18 March 2026 OC260182

Action required by:

Wednesday, 18 March 2026

MINIMISING FREIGHT DISRUPTION

	Action sought
Hon Nicola Willis **Minister of Finance**	**Indicate** any interventions you do not want considered for further work in Annex 1
Hon Chris Bishop **Minister of Transport**	**Indicate** any interventions you do not want considered for further work in Annex 1
Hon Todd McClay **Minister for Trade and Investment** **Minister of Agriculture**	**Indicate** any interventions you do not want considered for further work in Annex 1
Hon Simon Watts **Minister for Energy**	**Indicate** any interventions you do not want considered for further work in Annex 1
Hon Shane Jones **Associate Minister for Energy**	**Indicate** any interventions you do not want considered for further work in Annex 1
Hon Brooke van Velden **Minister of Internal Affairs**	**Indicate** any interventions you do not want considered for further work in Annex 1
Hon Scott Simpson **Minister of Commerce and Consumer Affairs**	**Indicate** any interventions you do not want considered for further work in Annex 1
Hon James Meager **Acting Minister of Transport**	**Indicate** any interventions you do not want considered for further work in Annex 1

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Purpose

To provide initial advice on maintaining domestic and international freight connectivity in the event of sustained fuel price increases and/or supply disruption, including when government might intervene and what intervention options could be used.

Key points

- Together with the Ministry for Primary Industries (MPI), we have considered a set of illustrative scenarios, trigger points for government action, and possible interventions (refer **Annex 1**). These interventions look to achieve the principles of being temporary, targeted and timely. This advice has also been informed by key stakeholders, including the Freight Advisory Council. We will meet again with the Freight Advisory Council next week to test the feasibility, deliverability and impacts of the intervention options in Annex 1. Subject to your preferences, officials can provide a decision-making paper next week setting out a recommended suite of interventions.

Aviation

- Early impacts are visible in aviation: Air New Zealand has implemented fare increases and reduced some services (mainly frequency cuts), and Air Chathams has added a $20 fuel surcharge. However, the key trigger for aviation isn't high prices by itself — it's when jet fuel becomes constrained and has to be allocated. Fuel rationing signals a step-change into a much more severe operational disruption, where connectivity failures become likely.

Maritime

- In maritime freight, higher fuel and insurance costs are already being faced. International shipping costs have increased. There have, however, been no changes to schedules. Domestic shipping is less robust than international shipping because it is a market with limited ships and therefore redundancy, whereas international liner shipping is a deep, diversified global network with many more ways to absorb shocks.

- There is potential for shipping delays, unreliable schedules, port congestion and tighter container availability (including reefers). The international maritime sector is experienced in adjusting to disruptions. We anticipate lines will continue to serve New Zealand for as long as we are able to pay for imports and others are prepared to pay for our exports, unless the worst-case scenario eventuates.

Freight impacts

- Continued uncertainty over affordable air or sea freight will negatively impact primary sector exports, employment, and investment as businesses try to reduce costs, losses, and risks. Trade disruptions will impact food and fibre exports to Gulf States, valued at $2.8 billion for the year to 30 June 2025 – with 78 percent comprising dairy. As of 16 March, 780 consignments have been affected, mostly dairy, requiring replacement certification and redirection to alternative markets.

- s 9(2)(b)(ii) [redacted] s 9(2)(d) [redacted]

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- Reduced aviation services and higher costs can disproportionately affect remote regional communities, essential travel (including healthcare access), and supply chains through higher freight rates and reduced capacity.

- However, to date, access to air freight remains largely unchanged. There have been some reductions in services, but these are minimal.

Options for intervention

- If you wish to protect freight connectivity, options range from light-touch coordination and information sharing to route tenders or underwriting schemes and (for aviation) a fuel price cap/compensation mechanism. For maritime freight, options are more limited and would focus on coordination, removing barriers at the margins (e.g., port performance/fees where feasible), and protecting critical domestic coastal connections in acute disruption. All options carry trade-offs—especially uncertain fiscal exposure, the need for clear exit points, and risks of market distortion and ongoing commitments.

- Any intervention should match the scale and expected duration of the disruption. Regional aviation is a key vulnerability because thin routes[1] can become unviable quickly under fuel price/supply shocks, and once government steps in there is a risk of ongoing commitments.

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[1] Thin routes are air routes with limited passenger and/or cargo volumes, low frequency of service, and weaker commercial viability compared with major trunk or hub routes.

Recommendations

We recommend you:

1 **note** the attached illustrative scenarios with suggested trigger points for government action and potential interventions

2 **indicate** any interventions you do not want considered for further work in Annex 1, or any interventions that are not in Annex 1 you would like advice on.

Ruth Fairhall
Deputy Chief Executive Policy Group
18 / March / 2026

Hon Nicola Willis
Minister for Finance
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Hon Simon Watts
Minister for Energy
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Hon Chris Bishop
Minister for Transport
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Associate Minister for Energy
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Minister of Commerce and Consumer Affairs
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Hon James Meager
Associate Minister of Transport

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Minister's office to complete: ¨ Approved ¨ Declined

¨ Seen by Minister ¨ Not seen by Minister

¨ Overtaken by events

Comment

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Contacts

Name	Telephone	First contact
Ruth Fairhall, Deputy Chief Executive Policy Group	s 9(2)(a)	✓
Carolina Durrant, Manager Aviation		
Marian Willberg, Manager Maritime, Freight & Access		

MINIMISING FREIGHT DISRUPTION

Impact of the Middle East conflict on freight connectivity

Aviation – there is good access to airfreight for New Zealand exporters, however, prices are increasing and some challenges are emerging for specialised agricultural products

1 The closure of the Strait of Hormuz is affecting fuel supply world-wide and has driven sharp increases in jet fuel prices. While New Zealand's stocks of fuel remain good, price surges are placing substantial financial pressure on airlines and aviation operators, and can result in higher fares, reduced frequencies, and—on thinner routes—temporary service suspensions.

2 International flying is more exposed to overflight restrictions and rerouting[2]. Domestic flying is more exposed to thin-route economics, and loss of frequency that quickly becomes a connectivity problem.

3 To date, we are seeing air freight continuing to hold up, with small changes to capacity (Air New Zealand has implemented fare increases and reduced some services (mainly frequency cuts). We are also seeing some aircraft holding higher volumes of freight where passenger volumes are reduced. However, the situation is dynamic, and some exporters are reporting reduced slower access to key markets due to re-routing and/or significantly increased costs.

4 Passenger flights play a major role in supporting air freight by carrying cargo in the aircraft's lower hold ("belly freight"), providing regular capacity on high-frequency routes that improves speed, connectivity, and reliability for time-sensitive goods. We are not yet seeing any major shifts in passenger services (although there are reduced services via Emirates and Qatar).

5 However, we are seeing some challenges emerging for specialised agricultural products.

s 9(2)(b)(ii) [redacted] s 9(2)(b)(ii) [redacted] s 9(2)(d) [redacted] s 9(2)(b)(ii) [redacted]

Seafood exports are a mix of shipped frozen product and airfreight for high value seafood products (particularly **rock lobster** to China and salmon to the US, China, Australia).

6 Over the longer term, should there be reduced passenger services (particularly frequency cuts) we would expect to see impacts for freight at both a macro and micro level. At a macro level, fewer passenger flights would reduce overall belly-freight capacity and reduce connectivity across the network (fewer departure/connection options), which can increase upward pressure on air-freight prices, volatility, and lower system resilience when disruptions occur.

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[2] **Overflight restrictions** are limits or bans imposed by a country on aircraft passing through its airspace without landing, often for geopolitical, security, safety, or environmental reasons. **Rerouting** occurs when airlines must alter their planned flight paths to avoid restricted airspace, typically resulting in longer routes, increased flight times, and higher operating costs. International flights are also more exposed to long-haul fuel burn (the total amount of aviation fuel consumed on long-distance flights), and hub connectivity (how effectively an airport functions as a transfer point within the aviation network).

7 At a micro level, shippers and freight forwarders would have fewer flight options on certain routes, more rollovers[3], less schedule flexibility, and longer or less predictable transit times, particularly for time-critical or perishable goods. Where an airline makes targeted frequency reductions rather than a network-wide cut, impacts are concentrated on the affected routes, with other routes remaining comparatively stable but still more sensitive to peaks and disruptions.

8 **Regional aviation:** The environment for our regional airlines is already financially challenging. In response to recent sharp jet fuel price increases, Air New Zealand has made initial fare changes, and reduced some services - mainly service frequency cuts. The Ministry of Transport is engaging regularly with smaller regional airlines to understand their challenges. Price of fuel along with availability is a key concern. This matter is discussed further in paragraphs 36 – 39 below.

Shipping – the international shipping sector is highly experienced at managing through disruption

9 Most global trade by volume moves by sea, because it's the lowest-cost way to transport large quantities over long distances. That underlying demand for moving food, energy, raw materials, and manufactured goods doesn't disappear—so even when trade patterns change, shipping remains necessary.

10 Large international shipping lines operate globally across many routes and customers. Shipping firms, financiers, and customers expect volatility and have established commercial tools to deal with it—especially around major cost drivers like fuel. Fuel is often the single biggest voyage cost, so operators are extremely practised at managing it. Many shipping contracts and tariffs include bunker adjustment factors (fuel surcharges) and other surcharges (e.g., congestion, security/war-risk). While this can raise prices for exporters and importers, it helps carriers stay financially viable during cost spikes.

11 Domestic shipping is less robust than international shipping because it is a thin, asset-specific market with limited redundancy, whereas international liner shipping is a deep, diversified global network with many more ways to absorb shocks. In a small domestic market, operators can have less ability to spread a shock across many routes/customers, and fewer profitable lanes to cross-subsidise thin "lifeline" services.

12 Shipping services to and from the Persian Gulf have been suspended, although there are very few direct shipping services between New Zealand and the Gulf. New Zealand relies on very large international shipping lines for import and export by sea, and while these companies are experiencing high prices for fuel and insurance, they are not fragile entities in themselves. The sector has dealt with quite a few disruptions, including Houthi rebel attacks on ships in the Red Sea and the Panama Canal drought restrictions (2023–2024), and the sector adjusted and adapted.

13 Containerised shipments between New Zealand and the Gulf are transhipped at hub ports in Singapore, Malaysia and Australia. The disruption in the Gulf means that ships and containers are not moving in the normal way that shipping lines expect them to, so there will likely be secondary disruption to shipping services to and from New Zealand. Re-routing is occurring

[3] **Rollovers** occur when freight that is accepted or booked for a specific flight is not loaded (usually due to capacity constraints) and is instead carried on a subsequent flight.

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to avoid the conflict area. Refuelling is predominantly carried out in Asia, where fuel markets benefit from scale and competition, while bunkering activity in New Zealand and Australia remains minimal. This provides an ongoing incentive for these regions to maintain their status as refuelling hubs.

14 Decisions about capacity deployment and schedule changes will be made on a commercial basis at corporate headquarters in Copenhagen, Marseille, Geneva and Shanghai. New Zealand has extremely limited influence over those decisions. In addition, war risk insurance premiums have risen, or coverage has been withdrawn, and the costs of that insurance are pooled across the network, not at the level of individual voyages.

We are not seeing schedule or capacity changes to shipping, at this time

15 Transport officials are in regular communication with shipping company representatives and have not been made aware of any schedule or capacity changes so far. The seasonal peak in export produce means that there is a clear market to serve, and shipping lines will continue to serve that need, noting that war-risk and fuel surcharges may be incurred.

16 In the medium to long term, cargo owners could expect some disruption to the supply of containers of the right size and specification. While this was an issue during Covid, we are not seeing this yet.

We are seeing some products being diverted from the Middle East

The harvesting of **apples** began early February, and shipping has already commenced. s 9(2)(b)(ii) [redacted] Exporters are exploring options on how to get their products into the Middle East. Key export period for apples is from early March to late July.

It is important to consider the government's objectives in determining when intervention may be necessary

17 A clear understanding of the government's objectives for the current situation is important because it provides direction for the transport and freight system's response (including airlines, ports and shipping lines) and supports coordination across agencies.

18 We propose the following objectives for maintaining freight connectivity:

18.1 **maintain a scalable, viable level of international connectivity (air and sea) to preserve access to essential imports** (for example, but not limited to, medicines and health supplies and agricultural inputs) and **provide an outlet for exports** (including the Pacific Islands). The post-Covid recovery period demonstrated how scaled-back international networks took time to restore full capacity, highlighting the need for flexible, scalable strategies in response to fuel supply disruptions. There may also be a case to maintain a baseline level of service to key markets to support tourism and social connectivity, noting this could increase costs and fuel demand

18.2 **maintain a viable capability within the broader freight and logistics system** (including aviation, ports, shipping lines, domestic supply chains, and freight forwarding) so that **services can recover quickly** when the crisis abates. If the freight/logistics system loses

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capability during the crisis, it often can't "snap back" when conditions improve—so the disruption lasts longer and costs more.

18.3 **operate as normally as possible across the freight system**, including enabling airlines, ports and shippers to make **commercial decisions about service levels**, while supporting transparency and coordination where market signals may be impaired by uncertainty or disruption.

Identifying triggers for intervention and managing risks of mistimed support

19 If the government wants to protect freight connectivity, the trigger for intervention may need to be earlier than a broad system failure. For example, intervention could be triggered by the loss (or credible threat of loss) of service to main or strategic markets and gateways, or material reductions in frequency that undermine key passenger and freight connections.

20 The key trigger for aviation isn't high prices by itself — it's when jet fuel becomes constrained and has to be allocated. Fuel rationing signals a step-change into a much more severe operational disruption, where connectivity failures become likely.

21 If not tightly targeted, intervention could exacerbate constraints by keeping demand higher than available supply, diverting fuel or aircraft or ships away from higher-priority services, or weakening incentives for operators to ration capacity efficiently.

22 The shift from a price problem to a genuine physical scarcity problem is the most severe trigger. Once Gulf oilfields shut down, even a political resolution doesn't quickly restore supply — restart is technically complex and time-consuming. This is a qualitatively different crisis.

23 Potential triggers are outlined in **Annex 1**.

Government could consider a staged set of responses to maintain freight connectivity

24 Interventions could be considered on a spectrum from "light-touch" (information sharing and coordination) to "high-touch" (direct contracting or fiscal support).

25 Any interventions should be used only when necessary, and should be targeted, timely and temporary, and calibrated to the scale, impact and expected duration of the disruption. Where possible, measures should prioritise lifeline routes and strategic connections (including places where we source critical supplies), while preserving incentives for the freight and supply chains sector and fuel suppliers to manage demand and allocate scarce capacity efficiently. Key considerations include the following:

25.1 The geopolitical context is uncertain and there may be no clear pathway to crisis resolution. Some interventions (particularly those that compensate for fuel costs or underwrite services) can create significant and hard-to-predict fiscal exposure if high prices persist, demand remains high, or supply constraints worsen.

25.2 Any support should be time-limited and targeted, with clear review points and an "off-ramp" (for example, linked to fuel price and supply indicators, restoration of minimum service levels by the market, or a fixed end date). This helps avoid temporary measures

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becoming embedded and provides certainty to both operators and affected communities.

25.3 Temporary support can affect competition and investment decisions, including by shifting demand toward subsidised routes or operators and creating perceptions of government "picking winners". Where possible, interventions should be transparent, contestable (e.g., via open tender), and designed to minimise cross-subsidisation and unintended impacts on fuel allocation.

25.4 Interventions should be developed with a clear view of who benefits and why (e.g., freight-dependent sectors, or strategic international links). Defining the intended beneficiaries upfront helps target support, manage expectations, and assess whether the intervention is delivering the intended public value.

25.5 Intervention is likely to be expected at speed, so options should have delivery pathways thought through in advance (including eligibility settings, data requirements, contracting and payment mechanisms, and roles across agencies). Implementation complexity should be considered alongside policy effectiveness, particularly where rapid decisions are needed under uncertainty.

26 Substantial intervention in the shipping industry is not considered practicable or necessary. Shipping companies are sophisticated entities that base their service decisions on commercial considerations. New Zealand has limited capacity to influence these decisions. Our analysis and feedback from the sector suggests that, for all but the worst case scenario, as long as there remains a robust market (i.e., importers are willing to pay for exports from New Zealand), and business operations in New Zealand are not substantially more difficult than in competing markets, shipping lines are likely to continue their services.

27 There may be opportunities at the margins to enhance New Zealand's attractiveness as a market, such as through fees, levies, and port productivity performance[4]. While some measures fall within governmental jurisdiction, others require active participation from port companies and other stakeholders.

28 Potential interventions are outlined in **Annex 1**.

We have developed some illustrative scenarios

29 We have used four illustrative scenarios to identify trigger points and possible interventions, ranging from rapid stabilisation to a prolonged closure of there months or more. We will update these once there is an agreed All-of-Government set of scenarios. We have engaged with other government departments and some sector stakeholders (including the Freight Advisory Council) on the illustrative scenarios outlined in **Annex 1**.

30 Under the most benign scenario, short-term price shocks and freight disruption can create some pressure on exporters, farmers, and freight companies. Under the most severe scenario, New Zealand faces real fuel and input supply shortages, material erosion of export margins, the risk of loss of access to key markets, and impacts across society.

[4] Port productivity performance is how quickly, reliably, and cost-effectively a port can turn ships and containers around, across both waterside and landside operations.

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The agriculture sector has highlighted some specific exporting challenges

31 Exporters face heightened uncertainty and potential constraints on freight capacity (air and sea). The key risk is availability and reliability of capacity (more than cost), particularly if disruption persists into winter/spring planning. A combination of scheduling changes, availability and price increases (mainly day-old chicks and fresh and live seafood e.g. rock lobster to China, salmon to US/China/Australia) are already constrained by airfreight availability, not just cost.

32 Maritime routes are experiencing greater delay and uncertainty. Cold-chain pressure could emerge if disruption continues (New Zealand has reefer container coverage of roughly two weeks; cool store capacity has expanded since COVID-19). Second-order effects may arise as other countries redirect product into New Zealand's alternative markets. Impacts to date include disruption to food and fibre exports to Gulf States (valued at $2.8b to 30 June 2025; 78% dairy), with 780 consignments affected as at 16 March (and over 900 advised as affected in subsequent reporting). Containerised shipping costs have increased (reported +37% globally since conflict began; +30% for NZ exporters) but remain below COVID-19 peak levels.

Current considerations for the import market

33 Disruption could constrain access to critical imported inputs (e.g., fertiliser, ag-chemicals, veterinary medicines, packaging and feed), with emerging farm-level stockpiling creating risks of demand distortion and inequitable access. Limited or expensive air travel may also reduce access to seasonal specialised labour. Domestically, higher fuel and shipping costs and any inter-regional/inter-island transit constraints could raise prices and reduce access to essential equipment and services (e.g., veterinarians).

34 Persistent cost increases would erode producer and exporter margins across dairy, meat, horticulture and seafood. Some sectors may shift to lower-value processed formats (e.g., freezing) to use sea freight, but this can reduce value and employment outcomes and depends on access to capital, packaging and viable export markets.

Regional airlines were already financially fragile before any fuel shock

35 Regional aviation is where a fuel shock is most likely to turn from a serious disruption into a connectivity failure. Fuel supply risks for regional aviation are typically higher (and harder to manage) than for major trunk/international services because regional operators and airports have less storage, fewer suppliers, and fewer operational substitutes. Regional airlines also have weaker balance sheets, low margins, and uncertain demand from customers.

s 9(2)(b)(ii)

36 [redacted]

37 [redacted]

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s 9(2)(b)(ii) [redacted]

38 In the current fuel-price shock environment, the Regional Air Connectivity package remains highly relevant. It was designed to provide stability through short- to medium-term volatility (rather than a prolonged supply shortage). Regional Development Ministers are due to meet next week.

Next steps

39 Officials will meet again with the Freight Advisory Council next week to test the feasibility, deliverability and impacts of the intervention options in Annex 1. Subject to your preferences, officials can provide a decision-making paper next week setting out a recommended suite of interventions.

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s 9(2)(d), s 9(2)(f)(iv)

[redacted]

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s 9(2)(d), s 9(2)(f)(iv)

[redacted]

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MINISTRY OF TRANSPORT
TE MANATŪ WAKA

Memorandum | Te Tuhinga

From	Andrew Schoultz, Principal Economist
Date	19 March 2026
Topic	Rapid analysis of vehicle fuel price elasticity of demand

Outline

This document presents a rapid assessment of short run fuel demand price elasticities. Our assessment is made using the Ministry's Vehicle Fleet Model. The key estimates are:

- Light Passenger Vehicles (-0.23): statistically significant and plausible
- Light Commercial Vehicles (-0.18): statistically marginally significant, plausible
- Heavy Commercial Vehicles (~0): statistically insignificant, plausible

Interpretation: for a 1% rise in the price of fuel, light passenger vehicle fuel demand falls by 0.23%.

These are based on an annual basis, meaning we can interpret these as the change in demand at 1 year after the price change. This assumes the price change is sustained, not transitory.

As this is a rapid assessment, we have not had time to fully interrogate these figures. In particular, the heavy commercial vehicle elasticity may need more investigation.

Impacts

Table 1 below shows the 1-year impact to demand of a shock to the price of fuel. Based on the most recent available fuel price data,[1] petrol has risen 19% in the last 28 days, and diesel has risen 52%. This translates to a -4.5% reduction in demand for petrol among light passenger vehicles, and a -9.3% reduction in demand from light commercial vehicles.

Table 1: Demand impacts from fuel price shock

	28-day change	LPV	LCV	HCV
		Change in demand (Litres of fuel used)		
Petrol (91)	19.45%	-4.5%		
Diesel	51.78%		-9.3%	0.0%

Source: Ministry of Transport

[1] https://www.gaspy.nz/stats.html Extracted 19 March 2026 3:15pm

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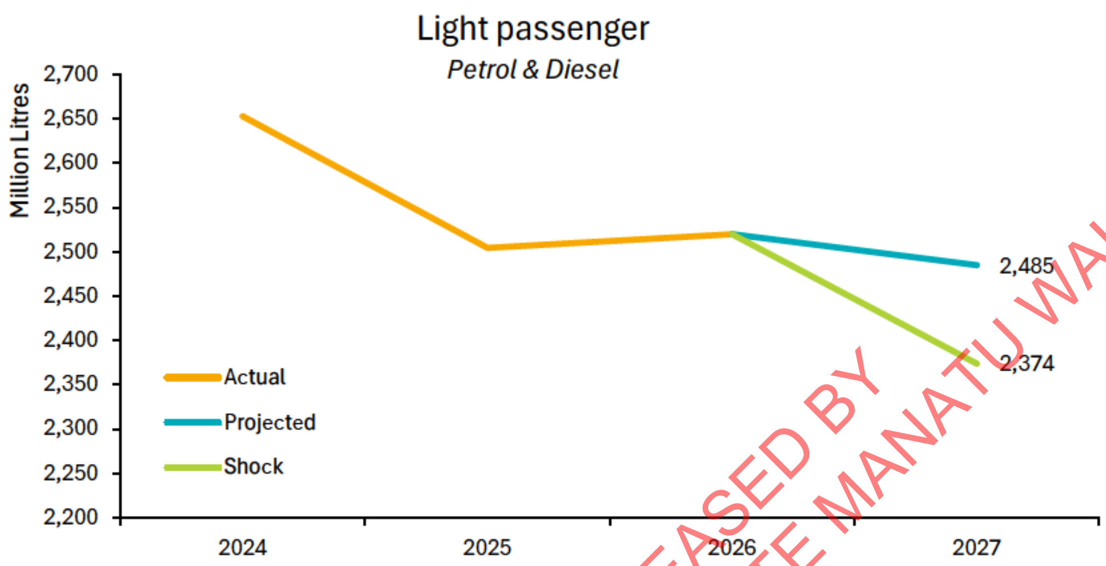
HEAD OFFICE: PO Box 3175, Wellington 6140, New Zealand. PH: +64 4 439 9000
AUCKLAND OFFICE: NZ Government Auckland Policy Office, PO Box 106483, Auckland 1143, New Zealand. PH: +64 4 439 9000

This quick analysis assumes that the price rises are sustained. We need to do more detailed work to infer the impact of a transitory shock.

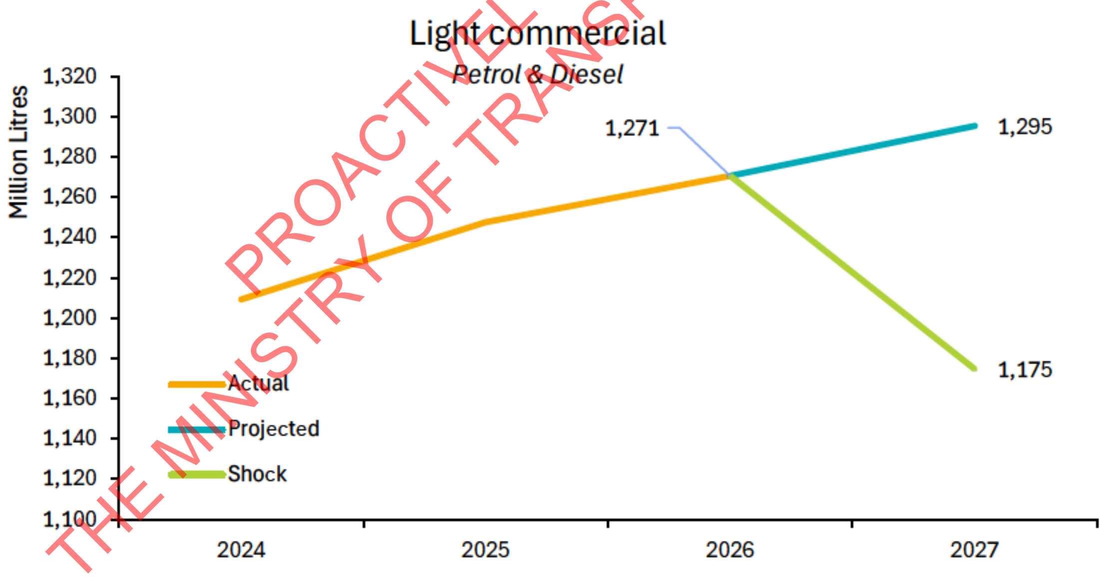
Figures 1 and 2 below show an indicative impact on total fuel demand for light passenger and light commercial vehicles. The impact is contrasted to our existing projections and assumed a sustained shock to fuel prices.

Figure 1: Light passenger vehicles: impact of price shock on projected demand



Source: Ministry of Transport – Vehicle Fleet Model

Figure 2: Light commercial vehicles: impact of diesel price shock on projected demand



Source: Ministry of Transport – Vehicle Fleet Model

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AIDE MEMOIRE

20 March 2026 OC260197

Hon Chris Bishop
Minister of Transport

AIDE MEMOIRE: FUEL SPECIFICATION TALKING POINTS FOR CABINET

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Purpose

1 This aide memoire provides you with talking points on the Cabinet paper titled *Temporary alignment with Australian fuel specifications*, for discussion at Cabinet on Monday 23 March.

2 The paper seeks agreement to temporarily allow fuel that meets the Australian fuel specification to be supplied to New Zealand, excluding Australia's recently relaxed sulphur limit for petrol. We support excluding the relaxed sulphur limit.

3 The paper notes that the Associate Minister of Energy will return to Cabinet to consider sulphur limits and other specification changes if there is a clear case that further changes are needed to bolster supply. Should this eventuate, we will work with industry to provide you with further advice.

Talking points

Sulphur content in petrol

- The Australian Government has temporarily amended its petrol quality standards to allow petrol sold in Australia to contain up to 50 parts per million (ppm) of sulphur until 31 May 2026. This is an increase from the usual 10ppm. I have been advised that this is an emergency measure to allow the fuel produced at the Brisbane refinery to be used in Australia rather than exported.

- New Zealand does not refine fuel domestically. It is unlikely that Australia will export this fuel to New Zealand, so relaxing our sulphur standard to match this change would not help.

- The paper notes that relaxing the sulphur limit to 50ppm could expand access to some smaller Asian or US refineries, but this would come with downsides for emissions, vehicle compatibility, and consumer protection.

- Higher sulphur levels can lead to parts of a vehicle's emissions system aging faster and is particularly harmful for newer vehicles optimised for low-sulphur fuel.

- The Imported Motor Industry Association has advised that a 60-90 day relaxation of sulphur limits is unlikely to create widespread acute mechanical failures in the New Zealand fleet at the level set by Australia. However, it will increase emissions and modestly accelerate emissions system aging.

- The AA, Motor Industry Association, Motor Trade Association, National Road Carriers Association and Transporting New Zealand support excluding the relaxed sulphur limits on the basis that it could damage vehicle emissions technologies.

- Any decision to revise sulphur limits in the future must be informed by consultation with industry.

Engagement with industry

- My officials are in direct contact with the Motor Industry Association, who represent most new-vehicle importers, the Imported Motor Vehicle Industry Association, who represent used-vehicle importers and the Automobile Association (AA).

- The Motor Industry Association, Imported Motor Vehicle Industry Association and AA have also been actively engaged in MBIE's Fuel Users Group. The purpose of this group is to hear directly from industry about fuel stocks and any fuel-related supply chain issues they are facing.

- My officials have provided MBIE with a list of peak bodies and large transport companies to ensure that officials are talking to the right people. Peak bodies include National Road Carriers, Ia Ara Aotearoa, the Port Industry Association and the Bus and Coach Association. The large transport companies include Mainfreight, Freightways and NZ Post.

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Contacts

Name	Telephone	First contact
Amber Dickson, Senior Advisor, Environment	s 9(2)(a)	
Mary Craythorne, Manager, Environment		✓

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22 March 2026 OC260208

Hon Chris Bishop
Minister of Transport

MEETING WITH PUBLIC TRANSPORT AUTHORITIES ON RESPONSES TO CURRENT FUEL PRICES AND SUPPLY

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Snapshot

You have called this meeting with senior leaders from public transport authorities to discuss the role public transport can play in helping people navigate the current fuel price shocks. Your Office has outlined to attendees that you will provide an update on the current response on behalf of the Government, and then you expect to hear insights from public transport authorities on their patronage, capacity, and any emerging issues.

Time and date	**10.30 -11:15am, 23 March 2026**
Venue	EW 6.1, Microsoft Teams
Attendees	Max Hardy, Director – Group Strategy and Chief Executive's Office, Auckland Council Stacey Van Der Putten, Director – Public Transport and Active Modes, Auckland Transport Andrew Ritchie, Interim Board Chair, Auckland Transport CCO Phil King, Director – Regional Transport Connections, Waikato Regional Council Nigel Corry, Chief Executive, Greater Wellington Regional Council Samantha Gain, Group Manager – Metlink, Greater Wellington Regional Council Paul Everett, Contract Manager – Regional Integrated Ticketing System, Otago Regional Council Giles Southwell, Director – Corporate and Public Transport Services, Environment Canterbury Jeremy Dickson, Project Lead – National Ticketing Solution, Environment Canterbury
Officials attending	Marian Willberg, Manager – Maritime, Freight & Access, Ministry of Transport Howard Cattermole – Chief Financial Officer, NZ Transport Agency

Attachments	Public transport patronage and capacity data provided on 18 March by Auckland Transport, Greater Wellington Regional Council, and Environment Canterbury is attached at **Annex 1**

Contacts

Name	Telephone	First contact
Marian Willberg, Manager – Maritime, Freight & Access	s 9(2)(a)	✓
Liam Fechney, Adviser – Maritime, Freight & Access		
Ruth Fairhall, Deputy Chief Executive – Policy Group		

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MEETING WITH PUBLIC TRANSPORT AUTHORITIES ON RESPONSES TO CURRENT FUEL PRICES AND SUPPLY

Talking points

- The Government is aware that public transport authorities have a key role to play as Kiwis navigate the current fuel price shock, as outlined in the letter I received from Greater Wellington, Auckland Transport and ECan last week.
- I strongly encourage you to continue engaging with officials to share insights on current patronage levels and capacity to absorb increased patronage across your networks.
- The Government is particularly interested in hearing where there might be capacity pinch points. I understand some peak services might face issue, but would be interested to hear your views on the extent to which this is the case.
- I also encourage you to reach out to officials if you're seeing unmanageable cost increases or other operational challenges with maintaining your current networks and levels of service.
- As the Government has already signalled, we are taking advice on temporary, targeted and timely measures to support New Zealanders with current cost-of-living pressures. No decisions have been taken but we will have more to say in due course.
- With that, I'd like to hand over and hear from you about what you're seeing across the country so far.

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There are existing arrangements to help manage operating cost increases faced by public transport authorities, but these were intended to assist with minor fluctuations, not major and sustained high costs

1 Public transport authorities hold multi-year operating contracts with public transport operators (which are private companies) to provide services, with the cost for these contracts largely being agreed upfront and paid over the term. After passenger fare revenue is applied, NZ Transport Agency (through the National Land Transport Fund) and public transport authorities split the remaining contract cost approximately 50/50.

2 NZ Transport Agency (NZTA) has provided quarterly diesel price indexing for these contracts since 2020, aimed to manage most of the fuel pricing risk for public transport operators. It was an evolution of a more basic indexing methodology which has existed since 2008. Before the diesel indexing was introduced, NZTA had concerns that at an aggregate level operators were overinflating risks, and indexing provided an opportunity to get better value for money.

3 However, the indexing is only intended to manage short term fuel price instability. To that end, it will probably function well, with minimal complaints from public transport authorities, if the current disruption is limited to temporarily increased prices for a short period of time. The indexation funding comes from the National Land Transport Fund, and the headroom in the public transport activity classes is very limited. NZTA will face funding challenges if fuel prices remain elevated for an extended period.

Like other critical sectors, the most important issue for public transport authorities is a clearly outlined plan for how fuel will be prioritised if there are genuine supply shortages

4 We are aware we have not had an opportunity to test your appetite for providing fuel price support (if it exceeds the amount which can be supported by the National Land Transport Fund) or supply guarantees to public transport authorities.

5 However, early signals and certainty of level of supply, even if reduced from the full amount required to operate the network, would form useful government support for the sector.

6 The public transport network has previously demonstrated it can adapt to reduced resources, even if the outcomes are not ideal. For example, when Wellington was short around 18 percent of the required number of bus drivers to operate a full network in 2022, daily service cancellations were around 8 percent. Knowing the fuel allocation ahead of time would allow public transport authorities to proactively manage capacity and communicate changes to users.

However, overall available capacity may be a misleading metric for how the public transport system will perform in high demand scenarios

7 New Zealand, like many other countries, has a very peak focused public transport system. Further increasing peak capacity is relatively expensive and takes time to implement, because it requires additional vehicles and staff. This required capital and ongoing operational investment also means public transport authorities may be reluctant to increase peak capacity unless demand appears certain to remain high in the medium-to-long term. Off peak services generally already have spare capacity, and it is quite easy and affordable to add more, as peak vehicles and staff are simply extended into the off peak.

8 Public transport authorities have some options to shift demand for discretionary trips, including off peak fare discounts. People may have no choice but to travel at peak, however, in which case the availability of off-peak capacity is largely useless to them. We suggest you ask public transport authorities whether they have started modelling these scenarios, and what responses they could use.

Most challenges or issues public transport authorities are flagging with officials are future risks rather than currently occurring, although commercial operators are under more pressure

9 For example, public transport authorities have expressed concern about the effect of fuel prices and supply on supporting activities, such as for maintenance activities and staff travel between home and work locations.

10 Commercial and unsubsidised public transport operators are outside of public transport authorities' direct control, but these operators also represent important lifelines to the communities they serve. Being unsubsidised, they are directly exposed to fuel price increases and can only respond by raising fares or cutting services. Waiheke ferry operators have already reduced frequencies and begun sailing their vessels slower. Public transport authorities will be aware that they may need to step in if some of these routes become unviable and cease operating, to maintain critical connectivity.

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Attendees

Max Hardy

Auckland Council

Stacey Van Der Putten

Auckland Transport

Andrew Ritchie

Auckland Transport

Phil King

Waikato Regional Council

Nigel Corry

Greater Wellington Regional Council

Samantha Gain

Greater Wellington Regional Council

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Paul Everett

Otago Regional Council

Giles Southwell

Environment Canterbury

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Annex 1: Public transport patronage and capacity data provided by Auckland Transport, Greater Wellington Regional Council, and Environment Canterbury

1 [*On Wednesday 18 March*] We requested up to date patronage from Auckland Transport, Greater Wellington Regional Council, and Environment Canterbury as the three largest public transport authorities which carry around 90 percent of New Zealand's public transport passenger-kilometres between them. All have caveated the provided data heavily as providing it quickly means they have not had the opportunity to verify it in depth.

2 Auckland Transport has reported a six percent year on year increase on patronage on Monday 16 March, and around a two percent increase week on week for Tuesday 17 March as compared to the previous Tuesday. Normally, it sees patronage start to decrease slightly over March, after very high patronage in the first week.

3 Greater Wellington Regional Council has provided the following graphs which show both bus and rail patronage as of 16 March inching ahead of the same time last year. It has noted that the observed patronage in late February 2026 was affected by a weather event where it had to suspend its network for most of the day.

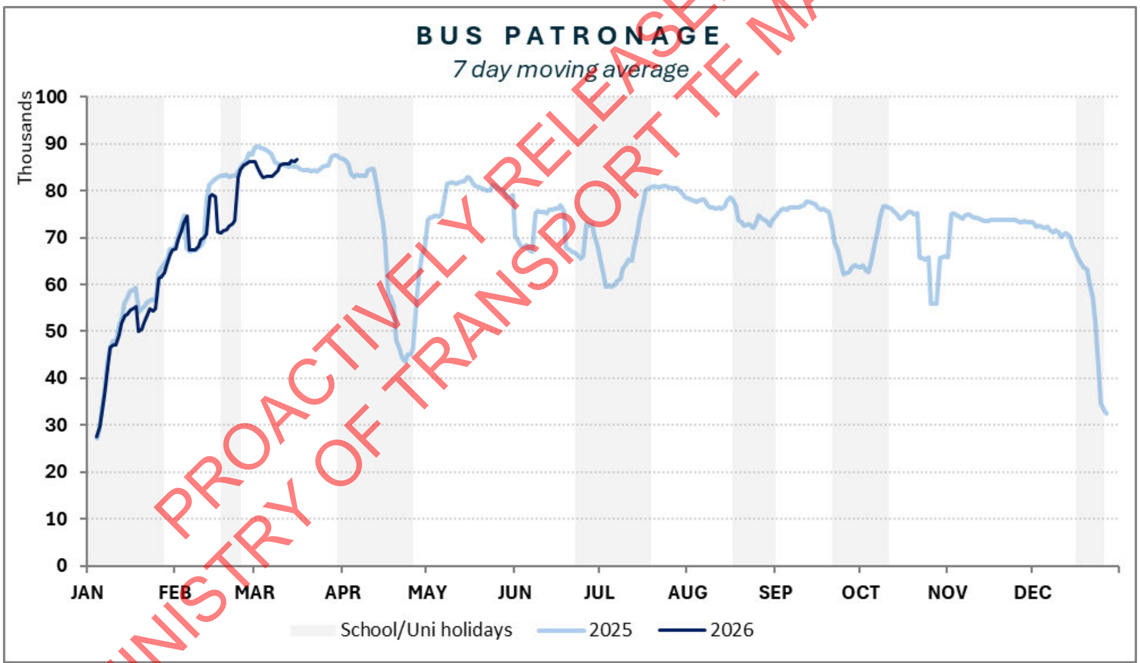

Figure 1 - Greater Wellington bus patronage

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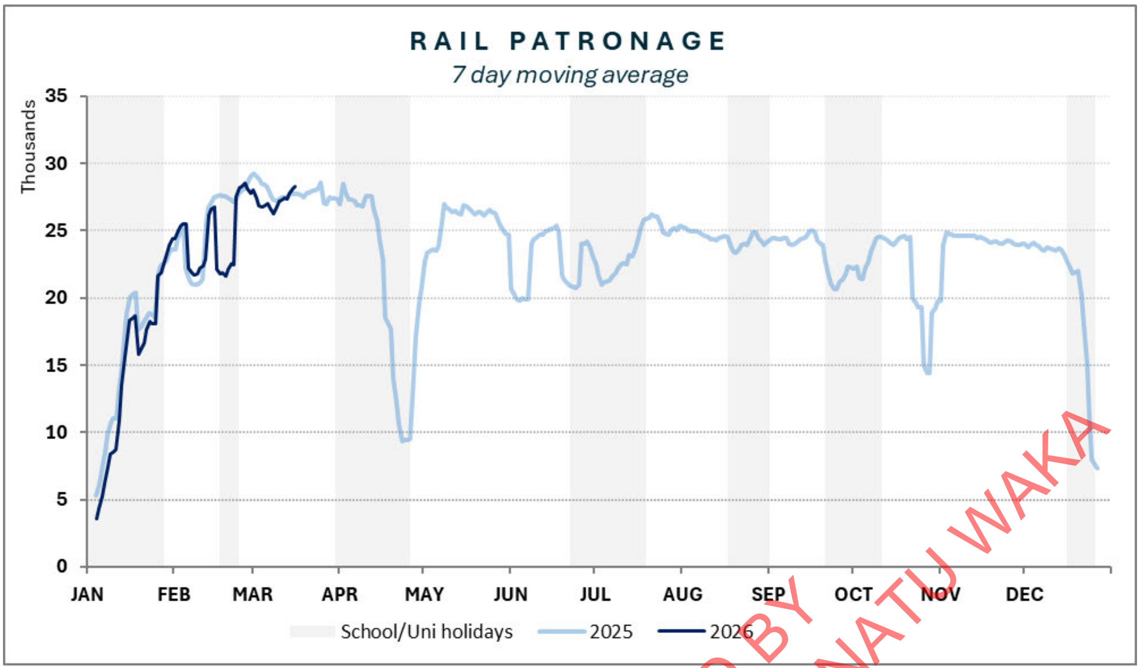

Figure 2- Greater Wellington rail patronage

4 Both Auckland Transport and Greater Wellington Regional Council are confident that overall, they have sufficient available capacity to absorb patronage growth driven by fuel price increases alone. On certain high frequency and high patronage bus routes at peak times, some vehicles will likely be completely full, and users required to wait for the following bus. The public transport authorities have stated that this will be a short wait if frequencies are maintained on these routes.

5 Environment Canterbury's patronage last week [*the week ending Sunday 15 March*] increased by around 6,000 trips on the previous week [*the week ending Sunday 8 March*], but this remains 20,000 trips short of the patronage recorded in the week ending 1 March 2026, indicating substantial capacity remains available. In general, it noted that patronage is up around 6.7 percent at peak times as compared to pre-COVID levels.

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24 March 2026 OC260217

Hon Chris Bishop
Minister of Transport

MEETING WITH THE FREIGHT ADVISORY COUNCIL

Purpose

This briefing outlines the agenda for the 24 March 2026 Freight Advisory Council special meeting, summarises discussions to date, and highlights matters members may raise during your roundtable.

Time and date	**3:00-3:30, 24 March 2026**
Venue	Microsoft Teams
Attendees	Please see Annex One
Officials attending	Brad Ward, Acting Chief Executive, Ministry of Transport Ruth Fairhall, Deputy Chief Executive, Ministry of Transport Marian Willberg, Manager – Maritime, Freight & Access, Ministry of Transport
Agenda	Please see Annex One

Contacts

Name	Telephone	First contact
Brad Ward, Acting Chief Executive	s 9(2)(a)	
Ruth Fairhall, Deputy Chief Executive		
Marian Willberg, Manager		✓

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MEETING WITH THE FREIGHT ADVISORY COUNCIL

Key points

- You will join the final 30 minutes of a special meeting of the Freight Advisory Council (the Council) on Tuesday 24 March, 3:00—3:30pm, on Microsoft Teams.
- The Council has held two previous special meetings (on 11 March and 17 March) to discuss emerging impacts of the Middle-East Conflict on freight and supply chain operations.
- The agenda and membership list for the meeting are provided in Annex One. The special meetings are attended by Council members, representatives from targeted stakeholders including Air New Zealand, Mainfreight, and Kotahi, as well as officials from MFAT, MBIE (Fuels), and MPI. A representative from Minister Meager's office may also start to attend these meetings.

Background

1. During the first special meeting, officials outlined the Government's coordination arrangements, including the Fuel Sector Coordinating Entity (MBIE-led), the Ministerial Oversight Group, and the Major Fuel Users Group convened by MBIE.

- At the second meeting, officials presented early scenario assessments and provided members with agency contacts and support pathways. This helped inform the paper on Minimising Freight Disruption [OC260182 refers]

Key observations from Industry

2. Industry reports that supply availability is not the primary concern at this stage, with pricing and market behaviour remaining the dominant issues.

- Route changes are already occurring for some services, extending transit times and affecting service reliability, and members have highlighted learnings from previous disruptions (such as the 2017 Northland jetfuel pipeline outage).
- Operational challenges continue, including war-related surcharges on certain trade routes, offloading of cargo as carriers re-route, consolidate, or prioritise capacity, and broader network disruption resulting in longer transit times and port congestion. MPI is aware of and is assisting organisations with these issues.

3. Members also expect long-term structural impacts, with global equipment imbalances emerging as containers and other assets are displaced from key markets, and alternative routing and scheduling arrangements being implemented that may remain in place for an extended period and unwind only slowly once stability returns to major shipping corridors.

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What we suggest for your roundtable

4. Open by thanking members for the invaluable contributions they are making, including through their participation in other meetings and sector-wide coordination efforts.

5. Set out the Government's overall approach to managing freight and supply chain impacts, reinforcing the importance of coordinated planning and clear information flows.

6. Acknowledge industry's call for early engagement. Members have emphasised the complexity of escalating scenarios and the need to address these issues proactively, with industry involvement, to fully understand operational implications.

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Annex 1: Agenda

Timing	Item	Purpose	Lead
2:30pm	1. Introduction	Outline the current supply chain and fuel risk context.	Chair
2:35pm	2. Update on fuel work from MBIE	Share MBIE intelligence and current assessments of fuel-related risks.	MBIE
2:40pm	3. Updates from the sector about risks, observations, and information needs	Invite industry and invited organisations to provide insights on emerging impacts, pressures, and resilience measures across their supply chains.	Chair
3:00	4. Minister of Transport roundtable	Opportunity for the Minister to provide a Ministerial update and for Council members and invited guests to raise questions.	Minister

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Annex Two: Invited Attendees

Alternates or additional representatives may attend on the day

Freight Advisory Council

Brad Ward	Ministry of Transport (Chair)
Ruth Fairhall	Ministry of Transport
Cath O'Brien	Board of Airline Representatives New Zealand
Rachel Madden	Customs Brokers and Freight Forwarders Association
Dom Kalasih	Ia Ara Aotearoa Transporting New Zealand
Mark Scott	International Container Lines Committee
Justin Tighe-Umbers	National Road Carriers
Billie Moore	New Zealand Airports Association
Brent Falvey	New Zealand Cargo Owners Council
David Borcoski	New Zealand Shipping Federation
David Boyce	New Zealand Trucking Association
Adele Wilson	KiwiRail
Kirstie Hewlett	Maritime New Zealand
Kane Patena	Civil Aviation Authority
Ian Bonnar	New Zealand Port Chief Executives Group
James Hartley	Ministry of Business, Innovation & Employment
Richard Forgan	New Zealand Transport Agency

Guests

Anne Dunne	Air New Zealand
Neils Meinderts	Air New Zealand
Emma Parsons	Kotahi

Other agencies

Geoff King	MFAT
Sebastian Doelle	MBIE
Philip Houlding	MPI
Josh Smith	Your Office
Louis Donovan	Minister Meager's Office

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23 March 2026 OC260212

Hon Chris Bishop **Action required by:**

Minister of Transport Wednesday, 1 April 2026

PUBLIC TRANSPORT – OPTIONS TO PROVIDED TARGETED HOUSEHOLD SUPPORT

Purpose

Provide you with opportunities and considerations for using public transport to mitigate the effects of high fuel prices on household travel.

Key points

- We recommend prioritising any available Crown funding to maintain the existing public transport network for users, rather than funding fare concessions. s 9(2)(f)(iv) [redacted]

- You have heard from public transport authorities that they are confident that they can manage their fuel cost pressures in the short-term, s 9(2)(ba)(i) [redacted]

- Public transport authorities are overall confident that their networks can accommodate foreseeable patronage growth. However, there are likely to be capacity constraints at peak times, which would be relatively expensive to relieve. We are continuing to work on modelling the network's capacity, and encouraging public transport authorities to share patronage and capacity information with us.

- NZ Transport Agency has been commissioned to provide weekly public transport patronage updates to your Office, based on input from public transport authorities.

Note: A subsequent decision is that the public transport patronage information in the Ministry of Transport/Ministry of Business, Innovation and Employment's publicly available "Fuel response monitoring dashboard" covers this point.
NZ Transport Agency will not provide weekly public transport patronage updates to the Minister of Transport's Office

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Recommendations

We recommend you:

1 **indicate** through your Office if there are support options you want us to progress

Marian Willberg
Manager – Maritime, Freight & Access
..23/03/2026...

Hon Chris Bishop
Minister of Transport
..... / ...... / ......

Minister's office to complete:

☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Marian Willberg, Manager – Maritime, Freight & Access	s 9(2)(a)	✓
Ruth Fairhall, Deputy Chief Executive – Policy Group		
Liam Fechney, Adviser – Maritime, Freight & Access		

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PUBLIC TRANSPORT – OPTIONS TO PROVIDE TARGETED HOUSEHOLD SUPPORT

The public transport system itself is facing rising fuel costs, and the impact falls on both NZ Transport Agency and public transport authorities

1 Public transport authorities hold multi-year operating contracts with public transport operators (which are private companies) to provide services, with the cost for these contracts largely being agreed upfront and paid over the term. After passenger fare revenue is applied, NZ Transport Agency (through the National Land Transport Fund) and public transport authorities split the remaining contract cost approximately 50/50[1].

2 We firstly note that under most scenarios where fuel prices or shortages drive a measurable increase in patronage, the public transport system itself will also face higher costs. Public transport authorities have made great progress electrifying their fleets, to the point where nationally 22 percent of buses, and all metro rail trains except for the Wairarapa Line, are powered by electricity.

3 However, that still leaves a substantial portion of the system powered by diesel or petrol, including ferries, interregional trains, and small passenger service vehicles used by Total Mobility. Public transport authorities and operators will likely seek dedicated support from central government in many scenarios where fuel supply is constrained or costly.

4 NZ Transport Agency (NZTA) has provided quarterly diesel price indexing for contracts since 2020, aimed to manage most of the fuel pricing risk for public transport operators. It is an evolution of a more basic indexing methodology which has existed since 2008. Before the diesel indexing was introduced, NZTA had concerns that at an aggregate level operators were overinflating risks, and indexing provided an opportunity to get better value for money.

5 However, the indexing is only intended to manage short term fuel price instability. To that end, it will probably function well, with minimal complaints from public transport authorities, if the current disruption is limited to temporarily increased prices. Public transport authorities confirmed this in your meeting on 23 March 2026. The indexation funding comes from the National Land Transport Fund, and the headroom in the public transport activity classes is very limited. NZTA will face funding challenges if fuel prices remain elevated for an extended period.

6 s 9(2)(f)(iv) [redacted]

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[1] The exact split depends on the region's NZTA Funding Assistance Rate (FAR)

Particularly in our major cities, public transport offers an efficient and effective solution to rising and unstable fuel prices for households

7 Current Crown funded or national public transport fare subsidies are:

Name	Description	Cost to Crown
Community Connect	Reduces public transport fares by 50 percent for Community Services Cardholders*	$12 million per annum
SuperGold	Provides free off-peak public transport for New Zealanders aged over 65	$40.7 million per annum
Under 5s	Provides free public transport for people aged 5 and under	None. Note these children need to travel with a paying adult.
*Community Services Cardholders are people aged over 16 on very low incomes, including those receiving a benefit, living in public housing, or otherwise earning less than around $36,000 per year.		

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The public transport system almost certainly has capacity to absorb additional demand, and is better able to manage when its capacity is exceeded than other areas of the transport system

8 In the short term, March is generally a busier month for public transport, and public transport authorities have already planned to add capacity. If there is an even larger spike in the peak demand than expected, there will be additional crowding on services. However, the system is still better set up to deal with increased demand than normal.

9 For example, Greater Wellington Regional Council has indicated that its peak hour bus services have around 10 percent spare capacity, and peak hour train services around 30 percent. Auckland Transport's peak daily patronage so far this year has been around 388,000, but prior to the COVID-19 pandemic was accommodating over 450,000 passengers at peak. Environment Canterbury has indicated capacity constraints on some of its routes at peak times, but has not supplied overall capacity data.

10 Crowded services mean more passengers need to stand as the seated capacity of vehicles is reached. Crowded services are therefore less comfortable, but a major advantage of public transport is that a congested (crowded) service can still run reliably.

11 If demand increases beyond capacity in the medium-to-long term, public transport authorities work with public transport operators to increase the frequency and capacity of vehicles used. This has the side benefit of making the overall quality of services better for users which can further increase patronage. Public transport authorities can also look to shift demand for discretionary trips by using off-peak fare discounts or similar tools.

Greater Wellington Regional Council, Auckland Transport, and Environment Canterbury have shared that public transport patronage is trending upwards but the factors driving this are not clear

12 Public transport patronage is affected by many factors, including the weather, and school and university term dates. As noted earlier, March is generally a month of increased patronage as university students return to study. Public transport authorities will need another few weeks of data before they can confirm that the recent increase in patronage is sustained and unusual. They will also consider whether increases are from existing users taking more trips, or brand new or previously infrequent users who may be switching from other transport modes.

13 On Wednesday 18 March, we requested up to date patronage from Auckland Transport, Greater Wellington Regional Council, and Environment Canterbury as the three largest public transport authorities which carry around 90 percent of New Zealand's public transport passenger-kilometres between them. All have caveated the provided data heavily as providing it quickly means they have not had the opportunity to verify it in depth.

14 Auckland Transport has reported a six percent year on year increase on patronage on Monday 16 March, and around a two percent increase week on week for Tuesday 17 March as compared to the previous Tuesday. Normally, it sees patronage start to decrease slightly over March, after very high patronage in the first week.

15 Greater Wellington Regional Council has provided the following graphs which show both bus and rail patronage as of 16 March inching ahead of the same time last year. It has noted that the observed patronage in late February 2026 was affected by a weather event where it had to suspend its network for most of the day.

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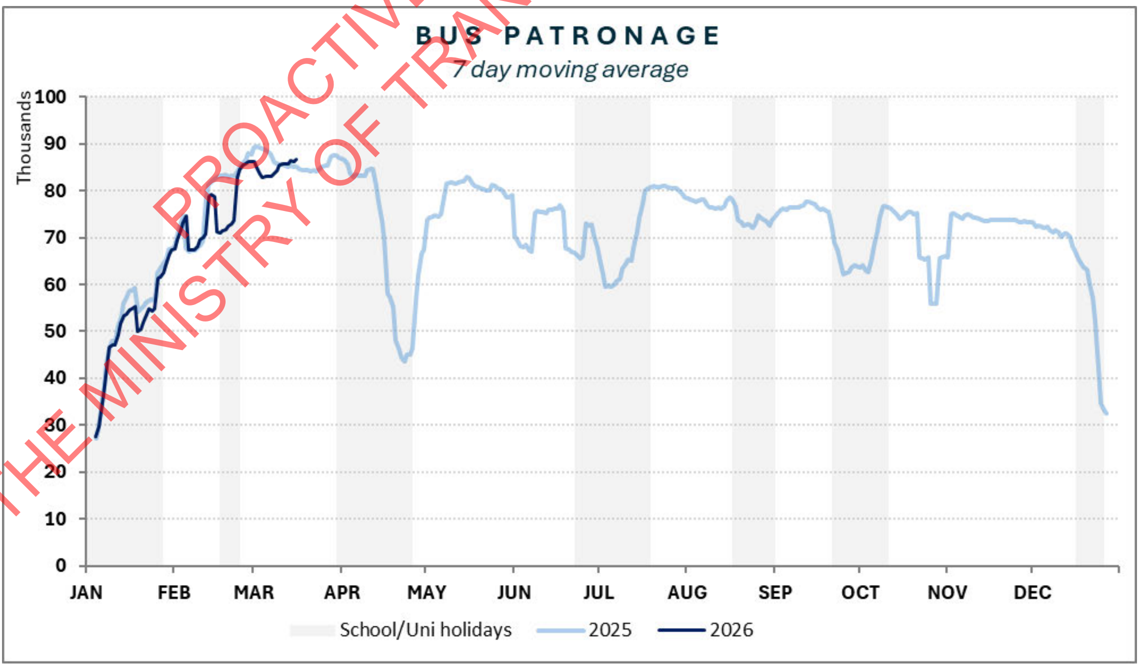

Figure 1 - Greater Wellington bus patronage

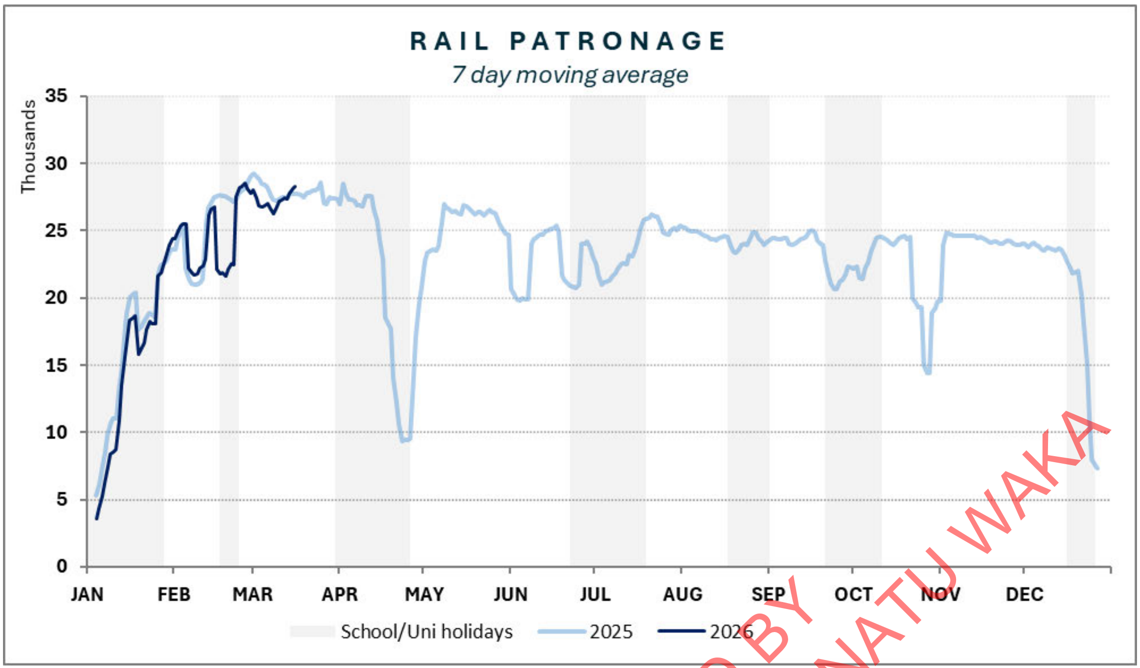

Figure 2- Greater Wellington rail patronage

16 Both Auckland Transport and Greater Wellington Regional Council are confident that overall, they have sufficient available capacity to absorb patronage growth driven by fuel price increases alone. s 9(2)(ba)(i) [redacted]

17 Environment Canterbury's patronage in the week ending 15 March 2026 increased by around 6,000 trips on the week ending 8 March 2026, but this remains 20,000 trips short of the patronage recorded in the week ending 1 March 2026, indicating substantial capacity remains available. In general, it noted that patronage is up around 6.7 percent at peak times as compared to pre-COVID levels.

Officials do not recommend broad fare subsidies as a support measure, and note there are significant setup issues with most targeted fare subsidy options

18 Development of the options presented has been guided by the direction that any relief measures need to be timely, temporary, and targeted.

19 Broad fare subsidies risk patronage increases beyond what the network can currently accommodate at peak times, particularly while it is itself in a high-cost environment.

20 The differing and aging ticketing systems in use for public transport across the country mean that establishing any new targeted fare categories or subsidies would take around six months. This is especially the case if the category is one that requires verification of eligibility, s 9(2)(f)(iv) [redacted]

21 This complexity and potential delays were part of the reason why the previous Government initially applied a universal half price fare concession, which could be implemented in a

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matter of days because public transport authorities could just halve their fares and then top up the missing half with the provided Crown funding.

22 However, funding this way is also clearly inefficient, and will result in many people who do not need support with their transport costs receiving it. The cost of providing a universal 50 percent fare subsidy would be in the vicinity of $170 to $200 million per annum.

s 9(2)(f)(iv)

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s 9(2)(f)(iv)

[redacted]

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s 9(2)(f)(iv)

[redacted]

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Detailed modelling of price impacts on public transport demand is not ready for this paper, but will be provided this week

38 We will provide the Project Monty modelling of public transport network demand and capacity as an aide memoire as supporting material for this briefing once it is finalised later in the week of 23 March 2026.

39 NZTA has advised the best short run cross price elasticity estimate for fuel prices and public transport patronage it has is between 0.1 and 0.2. This means for every 10 percent increase in fuel prices, public transport patronage would be expected to increase by 1 to 2 percent, all else being equal (including public transport fares being kept at the same levels).

s 9(2)(b)(i), s 9(2)(b)(ii), s 9(2)(ba)(i), s 9(2)(c)

[redacted]

Next steps

41 We will progress any of the options you wish to select or explore further.

42 The current situation highlights a key benefit of electrifying the public transport fleet, which is better resilience to global energy shocks. For example, Palmerston North's bus network will be largely unaffected as it exclusively uses electric buses. Based on current trajectories, New Zealand will achieve complete electrification of the public transport bus fleet between 2035 and 2040. Officials will work with public transport authorities to ensure that electrification continues by removing regulatory barriers and examining what other support might be required.

43 NZTA has been commissioned to provide a weekly Tuesday update on public transport patronage to your Office. Other relevant data, such as public transport capacity, may also be provided where available.

See note in key points section

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