



TE MANATŪ WAKA
MINISTRY OF TRANSPORT



NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

BEB border scenarios

September 2023

Air passenger arrivals – key assumptions & developments

New Zealand's border has been fully open since August 1st, 2022.

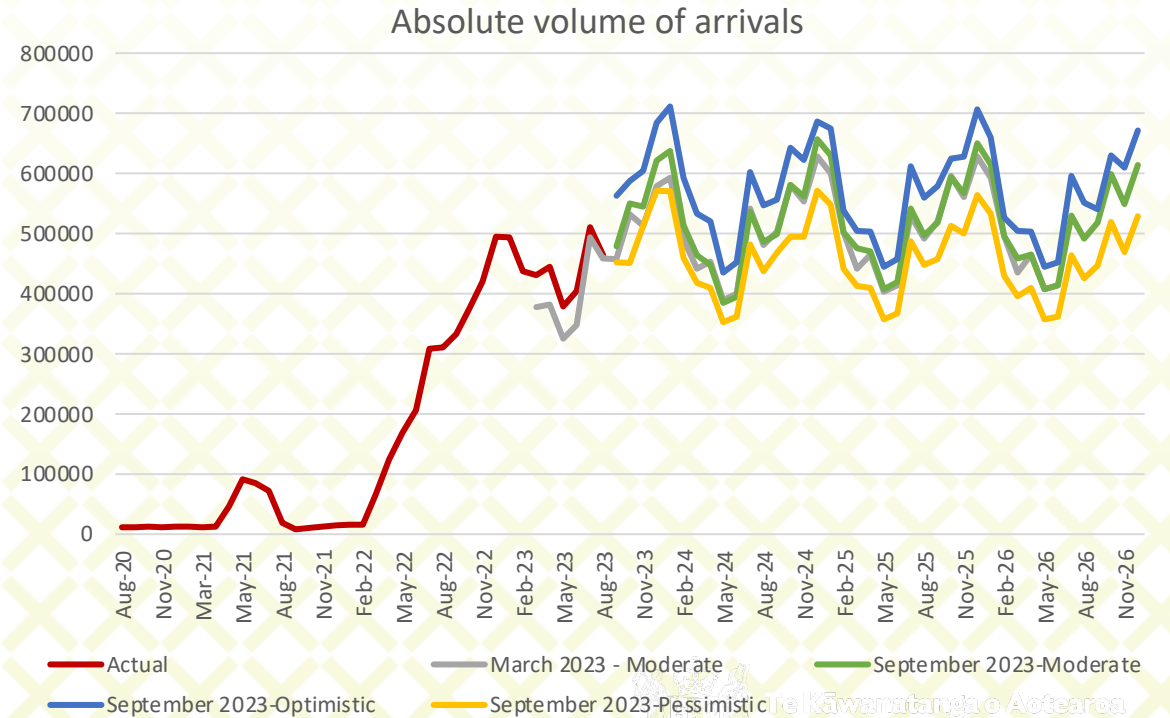
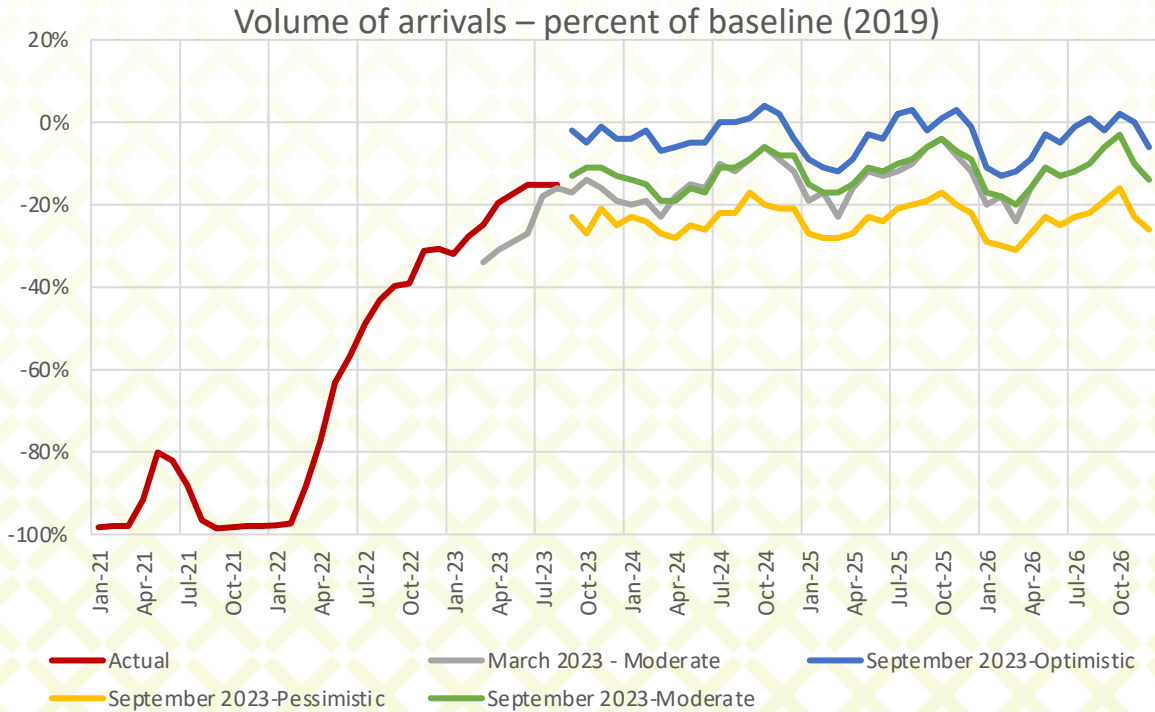
For each of the scenarios,

- Visa/airline data has been used to map the historical proportions.
- Airline schedules are now available for the Northern Winter Schedule which runs from 29 October 2023 till 31 March 2024.
- Seasonality based on historic trends have been incorporated into forecast.



Updated air passenger scenarios

- The updated September 2023 Moderate scenario reflects the travel demand looking towards summer.
- Air passenger volumes are expected to be more stable and consistent with the historic trends.
- Recovery rates have been refined based on observed travel proportions, visa proportions, airline schedules and country of origin.



Cargo – actual import entries

Cargo measures

The data presented here is for import entries over \$1000 in value. The data shows the count of entries, not the size or value of imports.

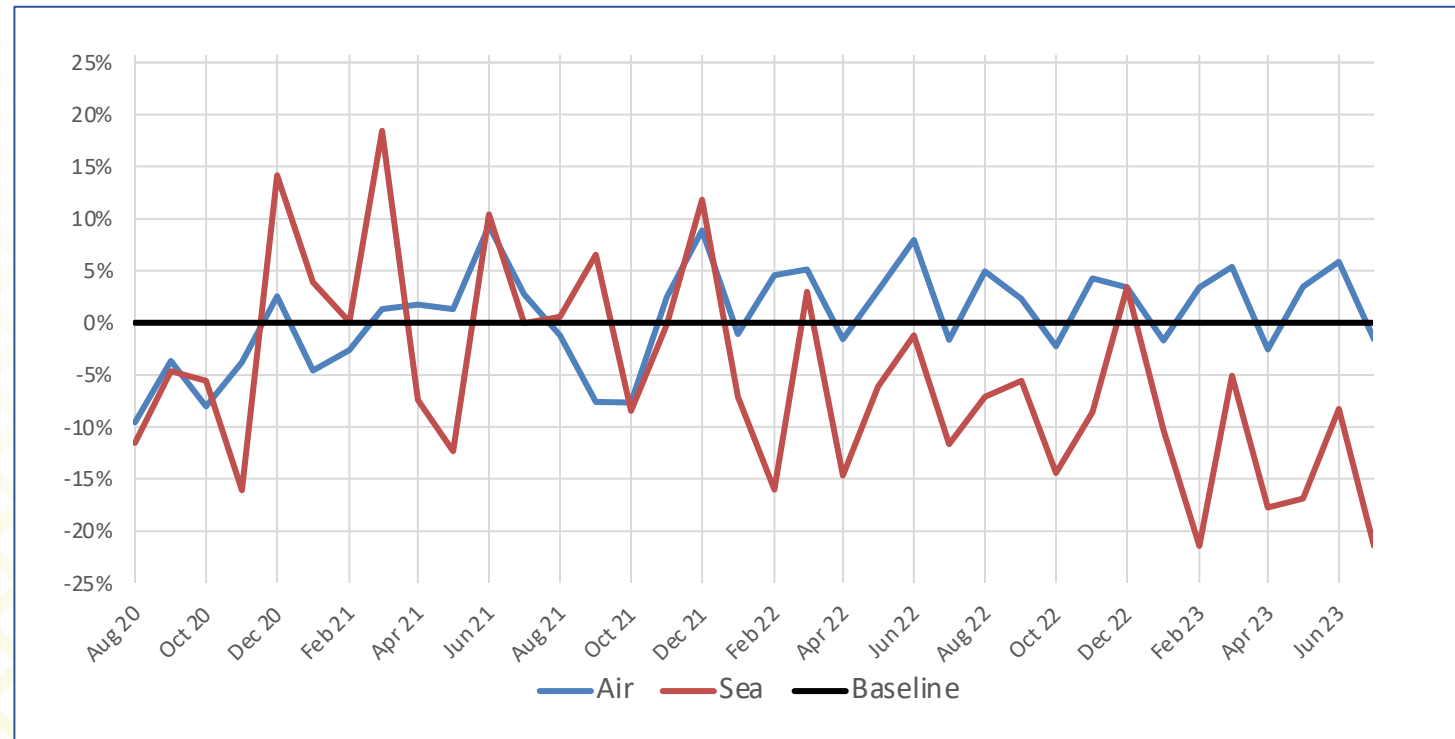
Air cargo

- Air cargo makes up about 60% of total import entries.
- Air cargo import entries are above pre-COVID-19 levels even though incoming flight volumes are still 88% of baseline. We have modelled a small proportional increase over the summer season in line with airline schedules.

Sea cargo

- The quantity of sea cargo import entries has continued to track below baseline levels over the last quarter.
- Shipping capacity and issues in the global supply chain are still a concern.
- Imports are also arriving as bigger consignments and being stored locally, moving from a 'just in time' importing model towards a 'just in case' model.

% of import entries Aug-20 to Jul-23 (and pre-COVID baseline)

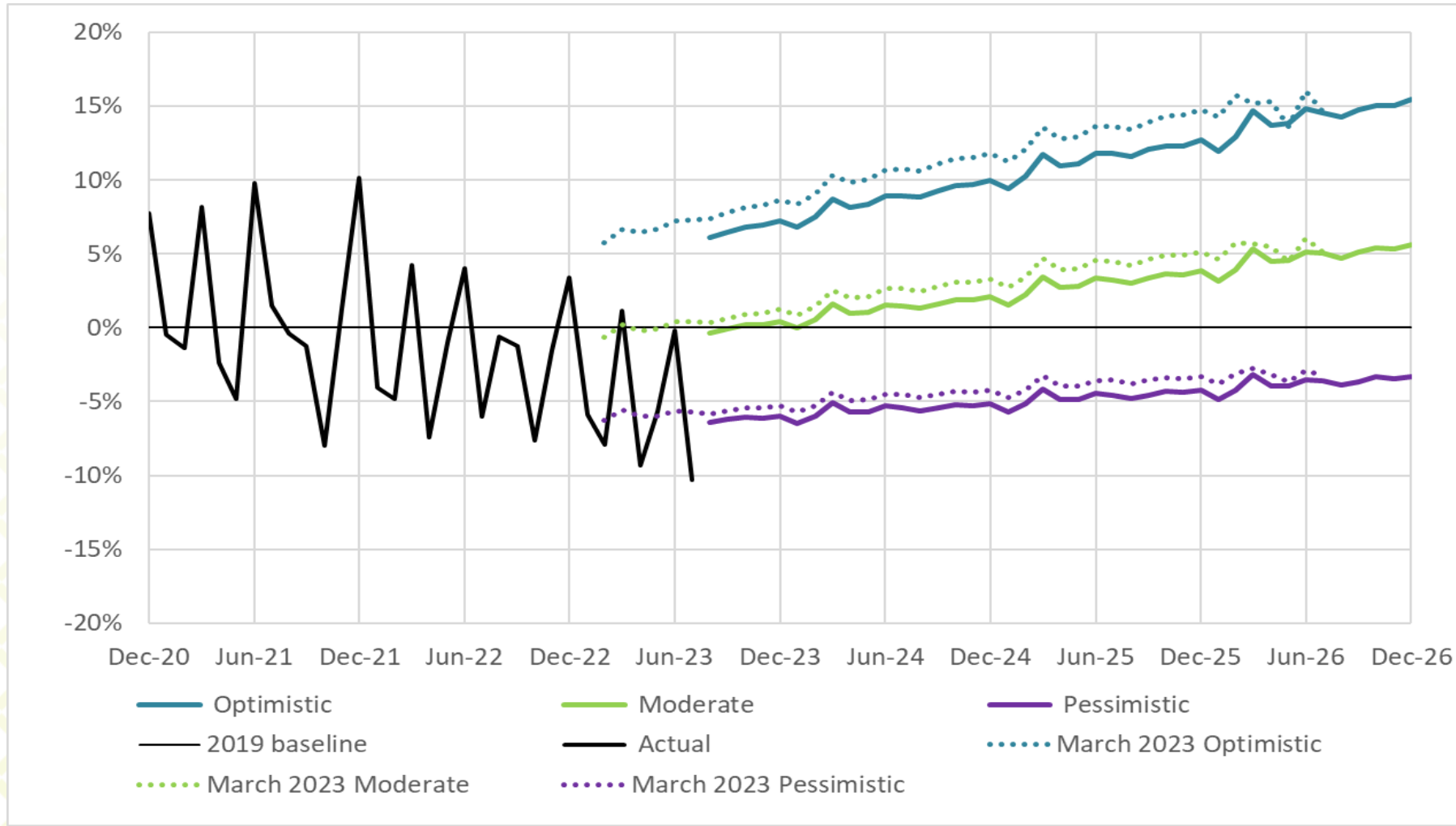


Cargo measures – key assumptions

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 been reviewed and adjusted for current state where needed.

Assumptions/drivers	Optimistic	Moderate	Pessimistic
<p>Initial steady state What is the steady state reflecting open border but still recovering from the effect of COVID pandemic?</p> <ul style="list-style-type: none"> For air cargo, we have kept the starting point of 3 percent above baseline. For sea cargo, we reduced the starting point to 8 percent below baseline. 	<p>Air cargo: +8% Sea cargo: -3%</p>	<p>Air cargo: 3% Sea cargo: -8%</p>	<p>Air cargo: -2% Sea cargo: -13%</p>
<p>Recovery of incoming flight volumes What is the impact of the increase in the number of incoming flights on air cargo?</p> <ul style="list-style-type: none"> We have modelled a 0.06 percent increase over the summer season in line with confirmed airline schedules reaching 89% by April 2024. 	<p>Flight volumes increasing from 88% of baseline now to 89% of baseline by April 2024</p>	<p>Flight volumes increasing from 88% of baseline now to 89% of baseline by April 2024</p>	<p>Flight volumes increasing from 88% of baseline now to 89% of baseline by April 2024</p>
<p>Long-term trend What is the new normal for air and sea freight post-COVID-19?</p> <ul style="list-style-type: none"> We used the long-term trend in air and sea cargo before COVID-19. Before COVID-19, air cargo quantities grew year-on-year while the trend for sea cargo was flat. 	<p>Air cargo: +4% per year historical growth Sea cargo: +0.4% per year</p>	<p>Air cargo: 2.9% per year, the mid-point of optimistic and pessimistic trends Sea cargo: Nil growth</p>	<p>Air cargo: +1.7% per year from 2022/23 Sea cargo: -0.2% per year</p>

Updated cargo – current scenarios compared with March 2023 scenarios



Cruise passenger arrivals – key assumptions & developments

- Scenarios assume unrestricted cruising from August 2022.
- Tentative cruise schedules are now available until April 2024. These are likely to change drastically.
- Assumed a 2% increase in cruise capacity for 2024/2025 and 4% increase for 2025/2026 from 2023/2024 levels.
- Cruise baseline reference value for September 2019 is initially zero. However, for the purpose of calculation, it is assumed 5,988 – based on the assumed capacity of September 2023 set at 75%.



Updated cruise scenarios

- Cruise industry is highly seasonal, from October to March. The travel volumes in the 2022/23 season has seen strong recovery.
- Given the availability of tentative cruise schedules and return of many operators, the **September 2023 Moderate scenario** expects a higher volume of arrivals for the 2023/2024 season than the March 2023 scenarios.
- By 2024 Q1, cruise passenger volumes could be between 85-100% of baseline (2019) levels.

