TE MANATŪ WAKA
MINISTRY OF TRANSPORT

NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

BEB border scenarios

March 2023

Air passenger arrivals – key assumptions & developments

New Zealand’s border are fully open since August 1st, 2022 – three months earlier than originally planned.

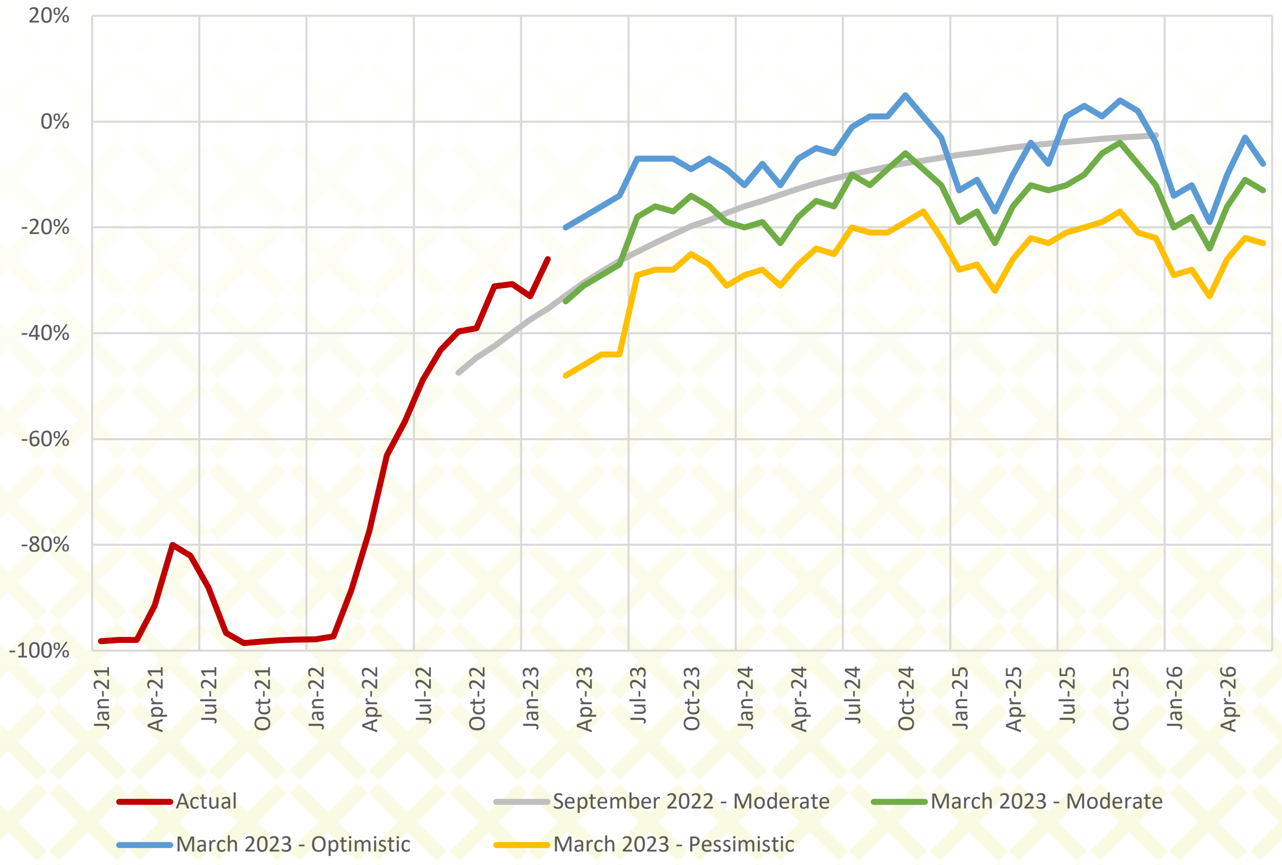
China’s border has been open since January 8th , 2023 - with entry requirements being eased slowly.

For each of the scenarios,

- Visa/airline data has been used to map the historical proportions.
- Airline schedules are now available for the Northern Summer Schedule which runs from 27th March 2023 till 29th October 2023.
- Seasonality based on historic trends have been incorporated into forecast.

Updated air passenger scenarios

- The September 2022 Moderate scenario reflected the changes to the RNZ plan i.e., faster timeline for fully reopening the border.
- The **March 2023 Moderate scenario** reflect the travel demand and air passenger recovery looking towards winter.
- By the end of 2023:
  - Air passenger volumes could be between 70-90% of baseline (2019) levels.
  - This end state is broadly consistent with the range estimated in Reconnecting NZ.
  - However, these scenarios show a more gradual ramp-up in the initial months.
- Recovery rates have been refined based on observed travel proportions, visa proportions, airline schedules and country of origin.



Cargo – actual volumes

Cargo measures

The cargo data presented here are of import entries over $1000 in value.

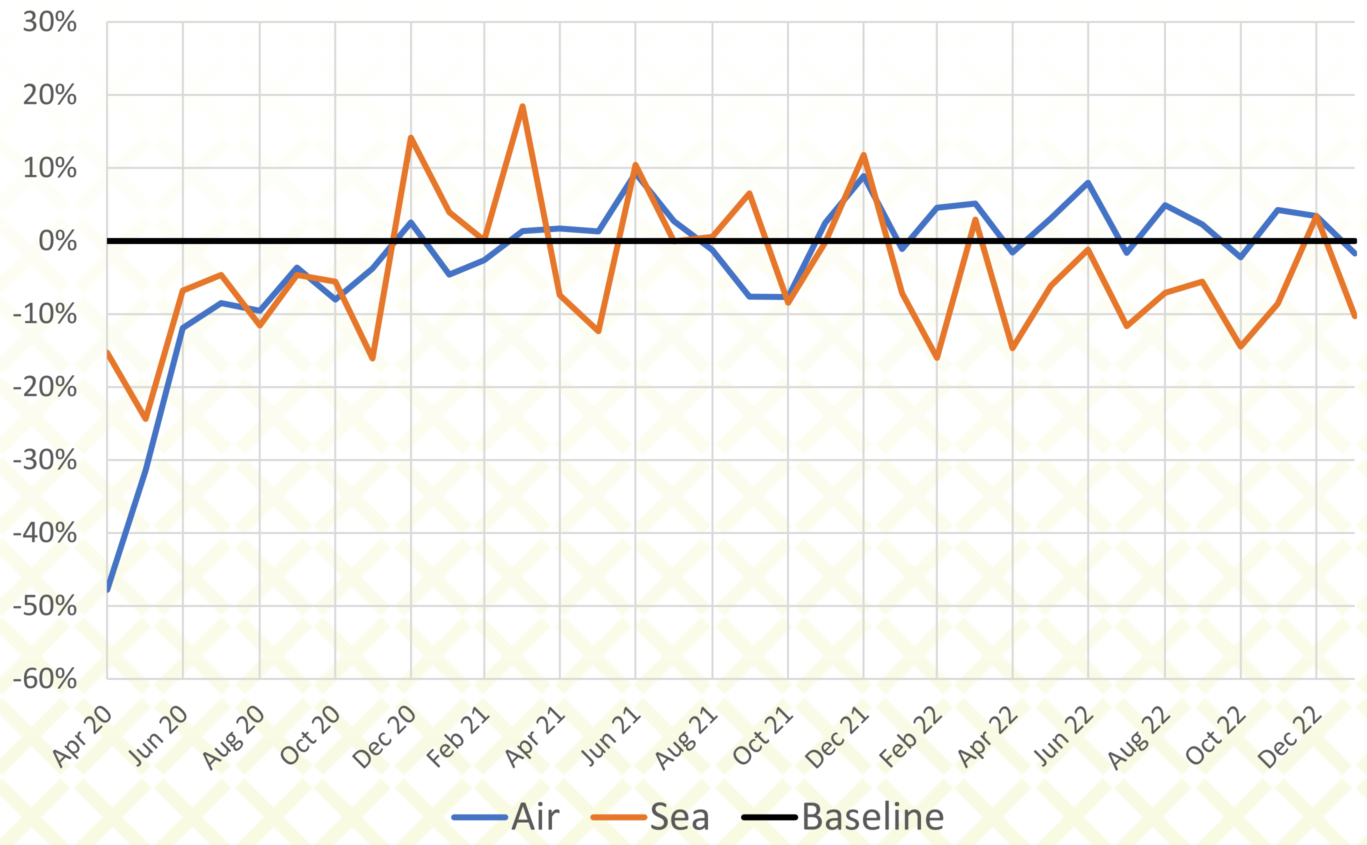
Air cargo

- Air cargo volumes have remained at pre-COVID-19 levels, despite incoming flight volumes being at around 70% of baseline. We have proposed a small proportional increase in cargo as flights return to 90% of baseline.

Sea cargo

- Sea cargo volumes have continued below pre-COVID-19 levels for the majority of the last 12 months. Supply chain issues and the resultant volatility on cargo volumes are expected to remain over the medium-term. Our long-term assumption of nil growth remains unchanged since September.

% of import entries Apr-20 to Jan-23 (and pre-COVID baseline)

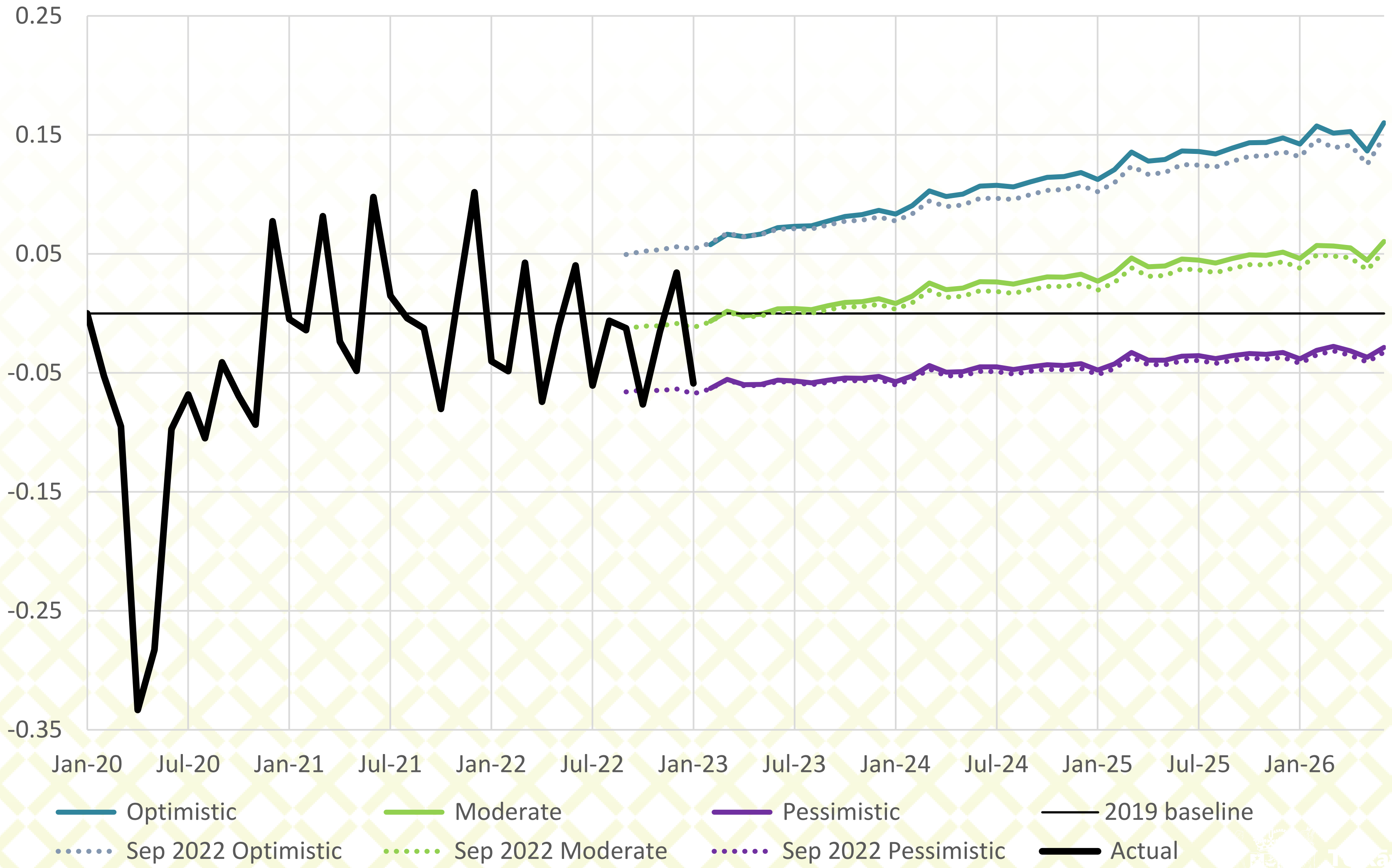


Cargo volumes – key assumptions

We have considered the following drivers that impact the cargo forecast. For each driver, we have three scenarios – optimistic, moderate and pessimistic. The assumptions under each driver have not changed for this scenario update.

Assumptions/drivers	Optimistic	Moderate	Pessimistic
Initial steady state What is the steady state reflecting current COVID settings? • For air cargo, we propose a starting point of 3 percent above baseline. For sea cargo, we propose a starting point 7 percent below baseline.	Air cargo: **+8%** Sea cargo: **-2%**	Air cargo: **3%** Sea cargo: **-7%**	Air cargo: **-2%** Sea cargo: **-12%**
Recovery of incoming flight volumes What is the impact of the increase in the number of incoming flights on air cargo? • We are estimating a 0.06 percent increase in cargo volumes for every 1 percent increase in flight volumes (based on linear regression using historic data) until July 2024.	Flight volumes at 100% of baseline by July 2024	Flight volumes at 90% of baseline by July 2024	Flight volumes at 80% of baseline by July 2024
Long-term trend What is the new normal for air and sea freight post-COVID-19? • We used the long-term trend in air and sea cargo before COVID-19. Before COVID-19, air cargo volumes had experienced significant year-on-year growth while sea volumes were flat.	Air cargo: **+4%** per year historical growth Sea cargo: **+0.4%** in 2022/23, and nil growth in the outyears	Air cargo: Mid-point of optimistic and pessimistic trends Sea cargo: Nil growth	Air cargo: **+1.7%** per year from 2022/23 Sea cargo: **-0.2%** per year from 2022/23

Updated cargo – current scenarios and September 2022 scenarios comparisons



Cruise – key assumptions

Assumptions	Optimistic	Moderate	Pessimistic
Borders partially/fully open to cruise	Open since August 2022	Open since August 2022	Open since August 2022
Cruise passenger capacity restrictions in place (i.e. limits on vessel size)	No restrictions from August 2022	No restrictions from August 2022	No restrictions from August 2022
General cruise industry impairment post COVID-19 (e.g. viable operators)	Industry recovers to around 90% of pre COVID-19 passenger volumes by March 2024	Cruise operators need longer time to prepare. Industry recovers to around 80% of pre COVID-19 passenger by March 2024	Assumes a slow rate of recovery to 70% of pre-COVID levels by March 2024
How these assumptions could look in practice ** Per vessel*	• Unrestricted cruising starts from August 2022. • Recovery is gradual, mild delays expected as most operators need a significant amount of time to prepare.	• Unrestricted cruising starts from August 2022. • Recovery is gradual, moderate delays expected as most operators need a significant amount of time to prepare.	• Unrestricted cruising starts from January 2023. • Still restricted industry due to operational capacity and preparation time.

Updated cruise scenarios

- Cruise industry is highly seasonal, from October to March. Material cruise travel in the 2022/23 season has seen strong recovery.
- Due to the unprecedented demand for cruise travel and the earlier-than-anticipated return of many operators, the **March 2023 Moderate scenario** expects a higher level of recovery than the September 2022 scenarios.
- By the end of 2023, cruise passenger volumes could be between 70-90% of baseline (2019) levels.
- Recovery profiles currently assume unrestricted cruising from August 2022. These settings may change as specific policies are developed.
- Long-term impacts of COVID-19 on cruise industry, specifically the financial viability / sustainability of operators still unclear, although the large operators have managed to restart in short time frames.