



# New research sheds light on aviation industry

New Zealand Trade and Enterprise provide a substantial amount of support towards aviation industry growth in New Zealand and it is a pleasure to introduce what will become a series of articles on NZTE achievements and the opportunities for support that they have available to NZ aviation companies. This first article is written with NZTE Director of Specialised Manufacturing, Hans Frauenlob who comments on the key findings of the New Horizons Aviation Report, recently commissioned by NZTE to provide a comprehensive analysis of the wider aviation industry.



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**NEW ZEALAND’S** aviation industry has gone from strength to strength over recent years and is now valued at \$9.74 billion according to the New Horizons Aviation Report released in July by Associate Economic Development Minister Wayne Mapp.

This report provides an in-depth analysis of the wider aviation sector, where our strengths are and what sub-sectors are generating the most revenue. The report also identifies specific areas of opportunity based on international trends and emerging areas of expertise, and outlines some of the barriers to future potential growth. Hans explains:

“The report, which was completed by Knotridge Ltd on behalf of NZTE, was commissioned to provide a clear picture of the overall size of the industry, the recent and future growth drivers and constraints, and to assist with re-setting the five year growth challenges for the industry.

We wanted a robust analysis that took into account the entire aviation industry and where the methodology and conclusions were clear. Prior to this report being completed, there were numerous figures and projections being referred to, but none that provided a complete picture of the industry. Nor was there an analysis of potential future growth that NZTE considered to be crucial if the industry is going to continue to grow and compete internationally.”

## A holistic view of the aviation industry

The New Horizons Aviation Report provides an extensive analysis of the current industry, including revenues. It covers aircraft design and manufacture, parts and avionics suppliers, airport infrastructure, flight training and maintenance, repair and overhaul (MRO).

Key findings include:

- Of the industry’s \$9.7 billion in revenue in 2009, \$3.8 billion was from exports,
- The industry is conservatively forecast to grow to \$12.6 billion by 2015
- Industry growth has been driven mostly organically through expansion of exports, creation of products from intellectual property, and addition of new products and services to existing businesses.
- More than 1000 businesses and organisations employing 23,500 workers are involved in New Zealand’s aviation industry.
- Commercial passenger and cargo operators such as Air New Zealand with \$5.7 billion or 59 percent of total revenue and fuel companies with \$1.4 billion dominate the sector.
- The largest sub-sector in terms of number of organisations is the airline operator sector accounting for 38 percent or 384 firms. The majority of these are engaged in general commercial activities.

The demand for commercial services in tourism and agriculture has given rise to a large number of operators.

- Auckland with \$7 billion, Christchurch \$1.28 billion and Wellington \$592.5 million are the highest revenue generators due in part to traffic and activity at their international airports while the Waikato with its large manufacturing and training base leads the regions on \$297.6 million.

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## Future potential and growth

“One of the key objectives NZTE had when commissioning the New Horizons report was to identify areas within the industry that have the most significant growth potential. Through our international network we knew what the international trends were, but what we didn’t have a clear picture of was what synergies there were between international opportunities and emerging niches, and New Zealand’s ability to respond to these.”

The report indicates that:

- There is spare capacity for more MRO activity, particularly as several Asia-Pacific airlines are increasing their fleet sizes which could provide more regional work for New Zealand businesses.
- Growing helicopter use worldwide in oil and gas support and New Zealand’s reputation for expertise and skill with rotary-wing aircraft present more opportunities while local company Rocket Lab, who are providing inexpensive and reliable access to space, which has significant growth potential in the US and other countries.
- New Zealand expertise and capabilities could be used to develop and produce more technology-based designs. For example, a new aircraft for the top-dressing industry is expected to meet domestic demand and create export opportunities, - and New Zealand has the capability to exploit the growing worldwide light sport aircraft market.
- New Zealand has the ability to produce titanium powders targeted for specific niche applications and offshore demand for our airport design and automated ground handling equipment appears to be strong.
- There is potential for a wind tunnel testing facility to be built here to satisfy large unmet global market demand as the high-quality tunnels around the world are fully booked for years ahead.

“These opportunities are very real, and highlight just how broad the aviation industry globally has become. New Zealand is well positioned to make the most of these opportunities.”

## Knowing the constraints

“Part of the rationale behind the New Horizons report was to take an independent view of some of the constraints and limitations that are holding the industry back, and that could have the potential to severely impact the ability for New Zealand’s aviation industry to reach revenues of \$12 billion or \$15 billion.”

- The New Horizons report considers a number of limitations and constraints, including:
  - A whole-of-government approach would benefit aviation

industry organisations which are impacted by the requirements of multiple layers of regulation. The government, financial and business environment at times constrains and does not encourage high-performing industry to stay in New Zealand.

- Investors in New Zealand are now very risk-averse with limited venture capital funds available - some of New Zealand’s most innovative businesses are in danger of being lost offshore due to a lack of capital.
- The lack of a united New Zealand Inc. approach at times denies the opportunity for smaller businesses to become involved in significant export ventures while partnerships with a ‘Brand New Zealand’ focus with



Aviation Cluster CEO, Shaun Mitchell (l) with US entrepreneur Jim McCoy.

government agency support would enable organisations to co-operate rather than compete with each other.

- The business model and brand for the Academy New Zealand pilot training organisation concept requires definition and support from industry and government while weightless exports, using our minds not our bodies, should be the approach from the aviation industry to increase opportunities for export sales.

## Focusing on the future

Hans says that “The New Horizons Report will provide useful input into the industry’s five year growth plan as it outlines a number of policy recommendations and includes an outline of shorter term milestones. Issues such as capital, are not unique to this industry and the challenge now is for the wider industry, which includes government, to work together to identify ways to address some of the constraints identified. The government, through NZTE, has invested considerably in aviation, and is committed to working with the industry to continue to maximise opportunities for international success.”

The New Horizons Aviation Report is available online at [www.nzte.govt.nz](http://www.nzte.govt.nz)

# US entrepreneur impressed by NZ’s aviation capability

by Graeme Kennedy

**UNITED STATES** entrepreneur, venture capital investor, private pilot and New Zealand aviation champion Jim McCoy was in New Zealand recently for a series of seminars on industry growth and investment. He was impressed by the findings of the New Horizons Aviation Report, and believes New Zealand has the skill and

capabilities to be on a global short list of industry players within five to ten years.

Mr McCoy has founded and grown multi-billion dollar US international companies and worked in a wide range of industries and technologies including computers, consumer electronics and biotech instrumentation. He began specialising in aviation business development projects eight years ago in California and was in New Zealand with the support of NZTE and the New Zealand Aviation Cluster.

“Aviation is such a big part of culture and life here yet most people do not have a sense of how big it has become – a plane here is like a car in other countries and while New Zealanders in the past were just users they are now producers and developers with the ability to compete on the global market,” Mr McCoy said.

“Designing and building small aircraft here is incredible – the Pacific Aerospace P-750 XSTOL is world-class and being sold world-wide while Stainless Design and its use of hi-tech materials for parts manufacture is among the best in the world. Airwork has orders from all over the world for re-engining the BK117 helicopter and there are 28 designs now ready or going through the CAA approval process.”

“The industry must recognise its global competitiveness and that the breadth of its technology is very impressive. These are not second-class capabilities but are at the cutting edge of international standards. Now is the time to go for it, although the industry must now raise capital to widen its horizons and aggressively move forward.”

Mr McCoy said finding funding through investment or any other means was always a challenge for any industry and New Zealand aviation was facing that process now in an environment not as healthy as it could be. “It doesn’t happen overnight,” he said. “The industry must look at all possible sources to raise capital and make itself attractive to investors by having good product, markets and capable teams helping find those markets and modifying product to meet their needs.”



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