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23 February 2012

Ms Sue McIntosh
 Executive Director
 International Air Services Commission
 PO Box 630
 CANBERRA ACT 2601

Dear Ms ^{Sue} McIntosh

Request to transfer capacity on the Indonesia route

Virgin Australia Holdings Ltd (VAH) today announced a proposed new structure for its business designed to ensure ongoing compliance with the provisions of the *Air Navigation Act 1920* which limit foreign ownership of Australian international airlines to 49 per cent. Please refer to the enclosed media release.

Under this proposed structure, Virgin Australia International Holdings Pty Ltd (VAIH) will be created as a new unlisted entity to hold all of VAH's international airlines. VAIH will be owned by existing VAH shareholders, have a majority of independent directors and will be comprehensively serviced, managed and funded by VAH. The Australian Government is aware of our proposed new structure, and a period of consultation with other stakeholders will commence shortly.

Following the implementation of the new structure, Virgin Australia Airlines Pty Ltd (VAA) will cease to be an international airline. Virgin Australia's services on the Indonesia route are presently operated by VAA. VAA currently holds 8,560 seats of capacity for services between Indonesia and Sydney, Melbourne, Brisbane and Perth, of which up to 5,580 seats will be utilised in Northern Summer 2012. We note that up to 6,281 seats of capacity on this route will remain unutilised by Qantas and Strategic Airlines (Air Australia) in Northern Summer 2012 and 50 seats of capacity remain available for allocation to Australian carriers.

To facilitate compliance with the *Air Navigation Act 1920* and preserve our ability to access rights under the Australia-Indonesia air services arrangements as an Australian designated carrier, we request a variation to each of VAA's determinations on the Indonesia route to transfer the capacity allocated to VAA to Virgin Australia International Airlines Pty Ltd.

Should you require any further information in support of our application, please contact me directly.

Yours sincerely

Jane McKeon

Jane McKeon
 Group Executive
 Government Relations