



Waikato AviationCluster

2007/2008 Annual Report



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Message from the Chairman



John Jones, Chair & CEO of CTC Aviation (NZ) Ltd

It is my pleasure to present the Waikato Aviation Cluster's first annual report. The Cluster has accomplished a good deal in its inaugural year and it is exciting to share its progress with our key stakeholders.

Members of the Waikato Aviation Cluster share a common vision: to be the Australasian centre of light aircraft manufacturing, maintenance and airline pilot training.

To achieve this vision it is critical that companies work together to accomplish three things: 1) grow our industry's capabilities and capacity; 2) nurture individual business; and 3) increase the industry's contribution to both the Waikato and national economies.

This year we've worked hard to engage a wide range of stakeholders, who have come together and worked collectively on several projects. We've also spent time putting together a strategic plan which provides us with a roadmap for the next five years.

Our board members, detailed later in this report, have all generously volunteered their time to participate in the Cluster. It's been heartening to see their eagerness and openness to working together and I thank them for their valuable contributions this year.

At the start of 2008, the board hired a CEO, Stuart Gordon, who has been driving Cluster activities. He's done a superb job of helping us achieve 100% of our key performance indicators – as set out by New Zealand Trade and Enterprise - for the year.

With our strategic plan established, the Waikato Aviation Cluster is on track for an exciting future, and we look forward to reporting even more successes next year.



Message from the CEO

The Aviation industry in New Zealand is an exciting space to be operating in at the moment. Despite this year's international economic turndown, the world's largest airlines continue to cry out for airline pilots. This is good news for our local airline pilot training provider, CTC Aviation.

Global demand also remains high for light aircraft, which is positive news for local manufacturers – particularly Pacific Aerospace and Micro Aviation.

Further to this positive outlook, we are seeing some exciting new technologies in the manufacturing side of the industry. In particular, the use of titanium and composites provide exciting prospects for our local manufacturers.



Stuart Gordon, CEO

Stuart Gordon is a qualified Chartered Accountant and member of the Institute of Directors.

He is presently self-employed as a business consultant and works with a range of clients in both small and large organisations.

Prior to setting up his own business, Mr Gordon was CEO of LIC – a \$100m+ agritech company based in Hamilton - for 11 years.

He has previous experience in strategy development, financial business case preparation, marketing and project management.

The positive state of the global and local aviation industry presents a range of opportunities for our local companies to build upon. And to capitalise fully on the potential at hand, our challenge now is to build our industry capabilities.

It has been a privilege to lead the Cluster this year and to see industry players working together to get some specific projects underway. Most importantly, we've experienced a significant step forward as we have established the Cluster's first strategic plan.

I would like to take this opportunity to specifically thank New Zealand Trade and Enterprise for their guidance this year. In particular, board member, Peter Smyth and Regional Economic Development Advisor, Steve Tritt have been very helpful.

I'm looking forward to working with Cluster members in 2008/09 as we begin to implement our Strategic Plan. It's going to be an exciting year.



2007-08 Achievements

The Waikato Aviation Cluster is an amalgamation of approximately 30 Waikato businesses that are working together to grow the region's light aircraft manufacturing, maintenance and airline pilot training industry. The Cluster's most significant achievement this year has been its successful establishment and following on from this, it has accomplished significant milestones in the following five areas:

Operations

- **Cluster CEO Hired** - This year the Waikato Aviation Cluster Board appointed Stuart Gordon as its CEO. This appointment has been critical to ensuring Cluster activities are well-managed and progressed in a timely manner.

Capability Building

- **Specialist Aviation Paint Facility Planning Underway** – Other than the aviation paint facility owned and used solely by Air New Zealand, there are very limited aviation paint facilities in the country. Establishing a painting and detailing facility in the Waikato has been identified as the highest priority project for the Cluster. A feasibility study was carried out this year and planning has already begun on setting up this business. A broad range of potential users throughout New Zealand have been identified.
- **Heat Treatment Plant Feasibility Study** – Waikato aviation manufacturers currently use heat treatment suppliers based in Auckland and Taranaki, neither of which are focused on the specific needs of the aviation industry. Early on, the Cluster established that locating an aviation-focused heat treatment business in the Waikato is a priority. A feasibility study around this project was carried out this year, and planning is expected to progress in 2009.
- **Common Manufacturing Software Platform Review** – The Cluster identified the process of “matched hole” manufacturing as crucial to improving aircraft manufacturing capability. A review was undertaken by both Alpha and Pacific Aerospace and a common software platform established, which will allow combined learnings, training and development.
- **Long-term Training Requirements Identified** – The Cluster has identified members' skill requirements and has had discussions with training providers, such as Wintec. Long-term training plans will be developed in 2008/09, with the objective of ensuring the region has the specific skills to meet the industry's growth demands.



- **Lean Manufacturing Training Undertaken** – The Cluster co-ordinated, with NZTE, a series of training seminars for all Cluster members on Lean Manufacturing taught by *Skills4Work*. The seminar content will help improve productivity of those businesses implementing the techniques.
- **Airport Infrastructure Need Identified** – Cluster members identified that having additional airport infrastructure - including runways, taxiways and improved air traffic control - available in the region is critical to ensuring airline pilot training growth is not impeded. Members will be working together to ensure this need is addressed into the future.

Cluster Member Assistance

- **Alpha Aviation Assistance** – On 22 January 2008, Alpha Aviation was put into receivership. Cluster CEO, Stuart Gordon, assisted the management of Alpha Aviation in establishing the business case for a management buy-out of the assets from the receiver. At the time of receivership, Alpha Aviation held FAA and EASA type certification for the Alpha 160A, 160Ai and 120T aircraft models, and forward orders going out two years.

International Market Influence

- **Europe/NZ Bilateral Agreement Promotion** - In cooperation with Aviation New Zealand and NZTE, Cluster members have been promoting a bi-lateral agreement with Europe to ensure open access for New Zealand-trained pilots and spare parts into Europe. This requires high level government to government agreements between New Zealand and the European Community.

Promotion

- **Agreement to Participate at AVEX** - In October 2008, AVEX – the New Zealand National Aviation Expo – will be held at Mystery Creek in Hamilton. Late this year, Cluster members agreed to jointly promote the Cluster at this event and participate in seminars. The Cluster Chairman will also be speaking at an NZTE Aviation Seminar during the week.
- **Sponsorship at Aviation Industry Association (AIA) conference** – The Cluster agreed to sponsor the July 2008 AIA conference with a stand and participation by Cluster speakers in seminars. This conference is a gathering of national industry members from air transport, search and rescue, tourism, education, engineering and support sectors.
- **Media Relations** - The Cluster has developed a process through a professional communication contractor of establishing liaison with the media. This has been vital to ensuring a positive image. Regular features in local and national magazines and newspapers have lifted the profile of the Cluster.



Cluster Board Member Profiles

John Jones, Cluster Chair and CEO of CTC Aviation Training (NZ) Ltd



Mr Jones was appointed CEO of CTC Aviation Training (NZ) Ltd in May 2007 and is also a Director of parent company, CTC Aviation Group, which is based in the UK. He is passionate about the world-class airline pilot training CTC provides and is committed to ensuring it maintains its global leadership in the field.

Prior to joining CTC, Mr Jones was Director of New Zealand's Civil Aviation Authority for six years and before that he was a senior pilot and CEO with Mt Cook Airlines. He also continues to hold the position of Cook Islands Civil Aviation Director-General. www.ctcwings.com

Chris Doak, CEO of Hamilton International Airport

Mr Doak was appointed CEO of Hamilton International Airport in early 2006. Under his leadership, the Airport has embarked on a growth strategy involving a new \$15.3M terminal and a 100 hectare real estate development, Titanium Park.

Prior to his current appointment, Mr Doak was General Manager Growth & Development at Hamilton-based WEL Networks Limited, where he worked with the company for nine years. www.hamiltonairport.co.nz



Maxine Sutton Manager Micro Aviation (NZ) Ltd



Ms Sutton has held the position of Manager at Micro Aviation (NZ) Ltd for five years. She works alongside CEO, Max Clear, and her role sees her covering every aspect of company operations. Under her management, Micro Aviation has reached the milestone of manufacturing and assembling over 325 Bantam microlights and now exports to seven countries.

Prior to joining Micro Aviation, Ms Sutton had experience in workshop management, administration and customer services. www.microaviation.co.nz



Damian Camp, CEO of Pacific Aerospace Ltd

Mr Camp is CEO of Pacific Aerospace Limited. He is also a Director of NZBio and was previously CEO of Ovita, a biotechnology company in the New Zealand sheep farming industry.

Mr Camp's experience extends to the consultancy field, where he worked for Chicago-based management consultants, A.T. Kearney Ltd. There he consulted with such clients as Air New Zealand, Pacific Dunlop, Telstra Australia and General Motors in the areas of strategy development, pre-merger valuation, and supply chain management. www.aerospace.co.nz



Graham Smith, CEO of The Katolyst Group



Mr Smith was appointed CEO of The Katolyst Group in 2005. As the economic development organisation's inaugural CEO, he has been responsible for instigating several regional industry clusters, including the Waikato Aviation Cluster and the Waikato Manufacturing Cluster. In addition, he has led several major economic development projects, including: the proposal to develop a national Food Innovation Network, the establishment of SkillWise Katolyst and research into economic development opportunities in the equine industry.

Working alongside Innovation Waikato CEO, Derek Fairweather, in 2008 Mr Smith has played an integral part in gaining a further \$8 million to expand the Waikato Innovation Park.

Prior to joining The Katolyst Group, Mr Smith held the position of GM Marketing with AgResearch in Hamilton. He moved to New Zealand from Australia in 2001, where he held various senior management positions, predominately in the Food Industry. www.katolyst.co.nz



Peter Smyth, Sector Manager, New Zealand Trade and Enterprise



Mr Smyth is a Hamilton-based New Zealand Trade and Enterprise (NZTE) Sector Manager with special responsibility for the General Aviation Industry. New Zealand Trade and Enterprise is the New Zealand Government's economic development agency.

Prior to joining NZTE, Mr Smyth worked in the aviation industry. He also has recent international commercialisation experience. He is an experienced Director and member of the NZ Institute of Directors. Additionally, Mr Smyth trained as a professional engineer and was awarded the 1995 ECNZ Rutherford Award. www.nzte.govt.nz

John Cook, Managing Director Stainless Design

Mr Cook is the Managing Director of Stainless Design in Hamilton. The company services various industries including Dairy, Food, Packaging, Beverage, Pharmaceutical, Marine and Aviation. In 2007, Stainless Design was awarded three accolades at the Waikato Westpac Business Excellence Awards, including Manufacturer of the Year, CEO of the Year and the overall Supreme Award.



Mr Cook is involved with Wintec as an Advisory Board member to the Engineering Employer Partnership Group. He is also a member of the Institute of Directors. www.stainlessdesign.co.nz

Gretchen Jahn, Director Knotridge Limited



Ms Jahn has 30 years experience in manufacturing, aviation and IT leadership. She has led business start up and turnaround efforts in several companies as either an executive or a consultant. Currently she is Director of Knotridge Limited, providing strategic consulting services to businesses in aviation and manufacturing industries.

Most recently Ms Jahn was General Manager of Alpha Aviation Ltd, and prior to Alpha she was CEO of Mooney Airplane Company in the US. During her career she has held several positions within the technology sector. As an avid pilot for over 20 years, Gretchen is a member of the 99s and the Colorado Pilots Association.



Financial Report for FY 2007/2008

	Total Spent	Unspent	Budget
Set Up Aviation Waikato			
Establish Board	20,000	0	20,000
Aviation cluster leadership	520	9,480	10,000
Business start up	11,721	8,279	20,000
	32,241	17,759	50,000
On-Going Management Costs			
Recruitment costs	5,519	4,481	10,000
Employment costs	60,000	0	60,000
Employment costs	49,523	210,477	260,000
On-going admin	5,745	24,255	30,000
Travel	0	30,000	30,000
	120,787	269,213	390,000
Cluster Projects			
Alpha reconstruction	0	3,000	3,000
Lean manufacture	0	80,000	80,000
Heat treatment	0	200,000	200,000
Bi-lateral aviation agreement	0	30,000	30,000
Software ERP	6,097	193,903	200,000
Design software	0	50,000	50,000
Flight instructor JAR training	0	100,000	100,000
Paint shop	0	200,000	200,000
AVEX	0	30,000	30,000
Marketing material	0	10,000	10,000
G.A. Runway	0	310,000	310,000
Sub parts manufacture	0	120,000	120,000
New technology	0	241,000	241,000
	6,097	1,567,903	1,574,000
Katolyst Contract	159,125	1,854,875	2,014,000
Regional Contribution	95,407		
Total Contract	254,532	1,854,875	2,014,000



Looking Toward the Future

The shared vision of Waikato Aviation Cluster members is to become the Australasian centre for light aircraft manufacturing, maintenance and pilot training. To achieve this vision, the Cluster has established seven goals it will work to achieve by 2012:

1. Cluster manufacturers will increase their output from 36 to 90 aircraft per year.
2. CTC Aviation Training will increase the number of airline pilot trainees from 200 to 350 per year.
3. Collectively, the Cluster will grow a subcontractor community.
4. A shared heat treatment facility and specialist aviation paint facility will both be established.
5. A new aviation technology firm will be created.
6. The Cluster will attract a further \$4 million in funding.
7. The Cluster will be promoted extensively within New Zealand and overseas.

To achieve these seven goals by 2012, the Cluster will enhance regional capabilities in the following six ways:

1. **Manufacturing** – The Cluster will improve its manufacturing capacity and range of capabilities so existing businesses are not limited by throughput. As a consequence, the region will be an attractive place for other manufacturers and aligned industries to locate.
2. **Skills** – The Cluster will work with training providers to ensure the specialist skills required to grow and develop businesses are available when members need them.
3. **Infrastructure** – The Cluster will develop infrastructure to grow existing businesses as part of the building blocks which will attract other businesses to increase the size of the industry. The Cluster believes additional participants will provide better scale and allow deeper collaboration between firms.
4. **Promotion** – The Cluster will promote its capabilities nationally and internationally in a cost efficient manner.
5. **Business Attraction** – The Cluster will attract at least three companies to the region in aligned or complementary businesses.
6. **New Products and Markets** – The Cluster will assist members to: a) develop at least two new products; and b) gain access to three new markets.

This Waikato Aviation Industry Cluster Strategy was signed off by members this year.



Waikato Aviation Cluster Members List

Aircraft Manufacturers

- Pacific Aerospace (www.aerospace.co.nz)
- Falcomposites (www.falcomposite.com)
- Alpha Aviation (www.alphaaviation.co.nz)

Aircraft Maintenance

- Aeromotive (www.aeromotive.co.nz)
- Hamilton Aero Maintenance (www.hamiltonaero.co.nz)

Services

- Hamilton International Airport (www.hamiltonairport.co.nz)
- Katolyst Group (www.katolyst.co.nz)
- Flight Structures (www.flightstructures.co.nz)
- Knotridge Consulting (gjahn@knotridge.com)
- Marops (www.marops.net)
- NZ Trade and Enterprise (www.nzte.govt.nz)
- Systems Engineering & Manufacturing Limited (www.sem-ltd.net)
- Mitchell & Mitchell Consulting (shaun.mitchell@xtra.co.nz)

Light Aircraft

- Aerosport Aviation (www.aerosport.co.nz)
- IZARD Aviation (www.izard.com)
- Micro Aviation (www.microaviation.co.nz)

Pilot Training

- CTC Aviation Training (www.ctcwings.com)
- Waikato Aero Club (www.flywaikato.co.nz)

Supply Chain

- Stainless Design (www.stainlessdesign.co.nz)
- Metrology Group (www.metrology.group.nz)
- Auto Flight (www.autoflight.co.nz)
- Paul Muller Aircraft (www.paulmuller.com)
- Sub 4 (www.sub4.co.nz)
- Buxton Engineering (buxton-engineering@xtra.co.nz)
- Hansen Aviation (jhaviation@xtra.co.nz)

Operators

- Super Air (www.superair.co.nz)
- Eagle Air (www.eagleair.co.nz)



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