Flying solo: Air New Zealand dominates the market despite increasing competition
About this Industry

**Industry Definition**

Industry players operate scheduled passenger flights to, from, and within New Zealand. The industry also includes airlines that operate scheduled domestic and international airfreight services.

**Main Activities**

The primary activities of this industry are:

- Domestic air passenger transport services
- International air passenger transport services
- Domestic airfreight transport services
- International airfreight transport services

The major products and services in this industry are:

- Airfreight transport services
- Domestic and regional flight services
- Long haul international flight services
- Trans-Tasman flight services

**Similar Industries**

- **C2394NZ Aircraft Manufacturing and Repair Services in New Zealand**
  Firms in this industry manufacture aircraft and aircraft components. Firms also provide repair, maintenance and overhaul services on existing aircraft.

- **I4610NZ Road Freight Transport in New Zealand**
  Firms in this industry provide freight services via truck or other vehicles.

- **I5220NZ Airport Operations in New Zealand**
  Firms in this industry provide aerospace navigation, air traffic control and airport facilities for airlines.

- **I4810NZ Water Freight Transport in New Zealand**
  Firms in this industry ship cargo for downstream businesses, which usually comprises merchandise imports or exports.

**Additional Resources**

For additional information on this industry:

- [www.caa.govt.nz](http://www.caa.govt.nz)
  Civil Aviation Authority of New Zealand
- [www.transport.govt.nz](http://www.transport.govt.nz)
  Ministry of Transport
- [www.stats.govt.nz](http://www.stats.govt.nz)
  Statistics New Zealand
Industry at a Glance
Airlines in 2018-19

Key Statistics
Snapshot

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Annual Growth 14–19</th>
<th>Annual Growth 19–24</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6.5bn</td>
<td>2.3%</td>
<td>1.6%</td>
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</table>

<table>
<thead>
<tr>
<th>Profit</th>
<th>Wages</th>
<th>Businesses</th>
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<tbody>
<tr>
<td>$620.7m</td>
<td>$1.5bn</td>
<td>30</td>
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</tbody>
</table>

Market Share
Air New Zealand Limited 81.7%

Key External Drivers
International travel by New Zealanders
World price of crude oil
Trade-weighted index
Consumer sentiment index
International travel to New Zealand

Revenue vs. employment growth
International travel by New Zealanders

Products and services segmentation (2018-19)

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Service Type</th>
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</thead>
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<tr>
<td>38.1%</td>
<td>Long haul international flight services</td>
</tr>
<tr>
<td>25.0%</td>
<td>Domestic and regional flight services</td>
</tr>
<tr>
<td>22.6%</td>
<td>Trans-Tasman flight services</td>
</tr>
<tr>
<td>14.3%</td>
<td>Airfreight transport services</td>
</tr>
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</table>

Industry Structure

<table>
<thead>
<tr>
<th>Category</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Cycle Stage</td>
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<tr>
<td>Revenue Volatility</td>
<td>Medium</td>
</tr>
<tr>
<td>Capital Intensity</td>
<td>High</td>
</tr>
<tr>
<td>Industry Assistance</td>
<td>Medium</td>
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<tr>
<td>Concentration Level</td>
<td>High</td>
</tr>
<tr>
<td>Regulation Level</td>
<td>Heavy</td>
</tr>
<tr>
<td>Technology Change</td>
<td>Medium</td>
</tr>
<tr>
<td>Barriers to Entry</td>
<td>High</td>
</tr>
<tr>
<td>Industry Globalisation</td>
<td>High</td>
</tr>
<tr>
<td>Competition Level</td>
<td>Medium</td>
</tr>
</tbody>
</table>

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 27

SOURCE: WWW.IBISWORLD.COM.AU
Executive Summary

The Airlines industry has grown over the past five years. Industry revenue is expected to rise by an annualised 2.3% over the five years through 2018-19, to reach $6.5 billion. This includes growth of 2.5% in the current year. The weakened New Zealand dollar since mid-2014 has encouraged overseas visitors to travel to New Zealand, boosting demand for lucrative long haul international flights. Demand for trans-Tasman flights has remained strong over the past five years. Air New Zealand, the industry’s largest player, has traditionally maintained a strong market share on trans-Tasman routes. Over the past five years, foreign airlines such as Singapore Airlines, Emirates and AirAsia X have expanded capacity on these routes. This expansion has increased competition for Air New Zealand, and has led to more affordable flights for consumers on key routes such as Auckland-Sydney and Auckland-Melbourne.

Industry profitability has risen over the past five years. The price of fuel, the industry’s largest cost, plummeted in 2014-15 due to a global oversupply of crude oil. This price drop greatly improved industry profit margins and provided airlines with an opportunity to increase expenditure on marketing and fleet upgrades, allowing industry operators to improve their brand position and aircraft efficiency. For instance, Air New Zealand has taken delivery of 13 Boeing 787-9 Dreamliners since mid-2014. The Dreamliners are made from composite materials, which are lighter and more fuel-efficient on long haul international flights than previous models.

Industry revenue is projected to rise by an annualised 1.6% over the five years through 2023-24, to $7.0 billion. Growth in inbound arrivals is expected to far outweigh outbound departures, as the New Zealand dollar is forecast to appreciate slightly, but remain weak over the next five years. The expected weakness of the New Zealand dollar will continue to support international travel to New Zealand and support industry revenue growth over the period. Industry players are anticipated to increase route capacity on long haul international flights, and target growing markets such as China and India.

Key External Drivers

International travel by New Zealanders
International travel by New Zealanders measures the number of short-term overseas trips undertaken by local residents each year. An increase in international travel by New Zealanders typically increases demand for long haul international and trans-Tasman passenger flight services, boosting industry revenue. International travel by New Zealanders is anticipated to rise in 2018-19, providing an opportunity for the industry.

World price of crude oil
Fuel is a substantial cost for major airlines. Fluctuations in the world price of crude oil affect industry profitability. When crude oil prices increase, the cost of fuel per flight also rises. Due to the industry’s competitive nature, airlines rather than consumers bear most of the cost of the price increase. As a result, an increase in crude oil prices tends to lower industry profitability. The world price of crude oil is expected to rise in 2018-19, threatening the industry.

Trade-weighted index
The value of the New Zealand dollar can influence demand for air transport. When the New Zealand dollar depreciates, demand for inbound flights tends to increase. This increase is because travel to New Zealand becomes more affordable for overseas visitors. However, a depreciating New Zealand dollar makes domestic travel more affordable than international travel for New Zealanders. Because the industry’s largest market is international tourists, a depreciating dollar is favourable for the industry. The
Industry Performance

Key External Drivers continued

New Zealand dollar is expected to depreciate in 2018-19.

Consumer sentiment index
The consumer sentiment index measures individuals’ feelings regarding the state of the economy and their personal finances. Positive consumer sentiment indicates that consumers are more optimistic about their current and future financial position. This factor tends boost demand for international and domestic air travel, as consumers are more likely to spend on discretionary travel. The consumer sentiment index is expected to fall but remain positive in 2018-19.

International travel to New Zealand
International travel to New Zealand includes all short-term inbound arrivals. The industry’s largest inbound market is Australia, although China is a rapidly growing market for the broader tourism sector. International travel to New Zealand is anticipated to rise in 2018-19.

Current Performance

The Airlines industry has grown moderately over the past five years. Strong competition among major airlines and weak fuel prices have led to cheaper airfares, which have encouraged both domestic and international residents to travel to, from and within New Zealand. New Zealand’s increasing prominence as a tourist destination, particularly among visitors from Asian countries, has helped drive industry growth. However, increased competition and cheaper airfares have mitigated the revenue gains from strong growth in tourist volumes. Industry revenue is expected to rise by an annualised 2.3% over the five years through 2018-19. This includes growth of 2.5% in the current year, with revenue expected to reach $6.5 billion.

Industry structure
The Airlines industry is highly concentrated. Air New Zealand is the industry’s oldest and largest player. Its position as the country’s flagship carrier, and strong brand recognition among domestic and international consumers, allow it to command an estimated 81.7% market share. As of 28 October 2018, Air New Zealand has a codeshare arrangement with Qantas that allows both firms to offer a variety of routes to customers in each other’s domestic market. This arrangement began after Air New Zealand announced it would not be renewing its agreement with Virgin Australia, which ran over the seven years...
Industry Performance

Industry structure continued

Through October 2018, codeshare arrangements allow airlines to market flights under their brand, but outsource the flight operation to another airline. These arrangements provide industry players with flexibility and stronger brand awareness, and are commonplace throughout the global aviation sector.

Air New Zealand’s market share has risen slightly over the past five years, despite increased competition from Australia-based airline Qantas and its low-cost subsidiary Jetstar. In June 2015, Jetstar announced it would commence flight services to regional New Zealand with a fleet of five Bombardier Q300s. Flights began in December 2015 and have been largely successful in breaking Air New Zealand’s effective monopoly on regional flights. However, Air New Zealand has expanded its capacity at a faster rate than Jetstar over the past four years, which has allowed the national carrier to regain some market share it initially lost in the domestic market. Additionally, Air New Zealand has reported strong revenue growth in the long haul international flight service segment, which has helped the airline outperform the industry over the past five years.

Jetstar’s entry into the domestic market, and an increased number of international airlines operating to and from New Zealand have increased industry establishment numbers, which broadly indicate the number of routes airlines are flying, over the past five years. Greater competition has also weighed in on Air New Zealand’s load factor. Load factor, which measures how well an airline is filling its seats per flight, has trended downwards for Air New Zealand on domestic and regional routes due to increased competition.

International route competition

International routes can be split into two segments: trans-Tasman and long haul international flights. Competition on trans-Tasman routes is fierce. Air New Zealand has traditionally maintained a strong market share on flights to key destinations such as Sydney and Melbourne. Over the past five years, foreign airlines such as Singapore Airlines, Emirates, AirAsia X and Philippine Airlines have expanded capacity on key trans-Tasman routes. This expansion has placed downward pressure on airfares, benefiting consumers and driving growth in passenger numbers.

Air New Zealand has a strong position in the long haul international flight service segment. The firm has launched flights to Buenos Aires and Singapore over the past five years, largely due to a weak New Zealand dollar since mid-2014. The weaker dollar has made travel to New Zealand more affordable for foreign tourists, which, along with the increased popularity of New Zealand as a tourist destination, has helped drive growth in inbound passenger numbers. Outbound passenger numbers have also surged on the back of strong domestic economic conditions and cheaper airfares.

Fuel prices and profitability

The price of fuel has been low over the past five years. Prices plummeted in 2015-16 due to a global oversupply of crude oil. This decline has boosted industry profit margins over the past five years. Fuel is the industry’s largest cost, particularly on long haul international flights, and price fluctuations can significantly affect year-to-year profitability. For instance, fuel accounted for 24.1% of Air New Zealand’s cost base in 2013-14, with the company posting a profit margin of 8.4%. In 2015-16, fuel accounted for only 16.2% of Air New Zealand’s costs, and the firm posted a huge profit margin of 13.2%. Fuel prices are expected to rebound over the three years through 2018-19, placing downward pressure on profit margins.
Industry Performance

Aircraft upgrades

Airlines have constantly sought to upgrade their aircraft fleets over the past five years. Fleet upgrades are a necessary capital expenditure for major airlines, allowing them to increase fuel-efficiency per flight, improve customer satisfaction and reduce maintenance costs. Air New Zealand has ordered several aircraft from major global aircraft manufacturers Boeing and Airbus over the past five years. The airline has received 13 Boeing 787-9 Dreamliners over the past five years. The Boeing 787-9 Dreamliner is more fuel efficient than Boeing’s earlier models, allowing for lengthier international flights and cost savings on shorter routes. The firm has also received several Airbus A320s over the past five years, which it has used to expand capacity on its domestic and trans-Tasman routes. An expanding aircraft fleet and route capacity have contributed to industry employment numbers rising over the period.

Industry Outlook

The Airlines industry is anticipated to expand over the next five years, albeit at a slower rate than the past five-year period. Competition along key trans-Tasman and domestic routes, fluctuations in the price of crude oil and the value of the New Zealand dollar, and demand for New Zealand tourism are expected to affect the industry’s performance. Industry revenue is projected to grow by an annualised 1.6% over the five years through 2023-24, to reach $7.0 billion.

Tourism trends

According to the Ministry of Business, Innovation and Employment, inbound visitor numbers from China are expected to surge by an annualised 9.8% over the five years through 2023-24, to almost 800,000. Australian visitors are expected to increase by an annualised 2.6% over the same period, to 1.8 million. This surge highlights the significant opportunities available for airlines to capitalise on China’s rising middle class. Markets such as China provide more room for growth than saturated markets such as Australia. Demand for New Zealand tourism is strong in China due to New Zealand’s scenic sightseeing opportunities. In March 2017, the New Zealand Government announced that 2019 would be the China-New Zealand Year of Tourism. The initiative aims to boost inbound visitor numbers and average spend by allowing local businesses to create stronger links with Chinese tourists and travel agencies. Increased visitor numbers would consequently benefit the Airlines industry. According to the Ministry of Business, Innovation and Employment, other likely growth markets include India and Indonesia, which are projected to report visitor number increases of an annualised 7.7% and 9.4%, respectively, over the five years through 2023-24.

The New Zealand dollar is forecast to appreciate marginally over the next five years. The ongoing weakness of the New Zealand dollar, relative to the highs reported from 2010-11 to 2014-15, is expected to aid inbound tourism growth over the next five years. International
Industry Performance

Tourism trends continued

Travel to New Zealand is projected to grow at an annualised 4.4% over the five years through 2023-24. In comparison, international travel by New Zealanders is only expected to rise by an annualised 0.6% over the same period. The forecast weakness of the New Zealand dollar will likely result in international travel continuing to be too expensive for some domestic consumers. This trend is likely to boost demand for regional and domestic flights compared with outbound long haul international flights. As a result, competition on regional routes is set to intensify, particularly between Jetstar and Air New Zealand.

Industry participation and profit

The world price of crude oil is projected to rise over the next five years. This rise is likely to put pressure on the bottom line of industry operators. Industry profitability is projected to trend downwards over the period as higher fuel prices and increasing competition place pressure on airlines’ cost bases. Wages are forecast to decline as a share of revenue over the next five years, due to a continued move towards online check-in facilities. The number of industry establishments is forecast to increase over the next five years. Rising demand for international travel to New Zealand is likely to encourage airlines to expand their route network within New Zealand. Furthermore, as major airports reach capacity, airlines are likely to set up additional hubs in regional areas.

Airfreight

Industry players mostly carry airfreight in the cargo holds of their passenger planes, although some operate dedicated freighter planes. Demand for airfreight transport is largely driven by trends in trade-orientated industries, such as those in the agriculture sector. The relative price of airfreight compared with shipping can also affect demand. The most common goods exported via airfreight are meat, fish, dairy, fruit and vegetables, while the most common imports include various machinery and electrical products, clothing items and printed materials. Demand for airfreight is projected to increase over the next five years as airlines increase their route capacity. This increase in capacity will increase supply, which is likely to push down the price of airfreight. As airfreight becomes cheaper and international trade rises, demand for airfreight services is expected to increase.

Future volatility

The industry’s performance is subject to fluctuations in global macro-economic factors such as interest rates and economic growth. A slowdown in economic growth from key markets, such as China, has the potential to cause significant disruptions to New Zealand’s broader tourism sector. Because travel is often a discretionary activity, domestic and overseas travellers are likely to scale back or postpone holidays when their financial position is insecure. Other factors, such as the threat of earthquakes or terrorism, also have the potential to limit demand for tourism in New Zealand and cause year-to-year volatility.
Industry Performance

The industry is growing at a slower rate than the overall economy.

Route expansion has boosted the number of industry establishments.

Competition is intensifying on trans-Tasman routes.

Life Cycle Stage

Maturity
Company consolidation; level of economic importance stable

Quality Growth
High growth in economic importance; weaker companies close down; developed technology and markets

Quantity Growth
Many new companies; minor growth in economic importance; substantial technology change

Decline
Shrinking economic importance

Key Considerations
An industry’s life cycle stage is determined by multiple factors, such as IVA vs. GDP performance and establishment growth. However, other key factors must also be considered. For more information, please refer to the Industry Life Cycle section analysis.

Source: www.ibisworld.com.au
Industry Performance

Industry Life Cycle

The Airlines industry is in the mature stage of its economic life cycle. Industry value added, which is used to measure an industry’s contribution to the overall economy, is forecast to grow by an annualised 1.9% over the 10 years through 2023-24. The growth rate indicates that the industry has underperformed GDP, which is expected to grow at an annualised 3.0% over the same period. This underperformance of the wider economy is indicative of a mature industry.

Industry players have begun to expand their route capacity over the past five years due to increased demand for domestic tourism. Stronger competition, particularly on the trans-Tasman and regional routes, has also contributed to rising establishment numbers over the period. This trend is expected to continue over the next five years, as Air New Zealand’s major competitors, Qantas and Virgin, aim to win market share. Taken in isolation, strong establishment numbers growth indicates a growing industry.

However, industry products and services, and technological change are likely to remain stable over the next five years. While aircraft upgrades will occur, these are accounted for in the manufacturing sector. Overall, industry operators are expected to focus on improving operating efficiencies such as load factor and automating processes, which suggests the industry is in a mature phase.
**Products & Markets**

**Supply Chain**

**KEY BUYING INDUSTRIES**

X0003NZ  
Tourism in New Zealand  
Firms in the tourism sector rely on airlines to transport passengers to and from New Zealand.

**KEY SELLING INDUSTRIES**

C2394NZ  
Aircraft Manufacturing and Repair Services in New Zealand  
Aircraft manufacturers supply airlines with new aircraft and maintain existing aircraft.

F3321NZ  
Petroleum Product Wholesaling in New Zealand  
Petroleum wholesaling firms provide jet fuel for airlines.

H4513NZ  
Catering Services in New Zealand  
Catering firms prepare in-flight meals for airlines to provide to passengers.

I5220NZ  
Airport Operations in New Zealand  
Airports provide services such as landing, terminal maintenance, passenger screening and refuelling for airlines.

**Products and Services**

Industry players provide international, domestic and regional passenger flight services, and airfreight services. International flights can be further segmented into two categories: trans-Tasman flight services and long haul international flight services.

**Long haul international flight services**

Long haul international flights account for the largest share of industry revenue. Popular destinations for Air New Zealand, the industry’s most prominent player in this segment, include Buenos Aires, Hong Kong and Los Angeles. This segment has increased as a share of industry revenue over the past five years. A weak New Zealand dollar since mid-2014 has facilitated growth in inbound tourist numbers. To meet demand, Air New Zealand has increased its available seat kilometres and revenue passenger kilometres on long haul flights at a faster rate than on its domestic, regional and trans-Tasman services. Despite this increase, strong competition on international routes has constrained growth. Air New Zealand’s revenue per available seat kilometres has fallen on long haul routes over the period due to greater price competition.

**Domestic and regional flight services**

Domestic flights refer to passenger services between New Zealand’s major cities, predominantly Auckland,
Demand Determinants

Factors affecting demand for international and domestic air travel can vary in effect depending on the purpose of visit, such as travelling for leisure, business or to visit family and friends. Other determinants include macro-economic factors such as the exchange rate, consumer sentiment and business confidence. New Zealand’s position as a tourist destination compared with other countries in the region, such as Australia or those in the Asia-Pacific region, can also affect demand for international and domestic airlines.

Purpose of visit
Fluctuations in the New Zealand dollar and the price of airfares often affect consumers travelling for leisure or to visit family and friends. Consumers are more likely to defer a holiday or flight if the exchange rate is unfavourable or if airfares are expensive. However, Business travellers are less likely to defer travel if airfares are expensive, as they often face tight deadlines and have more budget flexibility.

Macro-economic factors
Fluctuations in demand for industry services often reflect changes in consumer sentiment and business confidence. When sentiment is high and business confidence is positive, downstream consumers and companies are more likely to pay for air travel, which can boost demand for industry services. A depreciating New Zealand dollar is also favourable for the industry, as it becomes cheaper for foreigners to visit New Zealand.

Trans-Tasman flight services
Competition among airlines on key trans-Tasman routes, particularly to Melbourne or Sydney, is fierce. Australia and New Zealand are each popular holiday destinations for the other’s citizens, with strong demand for air travel between major cities. Over the past five years, airlines such as AirAsia X, Qantas and Singapore Airlines have expanded their flight capacity between the two countries. This expansion has subjected Air New Zealand to strong price competition on these routes.

Airfreight transport services
Airfreight revenue is typically earned through space allocated in the cargo holds of passenger aircraft, although some firms operate specialised cargo aircraft. Demand for airfreight typically correlates with export and import trends in New Zealand’s major trade-oriented sectors, such as agriculture, and the relative cost of airfreight compared with alternatives such as shipping. An increased number of international carriers, most of which offer airfreight space on passenger aircraft, has increased price-based competition in the segment over the past five years. A decline in the price of airfreight per tonne has caused segment revenue to fall over the period, despite increased freight tonnage.

Wellington, Christchurch, Dunedin and Queenstown, and to regional areas of New Zealand. This segment has risen as a share of industry revenue over the past five years. Competition on domestic and regional routes has traditionally been less pronounced compared with the long haul international market, due to lower scale benefits associated with New Zealand’s small domestic market. Despite these factors, Jetstar entered the regional market in December 2015 to compete with Air New Zealand’s monopoly on domestic routes.

However, passenger movement on trans-Tasman routes has increased markedly over the past five years, which has provided volume growth opportunities to industry operators. Overall, this segment has fallen slightly as a share of industry revenue over the past five years.
Products & Markets

The industry’s major markets include international and domestic tourists, and business and government travellers flying to, from and within New Zealand. Each market is divided based on the proportion of revenue that it generates.

**International tourists**
Most international tourists travel to New Zealand for holiday purposes, although some travel to visit family and friends, for business and education, or to attend conferences. Most inbound visitors arrive from Australia, China, the United States, the United Kingdom, Japan and Germany. Over the past five years, inbound visitor arrivals from China have surged due to rising middle-class incomes, while arrivals from Australia have remained strong due to its proximity. Despite a weaker New Zealand dollar since mid-2014 and New Zealand’s prominence as a tourist destination, this market has fallen as a share of revenue over the past five years. This fall has been due to a stronger rise in both the domestic tourists, and business and government travellers markets.

**Domestic tourists**
This market includes New Zealanders purchasing domestic or regional flights, and international flights to and from New Zealand. Air New Zealand has rapidly expanded its flight capacity on long haul international routes over the past five years, while other airlines have expanded capacity on trans-Tasman routes. This trend has contributed to falling airfares, which, alongside robust domestic economic conditions, have encouraged domestic tourists to travel overseas. While this market has grown in total size over the past five years, the business and government travellers market and international tourists market have reported stronger growth. This weakness in the domestic tourists market is partly due to a depreciation of the New Zealand dollar over the past five years. A weaker dollar increased the relative price of international travel for domestic tourists and discouraged purchasing expensive flights overseas. As a result, this market has declined as a share of revenue over the period.

**Business and government travellers**
This market encompasses individuals travelling for business purposes such as attending conferences or meetings, and travel conducted by government employees. Strong business confidence and cheaper airfares over the past five years have translated into increased demand for business trips. Growing volumes of international trade, which have increased the amount of international travel undertaken for business purposes, have strengthened this market. Consequently, this market has increased as a share of revenue over the past five years.

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### Major market segmentation (2018-19)

<table>
<thead>
<tr>
<th>Market</th>
<th>Share</th>
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<tbody>
<tr>
<td>International tourists</td>
<td>46.0%</td>
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<tr>
<td>Domestic tourists</td>
<td>25.9%</td>
</tr>
<tr>
<td>Business and government travellers</td>
<td>28.1%</td>
</tr>
<tr>
<td>Total</td>
<td>$6.5bn</td>
</tr>
</tbody>
</table>
Products & Markets

International Trade  The industry is service-based and does not formally engage in international trade, which is accounted for at the manufacturing level. However, industry players have significant exposure to trends in global markets, such as exchange rates, passenger movements and tourism demand. Additionally, international demand for airfreight services affects industry players that provide dedicated airfreight services, or that carry freight in their cargo holds.
Products & Markets

Business Locations 2018-19

Region abbreviations

<table>
<thead>
<tr>
<th>Region</th>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>Northland</td>
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<tr>
<td>Auckland</td>
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<tr>
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<td>WKO</td>
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<td>Bay of Plenty</td>
<td>BOP</td>
</tr>
<tr>
<td>Gisborne</td>
<td>GIS</td>
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<tr>
<td>Hawke’s Bay</td>
<td>HKB</td>
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<tr>
<td>Taranaki</td>
<td>TKI</td>
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<tr>
<td>Manawatu-Wanganui</td>
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</tr>
<tr>
<td>Wellington</td>
<td>WGN</td>
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<tr>
<td>Tasman</td>
<td>TAS</td>
</tr>
<tr>
<td>Nelson</td>
<td>NSN</td>
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<tr>
<td>Marlborough</td>
<td>MBH</td>
</tr>
<tr>
<td>West Coast</td>
<td>WTC</td>
</tr>
<tr>
<td>Canterbury</td>
<td>CAN</td>
</tr>
<tr>
<td>Otago</td>
<td>OTA</td>
</tr>
<tr>
<td>Southland</td>
<td>STL</td>
</tr>
</tbody>
</table>

Establishments (%)

- Cold Zone (<10)
- <25
- <50
- Hot Zone (<100)
- Not applicable

SOURCE: WWW.IBISWORLD.COM.AU
Most industry establishments are located at Auckland Airport, which is the country’s busiest airport by passenger movements. Air New Zealand has major hubs in Auckland, Christchurch and Wellington, with many other airlines servicing these cities on their international routes to and from New Zealand. Most other establishments, including smaller airports and offices, are spread throughout regional New Zealand.
**Cost Structure**

Benchmarks

The industry’s cost structure is largely dictated by Air New Zealand, which accounts for over 80% of industry revenue. Similar to most global airline industries, fuel costs, wages and maintenance costs dominate the cost structure. The industry’s cost structure benchmarks are the average of all firms operating in the industry.

**Profit**

Fluctuations in the price of fuel, the value of the New Zealand dollar, the price of airfares and route efficiency all affect the profitability of major airlines. Airlines are subject to high fixed costs, with each additional passenger contributing to a small marginal cost per flight. As a result, airline profitability is most commonly measured by passenger load factor, which calculates how well an airline is filling its flight capacity. A higher load factor implies that an airline is filling more of its seats, which helps reduce unit costs and improve profitability.

**Key Success Factors**

Optimum capacity utilisation

Industry players need to maximise their passenger load factor, which can help boost profit margins and revenue per flight.

Ability to expand and curtail operations rapidly in line with market demand

Industry players that can lease aircraft to meet short-term spikes in demand, and forecast future demand to ensure their aircraft fleet is up-to-date and efficient are better able to boost profitability.

Having a high profile in the market

Consumers are more likely to choose airlines that they trust, which is often determined by an airline’s safety record and timeliness. As a result, having a strong brand is crucial for an airline to maximise passengers per flight and boost revenue.

Supply contracts in place for key inputs

Fuel is a major cost for airlines. Firms that can reduce fuel costs through long-term contracts or hedging contracts can reduce marginal costs and offer lower airfares.

**Market Share Concentration**

The industry exhibits a high degree of market share concentration. The industry’s largest player, Air New Zealand, is estimated to account for 81.7% of industry revenue in 2018-19. Air New Zealand’s well-established history as the country’s national carrier has allowed it to develop an extensive flight network to, from and within New Zealand. As a result, the airline has significant economies of scale and brand awareness, making it the airline of choice for many leisure travellers. Qantas Airways and Virgin Australia, two Australian-based airlines, are significant competitors to Air New Zealand.

Over the past five years, Qantas subsidiary Jetstar has won market share from Air New Zealand on domestic regional routes. Similarly, on the competitive trans-Tasman routes, Air New Zealand competes with Qantas, Singapore Airlines, AirAsia X and other international airlines. However, Air New Zealand has successfully increased its market share on long haul international flights, due in part to its modern fleet and strong brand. Strong revenue growth in the long haul international flight service segment has allowed Air New Zealand to increase its industry market share over the past five years. As a result, market share concentration has increased slightly over the period.
Competitive Landscape

Cost Structure

Benchmarks continued

15. The weaker dollar has helped fill inbound international flights. Also, as overseas travel has become more expensive for New Zealanders, a greater number have sought domestic holidays. As a result, profitable domestic flight routes have reported greater demand over the past five years. However, industry profit is expected to decline over the three years through 2018-19 as increased competition constrains prices.

Purchases

Purchases represent the largest cost for domestic and international airlines. These costs include jet fuel, in-flight costs such as meals, and costs paid to airports such as landing fees and ground handling costs. Fuel is a substantial cost for all airlines, particularly on long haul flights. Purchases have declined as a share of revenue over the past five years due to a significant decline in fuel prices since the beginning of the period. However, fuel prices increased over the two years through 2017-18, partially offsetting purchase cost declines. Other factors such as the use of more fuel-efficient aircraft have reduced the relative cost per flight for industry operators.

Wages

Airlines require pilots, engineers, flight attendants, sales staff, kiosk operators and a range of administrative employees. Airlines that offer a premium service generally have more flight attendants per passenger than budget carriers, which offer lower airfares with the trade-off of less comprehensive customer service. Many airlines have sought greater roster flexibility to improve labour efficiencies. As a result, employment growth has outpaced wage growth over the past five years, as an increased proportion of staff have become hired on a part-time basis. The more efficient use of staff and labour has caused wages to decline as a share of revenue over the period.

Depreciation

The Airlines industry is capital-intensive. As a result, firms incur substantial depreciation costs. Airlines constantly

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### Sector vs. Industry Costs

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<tr>
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<tr>
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**SOURCE:** WWW.IBISWORLD.COM.AU
Competitive Landscape

Cost Structure

Benchmarks continued

The Airlines industry is moderately competitive, and competition has increased over the past five years. Industry players compete based on airfares, route capacity, in-flight service and brand. External competition is limited due to New Zealand’s distance from other countries, which necessitates air travel for international visitors. However, on domestic routes, industry players face moderate competition from alternative modes of transport, such as bus, rail or car service providers.

Internal competition

Internal competition is stronger on international routes than domestic routes. Air New Zealand, the industry’s largest player, competes with well-established global airlines like Qantas. Competition between popular destinations, such as Auckland to Sydney, is also intense. Airlines often compete to win market share, pushing down airfares to attract customers. Competition on domestic routes is limited due to the established brand and scale of Air New Zealand. However, in June 2015 low-cost carrier Jetstar launched regional flights in New Zealand, aiming to break Air New Zealand’s monopoly on regional routes. Internal competition has therefore intensified over the past five years.

Maintenance

Maintenance costs are expected to account for 6.4% of industry revenue in 2018-19. Airlines must constantly maintain and check that their aircraft fleets are meeting stringent safety requirements. Airlines can either perform maintenance in-house, or outsource to specialised maintenance engineers, who generally require a licence from the Civil Aviation Authority of New Zealand. As the average age of an airline’s aircraft fleet increases, general wear and tear is more prevalent, which tends to increase maintenance costs. Air New Zealand has upgraded its aircraft fleet over the past five years, while retiring some older aircraft. Because Air New Zealand accounts for a significant share of the market, maintenance has declined as a share of revenue over the period.

Other

Other costs include rent, utilities, leases, hedging costs, insurance, legal expenses and administrative expenses. Rent is typically incurred at head offices, terminals and regional hubs. Some firms lease a portion of their aircraft fleet, which can help firms expand supply to meet short-term spikes in demand.

Sales and marketing

Sales and marketing costs are expected to account for 6.5% of industry revenue in 2018-19. Due to the industry’s competitive nature, airlines incur significant costs associated with promoting their brand domestically and internationally, and establishing strong relationships with suppliers and travel agencies. For instance, Air New Zealand sponsors the national rugby team, while major international airlines such as Emirates and Etihad sponsor sporting teams and stadiums around the world. Branding has become increasingly important to gain market share over the past five years. As a result, this segment has increased as a share of industry revenue over the past five years.
Competitive Landscape

Basis of Competition continued

distance from other countries. However, industry players are subject to strong external competition in the freight market, competing with shipping companies to deliver cargo to and from New Zealand.

Domestically, travellers within New Zealand can access other modes of transport, such as bus, train or car within the North or South Islands, and ferry services between the two islands.

Barriers to Entry

The industry has high entry barriers and this trend has not changed over the past five years. The industry’s high level of capital intensity, competitive nature and concentrated market share can make it difficult for new entrants to generate enough scale to compete with incumbent players such as Air New Zealand. Historically, firms that have entered the Airlines industry have been well-established global airlines, such as Qantas, which has expanded its presence in New Zealand since the early 2000s. Despite this expansion, Air New Zealand still maintains a commanding presence in the industry due to its position as New Zealand’s flagship carrier and its steadily increasing route capacity.

New international airlines are often required to invest in or lease new aircraft to increase flight capacity to and from New Zealand. As aircraft are often a multimillion-dollar investment, this poses a significant risk for potential entrants seeking to enter the market. New entrants must also receive a licence from the Civil Aviation Authority of New Zealand, which can deter potential players.

Opportunities exist for international airlines with strong domestic demand for travel to New Zealand, such as Chinese airlines. A projected surge in arrivals from China over the next decade will likely provide an opportunity for airlines to expand into the New Zealand aviation sector, satisfying rising demand for flights to popular destinations such as Auckland and Wellington.

Barriers to Entry checklist

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<thead>
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<th>Barriers to Entry checklist</th>
<th>Level &amp; Trend</th>
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<td>Competition</td>
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<td>Life Cycle Stage</td>
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<td>Capital Intensity</td>
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<tr>
<td>Regulation and Policy</td>
<td>Heavy</td>
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<tr>
<td>Industry Assistance</td>
<td>Medium</td>
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</table>

SOURCE: WWW.IBISWORLD.COM.AU

Industry Globalisation

Level & Trend

Globalisation in this industry is High and the trend is Increasing

The industry exhibits a high level of globalisation. The industry’s largest player, Air New Zealand, is majority-owned by the New Zealand Government. However, Air New Zealand is also listed on the ASX, and therefore has a degree of foreign ownership. Some foreign airlines, such as Qantas subsidiaries Jetconnect and Jetstar, operate in the industry.

Although industry players do not formally engage in international trade, goods and passengers moving to and from New Zealand contribute to the industry’s level of globalisation. Furthermore, many airlines operate codeshare arrangements to save on operating costs. For example, Air New Zealand has agreements with UAE-based Emirates. Industry globalisation has increased over the past five years, as competition has intensified among international routes, and firms have benefited from rising inbound and outbound tourism numbers.
Air New Zealand Limited is New Zealand’s flagship carrier and oldest airline. The New Zealand Government owns the majority stake in the company, which is listed on both the ASX and NZX. The airline is headquartered in Auckland, with major hubs at Auckland Airport, Wellington International Airport and Christchurch International Airport. Air New Zealand operates in the industry through its domestic and international passenger and cargo air transport services.

In 2017-18, Air New Zealand carried over 11 million passengers on domestic flights. The airline’s fleet of Airbus A320s flies between Auckland, Wellington, Christchurch, Dunedin and Queenstown. The company also operates a large fleet of smaller turboprop aircraft between regional areas of New Zealand. Domestic and regional passenger load factor fell from 81.1% in 2013-14 to 80.5% in 2016-17, illustrating a faster rise in capacity than tickets sold. Jetstar commenced regional flights in New Zealand in December 2015, which compounded this trend, increasing competition for Air New Zealand on previously monopolised routes. Despite this competition, Air New Zealand’s domestic load factor increased to 82.8% in 2017-18. This was largely due to route optimisation, such as the cessation of underutilised flight paths. However, domestic-flight competition between Qantas and Air New Zealand was reduced as of October 2018, after the two companies entered a codeshare arrangement on domestic flights in each airline’s respective market. This arrangement excludes trans-Tasman flights.

Air New Zealand operates many trans-Tasman flights each day, and to destinations in the Pacific Islands. The airline had a codeshare arrangement with Virgin Australia on trans-Tasman flights, but this agreement ended in October 2018. Air New Zealand previously owned a 25.9% stake in Virgin Australia, but this stake was fully divested by October 2016. Competition on the trans-Tasman route has intensified over the past five years, due to expanding flight capacity from international airlines such as AirAsia X and Singapore Airlines. Continued efforts from Qantas and its low-cost subsidiary Jetstar to compete with Air New Zealand on key routes, such as Auckland-Sydney and Auckland-Melbourne, have also negatively affected the airline. Airfares on these routes have dropped and Air New Zealand has expanded its available seat kilometres to win back market share. As a result, the firm’s trans-Tasman load factor and passenger yield have fallen over the past five years.

The airline operates an extensive long haul international flight network. Air New Zealand has a fleet of Boeing 777s and Boeing 787-9 Dreamliners that service several international destinations. The airline’s international flights all originate from Auckland, with the exception of its Christchurch-Singapore route (which is operated by Singapore Airlines under a codeshare arrangement). Key destinations include Buenos Aires, Los Angeles, San Francisco, Tokyo, Hong Kong and Shanghai. Air New Zealand has expanded its fleet of Dreamliners over the past five years as the new aircraft are more fuel efficient than predecessors, allowing the firm to offer more competitive airfares on international routes.
Major Companies

Qantas Airways Limited

Air New Zealand Limited’s industry-specific revenue is expected to rise by an annualised 5.0% over the five years through June 2019, to reach $5.3 billion. The airline has slightly outperformed the wider industry over the past five years, primarily due to a strong performance in the long haul international flight service segment. The company has benefited from a strong brand image in domestic and international markets, which has aided revenue growth.

Despite intense competition and falling load factors, which indicate a poorer use of capacity, the airline’s profitability increased steadily over the three years through June 2016. This increase was largely due to a steep decline in fuel costs, caused by a global oversupply in crude oil. However, profitability fell over the two years through June 2018 due to an increase in wages, passenger services and purchase costs. The firm’s profitability is projected to fall again over the year through June 2019, due to an expected rise in fuel prices, and extra depreciation costs incurred as the company replaces older aircraft. Overall, the company’s profitability is expected to rise marginally as a share of revenue over the five years through June 2019.

Air New Zealand Limited - industry segment performance*

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<th>(% change)</th>
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<td>2018-19</td>
<td>5.28</td>
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</table>

*Estimate **Year end June

Source: IBISWorld

Other Companies

Air New Zealand dominates the Airlines industry. The other major airlines are Virgin Australia and Qantas Airways Limited, which are both Australia-based airlines. Some large global airlines, such as Emirates and Singapore Airlines, operate long haul international flights to New Zealand. Other smaller domestic players, such as Air Chathams and Sunair, also operate in the industry but generate a tiny proportion of industry revenue.

Player Performance

Qantas Airways Limited is one of the world’s oldest airlines and is Australia’s national carrier. The airline operates in the industry through two subsidiaries: Jetconnect and Jetstar. Jetconnect is headquartered in Auckland, and operates more than 150 trans-Tasman flights each week under Qantas’s brand. Jetstar, Qantas’s low-cost carrier, also offers trans-Tasman flights. In June 2015, Jetstar announced that it would begin flying regional routes to lessen Air New Zealand’s control over the market. Flights began in December 2015, and have helped the firm increase market share from a low base over the past five years. Qantas and Air New Zealand announced a codeshare arrangement in June 2018, with the airlines set to cooperate on 115 domestic routes in Australia and New Zealand.
Virgin Australia is an Australia-based domestic and international airline. The company operates trans-Tasman flight services, which were formerly through a codeshare alliance with Air New Zealand. The airline operates flights to and from Auckland, Christchurch, Dunedin, Hamilton, Queenstown and Wellington. Upon the cessation of the company’s codeshare arrangement with Air New Zealand in October 2018, Virgin Australia improved its service offering to include checked baggage in the ticket price, upgraded meal and drink plans, and in-flight Wi-Fi. These improvements are expected to increase competition on trans-Tasman routes over the next five years.
Operating Conditions

Capital Intensity

The Airlines industry exhibits a high level of capital intensity. In 2018-19, for every dollar spent as wages, an estimated $0.42 is invested in capital. Airlines invest heavily to upgrade and maintain their aircraft fleet, improve online booking capabilities, enhance route plans and upgrade their IT systems. Industry players also require experienced and well-trained pilots and engineers to maintain passenger safety and ensure flights embark on time. Due to the highly technical and specialised nature of this work, employees can often command a high salary. Airlines also need flight attendants, sales staff and other administrative workers to ensure flights run smoothly and customers are satisfied.

Tools of the Trade: Growth Strategies for Success

**New Age Economy**

- Recreation, Personal Services, Health and Education. Firms benefit from personal wealth so stable macroeconomic conditions are imperative. Brand awareness and niche labour skills are key to product differentiation.

**Capital Intensive**

- Aircraft Manufacturing and Repair Services
- Road Freight Transport
- Petroleum Product Wholesaling

**Traditional Service Economy**

- Wholesale and Retail. Reliant on labour rather than capital to sell goods. Functions cannot be outsourced therefore firms must use new technology or improve staff training to increase revenue growth.

**Labour Intensive**

- Catering Services
- Tourism
- Airlines

**Investment Economy**

- Information, Communications, Mining, Finance and Real Estate. To increase revenue firms need superior debt management, a stable macroeconomic environment and a sound investment plan.

**Old Economy**

- Agriculture and Manufacturing. Traded goods can be produced using cheap labour abroad. To expand firms must merge or acquire others to exploit economies of scale, or specialise in niche, high-value products.
Operating Conditions

Revenue Volatility

The industry has exhibited moderate revenue volatility over the past five years. Industry revenue can exhibit year-to-year fluctuations due to several factors, including changes in the value of the New Zealand dollar, consumer sentiment, business confidence and discretionary income. Other factors, such as competition among domestic and international airlines and the cost of jet fuel, can affect airfare prices and consequently industry revenue.

Over the past five years, fluctuations in world crude oil prices and the New Zealand dollar have contributed to the industry’s moderate revenue volatility. The dollar depreciated heavily in 2015-16, contributing to 2.2% growth in revenue as international tourists flocked to New Zealand. This growth is despite a sharp decline in consumer sentiment in the same year, which dampened demand.

Technology and Systems

Level
The level of technology change is Medium

The industry exhibits moderate technological change. The major source of innovation in the broader aviation sector occurs in the Aircraft Manufacturing and Repair Services industry. Industry players are continuously aiming to upgrade their aircraft fleets, with most aircraft sourced from global manufacturers such as Boeing or Airbus. Improvements in fuel efficiency are often vital to improve passenger load factor and ensure that airlines can compete on cost. Air New Zealand, the industry’s largest player, has 30 Airbus A320s, 17 Boeing 777s and 13 Boeing 787-9 Dreamliners, as at January 2018. The 787-9 Dreamliner is a lightweight plane made from composite materials, allowing it to be more fuel-efficient than its predecessors. In November 2018, Air New Zealand began introducing the first of the 20 Airbus A320/A321neo planes the airline has under order. These aircraft are expected to operate on domestic and trans-Tasman routes, with greater fuel efficiencies likely to improve the airline’s profitability on these flight paths.

Over the past decade, industry firms introducing and subsequently expanding self-serve check-in kiosks, online booking functions and other streamlined administrative functions has helped reduced costs. Online bookings have reduced airlines’ reliance on downstream travel agencies for commissions, allowing them to directly target consumers and reduce transaction costs. Self-service check-in kiosks are now commonplace worldwide, and allow airlines to save time for consumers and reduce staffing costs.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment. When a firm makes poor investment decisions it may face underutilised capacity if demand suddenly falls, or capacity constraints if it rises quickly.
Operating Conditions

Revenue Volatility continued

for domestic travel and travel by New Zealanders. In 2016-17, industry revenue declined despite strong tourist volume growth, as strong competition among airlines contributed to falling airfares and freight prices.

Regulation and Policy

The Airlines industry is highly regulated and this trend has remained unchanged over the past five years. Industry players are regulated by the Civil Aviation Act 1990. Airlines wishing to operate scheduled international flights must hold an International Air Service Licence or an Open Aviation Market Licence, which is mandated under the act.

Civil Aviation Authority of New Zealand

The Civil Aviation Authority of New Zealand (CAA), which falls under New Zealand’s Ministry of Transport, was established in 1992 to regulate the industry. The CAA monitors flight routes, route capacity, tariffs and freight, and determines the number of airlines that can operate in New Zealand. The CAA also regulates airfreight. Any airline wishing to transport freight to or from New Zealand is typically required to become a Regulated Air Cargo Agent, or already have extensive security checks in place.

Airfreight cartel

Concerns over a cartel in the international airfreight market have prompted increased industry scrutiny over the past decade. Between 2000 and 2006, several international airlines, including Air New Zealand, Qantas, British Airways, Emirates and Singapore Airlines, were investigated over allegedly price-fixing fuel surcharges that applied to international cargo. Air New Zealand, the industry’s largest player, was found by the High Court of New Zealand to be in breach of the Commerce Act 1986 in June 2013 and was fined $7.5 million. In June 2018 Air New Zealand was penalised $15 million by the Federal Court of Australia for cartel breaches on routes to and from Australia over the same period.

Industry Assistance

The Airlines industry receives a moderate level of assistance from the New Zealand Government and this trend has remained unchanged over the past five years. Industry operators may also receive assistance through membership with industry bodies and other partnerships. For example, membership with Star Alliance allows airlines to offer consumers reciprocal rights to airport lounges, shared check-in counters and baggage tracking, which may lift demand and increase customer loyalty.

International Air Transport Association

The International Air Transport Association (IATA) is a global association that represents over 250 airlines, encompassing most of the world’s total air traffic. The IATA aims to reduce airlines’ airport, fuel and tax costs, promote aviation safety, and enhance the regulatory environment. The IATA also provides consulting, data analytics and financial services for airlines.

Airways

Airways, which is owned by the Government of New Zealand, controls all air traffic movements in New Zealand’s airspace. Airways accounts for over one million air traffic movements each year. The body assists the industry by providing a service to all airlines operating flights domestically, and to and from New Zealand, by ensuring the safe passage of all aircraft.
### Key Statistics

#### Industry Data

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Figures are in inflation-adjusted 2019 dollars.

#### Annual Change

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#### Key Ratios

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<th>Revenue per Employee ($’000)</th>
<th>Wages/Revenue (%)</th>
<th>Employees per Est.</th>
<th>Average Wage ($)</th>
<th>Share of the Economy (%)</th>
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</table>

SOURCE: WWW.IBISWORLD.COM.AU
Industry Jargon

AVAILABLE SEAT KILOMETRES (ASKS) The number of kilometres flown multiplied by the number of seats available over a given time period. Used as an indicator for an airlines’ available capacity.

LOAD FACTOR A measure of an airlines’ operating efficiency, calculated as revenue passenger kilometres divided by available seat kilometres.

LONG HAUL INTERNATIONAL FLIGHTS Flights that are typically longer than 5 hours in duration.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labour; medium is $0.125 to $0.333 of capital to $1 of labour; low is less than $0.125 of capital for every $1 of labour.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the ‘real’ growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using data compiled from Statistics New Zealand.

DOMESTIC DEMAND Spending on industry goods and services within New Zealand, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by New Zealand companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in New Zealand.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry’s contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry’s life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry’s products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES The gross total wages and salaries of all employees in the industry. Benefits and on-costs are included in this figure.

IBISWorld Glossary

PASSERGER YIELD A measure of average return per kilometre flown, calculated as cents per revenue passenger kilometre.

REVENUE PASSENGER KILOMETRES (RPKS) The number of kilometres flown multiplied by the number of paying passengers carried on each flight. Used as indicator for an airlines’ volume.

TRANS-TASMAN FLIGHTS Flights to and from Australia.

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It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximising decisions

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