

Industrial Structure and Principal Economic Sectors

Primary Industries

The agricultural, horticultural, forestry, mining and fishing industries play a fundamentally important role in New Zealand's economy, particularly in the export sector and in employment. Overall, the primary sector accounts for 7.1% of GDP and contributes over 50% of New Zealand's total export earnings.

Agriculture and Horticulture

Agriculture directly accounts for around 5% of GDP, while the processing of primary food products accounts for a further 2.9%. Downstream activities, including transportation, rural financing and retailing related to agricultural production, also make important contributions to GDP.

The importance that agriculture plays in the New Zealand economy has been highlighted by the impact of fluctuations in dairy prices over the past couple of years. In late 2007, rising demand from developing countries and supply constraints helped push dairy prices to their highest ever level in both world and New Zealand-dollar terms. As a result, disposable incomes were boosted, which in turn lifted spending and investment, driving the economy higher.

Prices for New Zealand's key agricultural export commodities then turned down in 2008, gathering momentum as the financial crisis intensified and placing pressure on already soft domestic demand. Commodity prices have since recovered rapidly and the dairy exporter, Fonterra, increased its forecast payout to dairy farmers for the 2009/10 season from an initial \$4.55 per kilo of milkfat as at May 2009 to \$6.05 in November. The upward revision reflects sharply rising dairy prices more than offsetting the appreciating dollar, as well as the expectations that the commodity price increases will be sustained. Prices for meat and wool have not rebounded to the same extent as dairy, but are considerably higher than lows briefly recorded earlier in 2009.

Horticultural crops have become increasingly important, with the principal crops being apples and kiwifruit. Other significant export crops include wine, fresh and processed vegetables and seeds. The value of horticultural exports is estimated to be around \$3.3 billion per annum.

The following table shows sales of the principal categories of agricultural products for the years indicated, and as a percentage of agricultural sales for 2009.

Gross Agricultural Production(1)

	Year ended 31 March					
	2005	2006	2007	2008	2009	2009
	(dollar amounts in millions)					% of Total
Dairy	5,518	4,642	5,220	9,949	8,503	36.7%
Agricultural services	2,433	2,879	3,123	3,234	3,444	14.9%
Cattle	2,209	2,078	2,167	2,069	2,608	11.3%
Sheepmeat	1,821	1,742	1,756	1,780	2,169	9.4%
Fruit	1,336	1,449	1,452	1,456	1,756	7.6%
Sales of live animals	789	1,006	1,087	1,090	1,351	5.8%
Vegetables	739	715	807	892	854	3.7%
Crops and seeds	374	334	423	448	464	2.0%
Wool	586	545	525	473	440	1.9%
Other farming	230	171	208	278	345	1.5%
Deer	187	210	249	256	320	1.4%
Other horticulture	276	278	280	280	268	1.2%
Non-farm income	221	205	224	291	249	1.1%
Pigs	157	164	166	161	181	0.8%
Poultry/eggs	137	135	148	161	166	0.7%
Value of livestock change	(77)	85	(60)	(82)	29	0.1%
TOTAL GROSS REVENUE	16,936	16,638	17,775	22,736	23,147	100.0%

(1) All data estimated.

Forestry

Forestry and logging makes up around 1.1% of GDP and is the basis of an important export industry, with almost 70% of wood from the planted production forests eventually being exported in a variety of forms, including logs, wood chips, sawn timber, panel products, pulp and paper, and further manufactured wooden products, including wooden furniture.

For the year ended December 2009, the value of exports of forestry products was \$3,250 million (f.o.b.), 8.1% of New Zealand's total merchandise exports. For the year to June 2009, China and Korea were the largest markets for log exports at \$430 million and \$290 million respectively, while the US, Australia and Japan continue to be important destinations for the export of sawn timber.

New Zealand's climate and soils are well-suited to the growth of planted production forests. These forests cover an area of 1.8 million hectares and produce over 99% of the country's wood. Radiata pine, which makes up 89% of the plantation estate, matures in 25 to 30 years, more than twice as fast as in its natural habitat of California. This species has had considerable research investment and has demonstrated its versatility for a wide range of uses. The second most important species is Douglas fir, which makes up 6% of the planted forest area.

New Zealand's total planted forest growing stock at 1 April 2008 was estimated at 446 million cubic metres. For the year ended June 2009, an estimated 18.9 million cubic metres of wood were harvested from production forests. Of this, 7.6 million cubic metres were exported as logs and the balance was manufactured into a range of products, including 3.5 million cubic metres of sawn timber, 1.6 million cubic metres of wood panels (consisting of fibreboard, veneer, plywood and particleboard) and 1.5 million tonnes of wood pulp (made from harvested logs plus residues from sawmills). The wood pulp was then exported as unprocessed pulp (824,000 tonnes) or manufactured into paper and paperboard (878,000 tonnes, including from recycled paper).

Forecasts indicate that annual wood availability could increase from the current level of 19 million cubic metres (year ended June 2009) to around 25 million cubic metres by 2016. Market conditions and logistical constraints (availability of logging crews, transport capacity, and wood processing capacity) will dictate how quickly the additional wood is harvested.

Total forestry export revenues increased 11% in the year to June 2009. This is largely due to growth in log exports, which experienced a 57.6% increase in export value in the year to June 2009. Demand for other wood products remained weak. However, additional wood availability is expected to support additional exports as market conditions improve and commodity transport costs fall.

Fishing

New Zealand has an Exclusive Economic Zone (EEZ) of 3.1 million nautical square kilometres supporting a wide variety of inshore fish, some large deep-water fin fish, squid and tuna. New Zealand's unpolluted coastal waters are also well-suited to aquaculture. The main species farmed are Pacific oyster, green-lipped mussels and quinnat salmon.

Fishing is a major New Zealand industry and an important merchandise export earner. Fish and other seafood accounted for \$1,249 million in export revenues in the year ended December 2009, about 3.1% of total merchandise exports. The most important export species are green-lipped mussels, hoki, mackerel, squid and tuna. Smaller volume but high value exports are rock lobster, abalone and orange roughy. The main export markets are Hong Kong, Australia, the United States and Japan.

The conservation and management of the fisheries is based on a quota management system designed to protect the future sustainability of the fisheries while facilitating their optimum economic use. The system uses markets, together with scientific assessments of fish stocks, to allocate fishing rights without arbitrarily restricting fishing methods.

Energy and Minerals

New Zealand has significant natural energy resources, with good reserves of coal, natural gas and oil/condensate, extensive geothermal fields, and a geography and climate which have supported substantial hydro-electric development. The main minerals mined, in addition to coal, are gold, silver, ironsands, various industrial minerals and gravel for construction.

Programmes for the exploitation of New Zealand's energy resources were accelerated after the first oil shock in 1973. Oil and gas exploration was increased and energy conservation programmes were developed and promoted. As a result, New Zealand is able to meet a significant proportion of its overall energy requirements. More recently there has been a renewed interest in the development of energy and mineral resources to contribute to economic growth, including the issuance of new licences for the exploration of significant offshore oil prospects.

Natural Gas: Natural gas is currently produced from 16 fields and wells in the Taranaki region of the North Island, with production dominated by the inshore Pohokura oil and gas field, which commenced production in 2006, the long-standing offshore Maui field and smaller onshore fields. There are three main uses for gas in New Zealand; electricity generation, petrochemical production and fuel for industrial and domestic purposes.

Gross natural gas production was 176 petajoules in the year to June 2009. Natural gas production had declined sharply after the Maui field peaked in 2001, before stabilising through to early 2007. Production has since increased with the continued development of new smaller and more diverse fields and the introduction of the Pohokura field. The offshore Kupe oil and gas field, which was brought into production on 4 December 2009, is expected to provide around 15% of New Zealand's annual gas requirements.

Oil: New Zealand's crude oil production was 2,360,000 tonnes in the year to June 2009 (almost triple that produced in 2006), of which 90% was exported. New Zealand exports light crudes, while importing heavier crudes suited to its refining plant at Marsden Point. Crude petroleum production has been increasing since the second half of 2006 when the Pohokura field commenced production. The Tui Area Oil Fields, located in the offshore Taranaki basin, commenced commercial production in the middle of 2007. New Zealand's production of crude oil was further boosted in late 2008 as Maari, a new field located off the Taranaki coast, started production. The Maari field reached full production in June 2009, around the same time that production from the Tui fields began to decline. The value of mineral fuels exports was 4.8% of total exports in the year to December 2009.

Coal: Coal is New Zealand's most abundant energy resource with total in-ground resources estimated at about 15 billion tonnes. Of this, 8.6 billion tonnes is judged to be economically recoverable from 42 coalfields. Of this amount, 80% is relatively low-grade lignite, 15% is middle-grade sub-bituminous, and the remaining 5% is bituminous. Lignite is used mainly for industrial fuel and sub-bituminous coal for industrial fuel, steel manufacture, electricity generation and domestic heating. Bituminous coal, which is typically very low ash, low sulphur coking coal, is mainly exported for metallurgical applications.

In the year to June 2009, total coal production was 4.6 million tonnes, of which approximately 2.4 million tonnes of bituminous coal were exported. Over 63% of national production is from two large opencast operations, at Rotowaro and Stockton on the West Coast of the South Island, owned by the State-Owned Enterprise (SOE) Solid Energy. The new publicly listed Pike River coal mine began production in October 2008 with expected annual production of 1 million tonnes per annum. The first export shipment of Pike River coal to India left New Zealand on 19 February 2010.

Electricity: In 1994, the government commenced a process for the restructuring of the state-owned electricity sector to promote greater economic efficiency in the electricity generation, distribution and retail industries. As a result, the transmission and generation functions of the former SOE, the Electricity Corporation of New Zealand (ECNZ), were separated, with a new SOE, Transpower, undertaking the transmission functions.

The generation assets of ECNZ were later further separated, with approximately a third being privatised and now operating as Contact Energy, and the remainder being split into three competing SOEs; Meridian Energy, Genesis Power and Mighty River Power.

In 2003, the government established an Electricity Commission to govern the electricity industry. This was triggered by the failure of the electricity industry to establish a self-governance regime as originally envisaged. During 2009, the Government undertook a review of the electricity market and announced its conclusions in December of that year. Some of the main proposals aimed at increasing retail competition and encouraging better management of scarce water resources are as follows.

- replacing the Electricity Commission with an Electricity Market Authority and reallocating responsibility for electricity efficiency to the Energy Efficiency and Conservation Authority and transmission investment oversight to the Commerce Commission;
- a combination of virtual and physical assets swaps between SOEs to encourage them to retail on a national basis rather than the current regional approach;
- requiring lines businesses to put in place simplified lines tariff structures;
- accelerated introduction of a transmission hedging mechanism; and
- abolishing the current reserve energy scheme and introducing a scarcity pricing regime.

Power from renewable resources (hydro and wind generation) accounted for around 70% of total electricity production in 2009 with thermal and geothermal generation making up the remainder.

Manufacturing

New Zealand's manufacturing industries make an important contribution to the national economy. In the year ended September 2009, manufacturing sector output accounted for 12.4% of real GDP. The proportion of the labour force employed in manufacturing was also 12.4%. Primary sector processing (food and forestry) makes up a significant proportion of the sector.

The food manufacturing industry produces high-quality products for both the domestic and export market. This industry enjoys the advantages of a natural environment that is highly conducive to pastoral agriculture, an absence of major agricultural diseases, the potential for year-round production and an international reputation for excellence. The industry had sales of over \$38 billion in the year ended September 2009, including more than \$26 billion for meat and dairy products. Exports of meat and dairy products amounted to \$14 billion over the same period.

Manufacturing growth peaked at 9.5% on an annual average basis in June 2003 before trending downward over the following four years as the value of the New Zealand dollar appreciated. By September 2008, output in the manufacturing sector was already in decline, leaving it vulnerable to further contraction as prospects for the global economy deteriorated rapidly with the onset of the global financial crisis. The impact of weaker global demand and uncertainty over future global economic conditions flowed through to the manufacturing sector, with output shrinking 11.2% on an average annual basis in the year to September 2009. More recent indicators suggest expansion is now likely over coming quarters.

The following table sets out the sales of goods and services in the manufacturing sector for the five years ended 30 September 2009.

Operating Income of the Manufacturing Sector by Industry Group

Industry Division	Year ended 30 September					2009 % of Total
	2005	2006	2007	2008	2009	
	(dollar amounts in millions)					
Food						
Meat and Dairy	17,029	19,054	19,839	24,369	25,624	32.1%
Other food, beverages and tobacco	9,997	10,932	11,181	12,507	12,711	15.9%
Petroleum, coal and chemical products	7,969	7,694	7,819	8,166	7,728	9.7%
Metal products	7,329	7,517	7,922	8,410	7,438	9.3%
Machinery and equipment	6,732	7,003	7,032	7,573	6,921	8.7%
Wood and paper products	7,136	7,280	7,640	7,468	6,874	8.6%
Printing, publishing and recorded media	3,772	3,808	3,803	3,836	3,497	4.4%
Non metallic mineral products	2,571	2,634	2,820	2,945	2,670	3.3%
Transport equipment	2,420	2,273	2,505	2,902	2,465	3.1%
Textile and apparel	2,597	2,472	2,472	2,287	2,040	2.6%
Furniture and other manufacturing	2,112	2,117	2,105	1,980	1,797	2.3%
TOTAL	69,664	72,784	75,137	82,443	79,766	100.0%
Manufacturing index (1)	123	119	115	116	103	

(1) Base: June quarter 1996 = 100.

Service Industries

Service industries make up a large proportion of the economy, accounting for over two-thirds of GDP. The sector recorded strong growth between 2000 and 2007, with annual growth averaging 4.0%. As the New Zealand economy entered recession in 2008, services growth slowed, but not to the extent of other sectors in the economy. With the services sector expanding at a more rapid rate than other areas of the economy, the sector has increased its share of GDP from 66% in 2004 to 71% in September 2009. Export-related activities such as tourism and primary sector services inputs play an important part in trends in this sector.

Financial Services

New Zealand's banking is dominated by four predominantly Australian-owned banks. The positions of Australian and New Zealand banks were strengthened by additional access to central bank liquidity and government wholesale and retail guarantees from late 2008, helping to maintain their assets and funding sources. While the retail guarantee has been extended by one year until the end of 2011, emergency liquidity provisions have been removed in line with easing credit conditions.

As of November 2009, total assets of the banks registered in New Zealand amounted to \$382 billion.

Infrastructure

In early 2009, the government established a National Infrastructure Unit to take a national overview of infrastructure priorities by providing cross-government co-ordination, planning and expertise. The Unit operates out of the Treasury and develops its policy advice for the Minister for Infrastructure in conjunction with an Advisory Board which is made up of a mix of private and public sector expertise. One of the key tasks for the Unit was the development of a National Infrastructure Plan.

The Unit is also responsible for promulgating robust and reliable cross-government frameworks for infrastructure project appraisal and capital asset management and for monitoring the implementation and use of these frameworks. As part of this work, the Unit has released Private Public Partnership (PPP) guidelines for use by government agencies and provides ongoing support for agencies and departments involved in PPPs.

On 2 March 2010, the Unit released the National Infrastructure Plan, which outlines the Government's infrastructure priorities, describes the planned investment and provides a snapshot of public and private infrastructure. The Plan lists the Government's infrastructure priorities as broadband, electricity transmission, regulatory reform, roads of national significance and preparations to host the Rugby World Cup in 2011. The Plan also details various key projects in each of these areas. The cost of all key projects outlined in the Plan is within the infrastructure expenditure included in Budget forecasts through to 2014 and is therefore not expected to affect the operating balances currently forecast for these periods.

Transport

Transport is a major component of economic activity in New Zealand. The country's transport system owes its characteristics, not only to New Zealand's dependence on external trade and remoteness from many of its trading partners, but also to its rugged terrain, scattered population and the division of the country into two main islands spanning 2,011 kilometres in length. As a result, the establishment of a comprehensive network of roads (around 93,000 kilometres) and railways (3,900 kilometres) linked to ports and airports has involved capital costs that are high in relation to the size of the population. However, the efficiency of the country's internal transport system has played a critical role in New Zealand's economic growth.

Much of this transport infrastructure was initially developed and operated by government-owned monopolies. Today, the transport sector is largely deregulated and legislative barriers to competition have been removed. Many previously government-owned operations are now privately owned.

Roading: Land transport infrastructure and its maintenance are funded primarily from distance-based charges for diesel vehicles, excise duties on petrol and motor vehicle registration charges. In addition, the government has recently appropriated additional funding to accelerate the construction of new highways and the provision of public transport. From 1 July 2008, the government has directed all revenue collected from petrol excise duty to land transport investment. The allocation of funding and the management of state highway works are managed by a Crown Entity, the New Zealand Transport Agency. Construction and maintenance work is contracted to private sector companies.

Tolling schemes for new highways are permitted where this is deemed an appropriate funding arrangement. The capital from these schemes can come from either the public funding body, or from private providers in partnership with the government.

Railways: New Zealand's railway system connects all major population centres and includes rail ferries between the North and South Islands. Until October 1990, the system was maintained and operated by the government's Railways Department. The core rail business was privatised in 1993.

In 2002, the government purchased track access rights for the Auckland railway corridor and transferred the corridor to Auckland local authorities to support regional initiatives to reduce traffic congestion. In 2004, the government repurchased the national rail network from Toll Rail for a nominal sum of \$1.00, with both sides agreeing on future investments in network upgrades and rolling stock. The government subsequently committed over \$1 billion over several years to upgrade the Auckland and Wellington rail networks to improve passenger rail services.

In mid-2008, the government completed the purchase of Toll Holding's rail business for \$690 million, renaming it KiwiRail. On 1 October 2008, the New Zealand Railways Corporation (NZRC) acquired KiwiRail from the Crown. As a result, the government now owns and operates both the network infrastructure and rail services through NZRC. The government has since provided \$130 million to KiwiRail for upgrading rolling stock and infrastructure, a \$140 million debt facility for working capital and the purchase of new locomotives and, in the 2009 Budget, a further \$90 million towards operating costs. The government's objective is for KiwiRail to become a fully commercial provider of rail services over time.

Shipping: Around ninety-nine percent of New Zealand's total international trade by volume (about 44 million tonnes) is carried by sea, with some 30 global and regional shipping lines represented in New Zealand. New Zealand's shipping policy reflects the philosophy that the country's interests are best served by being a ship-using rather than a ship-operating nation. The policy seeks to ensure for New Zealand exporters and shippers unrestricted access to the carrier of their choice and to the benefits of fair competition among carriers.

Coastal shipping provides intra and inter-island links and plays a key role in the distribution of petroleum products and cement. Coastal shipping services are provided by both local and international shipping operators.

Port companies established under the Port Companies Act 1988 operate New Zealand's 13 of New Zealand's 14 commercial ports. These companies operate predominantly at arms' length from their (mainly) local authority owners, although four are partly privatised and listed on the New Zealand Stock Exchange. There are also smaller ports at Westport, Greymouth, Wanganui and Taharoa.

The Maritime Transport Act 1994 regulates ship safety, maritime liability and marine environmental protection.

Civil Aviation: New Zealand is one of the most aviation-oriented nations in the world. In a population of just over 4.3 million, there are over 9,000 licensed pilots and over 4,000 aircraft. Large aircraft are used for international and domestic freight and passenger transport. Light aircraft, including helicopters, are used extensively in agriculture, forestry and tourism.

New Zealand allows up to 100 percent foreign ownership of domestic airlines and there is no domestic air services licensing. Air New Zealand is the major domestic operator on main trunk and regional routes. Jetstar and Pacific Blue also provide some main trunk services.

New Zealand has around 40 formal air services agreements with foreign governments. The government's international air transport policy is to maximise economic benefit to New Zealand, including trade and tourism, consistent with foreign policy and strategic considerations. Currently, around 30 international airlines, including Air New Zealand, link New Zealand with the rest of the world with both freight and passenger services, some under code-share agreements.

International flights operate from a number of international airports, of which Auckland, Wellington and Christchurch are the most significant. Hamilton, Rotorua, Queenstown and Dunedin are secondary airports used for some international flights, mainly trans-Tasman. The three major international airports are autonomous companies. Auckland International Airport is a publicly listed company and Wellington International Airport is two-thirds owned by a publicly listed company, while Christchurch International Airport is jointly owned by the Christchurch City Council and the government.

The government owns just over 76% of Air New Zealand, having purchased shares in the company in 2001 following a period of difficult business and financial events. Air New Zealand continues to be a publicly listed company on the New Zealand Stock Exchange. In the nine years of trading since acquisition by the government, Air New Zealand has restructured its operations, which has had the effect of restoring its balance sheet to a sound financial position. The airline has also made profits in each of those financial years and is currently engaged in a fleet replacement programme which is expected to be completed by 2015.

Tourism

Tourism is one of the largest single sources of foreign-exchange revenue and a major growth industry in New Zealand. In the year to 30 September 2009, international tourist expenditure amounted to \$6.1 billion, an increase of 1.2% on the previous year, despite the global downturn. The country's scenery, natural environment and a range of outdoor activities make New Zealand a popular tourist destination.

Australia is New Zealand's closest market and by far the largest source of overseas visitor arrivals at just over one million (43.5% of the total) in the year ending October 2009. A targeted marketing campaign by the Tourism New Zealand and the tourism industry saw visitor numbers from Australia increase, particularly during the winter ski season, while arrivals from other markets fell in response to the financial crisis and other factors.

After Australia, the next largest markets are the United Kingdom (258,000 or 10.7% of the total), the United States (197,000 or 8.1% of the total) and China (105,000 or 4.3% of the total). Visitor numbers from China overtook those from Japan from the beginning of 2008.

Visitor arrivals from a number of Asian markets have grown strongly over the past decade but have eased over the past two years as, initially, high oil prices increased the cost of international travel and, more recently, health concerns over the H1N1 virus midway through 2009 influenced tourists' decisions to travel.

Tourism arrivals are sensitive to the New Zealand-dollar exchange rate and fully respond around 15 months after changes. While the New Zealand dollar is expected to remain elevated during the first half of 2010, a gradual depreciation is expected thereafter, which, together with a recovering global economy and the 2011 Rugby World Cup hosted in New Zealand, is expected to result in increasing visitor arrivals from late 2010.

Communications

New Zealand was the first country to open its entire telecommunications market to competitive entry in 1989. Telecom New Zealand was privatised in August 1990, and today all major competitors are privately owned. There are currently around 16

national and international call service providers and 168 Internet Service Providers. Cellular services are provided by Telecom New Zealand, Vodafone and, more recently, 2degrees.

New Zealand has good broadband access availability (over 95% of dwellings) and significant broadband infrastructure competition in particular areas. The government has made a commitment to invest \$1.5 billion to accelerate the roll-out of ultra-fast broadband to 75 per cent of residents within the next ten years. This is expected to be at least matched by private sector investment and will be directed to wholesale-only, open-access infrastructure. It has been agreed that the initial goal will be to make ultra-fast broadband available within the first six years to priority users such as businesses, schools and health services and certain tranches of residential areas. There is also a commitment to improving rural broadband.

The telecommunications sector has been through a period of significant regulatory reform over the past few years, including a review of the Telecommunications Act in 2005-06, which resulted in the opening up of Telecom's exchanges to competitors through the process of local-loop unbundling. This was followed by the operational separation of Telecom into three distinct business divisions, as a further measure to increase competition.

A Telecommunications Commissioner within the Commerce Commission administers regulated telecommunication services, including network interconnection, telephone number portability and wholesale telecommunication services. Key functions are to resolve disputes over regulated services, report to the Minister of Communications on the desirability of regulating additional services and to calculate and allocate the net cost of telecommunication service obligations.

Postal services are provided by New Zealand Post Limited, a commercially-run SOE, and a range of private providers.

New Zealand Post used its retail network to expand into retail banking in 2002, setting up Kiwibank, with a further expansion into business banking in 2005. New Zealand Post did not have the resources to fund the establishment of the bank itself, so the government made a one-off investment of up to \$78.2 million in New Zealand Post to fund the establishment expenses and capital expenditure involved, and to ensure there was sufficient capital to meet Reserve Bank requirements. Since then, New Zealand Post has made further capital injections to bring Kiwibank's share capital to \$295 million at 30 June 2009. The Government neither guarantees the bank nor subsidises its on-going operations. Kiwibank announced an after-tax profit of \$63.6 million for the year ended 30 June 2009. This compares with a profit of \$36.8 million for the previous 12 months.

Two major national radio networks, as well as a network which relays parliamentary proceedings, are provided by Radio New Zealand Limited, a Crown entity, operating under a non-commercial charter. There are numerous private radio stations.

Television New Zealand Limited (TVNZ) is a Crown Company which provides two national free-to-air television channels broadcast in both analogue and digital and two additional digital channels. TVNZ intends to replace analogue transmission completely within the next few years. The government also funds the Māori Television Service, a statutory corporation, for the purpose of promoting Māori language and culture. Private television operators provide a number of other national and regional channels. Digital and analogue pay TV services are available from satellite and, in some areas, cable delivery platforms.

There are five major daily metropolitan newspapers in the main centres and numerous provincial and community newspapers, all of which are privately owned. In addition, there are two national weekly business papers, three Sunday newspapers, a number of wire services and a growing number of internet news services (including offerings from the major newspaper groups) and blogsites.

Screen Industry

The New Zealand Film Commission was established in 1978 to finance distinctly New Zealand films, with the aim of reaching significant New Zealand audiences and producing high returns on investment in both financial and cultural terms. More than 200 feature films have been made in New Zealand since the Commission was established. Around half of these have received Film Commission finance, while the remainder have been financed by local and major offshore production companies.

New Zealand's screen industry continues to gain international prominence in recent years following the success of several big budget productions filmed or produced in New Zealand such as the Lord of the Rings Trilogy, King Kong and, most recently, Avatar, as well as numerous medium and small budget films produced by New Zealand and offshore companies.

The New Zealand screen industry recorded gross revenue of \$2.7 billion in the 2009 financial year making the value of this industry comparable to the forestry and logging and horticulture sectors. Around \$591 million (or 47%) of production company gross revenue was received from abroad, up 59% from 2007, with \$497 million of this total sourced from the United States.

The screen production industry is characterised by a large number of small freelancers and contractors working both independently and in co-ordination with larger production and broadcasting companies.

The screen industry in New Zealand has grown from small beginnings to become a significant player in the economy. While New Zealand is perhaps best known for its superb locations, as epitomised in the *Lord of the Rings* trilogy, the range and quality of creative and technical expertise is an equal drawcard for international film makers.



Avatar. Neytiri. Weta Digital. © 2009 Twentieth Century Fox Film Corporation. All rights reserved



Examples of the weapons and intricate jewellery created for *Avatar*. © Weta Workshop Ltd. *Steve Unwin*

Foremost in this field is Wellington-based special effects company, Weta Workshop and visual effects company Weta Digital. Founded in 1993 by a group of young New Zealand filmmakers (later to become multiple Oscar winners), Richard Taylor, Peter Jackson and Jamie Selkirk, the Weta companies have provided physical and digital effects to numerous international box office hits as well as smaller films, advertisements and television shows. Weta's most recent major production was James Cameron's *Avatar*, for which Weta Digital won an Academy Award® for Best Visual Effects, the latest in a string of Oscar, BAFTA and other awards won by the two companies.



Working on the models of the helicopters for the movie. © Weta Workshop Ltd. *Steve Unwin*

Senior Visual Effects Supervisor, Joe Letteri led a crew of up to 900 people on *Avatar* for four years, devoting the first year to researching and developing how to create the 3D movie. They had to make digital characters that moved naturally and looked believable - even with blue skin - as well as the lush detailed world of Pandora.