

Air New Zealand's earnings drop amid growing engine issues

- A Monitor Desk Report

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Dhaka: Air New Zealand anticipates its financial performance will be hit for the year ending on June 30 due to "substantial reduction" in the compensation received for ongoing engine reliability issues.

In an earnings guidance released on April 16, the airline said, it now expects a full-year pre-tax profit of between NZD 150 and NZD 190 million (USD 88.8-112 million).

Given that the Star Alliance operator had recorded a pre-tax profit of NZD 155 million for the first half of the financial year, its latest guidance suggested it could post a loss—or a small profit—in the second half of the year.

On the engine reliability issues, Air New Zealand said maintenance timeframes "remain unpredictable". The airline has two problematic

engines in its fleet: the Pratt and Whitney PW1100Gs that power its Airbus A320neo-family fleet, and the Rolls-Royce Trent 1000s for its Boeing 787 fleet.

It expects aircraft-on-ground numbers to remain high—as many as 11 jets—despite its efforts to secure additional leased engines.

“The airline is engaged in ongoing negotiations with engine manufacturers regarding appropriate levels of compensation for unserviceable engines, and accurate timeframes for engine returns. These discussions continue to be complicated, but Air New Zealand is exploring all possible avenues to ensure a fair outcome,” the carrier added.

Adding to its woes, the “flexibility” in compensation afforded by the engine manufacturers—that affected engines retained on-wing were treated as unserviceable—“has now ended”.

It now expects to receive compensation of around NZD 35-40 million, significantly lower than the NZD 94 million it disclosed in the six months to December 31, 2024.

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