

NZ Maritime Tourism Covid-19 Impact Survey

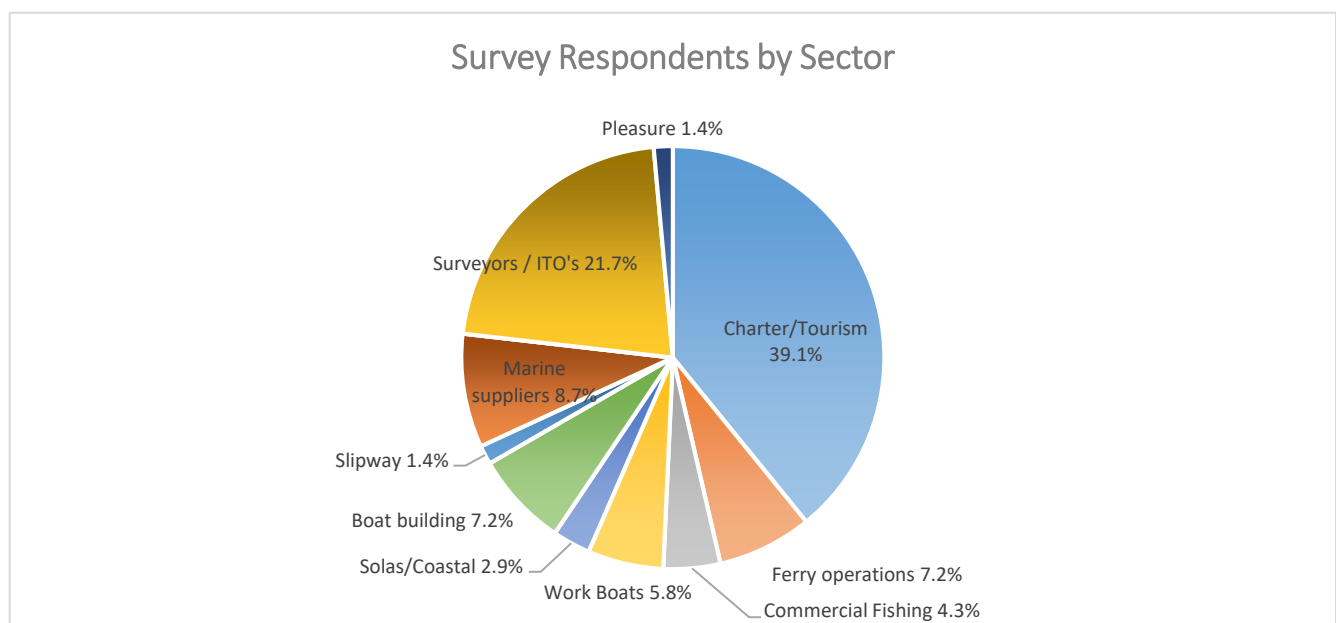
Report on the Impact of COVID-19 on the commercial maritime sector – May 2020

Executive Summary

The NZ Marine Transport Association represents the interests of commercial maritime tourism; passenger and non-passenger vessel operators around New Zealand. These include whale and dolphin watching, harbour cruises, fishing charter and adventure tourism. The maritime industry offers a level of safety and quality to local and international tourists around the country. The unique nature and layout of NZ means that many lodges and tourist experiences depend on the maritime industry to transport people to them. Areas such as the Bay of Islands, Marlborough Sounds and Fiordland, offer a diverse range of experiences, supported by passenger and vehicle ferries, fishing and aquaculture operators, port and marina maintenance and water taxi services. – 80% of these are family run, owner/operator small businesses that are essential to our island nation.

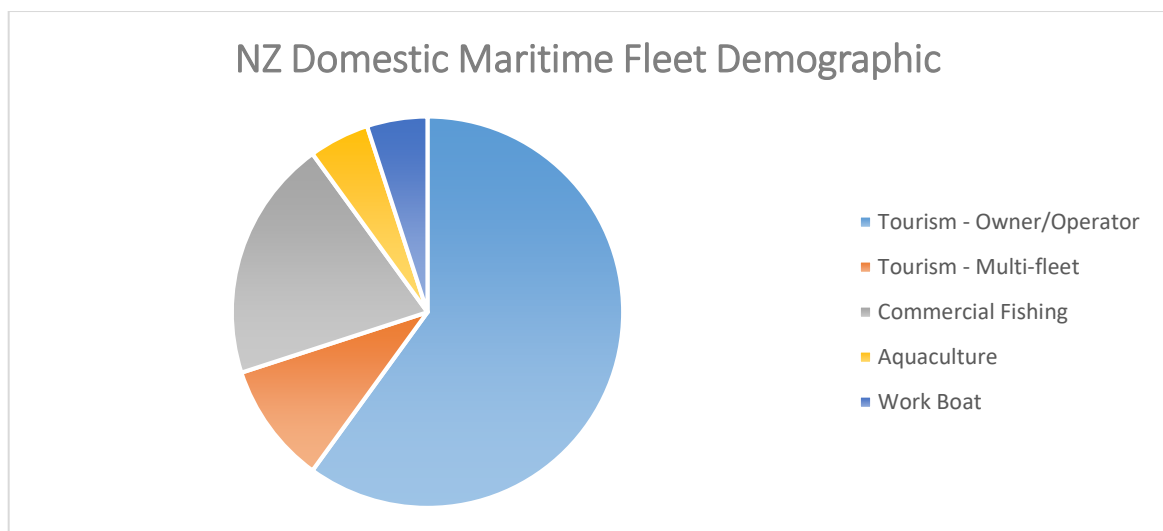
Survey Scope:

Our objective is to ascertain the impact on the domestic tourism fleet and identify solutions to ensure the long-term survival of the sector. To assist the Government in understanding the impact of the COVID-19 threat on this sector, and to provide a good understanding of how emergency measures to boost the economy during this pandemic are appropriately targeted, the NZMTA conducted a nationwide online survey across a diverse range of maritime industries. This range was important, as each sector supports the other. For example, tourist operators order new boats to meet increased visitor demand. This has a flow on effect to surveyors, engineers, seafarers and marine machinery suppliers. The survey was conducted during Level 3 of the Covid-19 lock-down; 37.2% responded within the timeframe. The results and recommendations are summarised in this report.



Industry Snapshot

- The total annual tourism expenditure in NZ is 40.9 billion - \$112 million per day. Of this, \$17.2 billion is international (\$47 million per day) and \$23.7 billion, domestic (\$65 million per day).
- Of this, the marine sector contributed \$3.8 billion to New Zealand's economy with marine tourism and recreation contributing \$80 million and marine services \$180 million.
- In addition, statistics NZ (2017) show that over 2000 people are employed in the marine tourism and marine service related sectors.
- There are approximately 1400 commercial maritime operators in New Zealand, **80%** of which are made up of individual owner/operators (tourism charter boats, environmental tours, work-boats and independent commercial fishers) with **20%** made up of fleets (multi-vessel tourism operations, commercial fishing fleets and vehicular ferry operations).



COVID-19 Economic and Social Impact:

The COVID-19 pandemic has prompted the cancellation of charter and tourism bookings around New Zealand, and forced future cancellations or postponement of innumerable events across the nation. This has had a significant impact on the New Zealand maritime industry.

The NZMTA has been working with its members to establish the impact of the pandemic, as many operators are dependent on local and international tourism.

The first summary of responses represent the feedback from respondents in the tourism and passenger charter sector only, to enable a specific focus on the fleet most impacted by Covid-19. Other sectors are summarised later in this document.

1. Most vessel owners and operators in this sector have not been able to operate under Levels 2, 3 and 4 due to social distancing restrictions.

2. Given the seasonal nature of many in the industry, this timeframe represents half of their season and subsequent revenue stream. Many companies around New Zealand, utilise the fleet for team building and transport to conference facilities, all of which have been cancelled, with no future bookings for this sector being realised in the foreseeable future.
3. The financial revenue losses range from \$17,000 per month for a single vessel operator to \$440,000 per month for a multi-fleet tourism operator.
4. Overhead costs such as marina berths, insurance, maintenance and utility fees have not abated. As an example, single owner/operators based in the Westhaven Marina in Auckland, reported overhead costs of \$5,000pm whilst the vessel is laid up. This excludes wages and maritime compliance cost.
5. Vessels scheduled for survey this year will have the additional expense of survey, slipping and vessel repairs and maintenance (estimated at \$10-12,000 for a single vessel operator with a 12-15 metre boat).
6. Many responded that staff and crew costs were subsidised by the government wage subsidy. After the 12-week period, without further financial assistance, staffing levels will need to be reviewed.
7. 80% of the fleet are family run, owner/operators. The balance is made up of fleets such as Real Journeys, Sealink NZ, Fullers and commercial/aquaculture fleets.
8. The long-term impact on many operators depends on the success of New Zealand as a whole. This sector primarily attracts the 'leisure dollar' so is impacted significantly when the economy is suffering.
9. International tourism is unlikely to be active for at least 12-24 months given the state of the world pandemic. For many regional operators, international tourism is their only income stream. This is more prevalent in the eco-regions such as the Bay of Islands, Kaikoura, Fiordland and the Marlborough Sounds. City based operators tend to attract a higher number of local visitors, with fishing charters, corporate team building activities and passenger transport being high turnover activities.
10. Looking at the 80/20% mix of small versus large operations, many of the successful owner/operator businesses are husband/wife teams or family operations. They offer an extensive range of experiences that would benefit from a wider marketing strategy in future government tourism initiatives. All operators will need to diversify. For those dependent on international tourism, the ability to place their Maritime Operators Safety System (MOSS) on hold until borders are re-opened is important.
11. Many responded that the wage subsidy had been helpful in keeping them afloat short-term.
12. Many large ferry and tourism operators had revenue reductions of up to 95% during Covid-19 levels 4 and 3, with only essential service passengers travelling on commuter runs in some areas. Overhead costs are significant for this sector, with building leases, terminal upkeep, vessel maintenance and berthage costs unabated. Estimated revenue loss range reported as \$100,000 (small ferry company) to \$1.6 million for larger fleets over the 6-8 week lock down period. Most large passenger ferry companies have had to reduce staff levels, despite wage subsidy assistance.
13. Minimal impact for *some* ferry operators where routes are subsidised by Auckland Transport.

Recommendations:

We are aware that the Government is considering measures for small businesses and tourism that may require cash flow assistance, and it is critical that local commercial maritime operators be considered for any temporary aid and tourism initiatives designed to stem the economic fallout resulting from COVID-19.

The revival of the operating fleet is paramount to the longevity of the entire New Zealand maritime industry and other land based tourist operators who are supported by this sector. This is unique to New Zealand, being an island nation. Without water taxis, sail training, maritime transport and adventures, many regional tourist hubs will not have the same attraction for visitors. Some examples include the Bay of Islands for the 'Hole in the Rock', Kaikoura for whale watching, Auckland for Sailing experiences or Taupo for fishing.

The first phase is to consider immediate financial support through cost savings in maritime levies, operating costs and compliance regimes. This is the focus of our recommendations.

This financial support is necessary to protect the revenue streams of the 1400 commercial operators around New Zealand. Their continued survival also has a flow on effect to hundreds of other industries in the maritime sector. These include Boatbuilding, Surveyors and Engineers, maritime training schools, dockyards, electrical, machinery and safety equipment suppliers.

Prioritising our support on the fleet will benefit these other sectors as owners return to refitting, maintaining and ordering new vessels. Our recommendations are as follows:

1. Revocation of Maritime Levy

We are seeking a revocation of the 2020/21 annual levy charge for the NZ domestic passenger, non-passenger and fishing fleet. These operators are significantly affected by COVID-19 and with winter approaching, have little opportunity to benefit from limited local tourism, even once restrictions are lifted.

For Maritime NZ, the current levy accounts for only 11% of the total Maritime Levy revenue (approx. \$3.5m) of which approximately 41% is contributed by NZ non-passenger and domestic passenger vessels (excluding Cook Strait). This represents less than 5% of Maritime NZ's total revenue.

These levies were increased three-fold less than a year ago (June 2019). Other compliance costs also tripled with the advent of new legislation in 2015, resulting in the loss of nearly 1000 vessels. These were marginal operators, who provided tourism experiences throughout New Zealand as a lifestyle. Increased compliance over this short period of time had already decimated the fleet.

Those that survived, have had less than five years to adjust to the escalated compliance costs and the impact of Covid-19, may be the 'straw that breaks the camel's back'.

Whilst the maritime levies are not their biggest financial overhead, in conjunction with other initiatives*, withholding the 2020 charge to operators, will go a long way to ensuring the retention of much of the fleet. This is critical to the long-term survival of the wider maritime community, including Maritime NZ who will benefit from a larger pool of contributors in 2021.

**Marinas and Councils have also been approached for concessions on berthage fees.*

2. Survey Costs - extensions

To reduce the burden of cost to operators' dependent on international tourism, we request an extension on renewal surveys and Certificate of Survey expiry dates for up to 12 months. If an operator is not using his vessel commercially for several months, and safety is not compromised through the carriage of passengers, operators should not endure the costs of slipping and surveying their vessel(s). For an operator with a 15 metre boat, the cost to slip and survey a vessel is approximately \$10-\$15,000. Larger vessels would spend between of \$60-\$150K per slipping. This cost is not currently supported by any revenue. We appreciate that Maritime NZ has a provision for 3-month extensions on many other compliance certificates, but request longer to take the seasonal nature and recovery of the fleet into account.

Many operators may choose to pull out of MOSS and commercial operations due to the lack of income. To re-enter at a later date poses compliance problems for some of the older vessels in the fleet, where original plans and records may not be available. We ask that Maritime NZ consider allowing such vessels to put their MOSS system 'on-hold' until the economy and international tourism picks up again.

Whilst most operators would prefer to be back on the water, this is a far better option than losing the vessels permanently.

3. Upskilling of seafarers

The MTA are in discussion with operators to upskill the workforce during this period of restricted operations. There are many Masters and Deckhands out of work and it is an ideal time to work with larger operators to assist seafarers with gaining endorsements and complete Qualified Deckhand (QDC) and higher-level training. This may involve discussions with Work and Income for wage subsidies and maritime schools for innovative on-line learning models. An industry-based working group is required to kick-start this project. Maritime NZ, along with NZMTA and other industry associations, established a recovery forum group during the pandemic – this would be an ideal project for their agenda.

4. Domestic Tourism

Like many kiwis, coming up with new and innovative ways to operate is second nature. Many have already repurposed their operations in preparation of a more robust economy. Much of our tourism fleet however, will need to rely on domestic tourism to get through the next 1-2 years where border closures prevent international tourism. To that end, we would like to work with Maritime NZ and regional tourism organisations to promote marine tourism in the Tourism NZ domestic strategy, aimed at New Zealanders who might otherwise travel overseas. The coming months are a great opportunity for kiwis to invest in local fishing charters, sightseeing adventures, company team building activities, whale-watching and family holidays on NZ vessels that boast one of the highest safety records in the world.

The NZMTA would be happy to continue developing a profile of the maritime transport and tourism sector, with a focus on the diverse nature of activities and experiences available throughout New Zealand's regions and cities.

We endorse the idea of a public campaign to promote the diversity of the NZ maritime industry and look for government assistance with this initiative. In conjunction with other industry representatives, work on promoting the maritime industry is essential to its long-term survival.

We believe that these recommendations, will ensure the survival of a large portion of the fleet. It's important that we prioritise and focus on solutions to assist operators being faced with long-term financial losses endured through the pandemic and subsequent down-turn in tourism.

Our immediate objective is to ensure the survival of the domestic fleet, thus benefiting the wider maritime community including surveyors, boat builders and suppliers. Details about the impact of the pandemic on this sector are included for reference and more information is available if required, by contacting the writer.

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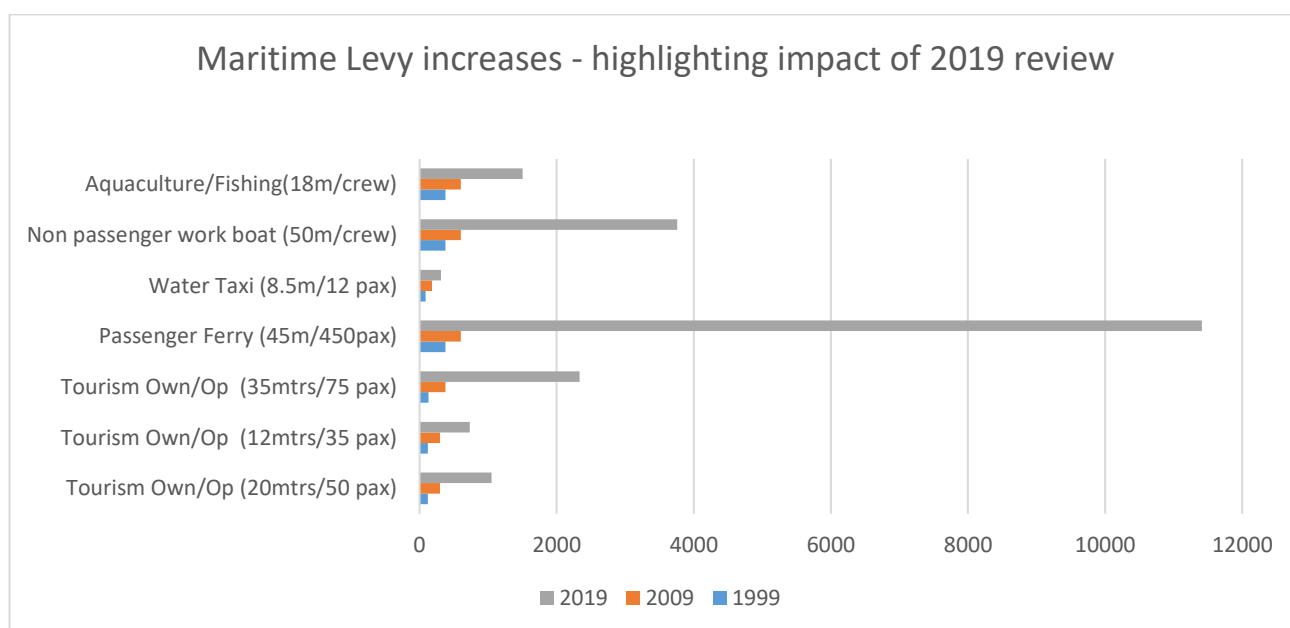
Wider Maritime Community Impact

Other parts of the maritime sector were included in this Survey, as they are directly impacted by the success or failure of the fleet. Included were boat builders, seafarers, training organisations, coastal shipping and equipment & machinery suppliers.

Contributing Factors:

1. Maritime Levy increases – June 2019

Compliance costs to operators have increased significantly in the past 5 years. This is due to the introduction of new legislation (MOSS – Maritime Operator Safety System 2015) and the review of maritime levies on commercial operators (2019). Further increases for marina berth-holders have hit Auckland boat owners who have had their annual rates tripled in anticipation of the America's Cup in March 2021.



2. Commercial Fishing:

- For owner/operator vessels, commercial fishing ceased completely on declaration of Level 4 shutdown; demand plummeted to almost zero for fresh fish. No revenue under Level 4. Reduced under Level 3. Turnover will be at least 25% down on last year.
- Level 3: revenue continued to reduce as the majority of takeaways and restaurants remained closed. Many supermarkets not taking fresh fish.
- Level 2: fishing resumed, but demand is at approximately 50% – takeaways and restaurants could only realise around 50% of their normal turnover because of social distancing.
- Crayfish orders for overseas markets ceased earlier in the year despite leases having been paid. One operator debt of \$200,000 as a result of COVID-19 cancelled orders.
- Larger fleets continued to operate, however, their catch limits were reduced by 50% to ensure Ministry of Health requirements for social distancing were maintained on board vessels.

3. Non Passenger: (Workboats – dredging, wharf repairs, NZ Police, Harbourmaster, Ports)

- Financial impact on Harbourmasters was significant under Level 4. Agencies reporting that contract/upgrade work was placed on hold.
- Dredging work halted under Levels 3 and 4. Turnover down by 90% for these large contract operators.
- Wharf repairs, port maintenance and dredging has resumed under Level 2.
- For many in this sector, the wage subsidy has meant retention of staff, however, overhead costs for marina berths, buildings and insurance have hit hard for these operations.

4. Maritime Education and Training:

- Maritime schools, polytechnics and ITO's report 40-50% loss of revenue after 3 months of restrictions. Staff on 80% salary and working from home.
- On-water training tutors - no income during Level 3 and 4. Wage subsidy has helped in this situation.

5. Ship Brokers

- One reports loss of \$100,000 over 3 months due to no sales. Nobody can travel to inspect vessels (similar to open home restrictions). Able to resume work under Level 2.

6. Surveyors / Naval Architects

- All international surveys cancelled (Tahiti, Australia and Pacific – primarily cruise-liners, fishing and coastal vessels)
- NZ coastal inspections ceased, followed by tanker reefer and bulker surveys.
- With the fall in the price of oil, all mooring work stopped. Year on year income down by 60-70%.
- NZ Surveyors - income during Level 4 and 3 significantly reduced as only permitted to survey vessels engaged in essential services.
- 75% reduction in revenue over 3 months ranging between \$4,000 - \$20,000 per month. The only opportunity to improve this is for the fleet to be back up and operating again.

7. Boat Building

- Revenue down by 25%. Commercial tourism operations are nervous - putting new builds on hold.
- Cancelled boat shows and conferences also impact on the ability to market new products.
- Most have retained their staff with government wage subsidy.