



The Hon Michael McCormack MP

Deputy Prime Minister
Minister for Infrastructure, Transport and Regional Development
Leader of The Nationals
Federal Member for Riverina

TRANSCRIPT

PARLIAMENT HOUSE PRESS CONFERENCE

21 April 2020

E&EO

WITH: THE HON. JOSH FRYDENBERG MP, TREASURER, MEMBER FOR KOOYONG.

Subjects: Virgin Australia, coronavirus;

MICHAEL MCCORMACK

Well, today Virgin airlines has made the decision to enter into voluntary administration. It's a difficult day for Virgin's 10,000 employees. It's a difficult day for their customers. It's a difficult day indeed for their suppliers, their many suppliers, who number about 6,000 and we acknowledge that. We recognise that those people and certainly I watched some of the heartfelt comments made by some of their baggage-handlers, some of their cabin crew and I feel for them – I really do. As a Government we understand the complexity of this situation. We also understand that as Virgin has said, this is a way out, to recapitalise. There is a path forward under voluntary administration to recapitalise and restructure their business and this is important. We also acknowledge the fact that the Federal Government has provided, so far during COVID-19, more than \$1.28 billion of assistance, a lot of which Virgin has been able to access. Virgin has been able to access the initial March 18 announcement, where \$715 million was put on the table by way of waiving fees when it comes to fuel excise, AirServices Australia charges and such things as security screening. And Virgin's CEO, Paul Scurrah told me that Virgin has benefited to the tune of tens of millions of dollars because of that announcement and its backdating to 1 February and of course, those fees continue to be waived whilst there are planes in the sky and there are. That is thanks to our March 28 announcement, when I announced \$198 million for regional air routes to be continued to the 138 centres across regional Australia and Virgin Australia flies to many of those destinations and Virgin are taking part in those continued regional routes. And of course, last week, I announced \$165 million to ensure that there is a domestic trunk route service in Australia and of course, Virgin are part of that too and we thank them for that. We thank them for continuing to put planes in the sky, to enable people to travel between capital cities and to key regional destinations. Of course, the April 1 announcement where we decided that there would be \$110 million spent on freight assistance and Virgin are taking part in that and we thank them for that and the repatriation flights,

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where we're getting Australians who are abroad for any number of reasons, either they're holidaying or visiting or indeed, some of them, live overseas and the Prime Minister has said that they need to come home. Well, Virgin are taking part in those repatriation flights and we thank them for that. There is a way forward for Virgin and of course, the JobKeeper payments, \$130 billion that the Federal Government is providing to keep people in jobs, to keep supporting jobs across all sectors, all industries, all businesses, Virgin can continue to participate in the JobKeeper through voluntary administration. We want to see a two airline sector coming out of COVID-19. It has been a dreadful situation. We understand, we acknowledge that and we want to see Virgin come out the other side. Virgin have said that in their statement this morning. We acknowledge it's a difficult day for Virgin. We will continue to work with Virgin, with the voluntary administrators to get the best outcome. I'd like the Treasurer Josh Frydenberg to add to those remarks.

JOSH FRYDENBERG

Well thank you, Deputy Prime Minister. As the Deputy Prime Minister just said, the board of Virgin Australia has chosen to put the company into voluntary administration. This is not liquidation. This is not Ansett. This is not the end of the airline. Rather as the company has said in its statement, this is an opportunity for the company to recapitalise and come out stronger on the other side of the coronavirus crisis. Virgin Australia is a very good airline performing a very important role and this is a difficult day for its staff, for its suppliers and for the aviation sector more broadly. But the Government was not going to bail out five large foreign shareholders with deep pockets who together, own 90% of this airline. As the Deputy Prime Minister has said, we will continue to provide support as we have to the aviation sector and the JobKeeper package will continue to be available to Virgin employees. The Government's objective is to see two commercially viable airlines operating domestically in Australia. This will be good for jobs, it will be good for competition, it will be good for lower prices and it will be good for the Australian economy more broadly. Today, we note the announcement by the company that the administrator will be Deloitte. Well, today, the Government announces that Mr Nicholas Moore, the former CEO of Macquarie, someone very well experienced in commercial matters, will engage with the administrator on behalf of the Government, together with the Treasury and Finance teams in support. Our objective is a market-led solution. Our objective is two commercially viable, major domestic airlines operating in Australia. And we will work constructively with Deloitte through Nicholas Moore and our Treasury and Finance teams from here.

JOURNALIST

How confident are you that there will be a market solution? That there is a sufficient appetite amongst these private equity investors and so forth to pick up this airline?

JOSH FRYDENBERG

Well, I can refer to the statement itself from the company, where it's referred to a number of parties being interested.

JOURNALIST

And how serious is that?

JOSH FRYDENBERG

I think it's very serious and it goes back to our earlier points which is Virgin Australia is a very good airline, performing a very important task and we want to see two airlines continue and we have already had discussions with the ACCC to ensure that they strongly enforce our competition law so that we can have two commercially viable airlines operating on domestic routes here in Australia. The role of the competition regulator, the ACCC, will be very important and we've already started to have those discussions. So we will continue to engage constructively with the administrator, but I do believe there is a lot of significant interest from commercial parties.

JOURNALIST

[Inaudible] to Virgin being controlled by a Chinese-owned entity.

JOSH FRYDENBERG

I don't comment on foreign investment matters, either broadly or specifically, to be honest. We have a strong national interest test and as you know, in the wake of the coronavirus pandemic, we have announced the temporary removal of those thresholds for foreign investment, which means that there will be extra scrutiny on any foreign investment proposal and I would wait to consider any proposal on its merits, without making any further comment than that.

JOURNALIST

Nicholas Moore, I mean he's like a Government emissary. So what are his riding instructions? And the fact that you've sent him in to act in this role, whatever it is, is that suggestive of there being some sort of Government intervention in weeks ahead?

JOSH FRYDENBERG

Well Andrew, as you know, the airline business is important to the economy. And these matters of voluntary administration are complex. But it's also a well-known path for companies to restructure and to recapitalise and to come out stronger on the other side and cases in point, at Channel Ten, Darrell Lea and other companies that have gone through the voluntary administration process. So we have engaged Nicholas Moore in that process to talk to the parties and in particular, to talk to the administrator, Deloitte, with a view to ensuring that we continue to maintain two airlines on those domestic routes here in Australia, but also a market-led solution is our preference.

JOURNALIST

Oh, sorry. Just following up Andrew's question about the sort of role that Nicholas Moore would play. Obviously he's experienced in restructuring. Also, when he was CEO at Macquarie, they had

stakes in the airport business. Can you flesh out how you see his role in this? And why the Government has chosen him?

JOSH FRYDENBERG

Well, Nicholas Moore is someone who is very well respected for his tenure at Macquarie – 10 years in the role – but also he brings to the table specific skills and expertise which will be complementary to the ones that we have within Treasury and Finance and obviously he'll be working with our team to ensure that the national interest is advanced and he will be having that engagement with the administrator, Deloitte. And as you could imagine, there's lots of issues to work through and to discuss and complex commercial matters and it is best done with his assistance.

JOURNALIST

If the market solution weren't to be found, would the second option then be to facilitate the entry into the market of another carrier?

JOSH FRYDENBERG

Well, again, we're not going to speculate on what happens in the weeks and months ahead. What we do know is that the voluntary administration process, with Deloitte as the administrator, is a pathway forward. Michael and I have both referred to the company's statement itself as saying that they are hopeful of working through their challenges, dealing with the restructuring of their business and refinancing of their business with a view to coming out stronger on the other side.

JOURNALIST

Is it fair to say that Virgin in the future will be a smaller operation – therefore, less jobs, less employment in Australia?

JOSH FRYDENBERG

Well, our goal is obviously to see as many people employed as possible and obviously, to see strong competition and to see two major commercial operators. But as for the Government's role, what we have said is we'll engage with the administrator and our preference is for a market-led solution. There is significant interest out there from the market.

JOURNALIST

Is the Government willing to consider stepping in?

JOSH FRYDENBERG

We're not playing games, we're not contemplating this or that. We are saying that there is a process where you have the administrator appointed by the company to work through the issues with the

directors and the other key stakeholders and we will have Nicholas engaging specifically within that process.

MICHAEL MCCORMACK

This hasn't been an easy time for airlines. This hasn't been an easy time for player in the aviation sector and the aviation sector always runs on tight margins. It's a very volatile sector. It's a sector in which anyone from regional Australia – and I certainly come from regional Australia – knows how important Virgin is, knows how important our regional airlines are and we want two strong commercially viable airlines, major airlines operating in and around Australia. It's essential and we'll certainly follow the advice of Nicholas Moore and we want to make sure that we keep as many people in jobs as possible. It's a difficult day for them and we empathise with each and every one of those 10,000 employees of Virgin and we will do what we can to retain as many if not all of their jobs.

JOURNALIST

Will you release publicly your instructions to Nicholas Moore?

JOSH FRYDENBERG

Well again, that will contain Cabinet-in-Confidence discussions but you can appreciate that Nicholas is very experienced for this role and the Government has formally engaged him...

JOURNALIST

His number one job is to prevent liquidation, is that fair to say?

JOSH FRYDENBERG

His number one job is to engage constructively with the administrator with the goal of seeing in Australia, two major commercial airlines operating our domestic routes. That will be good news for competition, good news for jobs. It will be good news for lower prices and that will be good news for the economy overall.

JOURNALIST

Is Deloitte okay with Nicholas Moore being appointed?

JOSH FRYDENBERG

We haven't had that discussion with Deloitte. We haven't had that discussion with the company. The Government has announced today the appointment of Nicholas Moore [inaudible].

JOURNALIST

Is there any circumstance where the Government would take an equity stake in Virgin?

JOSH FRYDENBERG

Again, I have said previously that we are not in the business of owning airlines. We sold Qantas 27 years ago. What we are in the business of is supporting jobs – we've done that through the JobKeeper package and many other initiatives that we have announced. But the Morrison Government is absolutely focused on ensuring that we have a competitive aviation sector and ensuring that we continue to do what is necessary during this difficult time to get this country to the other side.

JOURNALIST

Just on another matter, did you happen to catch Malcolm Turnbull's interview last night and what do you think about the bombs he is throwing at the Government?

JOSH FRYDENBERG

[Inaudible] Our focus is on the task at hand and I've seen a lot of the commentary in recent days and I have decided not to engage in it and so too my colleagues who have taken the same decision. What we are focused on is helping the Australian people, preserving jobs, saving lives and livelihoods and get to the other side.

JOURNALIST

Mr McCormack, Barnaby Joyce over the last couple of days [inaudible] about the app, what's your personal view on the app? Are you going to download it?

MICHAEL MCCORMACK

I'll absolutely download it, my wife will download it and our three children, Georgina, Alexander and Nicholas will all download it. It's important and it is going to save lives and it is going to protect livelihoods. I tell you what, I'd just as soon take my phone out, download an app that will take a few minutes, if that and make sure that if I come into contact with somebody who had coronavirus then I could ensure all the necessary precautions take place. I'd much sooner download an app than two months from now be lying in an ICU bed, be lying in a palliative care bed wondering why I didn't download an app.

JOURNALIST

[Inaudible]

MICHAEL MCCORMACK

Barnaby Joyce is doing the hard work for the people of New England, as always.

JOURNALIST

Treasurer, if Virgin is restructured or is shifted into another entity, how would that affected the JobKeeper payment? Would you make it available to some new entity that might take it over?

JOSH FRYDENBERG

Again, we are speculating on a scenario that hasn't eventuated. [Inaudible].

ENDS.

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