TE MANATŪ WAKA
MINISTRY OF TRANSPORT

NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

BEB border scenarios

MAY 2022

Reconnecting New Zealanders Five- step 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	By July 2022	Open to anyone from Australia ; Open for visa-waiver travel; The Accredited Employer Work Visa will open, meaning the skilled and health worker border exception can be phased out.
STEP 5	October 2022	Border fully reopens to visitors from anywhere in the world, and all visa categories fully reopen.

Air passenger arrivals – key assumptions & developments

Removal of MIQ capacity constraints,

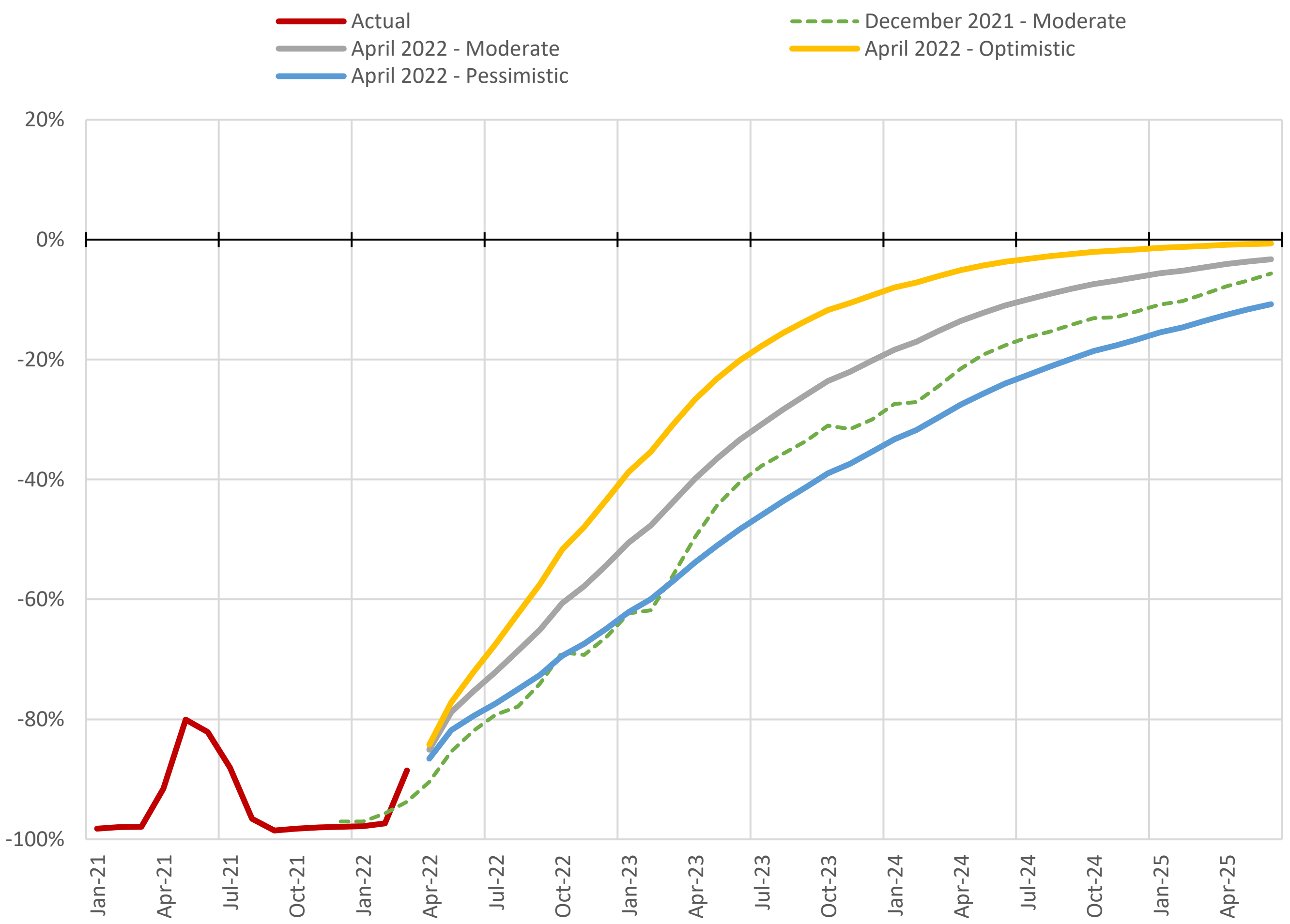
- On 18 March 2022, The Government has agreed that unvaccinated New Zealand citizens, and those who are eligible to travel to New Zealand do not need to enter MIQ or to self-isolate.

For each of the scenarios,

- Forecasts are generated using the start dates provided for each step/ cohort.
- Visa/airline data has been used to map the historical proportions.
- April 2022 scenarios do not factor in the vaccination status of passenger arrivals.

Updated air passenger scenarios

- **December 2021 scenarios** reflected the estimated starting dates for each Step in the Reconnecting New Zealanders paper.
- The updated **April 2022 Moderate scenario** reflects the estimated starting dates for each Step in the Reconnecting New Zealanders Five Step plan.
- By the end of FY22/23:
    - Air passenger volumes could be between 40-80% 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 categories and country of origin.



Cargo – actual volumes

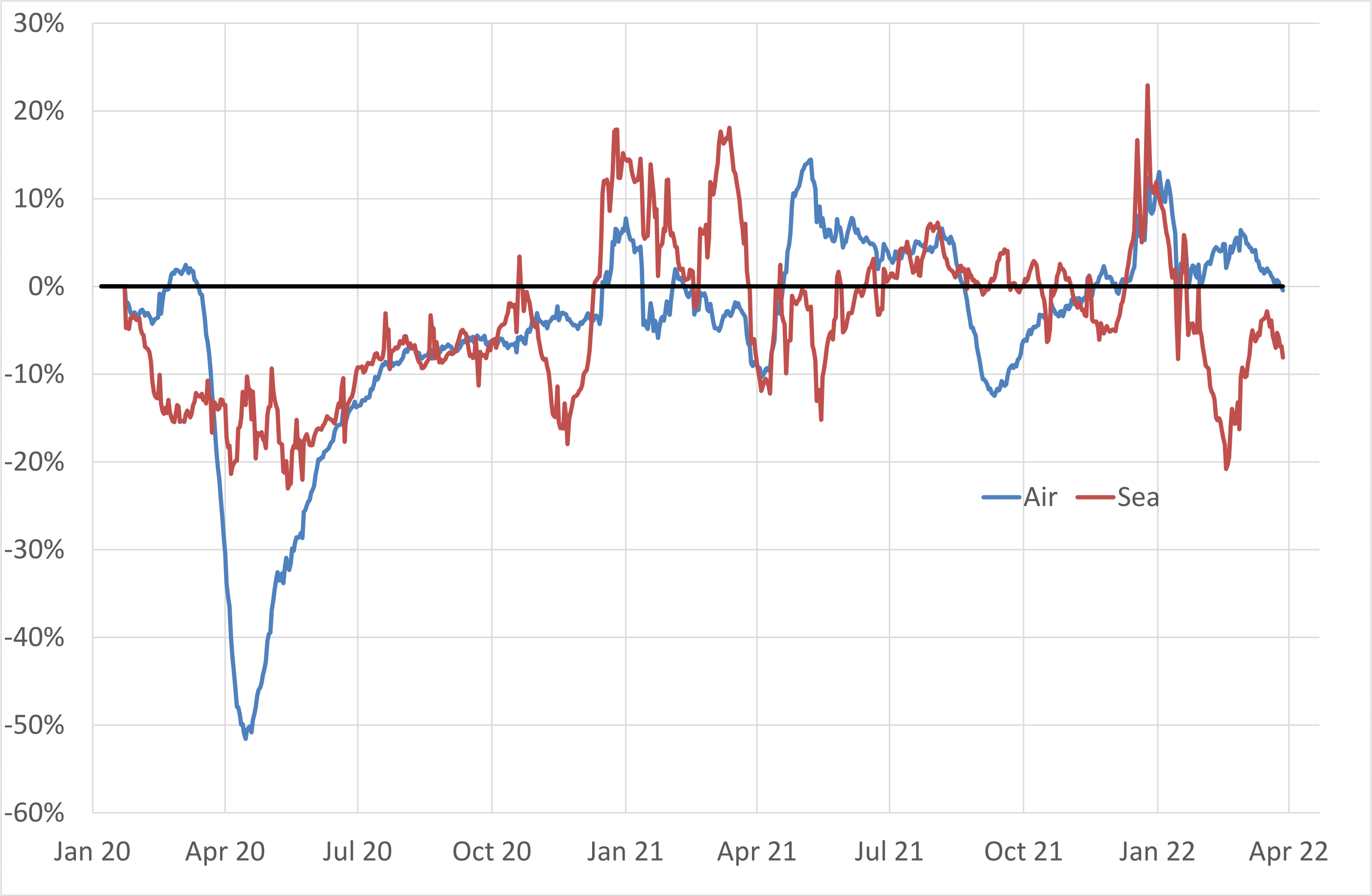
Air cargo

- From December 2021, air cargo has returned to above baseline as air freight capacity has grown and more routes have been reopened by airlines.
- Air cargo has been gradually recovering since August 2021, when air cargo volumes fell below baseline due to New Zealand entering Alert Level 4.

Sea cargo

- Sea cargo dropped below the baseline since January 2022.
- Since Nov-20, high global demand and port disruptions have resulted in shipping delays and high freight prices. Sea imports have been affected by disruption such as the availability of containers and ship arrivals. However, the total entries over time is consistent with the trend of pre-COVID-19.

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

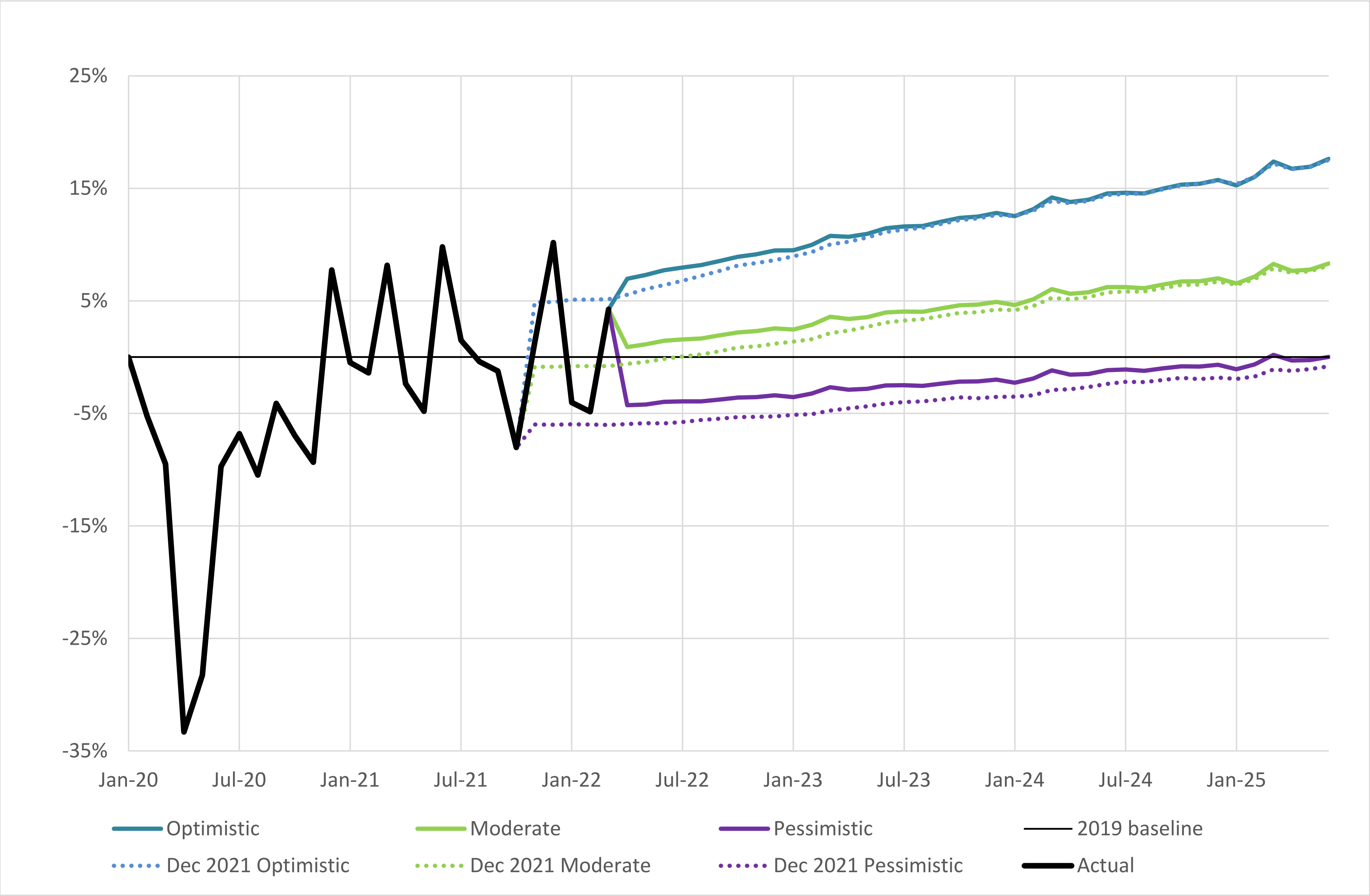


Cargo volumes – key assumptions

We have considered three 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 2 percent below baseline. For sea cargo, we propose a starting point equal to baseline.	Air cargo: **+3%** Sea cargo: **+5%** Due to volatility	Air cargo: **-2%** Sea cargo: **0%**	Air cargo: **-7%** Sea cargo: **-5%** Due to volatility
Border reopening When will NZ border fully open? What is the long-term new normal for air freight? • We assume air freight volumes will increase in line with passenger volume increases.	• When passenger flights recover, cargo volumes will start from ten percent above baseline	• When passenger flights recover, cargo volumes will start from **five** percent above baseline	• When passenger flights recover, cargo volumes will start from baseline
Long-term trend What is the new normal for air freight when borders reopen? • 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, driven by ecommerce. The COVID-19 pandemic has boosted online shopping.	• Air volume +4% per year historical growth	• Mid-point of optimistic and pessimistic trends	Air growth **+1.7%** per year from June -22

Updated cargo – latest scenarios and December 2021 scenario comparison



Cruise – key assumptions

Assumptions	Optimistic	Moderate	Pessimistic
Borders partially/fully open to cruise	July 2022	July 2022	January 2023
Cruise passenger capacity restrictions in place (i.e. limits on vessel size)	No restrictions from July 2022	No restrictions from July 2022	Restrictions in place to January 2023 Impairs longer-term recovery
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 75% of pre-COVID levels by January 2025
How these assumptions could look in practice ** Per vessel*	• Unrestricted cruising starts from July 2022. • Recovery is gradual, mild delays expected as most operators need a significant amount of time to prepare.	• Unrestricted cruising starts from July 2022. • Recovery is gradual, moderate delays expected as most operators need a significant amount of time to prepare.	• Restricted cruising commences January 2023. • Still restricted industry due to operational capacity and preparation time.

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

Updated cruise scenarios

- Cruise industry is highly seasonal, from October to March. Material cruise travel in the 2022/23 season is likely but still low in comparison to pre-Covid levels.
- Recovery profiles currently assume unrestricted cruising from July 2022 and factors in the preparation time needed for most operators. 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 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 open border settings or that restrictions are in place through the early part of the 2022/23 season.
- The Pessimistic scenario assumes that there are delays to cruise reopening until January 2023, or that there are severe restrictions on the entry of large cruise ships through the 2022/23 season.