects the increase in Flexible Fares to be revenue accretive," he concluded.

#### 1. Capacity Reduction

Virgin Blue will remove a further two Boeing 737 aircraft from the Australian domestic market by October 2008, reducing capacity by approximately 3% in addition to the previously stated 6% planned capacity reduction for the fiscal year 2008/09.

The aircraft will be withdrawn from service to operate as maintenance spares and to support the airline's focus on efficient recovery from disruptions and improvement of its on-time performance.

The removal of these planes from scheduled flying will result in frequency reductions on a number of under-performing routes. Determinations on which specific routes will be affected will be made closer to the time of the withdrawal of the aircraft; however the airline has no plans to withdraw completely from any markets it currently serves at this time.

Virgin Blue has also agreed with the Embraer corporation to delay five committed 2009 deliveries. This will reduce planned capacity by a further 3% in fiscal year 2008/9.

These decisions, coupled with those announced on 13 June 2008, take the Virgin Blue capacity to be withdrawn from the Australian market to 12%. There will be no redundancies at either Virgin Blue or Pacific Blue as a result of these capacity reductions.

## **2(a). New Baggage Fees (refer to table on page 3)**

Virgin Blue will introduce a new "pay for weight" baggage policy which will apply to Virgin Blue and Pacific Blue domestic flights for fares booked from Monday 18 August on flights departing from Monday 1 September 2008. This policy replaces the current allowance of up to 20kg of free checked baggage.

A flat fee of **\$8 will apply for an increased allowance of 23 kgs** of checked baggage for Guests travelling on all discount fares including new *"Go Fares!"* and *"Blue Saver"* fares when purchased online or through Virgin Blue's Guest Contact Centre as part of the booking process. If the checked baggage allowance has not been pre-purchased, a \$20 charge for up to 23kgs will apply at airport check-in.

The new baggage policy will include:

- Increased baggage allowances and **exemptions** for families, with infant equipment (such as prams, portable cots and car seats) to be carried free of charge
- For Guests with special needs, mobility aids (such as wheelchairs and special medical equipment and similar) will continue to be carried free of charge.
- Guests travelling with sporting equipment (such as bikes, surfboards, skis and tennis bags) are also eligible for an extra 5kg of baggage.
- No fees will apply for baggage up to 23kgs for Velocity Silver Members and Guests travelling on *"Flexible Fares"*.
- No fees will apply for baggage up to 32kgs for Velocity Gold Members and Guests travelling on *"Corporate Plus"* and *"Premium Economy"* fares.

## **2(b). New Excess Baggage Fees (refer to table on page 3)**

New Excess Baggage fees will apply from 1 September 2008. Virgin Blue and Pacific Blue domestic excess fees will be \$8 per kg for baggage over 23kg (or over 32kg for Premium Economy, Corporate Plus and Velocity Gold Member travellers).

## **3. Lead-in Fares Reduced with Launch of New "Go Fare!"**

To reassert our commitment to "Keep the Air Fair", Virgin Blue will introduce a new highly competitive "Go Fare!" cutting its lowest lead-in fares by up to \$20 across more than half of the airline's domestic route network.

The year round "Go Fares!" are intended to allow price sensitive travellers to offset the new baggage fees and to stimulate support for leisure markets. The "Go Fares!" will "Go" on sale from 18 August 2008.

## **4. Flexible Fares to rise**

Virgin Blue has also increased Flexible Fares by up to 5% on about half of its more demand resilient business markets.

### BAGGAGE FEES – NON VELOCITY MEMBERS

|   | DISCOUNT FARES        |                   | FLEXIBLE FARES        |                       |                        |
|---|-----------------------|-------------------|-----------------------|-----------------------|------------------------|
|   | <i>“GO FARE!”</i>     | <i>Blue Saver</i> | <i>Fully Flexible</i> | <i>Corporate Plus</i> | <i>Premium Economy</i> |
| <b>BAGGAGE ALLOWANCE</b>  | 0 – 23kgs             | 0 – 23kgs         | 0 – 23kgs             | 0 – 32kgs             | 0 – 32kgs              |
| <b>Pre-purchased Online</b>   | \$8                   |                   | NO CHARGE             |                       |                        |
| <b>If not pre-purchased online, Airport Levies will apply at Check-In</b> | \$20                  |                   | NO CHARGE             |                       |                        |
| <b>Excess charges paid at Airport</b>                                     | \$8 per kg over 23kgs |                   | \$8 per kg over 23kgs | \$8 per kg over 32kgs | \$8 per kg over 32kgs  |

### BAGGAGE FEES - VELOCITY MEMBERS

|  | <b>RED</b>                         | <b>SILVER</b>         | <b>GOLD</b>           |
|--|------------------------------------|-----------------------|-----------------------|
| <b>BAGGAGE ALLOWANCE ON DISCOUNT TICKETS</b> | As per <b>DISCOUNT FARES</b> above | No charge up to 23kgs | No charge up to 32kgs |
| <b>Excess charges paid at airport</b>        | \$8 per kg over 23kgs              | \$8 per kg over 23kgs | \$8 per kg over 32kgs |

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