

COVID-19 FAQs

ARATAKI V2

WHY DID WAKA KOTAHI NZ TRANSPORT AGENCY COMMISSION RESEARCH ON THE REGIONAL IMPACTS OF COVID-19 ON NZ'S ECONOMY AND DEMOGRAPHIC PATTERNS?

New Zealand's economy is currently undergoing volatility as a result of the global COVID-19 pandemic and the effects of the public health response. Waka Kotahi wanted to better understand the potential implications of the downturn on the land transport system, particularly the potential impacts on regional economies and communities.

Waka Kotahi commissioned Martin Jenkins and Infometrics to consider the potential impacts of COVID-19 on New Zealand's economy and demographics, as these are two key drivers of transport demand. In addition to providing a scan of national and international COVID-19 trends, the research involved modelling the economic impacts of three of the Treasury's COVID-19 scenarios, to a regional scale, to help us understand where the impacts might be greatest.

WHICH SCENARIOS WERE MODELLED AS PART OF THE RESEARCH?

The table below summarises the key assumptions for each of the three Treasury scenarios modelling as part of the COVID-19 research commissioned by Waka Kotahi.

Scenario	COVID-19 alert level	Other assumptions
Scenario 1: Faster recovery scenario	Level 4: 1 month	Borders assumed closed to foreign visitors for up to 12 months. World annual average real GDP growth is lower than HYEPU by 6% in calendar 2020.
	Level 3: 1 month	
	Level 1 / 2: 10 months	
Scenario 4: Steeper decline scenario	Level 4: 3 months	May be interpreted as a number of shorter periods at level 4 and/or level 3 linked by periods at levels 1 and 2.
	Level 3: 3 months	
	Level 1 / 2: 6 months	
Scenario 5: Slower recovery scenario	As in scenario 1	World annual average real GDP growth is lower than scenario 1 by 3% in calendar 2020 and 4% in 2021.

WHICH SCENARIO IS CONSIDERED TO BE THE MOST LIKELY AND WHY?

The research suggests that the 'slow recovery scenario' (Treasury's scenario 5) is the most likely due to continuing high levels of uncertainty regarding global efforts to manage the pandemic (and the duration and scale of the resulting economic downturn).

The updates to Arataki V2 have been framed around the 'slower recovery scenario', and to date this scenario remains the most closely aligned with the unfolding impacts of COVID-19 in New Zealand and globally. We will continue to monitor the situation and keep up to date with other cross-government scenario development and COVID-19 related work.

HOW HAS THE COVID-19 RESEARCH BEEN INCORPORATED INTO ARATAKI V2?

Waka Kotahi has considered the longer-term impacts of COVID-19 on the land transport system and incorporated this thinking into Arataki V2. It presents the evidence and insights at a national, pan-regional and regional scale. Specifically, in Arataki V2 we have:

- presented evidence and insights about the impacts of COVID-19 on the land transport system and regions over the next decade, including where flattening or additional pressures are forecast
- updated text about the six key drivers that will shape the future land transport system, based on the impacts of COVID-19. We also took the opportunity to add material about the key driver of technology, including information and data, as we acknowledged this needed further work in Arataki V1
- confirmed the importance of the five step changes for the land transport system and identified the need to consider issues of equity over the next decade to respond to the impacts of COVID-19
- shifted the focus of the regional development step change from the government's six 'surge' regions to those regions hardest hit by the impacts of COVID-19, and thought further about the role of the land transport system as an enabler of socio-economic outcomes
- updated the support Waka Kotahi needs to provide for the sector so it can be agile and responsive to future shocks
- amended the areas of focus required to deliver the five step changes both at a national scale and for each region, reflecting the impacts of COVID-19
- signaled where COVID-19 will have impacts on future transport demand at a pan-regional scale and what the key issues are likely to be as a result.

WHAT ARE THE KEY INFLUENCES THAT WILL AFFECT ECONOMIC OUTCOMES FOR NEW ZEALAND?

The research indicates that the following factors will have a significant impact on New Zealand's economic outcomes and the speed of recovery from the downturn:

- The duration and severity of border restrictions and restrictions on international travel.
- How other countries are impacted by COVID-19 and the degree to which this drives the return of New Zealanders living overseas.
- The impact of the above on immigration levels and the potential for different sectors to retain and attract skilled labour to support the recovery.
- The potential for ongoing disruption to international supply chains due to public health measures to help control the pandemic.
- International responses to the pandemic and resulting economic downturn, including a potential increase in protectionism and trade barriers.
- The speed of recovery among NZ's key trading partners, and levels of demand for New Zealand's key export products.
- The scale and focus of the government's stimulus package, and any government support for the hardest hit sectors such as tourism and international education.

HOW CERTAIN ARE THE OUTCOMES MODELLED IN THE RESEARCH?

High levels of uncertainty remain around the scale of impact of the pandemic and the duration of the subsequent economic recovery. The uncertainty increases over time, and the further ahead we look, the less certainty we have.

Things that we have greater certainty about include the more immediate impacts of border closures and travel restrictions, including a sharp drop off in international tourists and students, and a significant reduction in immigration over the short to medium-term.

The modelling has produced employment forecasts for each region and district over three time periods - 2021, 2025 and 2031. The forecasts for 2021 carry the greatest certainty as they reflect the impacts of current events. The 2025 and 2031 forecasts carry great uncertainty because of the potential for significant shifts in the socio-economic situation over the intervening years. While these forecasts are useful in helping to understand the relative scale and duration of potential COVID-19 related impacts around the country, they need to be treated with care recognising the higher levels of uncertainty.

WHAT ARE SOME OF THE UNCERTAINTIES ASSOCIATED WITH THE IMPACTS OF COVID-19 ON NEW ZEALAND'S ECONOMY AND DEMOGRAPHIC PATTERNS?

Considerable uncertainty remains about the medium to longer-term economic ramifications of the pandemic. This uncertainty emanates from a range of factors, including

- the potential development and delivery of a vaccine
- the duration of border closures and travel restrictions
- the timing of a possible trans-Tasman bubble
- the effectiveness of efforts to manage the pandemic in other countries
- the scale of the economic downturn globally and impacts on export markets and associated supply chains.

WHAT ARE SOME OF THE UNCERTAINTIES ASSOCIATED WITH THE IMPACTS OF COVID-19 ON NEW ZEALAND'S LAND TRANSPORT SYSTEM?

There are a number of potential disruptors resulting from, or accelerated by, the impacts of COVID-19. We will need to keep a close eye on these and respond accordingly. Some questions that we will need to consider include:

- Will COVID-19 result in:
 - a) a major shock to the New Zealand economy with resulting transport impacts, or
 - b) a major structural shift to the economy that results in significant changes to people's behaviour and the transport system?
- What are the key opportunities we need to bring forward in the short-term both from lessons during COVID-19 and to support step changes?
- What is the impact of any change to international supply chains?
- Will the current rise in e-commerce continue putting pressure on first and last mile delivery?
- Will the way people move around and use urban spaces change in the long-term? For example, will there be notable uptake in working from home or new working hubs? Will the role of CBDs change?
- How will technology influence future travel patterns and demand?
- Where are the real opportunities to achieve intensification and transit-oriented development?
- How will the needs of vulnerable groups be integrated into decision-making and implementing step change?
- What are the outcomes of partners' funding shortages on integrated land-use and transport planning outcomes?

WHAT ARE THE NEXT STEPS NOW THAT ARATAKI V2 HAS BEEN RELEASED?

Arataki V2 is an assessment completed at a point in time. We can't anticipate the full extent or implications of COVID-19 on New Zealand or how we will need to respond. Work will continue on an ongoing basis to update technical components of Arataki and play forward implications. Insights will also be amended as new evidence comes to light. Adaptive management will be key.

Future versions of Arataki will also develop other aspects, such as by incorporating a plan to engage with Māori kanohi ki te kanohi. We will also continue to improve the way we present supporting data, maps and other collateral to build a shared evidence base and give the sector visibility of Arataki evidence and insights.