TE MANATŪ WAKA
MINISTRY OF TRANSPORT

NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

BEB border scenarios

September 2022

Updated Reconnecting New Zealanders Plan

STEP	TIMING	TRAVELLERS
STEP 1	From 11.59pm, 27 February 2022	Reopen to New Zealanders and other eligible travellers under current border settings (e.g., people with border exceptions) from Australia.
STEP 2	From 11:59 pm, 13 March 2022	Reopen to New Zealanders and other eligible travellers under current border settings from the rest of the world; Open to skilled workers earning at least 1.5 times the median wage; Open to Working Holiday Scheme visas.
STEP 3	From 11:59 pm, 12 April 2022	Open to current offshore temporary visa holders, who can still meet the relevant visa requirements ; Open to up to 5000 international students for semester two Further class exceptions for critical workforces that do not meet the 1.5 times the median wage test will be considered.
STEP 4	Moved to May 2022 from July 2022	Open to anyone from Australia ; Open for visa-waiver travel (60 countries); The Accredited Employer Work Visa will open, meaning the skilled and health worker border exception can be phased out.
STEP 5	Moved to August 2022 from October 2022	Border fully reopens to visitors from anywhere in the world, and all visa categories fully reopen.

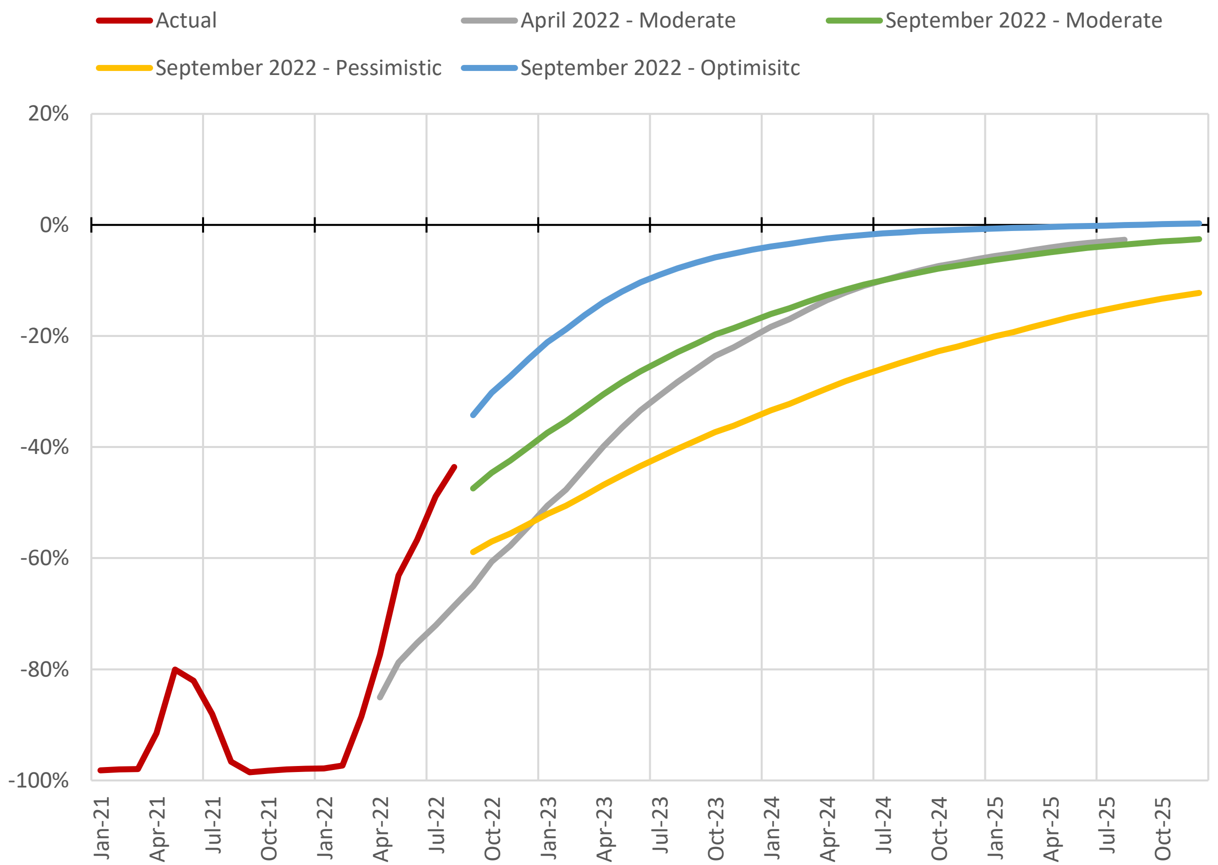
Air passenger arrivals – key assumptions & developments

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

For each of the scenarios, the modelling has factored in the revised border opening date. Historical (pre-COVID-19) visa/airline data has been used to forecast longer term volumes.

Updated air passenger scenarios

- The **April 2022 scenarios** reflected the estimated starting dates for each step in the Reconnecting New Zealanders (RNZ) five step plan.
- The updated **September 2022 scenarios** reflects the changes to the RNZ plan i.e., faster timeline for fully reopening the border.
- By the end of FY22/23:
  - Air passenger volumes could be between 50-80% of baseline (2019) levels.
  - This end state is broadly consistent with the range estimated in RNZ.
  - These scenarios show a more gradual ramp-up in the initial months.
- Recovery rates have been refined based on observed travel volume proportions, visa categories and country of origin.
- Currently, short-haul flights account for 76% of all arrivals into New Zealand, with 62% of them originating or transiting through Australia.
- Based on historical proportions, the September 2022 scenarios estimate the short haul flights to gradually reduce to 64% by March 2023. However, a higher level of uncertainty precedes this breakdown as its largely dependent on flight operator schedules.



Cargo – actual volumes

Cargo measures

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

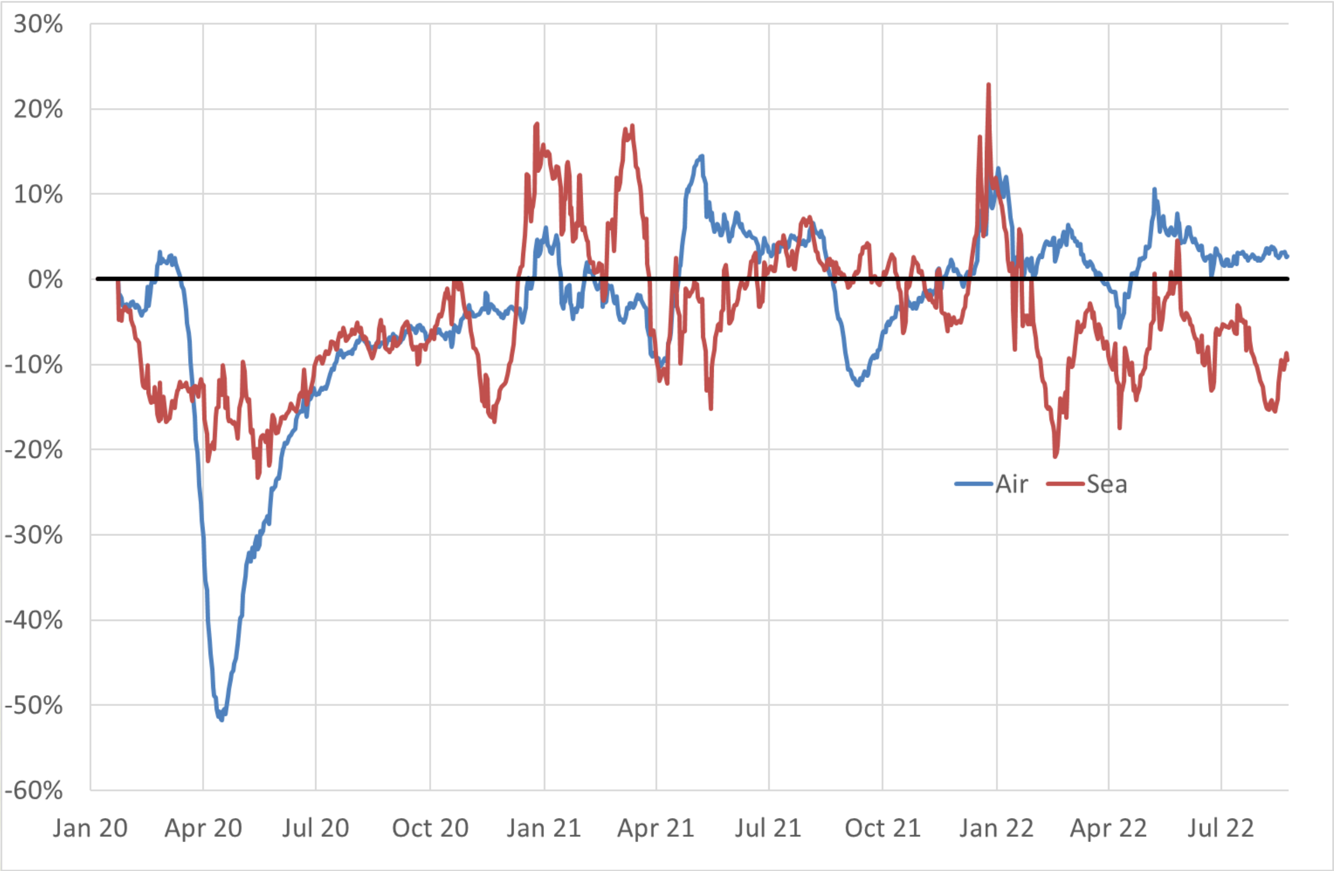
Air cargo

- The Maintaining International Air Connectivity (MIAC) scheme has been extended to March 2023 to support continued air services as passenger travel recovers and international flights increase now that the border is open.

Sea cargo

- Global supply chains continue to be impacted due to COVID-19 lockdowns, an earthquake and a heatwave in China. Recovery to pre-COVID-19 levels for sea freight will take longer than air.

% of import entries Jan-20 to Aug-22 (and pre-COVID baseline)

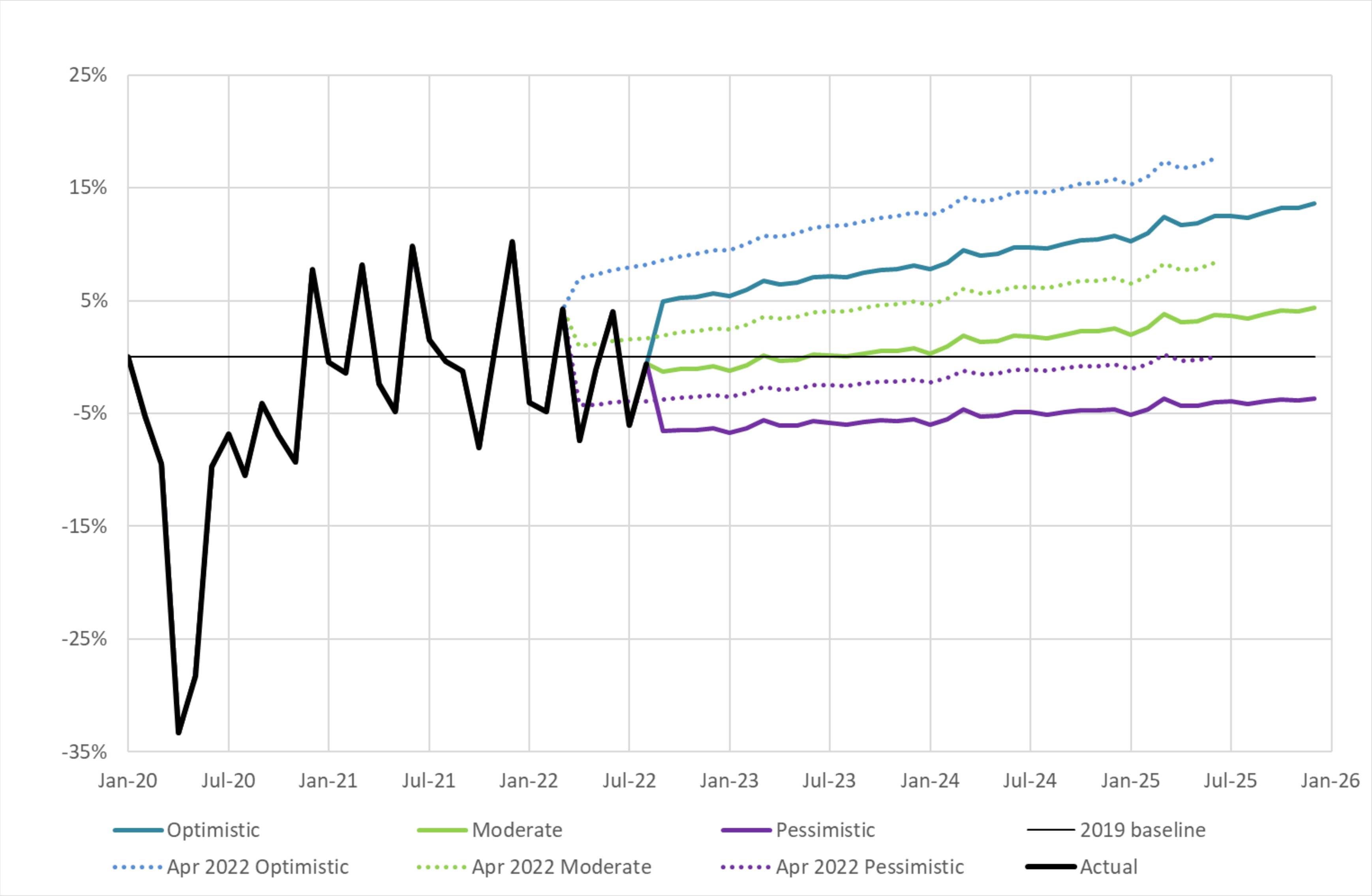


Cargo volumes – key assumptions

We have considered two 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 once current COVID settings have been factored in? • 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%**
Long-term trend What is the new normal for air and sea freight now that borders are open? • 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 volume +4% per year historical growth No change to long term sea volumes as a result of border opening.	Mid-point of optimistic and pessimistic trends No change to long term sea volumes as a result of border opening.	Air growth **+1.7%** per year from 2022/23 No change to long term sea volumes as a result of border opening.

Updated cargo – current scenarios and April 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 60% of pre COVID-19 passenger by March 2024	Assumes a slow rate of recovery to 70% of pre-COVID levels by January 2025
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 time to prepare.	• Unrestricted cruising starts from August 2022. • Recovery is gradual, moderate delays expected as most operators need time to prepare.	• Restricted cruising commences December 2022. • Still restricted industry due to operational capacity and preparation time.

Cruise passenger scenarios build in a delay as most operators need time to prepare.

Updated cruise scenarios

- Cruise industry is highly seasonal, from October to March.
- Recovery profiles currently assume unrestricted cruising from August 2022 and factors in the preparation time needed for most operators.
- Long-term impacts of COVID-19 on cruise industry, specifically the financial viability / sustainability of operators still unclear, although the large operators are poised and ready for restart.
- The main difference between the Optimistic and Moderate scenarios would be whether operators and the market have enough notice to respond to updated open border settings.
- The Pessimistic scenario assumes that there are delays to start of cruise season until December 2022 majorly due to operational challenges.