

Coronavirus: A Virgin Australia collapse 'bad news for nation', says former CEO

EXCLUSIVE

By **STEVE CREEDY**, EXCLUSIVE

7:45AM APRIL 11, 2020 •  299 COMMENTS

Former Virgin Blue chief executive Brett Godfrey has broken his silence on the airline he co-founded two decades ago, saying Australia's economy needed both Virgin Australia and Qantas to survive the COVID-19 pandemic.

While keeping his powder dry on the question of government financial intervention and Virgin's current finances, he said it would be bad news if either of Australia's major carriers was allowed to collapse.

In the case of Virgin, he said it could be years before another genuine competitor of scale emerged in the Australian market and that the economy could be the worse off for it.

Virgin is seeking \$1.4bn in government support to bolster its cash reserves to help it get through the crisis.

Mr Godfrey said the airline had lost its cost advantage over the Qantas Group and any private or public investment should be contingent on Virgin Australia chief executive Paul Scurrah forcing through a massive restructure to make the carrier viable in the long term. "I understand that process is under way but Paul will know that the airline he has taken on needs more than cosmetic surgery," Mr Godfrey said.

"He will need to show any financier he has a plan that will deliver a fair risk return."

Some pundits are urging the federal government not to provide support to Virgin, suggesting that another player would enter the Australian market if the carrier collapsed.

They have pointed to the way Virgin filled the void after the 2001 collapse of Ansett.

Mr Godfrey, who led the carrier through a major expansion that would see it become Australia's second major carrier before stepping down in 2010, said there were significant differences between the situation in which Ansett found itself and the one facing Virgin today.

"Firstly, let's be unequivocally clear, Ansett failed solely because of pure competition, not a global pandemic," he said. "At the time of Ansett's collapse, there were already two other more efficient airlines operating in Australia — the Qantas Group and the small but disruptive Virgin Blue. Qantas was dominant but it was kept in check. We were not trying to compete directly with Qantas, we accepted that we would be niche and target being Australia's second carrier, while patient to take market share when opportunities presented.

"If you take a step back and look at the differences, they were that you had an airline (Virgin Blue) that had nine aeroplanes in the market at that time and a trajectory that showed it had great potential to fill the void. So they were able to step into the breach.

"It's different this time because you don't have an indispensable second competitor in the wings.

"If Virgin falls over, we end up with a lottery. Given every airline in the world today is hibernating, those that survive to fly 'tomorrow' will have their hands full relaunching in their home markets, let alone investing in new brands in Australia."

The former airline chief was also wary of restructuring Virgin Australia along the lines of the failed attempt by Solomon Lew and Lindsay Fox to relaunch what remained of Ansett as TESNA.

"A phoenix via voluntary administration while possible is high-risk and if TESNA is that lesson, well then, we already know the outcome," he said.

He said consumers should not expect a new competitor to quickly appear and fill the void left by Virgin, even if there was the inclination and financial ability to do so.

"Virgin Blue was three years in the making prior to its first flight to both build and test a sustainable model in the market that was not just profitable but, crucially for the country, provided a material economic stimulus," Mr Godfrey said.

"No doubt however this plays out, economically the best outcome for the nation is that Australia has at least two vibrant airlines competing aggressively when the dust settles.

“Structurally, they need not be equal, of course, but one airline starting at 100 per cent isn’t good for the country.”

More stories on this topic

- [WHO boss responds to Trump defunding](#)
- [National Cabinet to focus on teacher safety](#)
- [Six key days: how China failed the world](#)

Topics

[Coronavirus](#)