

MINISTERIAL BRIEFING NOTE

Subject	Update on the increasing private share of public transport funding
Date	21 February 2025
Briefing number	BRI-3266

Contact for telephone discussion (if required)				
Name	Position	Direct line	Cell phone	1 st contact
Vanessa Browne	Acting Group General Manager Transport Services	s 9(2)(a)	s 9(2)(a)	✓

Action taken by Office of the Minister

- ☐ Noted
- ☐ Seen by Minister
- ☐ Agreed
- ☐ Feedback provided
- ☐ Forwarded to
- ☐ Needs change [please specify]
- ☐ Withdrawn
- ☐ Overtaken by events

19 FEBRUARY 2025

Hon Chris Bishop – Minister of Transport

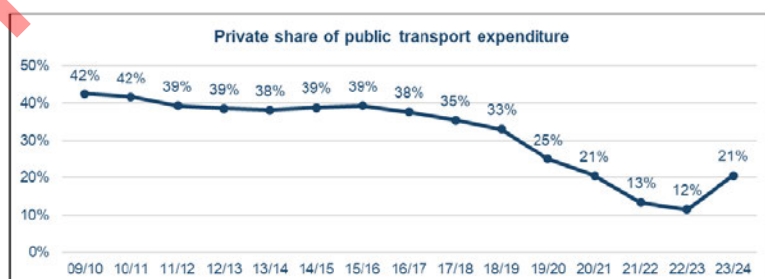
UPDATE ON INCREASING PRIVATE SHARE OF PUBLIC TRANSPORT FUNDING

Purpose

1. This briefing provides you with an update on the Increasing Private Share Key Initiative.
2. The previous Minister requested advice on which ‘system settings challenges’ may be inhibiting private share growth. PTAs have confirmed this is important, and we expect this work to be complete by the end of April 2025.
3. The larger urban PTAs are experiencing challenges in meeting the targets. The system setting work will help us understand constraints on the PTAs ability to achieve. We recommend an extension on the Private Share Key Initiative timeframes for setting long-term targets, from 31 March 2026 to December 2026.

Background

4. A prior briefing prepared by NZ Transport Agency Waka Kotahi (NZTA) to the previous Minister of Transport covered the Increasing Private Share initiative, scope, phases and timeframes, approach and opportunities (BRI-3221 refers).
5. New Zealand’s public transport services are funded from both private and public revenue sources. Private share is a measure of cost recovery and includes passenger fares and third-party revenue e.g. advertising on buses. Private share is measured as a proportion of gross operating expenditure. Public share is made up of funding from ratepayers and taxpayers, including the National Land Transport Fund (NLTF).
6. There has been a decrease in the private funding for public transport since 2015/16, largely because of previous government policy (e.g. half-price fares), removal of NZTA’s national farebox recovery target, and COVID-19 impacts. An increase in private share in 2023/24 can be attributed to increased patronage and fewer Crown fare concessions.



7. As set through the Government Policy Statement on land transport 2024 (GPS 2024), increased private share is needed to “help support the increased costs that are occurring through the public transport sector and to reduce pressure on ratepayers and taxpayers”.
8. NZTA is responsible for implementing Government expectations to increase private share funding and in August 2024 established the Increasing Private Share initiative.
9. NZTA is working with each Public Transport Authority (PTA) to set private share targets by 31 March 2025. To drive year-on-year improvement, targets will be established for each year of the current three-year NLTP period.
10. On 18 November 2024, the NZTA Board endorsed the below targets (refer Figure 1).

Figure 1 Actual and proposed national private share targets

Actual private share results nationally			Draft national private share target ranges		
2021/22 Actual	2022/23 Actual	2023/24 Actual	2024/25 Target	2025/26 Target	2026/27 Indicative Target
13.4%	11.6%	20.5%	24-26%	28-33%	35-40%

11. Targets will be set regionally, and we expect this to result in a national private share ratio within the target ranges outlined below.
12. Following a meeting between the previous Minister of Transport, PTAs and NZTA on 14 December 2024, NZTA amended the timeframes originally provided in BRI-3221. The targets for 2024/25 are now set for completion by 31 March 2025. Targets for 2025/26 are now due by December 2025 and targets for 2026/27 are due in March 2026.
13. To achieve targets, PTAs will need to implement a range of initiatives across three categories:
 - cost-side initiatives
 - increasing patronage and fare revenue
 - growing third party revenue.
14. Details on initiatives to increase each of these cost categories are provided in BRI-3221. The initiatives vary in scale and complexity, lead times and overall timeframes.
15. In the short term (during this National Land Transport Programme (NLTP) period), we expect private share improvements to be mainly driven by fare increases, fare structure reviews and network improvements.
16. Provided the groundwork is done now, improved competition, procurement practices and more developed third-party revenue streams will play a bigger role during the next NLTP period and beyond.

Increasing Private Share – PTA progress

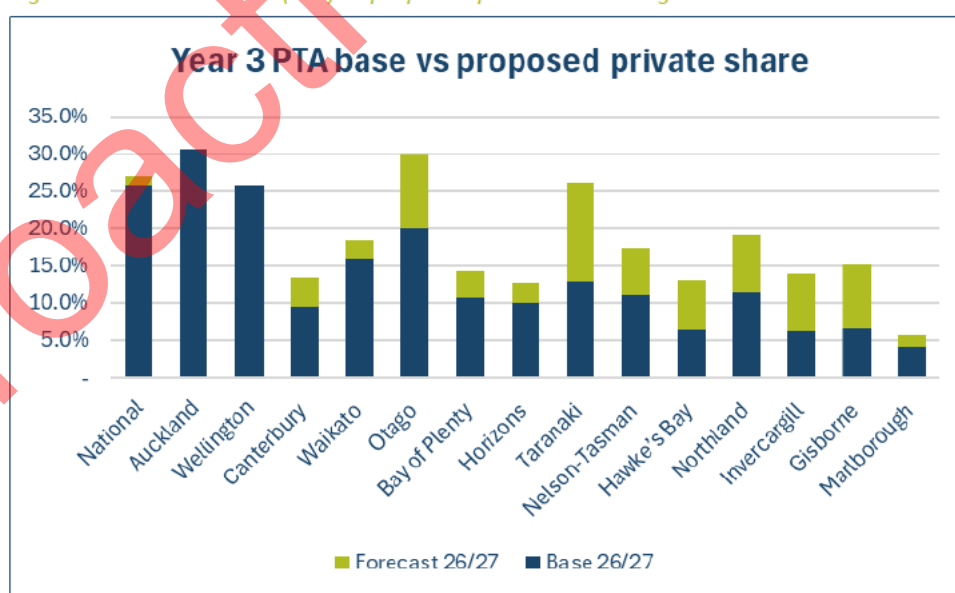
17. PTA-proposed increased private share targets are falling short of Government direction.
18. Private share targets proposed by PTAs at an officer-level show that nationally, private share for 2024/25 will be within the range set by the NZTA Board, while the targets proposed for 2025/26 and 2026/27 will be below. These targets are yet to be confirmed with PTAs' governing bodies and may change.

Table 1 Private share summary information

(millions)	Actual	Proposed figures		
	23/24	24/25	25/26	26/27
Passenger boardings	156.0	164.7	178.7	191.5
Private share - Fees and charges	283.8	367.6	422.3	469.1
Private share - Third-party revenue	31.1	33.9	39.9	36.7
Total operating expenditure	1,435.7	1,604.7	1,758.2	1,870.1
PTA private share target	21.9%	25.0%	26.3%	27.0%
NZTA - Low target		23.0%	27.0%	33.0%
NZTA - High target		27.0%	32.0%	40.0%

19. The inability of the national private share percentage to attain the NZTA Board's target range in the next two financial years is largely explained by the three largest PTAs (Auckland, Wellington, Canterbury) proposing modest increases, and the feedback is that they are constrained by the system settings. Based on this advice, there is a misalignment between the targets set by NZTA and those deemed achievable by the PTAs.
20. Small and medium PTAs are generally on track to meet proposed targets, while Auckland and Wellington have signalled an inability to propose higher private share targets beyond what has been set in their 2024-34 Long Term Plan (refer Figure 2).

Figure 2 Year 3 PTA base (LTP) vs proposed private share targets



System Settings

21. PTAs are disproportionately responding to the request to increase private share by proposing fare increases, rather than through other avenues such as raising third-party revenue. This is unsustainable in the long term.
22. Based on feedback from PTAs, there are numerous system setting challenges that inhibit them from increasing private share. Without addressing these system setting challenges, it will be difficult to attain higher levels of private share than currently proposed by PTAs.
23. If broader system settings constraints were reduced or removed, there would be opportunities to increase private share. For example:
 - Building capacity and capability within PTAs to embed a more commercially oriented approach to the planning, procurement, and delivery of public transport services and infrastructure.
 - Evolving the NLTF funding model for public transport could incentivise PTAs to grow third party revenue streams.
 - Combining regional delivery for public transport services and infrastructure within a single entity ensuring improved planning, procurement, and delivery of public transport across both services and infrastructure.
24. Addressing these challenges will likely require an ambitious programme of regulatory/ legislative reform over time. Following the update provided in BRI-3221, the previous Minister requested advice on how to address these system setting challenges by 31 March 2025.
25. Due to the complexities of the challenges, we propose extending the delivery of the system setting challenges advice document until end of April 2025.

Long-term target timeframe

26. We are seeking your direction on the timeframe for setting long-term targets beyond 2026/27. These are currently due by 31 March 2026. Setting of the long-term targets is impacted by the system setting work. An extension to the setting of these targets to the end of 2026 would allow the sector more time to implement initiatives raised by system setting challenges work and create more certainty for the sector to set their long-term targets.

It is recommended that you:

1. **Note** the contents of this briefing.
2. **Advise** if you wish to extend the system setting challenges delivery timeframe to end April 2025. **Yes / No**
3. **Advise** if you wish to extend the timeframe for setting the long-term targets to December 2026. **Yes / No**



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Vanessa Browne

Acting Group General Manager, Transport Services

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Hon Chris Bishop, Minister of Transport

Date: 2025