

Virgin Blue Airlines Group and Air New Zealand

Announce Trans-Tasman Alliance Proposal

BRISBANE and AUCKLAND, 3 May, 2010: Virgin Blue Airlines Group (ASX: VBA) and Air New Zealand Ltd (NZSX: AIR) have today announced their intention to seek regulatory approval to create an alliance on the Trans Tasman.

The proposed alliance will allow the airlines to strengthen their competitive offering on the trans-Tasman route and to collaborate on future route and product planning, code sharing and frequent flyer program benefits.

Virgin Blue and Air New Zealand have had trans-Tasman teams working on the alliance proposal for some months and later today will file applications with the Australian Competition and Consumer Commission and the New Zealand Ministry of Transport. The regulators are expected to take around six months to review the applications prior to authorisation.

The airline CEOs; Co-founder and Chief Executive of the Virgin Blue Airlines Group, Brett Godfrey, and Air New Zealand Chief Executive Officer, Rob Fyfe; said the alliance would deliver trans-Tasman travellers cheaper airfares, increased frequency, better connections, loyalty scheme reciprocity and expanded Lounge access.

Mr Godfrey said the alliance would stimulate a new wave of competition in Australasian aviation.

"A great alliance should deliver great value and consistent product and service standards and that is where we will make new inroads," he said.

"Virgin Blue is close to unveiling our 'Airline of the Future' concepts which in our 10th year will reveal the fresh direction of the 'new blue' and likewise Air New Zealand has signalled its future product and design direction."

"This will mean more seats and more low fares than ever before on the Tasman," Mr Godfrey said.

"This market stimulation is likely to allow Air New Zealand and Virgin Blue to harness the alliance benefits to start new routes or additional frequencies."

"We believe we are well matched and the timing is good and incoming Chief Executive, John Borghetti, thoroughly supports this strategy," he added.

The airlines said that while the alliance is a significant development for both carriers, it will not impact or place restrictions on any existing partnerships or alliances of either airline.



The proposed alliance will connect regional centres in Australia and New Zealand but only as part of a Tasman journey and does not include domestic-only travel in either Australia or New Zealand. The agreement is also not a signal of intention by Air New Zealand or Virgin Blue to take a shareholding in the other.

"We are two of the world's most innovative and nimble airlines and by working closer together we believe we can deliver significant benefits to customers and shareholders," Mr Fyfe said.

"Our alliance is about working closely together to give customers cheaper fares, increased frequency and better connections, while delivering improved returns," he said.

"Simple moves like integrating schedules and capacity, allowing customers to book multi-sector journeys on one code, providing reciprocal loyalty scheme benefits and reciprocal lounge access for qualifying customers will be a compelling proposition for leisure and business travellers on both sides of the Tasman."

Mr Fyfe said that the number of seats flown on the Tasman by the alliance carriers would grow more quickly than they would without the alliance.

"By combining our New Zealand customer base with the strong market presence that Virgin Blue has in Australia, additional flights and new routes will make sense much more quickly. Also, the ability to offer Air New Zealand codeshare flights to domestic destinations in Australia, and Virgin Blue codeshare flights to regional destinations in New Zealand as part of connecting Tasman journeys will be a great benefit to our frequent flyers and a boost for tourism in both countries," Mr Fyfe said.

The proposed agreement will have four key components:

1. A broad free-sale code share arrangement covering:

- All Tasman sectors currently operated by either airline
- Domestic Australian sectors as part of a connecting Tasman journey
- Domestic New Zealand sectors as part of a connecting Tasman journey

(Note: A broad free-sale code share arrangement involves both airlines selling tickets for each other's flights under its own airline code.)

2. A revenue allocation agreement under which:

- Revenue generated across all Tasman sectors currently operated by either airline, or which may be developed under the agreement, will be allocated between the two carriers, and;
- A joint trans-Tasman Network Planning & Revenue Management Team representing both airlines will oversee the Tasman operation

3. A frequent flyer co-operation agreement that will provide reciprocal loyalty scheme benefits to members of Air New Zealand's Airpoints loyalty programme and Virgin Blue's Velocity Rewards programme.

4. A lounge co-operation agreement that will ensure lounge access to qualifying guests of either airline.

About Air New Zealand

Air New Zealand is recognised as one of the world's leading airlines and has been named 2010 Airline of the Year in the prestigious Air Transport World magazine awards. Air New Zealand delivers uniquely Kiwi journeys to more than 12 million passengers who fly to, from and within New Zealand each year. The airline operates more than 4000 flights each week, connecting customers to 26 destinations within New Zealand and to Australia, the Pacific Islands, China, Japan, Canada, USA and the United Kingdom.

Recent Air New Zealand innovations have included the revolutionary new economy Skycouch as part of a new long haul experience from November, the end of the check-in queue for domestic passengers thanks to a range of new technologies, the world's first in-flight International Airline Concierge service and a \$50 million investment in seatback on-demand in-flight entertainment on A320 and 767 aircraft.

About Virgin Blue Airlines Group

The Australian-based Virgin Blue Airline's Group includes Virgin Blue, second largest domestic carrier in Australia www.virginblue.com.au and short haul international airlines Pacific Blue www.flypacificblue.com and joint venture with the Samoan Government, Polynesian Blue*. Together they operate a fleet comprising of 86 modern Boeing 737-NG's, Boeing 777 and Embraer E-Jet aircraft flying to 31 Australian and 16 international destinations in the South Pacific and Southeast Asia. It also includes V Australia www.vaustralia.com.au, the three class boutique style airline offering the acclaimed service for which the Virgin Blue Group is renowned and a unique Australian style.

*Polynesian Blue is not included in the alliance.

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