

OC220985

02 December 2022

s 9(2)(a)
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I refer to your email dated 01 November 2022, requesting the following under the Official Information Act 1982 (the Act):

“[A]ny and all reports provided to the Minister in respect of the \$61 million allocated in Budget 2022 for a sustainable, skilled workforce of bus drivers.”

15 documents fall within the scope of your request. The documents are listed in the document schedule attached as Annex 1. Annex 1 outlines how the documents you requested have been treated under the Act.

Certain information is withheld under the following sections of the Act:

- | | |
|-------------|---|
| 9(2)(a) | to protect the privacy of natural persons |
| 9(2)(f)(iv) | to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials. |

Regarding the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

I am refusing your request under the following section of the Act regarding documents 7, 8, 12–15 as outlined in Annex 1 at the end of this document:

- | | |
|-------|--|
| 18(d) | the information requested is or will soon be publicly available. |
|-------|--|

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz.

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā

A handwritten signature in blue ink, appearing to read 'Helen White', with a stylized flourish at the end.

Helen White
Manager, Safety and Mobility

Annex 1 - Document Schedule

	Document	Description of information withheld
1	Briefing - OCC220763 Updated Draft Cabinet Paper – Progress on Establishing a Bus Industry Standard Agreement for Bus Drivers	Released in full. Officials' phone numbers withheld under s9(2)(a) to protect privacy
2	Draft Cabinet Paper – OC220763 - Annex 1 - Progress on Establishing a Bus Industry Standard Agreement for Urban Bus Drivers	Some material withheld under section 9(2)(f)(iv)
3	Briefing - OCC220654 Further Advice on Progressing the Bus Industry Standard Agreement	Released in full. Officials' phone numbers withheld under s9(2)(a) to protect privacy
4	Briefing - OC220623 Options for Progressing the Bus Industry Standard Agreement	Released in full. Officials' phone numbers withheld under s9(2)(a) to protect privacy
5	Briefing - OC220550 Draft Cabinet Paper – Progress on Establishing a Bus Industry Standard Agreement for Urban Bus Drivers	Some material withheld under section 9(2)(f)(iv)
6	Draft Cabinet Paper - OC220550 Annex 1 –Progress on Establishing a Bus Industry Standard Agreement for Urban Bus Drivers	Some material withheld under section 9(2)(f)(iv)
7	Cabinet Paper – Progress on Establishing a Bus Industry Standard Agreement for Public Transport Bus Drivers	Refused under s18(d) Note: this document has been proactively released https://www.transport.govt.nz/assets/Uploads/Progress-on-establishing-a-bus-industry-standard-agreement-for-public-transport-bus-drivers-1_Redacted.pdf?vid=4
8	Cabinet Minute – Establishing a Bus Industry Standard for Public Transport Bus Drivers: Report on Progress	Refused under s18(d) Note: this document has been proactively released https://www.transport.govt.nz/assets/Uploads/DEV-22-MIN-0232-Minute_Redacted.pdf
9	Master CERF Info Table	Released relevant excerpts. Some material withheld under section 9(2)(f)(iv)

	Document	Description of information withheld
10	Talking points - Budget 2022 Transport – follow up with the Minister of Finance	Relevant excerpts released
11	Budget 22 – Responses to MO	Relevant excerpts released. Some material withheld under section 9(2)(f)(iv)
12	Budget 2022 Vote Transport – Initiatives for Submission	Refused under s18(d) Note: this document has been proactively released https://www.transport.govt.nz/assets/Uploads/Budget-2022-Information-Release.pdf
13	Budget 2022 Vote Transport – Initiatives for Submission – Annex 1 to Briefing	Refused under s18(d) Note: this document has already been proactively released. https://www.transport.govt.nz/assets/Uploads/Budget-2022-Information-Release.pdf
14	Strategic Overview of Transport's Climate Emergency Response Fund (CERF) Initiatives	Refused under s18(d) Note: this document has been proactively released https://www.transport.govt.nz/assets/Uploads/Budget-2022-Information-Release.pdf
15	Suggested Talking Points and Advice on Specific Budget 2022 Initiatives	Refused under s18(d) Note: this document has been proactively released https://www.transport.govt.nz/assets/Uploads/Budget-2022-Information-Release.pdf



1 September 2022

OC220763

Hon Michael Wood
Minister of Transport

Action required by:
Monday, 5 September 2022

UPDATED DRAFT CABINET PAPER - PROGRESS ON ESTABLISHING A BUS INDUSTRY STANDARD AGREEMENT FOR BUS DRIVERS

Purpose

This paper seeks your:

- feedback on the revised draft Cabinet paper regarding the Bus Industry Standard Agreement; and
- agreement to begin departmental and Ministerial consultation on the draft paper.

Key points

- We have updated the draft Cabinet paper (provided at Annex 1) to reflect your direction on how the Budget 2022 funding is distributed for the first tranche of improvements to bus drivers' base wage rates (OC220654 refers).
- The draft Cabinet paper proposes that, to receive Crown funding, public transport authorities are required to:
 - demonstrate that operators have contributed increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021 at a minimum;
 - demonstrate that operators commit to pass on future indexation payments to increase drivers' wages; and
 - contribute local share to match Crown funding at the normal funding assistance rate (typically 49 percent local/51 central government) unless they have already provided this in advance of Crown funding.
- The draft Cabinet paper also proposes that base wages will differ for regional and urban drivers, with the aim of reaching \$30 an hour for urban drivers, and \$28 an hour for regional drivers. We recommend public transport authorities determine whether they target the urban rate or the regional rate, based on the needs and characteristics of their region, and their ability to meet the local share required to meet those rates.

- Since our previous advice on the distribution of Crown funding, the Waka Kotahi Board agreed to co-fund wage increases in Auckland from the National Land Transport Fund (NLTF). Other regions will likely also receive co-funding from the NLTF to increase bus driver wages. Waka Kotahi has recommended PTAs be required to provide local share to match both NLTF investment and Crown investment. This will ensure PTAs are able to meet local share for increased wage costs after the four years of Crown funding. However, it could impact the ability to distribute Crown funding if PTAs are not able to raise additional local share.
- Cabinet approval is required to drawdown the \$61 million allocated in Budget 2022. To progress this as quickly as possible, we have proposed a very tight timeframe, with Cabinet Economic Development Committee consideration on 21 September 2022. To meet this timeframe, departmental and Ministerial consultation will need to occur from 5 September 2022 until 13 September 2022.

Recommendations

We recommend you:

- | | | |
|---|---|----------|
| 1 | agree that public transport authorities (PTAs) should determine whether they meet the urban or regional driver base wage rates, based on the needs of their respective regions | Yes / No |
| 2 | agree that PTAs be required to provide local share for both Crown funding and for any co-funding from the National Land Transport Fund | Yes / No |
| 3 | agree to start departmental and Ministerial consultation on the draft Cabinet paper, following any further feedback. | Yes / No |



Helen White
Manager, Mobility and Safety
 01 / 09 / 2022

Hon Michael Wood
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
Helen White, Manager, Mobility and Safety	s 9(2)(a)	✓
Olivia Kitson, Senior Adviser, Mobility and Safety	s 9(2)(a)	

UPDATED DRAFT CABINET PAPER - PROGRESS ON ESTABLISHING A BUS INDUSTRY STANDARD AGREEMENT FOR BUS DRIVERS

We have updated the draft Cabinet paper to reflect your direction on Crown funding

- 1 We have updated the discussion in the Cabinet paper regarding how the first tranche of wage improvements will be met from Crown funding agreed as part of Budget 2022. Based on our previous advice (OC220654 refers), the paper proposes that Crown funding is used to start moving wages towards the nationwide standard agreed by the Bus Industry Standard Sub-group.
- 2 The paper also states that to receive Crown funding, public transport authorities (PTAs) will need to contribute local share to match Crown funding, unless they have already contributed their share. PTAs will also need to demonstrate that operators:
 - 2.1 have contributed to increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021, at a minimum
 - 2.2 commit to pass on future indexation payments to increase drivers' wages.

We propose that PTAs determine whether they need to meet the urban or regional base rate

- 3 We have noted previously (OC220654 refers) that further work is needed to determine the PTAs that need to meet the urban base rate, and those that need to meet the regional rate. We have proposed in the draft Cabinet paper that PTAs determine which rate they need to meet, according to the needs of their region.
- 4 Higher costs of living in urban areas is the key reason for the two different rates. We anticipate PTAs will consider costs of living in determining which rate to apply, as well as their ability to attract drivers to meet demand for services and meet local share to match Crown funding.

We propose PTAs be required to match both NLTF and Crown funding

- 5 Following our advice on how the Budget 22 funding is distributed (OC220654 refers), the Waka Kotahi Board agreed to co-fund wage increases in Auckland from the National Land Transport Fund (NLTF). Other regions will likely also receive co-funding from the NLTF to increase bus driver wages. With this in mind, Waka Kotahi has recommended PTAs be required to provide local share to match both NLTF investment and Crown investment.
- 6 Waka Kotahi's recommended approach will ensure PTAs are able to meet local share for increased wage costs after the four years of Crown funding. However, it is dependent on PTAs being able to raise local share to match NLTF and Crown investment. Consequently, there is a risk that PTAs are unable to match Crown funding, preventing Crown funding from being used to increase wages. This is more

likely in the first year of Crown funding where PTAs have not budgeted sufficient funding and for PTAs not experiencing driver shortages¹.

- 7 It is also possible that some PTAs provide local share that is less than what would be required to match their portion of Crown funding. In that instance, we would anticipate Crown funding to match the local share provided, even if it is below what might be expected.

We are seeking your feedback on the draft Cabinet paper, and agreement to start consultation

- 8 Cabinet approval is required to drawdown the \$61 million allocated in Budget 2022. The funding was agreed by Ministers as a tagged contingency, and that drawdown of the contingency requires Cabinet approval, upon its satisfaction with work to agree nationally consistent terms and conditions for bus drivers.
- 9 To progress Cabinet approval as quickly as possible, we have proposed a tight timeframe, detailed in Table 1 below.

Table 1: Timeline for Cabinet report back

Date	Milestone
5 September 2022	Officials receive your feedback on the draft Cabinet paper
5–13 September 2022	Departmental and Ministerial consultation on the draft Cabinet paper occurs, as well as consultation on a summary of the Cabinet proposals with the Bus Driver Conditions Steering Group
15 September 2022	Final paper lodged
21 September 2022	DEV
26 September 2022	Cabinet

¹ We understand the regions not currently experiencing driver shortages are regions with smaller public transport networks, such as Northland, Taranaki, Nelson, and Invercargill.

IN CONFIDENCE

ANNEX 1 UPDATED DRAFT CABINET PAPER

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

IN CONFIDENCE

In Confidence

Office of the Minister of Transport

Cabinet Economic Development Committee

Progress on establishing a bus industry standard agreement for urban bus drivers

Proposal

- 1 This paper:
 - 1.1 reports on progress to agree nationally consistent terms and conditions via a bus industry standard agreement for urban bus drivers;
 - 1.2 seeks approval to drawdown the tagged contingency funding for the retaining and recruiting bus drivers initiative, as agreed through Budget 2022; and
 - 1.3 advises Cabinet of the public transport bus sector's intention to roll out further improvements to bus driver terms and conditions, subject to funding availability.

Relation to government priorities

- 2 The proposals in this paper support the Government's priority to provide an inclusive economy where economic growth is shared by all. The proposals will improve the wages of public transport bus drivers by supporting a bus industry standard.
- 3 The proposals also relate to the Government's commitment to reduce emissions as part of our response to climate change. As part of this, the Government has committed to a range of actions in the Emissions Reduction Plan to reduce reliance on cars through mode shift. These actions include improving the reach, frequency and quality of public transport. The sector will only be able to achieve these outcomes with a sustainable and growing workforce, which is a key outcome I am targeting with this proposal.

Executive Summary

- 4 Public transport is an increasingly important transport option for New Zealanders, both in terms of its importance in providing access and its role in emissions reduction.
- 5 The sector is reporting huge strains on the ability to deliver the services that New Zealanders need due to a severe shortage of bus drivers. This is limiting the ability of public transport authorities¹ to adequately meet the needs of the public in designing their networks and growing services. Many report that they are now having to run

¹ Public transport authorities are regional councils, Auckland Transport, unitary authorities (other than Auckland Council) and territorial authorities that have the public transport function.

reduced timetables to manage the shortages, which is impacting on public confidence in the network.

- 6 To address these issues, \$61 million was made available in Budget 2022. To ensure the appropriate distribution of this funding, I asked the industry to collaboratively develop minimum terms and conditions for bus drivers that will stabilise the workforce. I intend to use the Budget 2022 funding to implement immediate wage rate increases as a first step in fulfilling these minimum standards.

7 s 9(2)(f)(iv)

Background

- 8 The public transport network relies heavily on bus drivers; bus services make up the vast majority of the public transport network with around 80% of all passenger boardings.
- 9 Public transport authorities (PTAs) are increasingly unable to maintain reliable public transport (PT) bus services due to difficulties recruiting and retaining bus drivers. Bus operators report being below 80 percent staffing levels, and drivers are working unprecedented levels of overtime. This is impacting service reliability – Auckland Transport (AT) reports its services have dropped to 85 percent reliability. Without the ability to successfully deliver to the baseline schedule, it will be impossible to grow the service and achieve the required reduction in emissions.
- 10 The situation is particularly acute in the large urban centres:
- 10.1 AT estimates that its network is currently short of 500 drivers.
 - 10.2 Greater Wellington Regional Council (GWRC) estimates that its network is currently short of 115 drivers.
 - 10.3 Environment Canterbury (ECan) estimates that its operators are currently short of 50 drivers. It reports that the frequency of one of its biggest routes has been reduced in response to the shortage, but there are still many trips being cancelled at short notice most days.
- 11 Outside the large urban centres, there have been significant reductions to weekday bus frequencies in Hamilton, Tauranga, Dunedin and Queenstown due to driver shortages. There are around 30 driver vacancies in Hamilton, 55 in Tauranga and 20 each in Queenstown and Dunedin. Despite reduced timetables in these centres, trips are still being missed at short notice due to driver illness. In Queenstown, around 16 percent are being cancelled.
- 12 Additional central government funding is required to support PTAs to fund improvements to driver conditions and wages critical to improving the reliability and sustainability of the PT bus network. COVID-19 has exacerbated the existing financial constraints of PTAs and cost pressures facing PT bus services, with patronage and fare revenue down, and greater staff shortages as a result of isolation requirements. Without additional central government support, PTAs cannot deliver improvements to driver conditions and wages.

- 13 Instead, PTAs would be faced with the option of:
- 13.1 cutting public transport services
 - 13.2 raising rates
 - 13.3 increasing fares
 - 13.4 increasing borrowing levels (noting that PTAs should not borrow to support operating costs)
 - 13.5 reallocating budgets.
- 14 In 2021/22, I instructed Waka Kotahi NZ Transport Agency (Waka Kotahi) to work with PTAs to implement an uplift to the Living Wage for all urban bus drivers. This was executed successfully, with all drivers being lifted to a minimum rate of \$22.75.
- 15 The majority of bus drivers now receive the Living Wage as a base rate. There are some exceptions: in the Auckland region, driver wages were recently increased to an average of \$25.62. per hour, while in Wellington the minimum wage rate is \$27 per hour.
- 16 However, even with these increases the industry continues to experience high levels of attrition and difficulty attracting new staff. Further, while Waka Kotahi was able to co-fund this increase with PTAs, the ability to fund further wage increases on top of the Living Wage through the 2021-2024 National Land Transport Programme is limited and will mean not delivering other public transport activities.
- 17 To help solve these stated issues, tagged contingency funding of \$61 million over four years was approved from the Climate Emergency Response Fund (CERF).
- 18 As a condition of receiving this funding, I requested that Waka Kotahi work closely with the industry to develop an agreed minimum set of terms and conditions that would stabilise the public transport network. This was to explore provisions for:
- 18.1 Base rates – A rate that would be sufficient to attract and retain staff
 - 18.2 Penal rates – Additional payments for working nights, weekends, and/or overtime
 - 18.3 Split shifts – Compensating drivers for working shifts with a large unpaid break due to timetabling
- 19 I have received a preliminary set of terms and conditions from Waka Kotahi. These are outlined below.

Improvements to bus driver terms and conditions will support the establishment of the Sustainable Public Transport Framework

- 20 On 1 August Cabinet agreed to establish the Sustainable Public Transport Framework (SPTF) (CAB-22-MIN-0293.01 refers), which sets new objectives for the planning, procurement, and delivery of public transport services. One of the new objectives focuses on long-term improvements to bus driver terms and conditions: 'employment and engagement of the public transport workforce is fair and equitable,

providing for a sustainable labour market and sustainable provision of public transport services’.

- 21 To give effect to this objective, I have instructed officials to develop operational policy to achieve the following outcomes:
- 21.1 bus drivers have the opportunity to maintain employment if there is a change of operator
 - 21.2 the substantive terms and conditions of bus drivers are not negatively impacted by a change of operator
 - 21.3 the terms and conditions of the bus driver workforce are improved to increase recruitment and retention.
- 22 My proposal to fund an increase to bus driver wages, and the implementation of a bus industry standard in the longer-term, is a key part of achieving the SPTF objective, and the more specific outcomes above.
- 23 I also anticipate that further improvements to bus driver terms and conditions can be progressed through a Fair Pay Agreement when enabling legislation is in place. Greater standardisation of terms and conditions will prevent a race to the bottom on wages and will better facilitate the transfer of employees between operators should there be a change of operator.

Waka Kotahi has been working with the public transport sector to develop standard terms and conditions for bus drivers

- 24 Currently, there are no standard terms and conditions for bus drivers, and these vary widely throughout the country.
- 25 I tasked Waka Kotahi with representing the Crown as a member of the Bus Industry Standard Sub-Group (Sub-Group). It has worked with unions, PTAs, and operators to identify a set of terms and conditions needed to stabilise the sector and determine an indicative price to deliver these terms and conditions. The Sub-Group has also identified how the \$61 million can best be allocated to make immediate improvements to the sustainability of the bus industry.
- 26 This Sub-Group was overseen by a tripartite Bus Driver Conditions Steering Group (Steering Group), which contained representatives from the Council of Trade Unions, Bus and Coach Association, and local government, as well as central government representatives. This Steering Group had previously been established to oversee the implementation of the Employment Relations Amendment Act 2018 and was also responsible for actioning the uplift of drivers to the Living Wage.
- 27 The Sub-Group met at a series of collaborative, in-person workshops over the first half of 2022. The workshops were a concerted effort to bring together very disparate and often historically contentious positions.
- 28 I have received a set of ideal terms and conditions for bus drivers from the Steering Group that they have agreed upon, that will allow for a stabilisation of the public transport workforce. These are outlined in the table below.

Table 1: Agreed improvements to bus driver terms and conditions

Terms and Conditions	Agreed Action
Base Rate – Urban	Increase up to \$30 per hour
Base Rate – Regional	Increase up to \$28 per hour
Split Shift Allowance	\$30 allowance per split shift
Penal Rates	Time 1.2 after 9.00pm

- 29 These conditions have significant financial implications.
- 29.1 Base rate: Indicative calculations estimate that increasing the wage of all drivers by \$1 will cost \$10m per year (excluding local share raised by PTAs).
- 29.2 Split Shift Allowance: there is an overrepresentation of split shifts within the bus driver workforce due to increased services at peak hours. Providing a \$30 allowance for each split shift would result in significant cost increases.
- 29.3 To provide Time 1.2 to drivers who work after 9.00pm will also result in a significant cost to regions with late night services.
- 30 Given these financial implications, the funding available through CERF will not be sufficient to achieve these agreed minimum standards - even if PTAs contribute to the cost at their normal funding assistance rate (FAR).
- 31 As a result, I therefore propose that increases to bus driver terms and conditions will be rolled out in three tranches.
- 32 The first tranche will focus on immediate improvements that can be made within the \$61m allocated through Budget 2022. The second and third tranches comprise further improvements to terms and conditions the Sub-Group has identified that could be made subject to additional funding.

Tranche 1: improvements to base wage rates

- 33 I propose that the \$61m allocated through Budget 2022 is used to support the sector to standardise base wage rates across the country as much as possible. To receive the Crown funding, I propose operators and public transport authorities are required to contribute to wage increases.

I propose operators are required to contribute to wage increases consistent with indexation and continue to apply indexation to wage rates in future

- 34 Public transport service contract prices are adjusted quarterly to account for changes in input costs. This means public transport operators receive increased payments for services if input costs increase, including labour costs. Given operators have already been compensated for increased labour costs, I want to ensure these operators have passed on these additional payments to bus drivers before the Government steps in to fund further wage increases.
- 35 To be eligible for Crown funding, PTAs will need to demonstrate that operators have contributed to increased bus driver wages. This includes demonstrating that:

IN C O N F I D E N C E

- 35.1 operators have contributed increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021 at a minimum
- 35.2 operators commit to pass on future indexation payments to increase drivers' wages.
- 36 These requirements will apply to all operators, regardless of region and regardless of the pre-increase wage rate.
- 37 This approach reflects practice to date in some regions. For example, Auckland Transport required operators to contribute to the recently announced wage increases. The operator contribution provided an average increase of \$0.43 an hour across Auckland operators. This component will likely increase further once recent indexation flows through to contract payments in Auckland.

PTAs will also need to contribute funding, unless they have already self-funded increases to wages

- 38 In addition to operator contributions, I expect PTAs to contribute local share at their normal funding assistance rate (FAR), which is typically 49 percent. However, some PTAs have already made contributions to increase wages, and we understand others are considering doing the same in advance of Crown funding. Therefore, I am proposing that PTAs who have already matched the share of Crown funding at the normal FAR are not required to provide a further contribution to receive Crown funding.
- 39 Waka Kotahi recently agreed to provide co-funding from the National Land Transport Fund for bus driver wage increases in Auckland – equating to around \$1 per hour. I anticipate other PTAs will likely also receive co-funding from the NLTF for similar increases to bus driver wages. I am proposing that where NLTF funding is provided, PTAs are required to provide local share for both Crown funding and NLTF funding.

I propose to use the Crown funding to standardise base wage rates as much as possible

- 40 I propose to use the \$61 million agreed through Budget 2022 to standardise base wage rates across the country as much as possible. This will involve reaching target rates of approximately \$27 an hour in urban areas and \$25 an hour in regional areas, assuming no NLTF contribution². There is insufficient funding to reach the base rates agreed by the Sub-Group indicated in Table 1.
- 41 I want to standardise wage rates to ensure there is greater consistency in bus driver terms and conditions in the future. However, because of current variations in wage rates between operators in some regions, bus drivers will receive different wage increases as a result of the Crown funding. The amount of Crown funding provided to PTAs will depend on how much is required to meet the target rate in addition to operator contributions, as well as how much PTAs are able to contribute to match Crown funding.

² Given some funding is being made available from the NLTF to increase bus driver wages, the target base rates will likely be higher than this.

I propose to apply Crown funding differently in Wellington, where standardisation of wage rates could lead to wage disparities

- 42 My proposed approach to standardise wages could lead to wage disparities for Wellington, where flat wage rates are already \$27 an hour. As a result, drivers on this rate in Wellington would receive little or no increase in wages. Conversely, NZ Bus Wellington drivers would likely receive a significant increase to their base rate as it is lower than \$27 an hour. When combined with existing penal rates, this would create a significant disparity between the effective hourly rate of NZ Bus drivers compared to drivers for other GWRC contracted operators.
- 43 To address this issue, I propose to allocate some of the Crown funding to Greater Wellington Regional Council contracted operators according to market share. The funding would be used to:
- 43.1 initially increase base rates to or towards the target rate
- 43.2 subsequently support a penal rate for work after 9pm and/or a split shift allowance for operators that reach the target rate.
- 44 Officials do not have information on the likely cost of supporting penal rates or split shift allowances in Wellington or nationally. Therefore, it is not possible to give an indication of what could be achieved with the funding available at this stage, but I expect officials to regularly update me on this as part of reporting on implementation progress.

PTAs will determine whether they need to meet the urban or regional rates

- 45 As indicated in Table 1 above, the Sub-Group has agreed to different base rates for urban and regional drivers. However, the Sub-Group has not determined criteria for what regions or networks meet either category. I propose to allow PTAs to determine whether they target the urban rate or the regional rate, according to what best meets their needs.
- 46 One of the main reasons for different urban and regional rates is the cost of living, which tends to be greater in the main centres. However, I anticipate PTAs will need to look at other considerations in determining which rate is applicable, based on their ability to:
- 46.1 attract drivers to meet demand for services
- 46.2 meet the local share to match Crown funding.

Tranche 2: further improvements to base rates, and to allowances

- 47 A further increase to base rate will be required in order to reach the minimum hourly rate of \$30 for urban drivers and \$28 for regional drivers. This is estimated to cost an additional \$40 million per year and assumes no NLTF investment. Taking into account PTA local share, the additional Crown funding cost of this uplift is estimated to be \$20 million per year.
- 48 This tranche will also see provision of a split shift allowance of \$30 per split shift, and penal rates of Time 1.2 after 9.00pm.

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Tranche 3: longer-term improvements to terms and conditions

50 Further actions were identified through the Bus Industry Standard Sub-Group, which I have classed as Tranche 3. These were noted as key actions to improve conditions for drivers, but less urgent than improving the underlying contractual terms. Tranche 3 improvements will be focused on improving:

50.1 recruitment and training

50.2 rosters, including minimising split shifts where possible

50.3 the working environment and infrastructure.

51 Further analysis of the financial implications of Tranche 3 is underway.

Implementation

52 Waka Kotahi will be managing the implementation of this initiative and will report to me on progress of the initiative, including through the Ministry of Transport.

53 Funding will be administered through existing funding arrangements with PTAs.

54 Key milestones and indicative timeframes are outlined below:

Milestone/activity	Timeframe
Cabinet agreement to release funding for Tranche 1	September 2022
Notification to PTAs of availability of funding	September 2022
PTAs consult with operators on contractual changes	October 2022
Distribution of Tranche 1 funding starts	November 2022
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Financial Implications

55 The proposals in this paper have direct financial implications for the Crown.

56 A tagged operating contingency of \$61 million was approved through Budget 2022 from the CERF. This paper proposes that this contingency funding be drawn down to enable the rollout of Tranche 1.

57 Tranches 2 and 3 will require additional Crown funding, the amount is yet to be determined.

58

s 9(2)(f)(iv)

Legislative Implications

59 There are no legislative implications with this proposal.

Impact Analysis

Regulatory Impact Statement

60 Cabinet's regulatory impact analysis requirements do not apply to this proposal as it does not involve the introduction of new legislation, or changes to, or the repeal of existing legislation.

Climate Implications of Policy Assessment

61 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the emissions impact is indirect and unable to be accurately quantified.

62 The establishment of nationally consistent terms and conditions is intended to enable greater retention and recruitment of bus drivers and stabilise public transport services, which have been impacted by a shortage of drivers. As a result, this work will support greater reliability of public transport services to encourage mode shift, potentially enabling future transport emissions reductions.

Population Implications

63 Data from the 2013 census shows that Māori are more likely to work as bus drivers compared to the general population, and so will disproportionately benefit from initiatives to improve bus driver wages and conditions. We understand Pasifika and minority ethnic people are also more likely to work as bus drivers than the general population so will also be more likely to benefit from improvements to wages and conditions.

Human Rights

64 There are no inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993 from these proposals.

Consultation

65 [TBC following departmental consultation]. The following departments were consulted: Ministry of Business, Innovation and Employment (Workplace Relations), the Treasury, Ministry for the Environment and Waka Kotahi.

Communications

66 I will announce the outcome of the decisions on this paper in a media release following confirmation from Cabinet.

Proactive Release

67 This paper will be proactively released within 30 business days of Cabinet confirmation of decisions. Proactive release is subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Transport recommends that the Committee:

- 1 note that Cabinet established a tagged operating contingency in Budget 2022 of \$61 million over four years to improve the retention and recruitment of bus drivers through more attractive terms and conditions, given effect to through nationally consistent terms and conditions for bus drivers agreed through a bus industry standard agreement for urban bus drivers
- 2 note that a bus industry standard agreement for urban bus drivers has been developed by central and local government, unions and bus operators
- 3 note that the bus industry standard agreement includes a base rate of \$30 an hour for urban drivers and \$28 an hour for regional drivers
- 4 agree that the \$61 million allocated through Budget 2022 be used to standardise base wage rates across the country as much as possible, to meet a target rate in urban areas and in regional areas
- 5 note that the target wage rate for urban and regional areas will depend on the total funding available, including from operator contributions, public transport authorities, and the National Land Transport Fund (NLTF)
- 6 note that, in using the \$61 million to support standardisation, bus drivers will receive different increases to their wages and public transport authorities will receive different levels of Crown funding due to the current variation in base wage rates across the country
- 7 note that public transport authorities will determine whether they aim to meet the base rate for urban drivers or for regional drivers, according to the needs of their regions
- 8 agree that to receive Crown funding for increases to wages, public transport authorities are required to demonstrate that operators:
 - 8.1 have contributed to increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021, and
 - 8.2 have committed to pass on future indexation payments to increase drivers' wages
- 9 agree that public transport authorities are also required to provide local share to match Crown funding at the normal funding assistance rate, unless they have already contributed that amount in advance of Crown funding
- 10 agree that, where funding is provided for bus driver wages from the NLTF, public transport authorities are required to provide matching funding for both NLTF and Crown funding
- 11 note that through the development of the bus industry standard agreement for urban bus drivers, the sector has identified further improvements to bus driver terms and conditions, and will be administered in three tranches, subject to available funding

12 s 9(2)(f)(iv)

Financial implications

13 note that, as part of Budget 2022 decisions on 11 April 2022 and detailed Budget 2022 financial recommendations agreed to by the Minister of Transport and the Minister of Finance (Joint Ministers) on 14 April 2022, Cabinet and Joint Ministers:

13.1 agreed to establish a tagged operating contingency in Vote Transport of the following amounts to provide for the establishment of nationally consistent terms and conditions to improve the retention and recruitment of bus drivers:

	\$m – increase/(decrease)				
Vote Transport	2021/22	2022/23	2023/24	2024/25	2025/26
Minister of Transport					
Retaining and Recruiting Bus Drivers – Improving Terms and Conditions – Tagged Operating Contingency	-	13.000	15.000	16.000	17.000

13.2 agreed that the drawdown of the contingency requires Cabinet approval (establishing any new appropriations as necessary), upon Cabinet's satisfaction with progress to agree nationally consistent terms and conditions via a bus industry standard agreement for urban bus drivers

14 agree that, as Cabinet is now satisfied with progress to agree nationally consistent terms and conditions via a bus industry standard agreement for urban bus drivers, the contingency funding in recommendation 13.1 can now be drawn down

15 agree to establish the following new multi-year appropriation, to run from 1 September 2022 to 30 June 2027:

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Transport	Minister of Transport	Ministry of Transport	Retaining and Recruiting Bus Drivers	Non-Departmental Output Expense	This appropriation is limited to improving the retention and recruitment of bus drivers through more attractive terms and conditions.

16 approve the following change to appropriations to give effect to the decision in recommendation 14 above, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)
Vote Transport	2022/23 to 2026/27
Minister of Transport	

IN C O N F I D E N C E

Non-Departmental Output Expense: Retaining and Recruiting Bus Drivers MYA	61.000
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- 17 note that the indicative spending profile for the new multi-year appropriation described in recommendation 16 above is as follows:

Indicative annual spending profile	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27
	13.000	15.000	16.000	17.000	-

- 18 agree that the proposed change to appropriations above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 19 agree that the expenses incurred under recommendation 16 above be charged against the tagged operating contingency described in recommendation 13 above
- 20 note that, following the adjustment detailed in recommendation 19 above, the tagged operating contingency described in recommendation 13 above is now exhausted and therefore closed.

Authorised for lodgement

Hon Michael Wood
Minister of Transport



18 August 2022

OC220654

Hon Michael Wood

Action required by:

Minister of Transport

Monday, 22 August 2022

FURTHER ADVICE ON PROGRESSING THE BUS INDUSTRY STANDARD AGREEMENT

Purpose

To seek your agreement on how to require operators and public transport authorities (PTAs) to contribute to increased bus driver wages to be eligible for Crown funding and on how to standardise bus driver wage rates.

Key points

- We recommend requiring operators to contribute funding for increased wages that is consistent with indexation, and to commit to applying indexation to wage rates in future. This is our preferred approach, as it reflects practice to date, and ensures Crown funding can be allocated relatively quickly. It also ensures operators contribute in a sustainable way and should ensure wages increase in-line with the Living Wage in future.
- We do not recommend you pursue the NZ Council of Trade Unions' (NZCTU) proposal for operators to fund a benchmark wage because it will lead to inequitable outcomes. The contribution of operators will be dependent on whether the relevant PTA has already self-funded an increase to bus driver wages. The NZCTU proposal would also likely delay the allocation of funding to support wage increases, with operators seeking to prove they cannot meet the benchmark wage.
- For moving towards standardised wage rates nationally, we recommend:
 - targeting driver base rates in the first instance
 - implementing different target base rates between urban and regional bus drivers, reflecting the different cost of living pressures
 - retaining some flexibility in how PTAs apply their local share
 - allocating Crown funding to PTAs based on what it costs for each operator to reach a target standard base rate.
- We do not recommend pursuing, on a national basis, the NZCTU proposal to allocate Crown funding according to market share of operators. This approach would be very similar in practice to an across-the-board increase to base rates, as the Crown

funding is insufficient to reach the Bus Industry Standard subgroup's target base rates. However, we note this approach may be desirable in Wellington, where our proposed approach could result in significant inequity.

- Our proposed approach is more complex to implement than the across the board increases originally proposed, which will delay increases to bus driver wages. However, we consider it is the best way to ensure all parties contribute to wage increases and standardise wage rates with the available funding.
- The Bus Driver Conditions Steering Group has provided feedback on this advice. Overall, there is broad support for the proposed approach. Union representatives have requested more detail and noted potential differing views on the terms agreed for the Bus Industry Standard. We expect to resolve these by sharing the draft Cabinet paper with the Steering Group, to ensure all members agree on what is proposed. The Ministry of Education also noted that the proposal will have flow on effects for the school bus services it funds.
- We have provided a timeline for Cabinet approval from paragraph 38. To proceed as soon as possible, we have indicated a very tight timeline that will require quick turnaround for feedback. We are also proposing that departmental and Ministerial consultation occur concurrently over a week.

Recommendations

We recommend you:

- | | | |
|---|--|----------|
| 1 | agree to require operators to contribute funding for increased wages that is consistent with indexation, and to commit to applying indexation to wage rates in future | Yes / No |
| 2 | agree to the following principles for distributing Crown funding: | Yes / No |
| | a) targeting driver base rates in the first instance | Yes / No |
| | b) implementing different target base rates between urban and regional bus drivers | Yes / No |
| | c) retaining some flexibility in how public transport authorities apply their local share | Yes / No |
| | d) allocating Crown funding to public transport authorities based on the cost for each operator reaching a target standard base rate | Yes / No |
| 3 | indicate whether you would like to allocate funding to Greater Wellington Regional Council contracted operators according to market share to support equity in wages | Yes / No |



Matt Skinner
Acting Manager, Mobility and Safety

18 / 08 / 2022

Hon Michael Wood
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
Matt Skinner, Acting Manager, Mobility and Safety	s 9(2)(a)	✓
Jacob McElwee, Principal Adviser, Mobility and Safety	s 9(2)(a)	

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

FURTHER ADVICE ON PROGRESSING THE BUS INDUSTRY STANDARD AGREEMENT

You have indicated you want to require operators to contribute to wage increases to be eligible for Crown funding

- 1 Officials had proposed using the Budget 2022 funding to provide an approximate \$1.60 an hour increase to all driver wages, with local share bringing this to \$3 an hour (OC220550 refers).
- 2 Following your feedback, we outlined three options to allocate the Budget 2022 funding (OC220623 refers).
- 3 You indicated your preference is to require contributions from both operators and public transport authorities (PTAs) before the Crown funding is provided. You also indicated your preference that the funding should be used to standardise wage rates, rather than applying an across-the-board increase. This briefing recommends an approach for achieving these outcomes.
- 4 We have consulted representatives of the Bus Driver Conditions Steering Group (which includes representatives from Te Manatū Waka, Waka Kotahi, PTAs, operators and unions) in developing this advice.

We recommend requiring all operators to contribute consistent with indexation – and commit to applying indexation to wage rates in future

- 5 Under our preferred approach, to be eligible for Crown funding PTAs will need to demonstrate that operators have contributed to increased bus driver wages. We recommend PTAs be required to demonstrate that:
 - 5.1 operators have contributed increased wages consistent with indexation¹, at a minimum
 - 5.2 operators commit to pass on future indexation payments to increase drivers' wages.
- 6 These requirements would apply to all operators, regardless of region and regardless of the pre-increase wage rate.
- 7 This is our preferred approach for the following reasons.
 - 7.1 **Reflects practice to date:** PTAs have already worked with operators to increase wages, independent of Crown funding. For example, Auckland Transport required operators to contribute to the recently announced wage increases. The operator contribution provided an average increase of \$0.43 an hour across Auckland operators. This component will likely increase further

¹ Indexation is a quarterly adjustment that is made to the operators' contract payments, to reflect the changes to input costs such as diesel, road user charges, and driver wages. The cost of indexation is met by fares, local share from PTAs, and the National Land Transport Fund.

once recent indexation flows through to contract payments in Auckland². We understand Environment Canterbury has also required an operator contribution in-line with indexation.

- 7.2 **Will ensure Crown funding can be allocated:** Operator contributions in-line with indexation should be relatively easy to implement and will therefore allow Crown funding to be used to increase driver wages relatively quickly.
- 7.3 **Will ensure the operator contribution is sustainable:** Requiring a minimum contribution to wage increases in-line with inflation ensures wage increases are affordable for operators, and do not impact their financial sustainability. It also does not stop operators going further and offering higher wages or greater benefits should they want to, nor does it penalise those operators who have already increased wages.
- 7.4 **Ensures all operators contribute:** All public transport services are indexed, regardless of driver wages at the time of procurement. As a result, all operators should be required to contribute to wage increases.
- 7.5 **Ensures wages are increased in-line with the Living Wage:** Following wage increases, all participating PTAs and operators will be paying more than the Living Wage. However, contract payments will still be adjusted in-line with increases to labour costs, including the Living Wage. The proposed approach will ensure operators increase wages in-line with future Living Wage adjustments.

The NZ Council of Trade Unions (NZCTU) has proposed a benchmark wage for operators to be eligible for Crown funding

- 8 NZCTU has proposed operators be required to ensure wages meet a specified hourly rate to be eligible for Crown funding. For example, NZCTU has proposed this rate could be \$24 an hour.
- 9 We consider this option would be difficult to administer because some PTAs have already unilaterally increased bus driver wages, and per the discussion above, have required operators to contribute in-line with indexation. We also understand more PTAs (including Environment Canterbury and Otago Regional Council) are looking to work with operators to fund increases to driver wages – which may be progressed prior to Crown funding being made available.
- 10 As a result, a national benchmark would be inequitable – since many operators would be able to meet a benchmark because of PTA funding – rather than by making a larger contribution to wage increases. An alternative would be to set variable benchmarks by region. However, we consider a benchmark that is differentiated by region would be very complex to determine and administer and would likely still result in inequity (depending on the extent to which PTAs and operators have already funded wage increases).
- 11 If this option was pursued, there is a further risk that operators may be unable to afford meeting the benchmark requirement, meaning their drivers will miss out on the

² Indexation payments to Auckland operators are received 6 months after the relevant index is updated.

Crown funding for a further uplift towards a nationwide standard. In such circumstances, we suggest operators would be required to prove they cannot meet the benchmark, for example, by allowing a third party to review their financial information. However, this would take time, and therefore delay the allocation of funding to support any wage increase.

We recommend PTAs that have self-funded increases to bus driver wages be eligible for Crown funding

- 12 Regardless of the operator contribution to wage increases, PTAs will also need to make a contribution. However, some PTAs have already made contributions to increase wages, without National Land Transport Fund (NLTF) co-investment. We understand other PTAs are considering doing the same in advance of Crown funding.
- 13 Late last year, Greater Wellington Regional Council (GWRC) announced an increase to \$27 an hour for bus drivers on flat wage rates, and a comparable increase to wages for NZ Bus drivers (reflecting other penal rates). More recently, Auckland Transport has also announced an initial increase to an average of \$25.62 an hour (without any NLTF share) and is seeking NLTF funding to support a further increase.
- 14 Officials originally proposed local share being provided alongside Crown funding to increase wages. However, if PTAs self-fund increases to bus driver wages before Crown funding is confirmed, requiring a further contribution would be inequitable and potentially unaffordable for PTAs that have already maximised their possible contributions.
- 15 As noted in OC220550, PTAs should be required to match Crown funding at the normal funding assistance rate (FAR). We recommend that if PTAs have already matched the share of Crown funding at the normal FAR, no further contribution is required of PTAs. This would apply regardless of whether there is additional NLTF investment.

You have indicated you would like to standardise driver wage rates nationally

- 16 In OC220550 we recommended Crown funding is used to fund an across-the-board increase to driver wages. You have indicated your preference to standardise wages, which has more complex and inter-related considerations for achieving wage increases, including:
 - 16.1 what aspect of wages should be standardised
 - 16.2 what should be the target standard
 - 16.3 what funding should be used to achieve standardisation
 - 16.4 how to determine the funding allocation to different operators and/or PTAs.

To standardise wages, we recommend targeting driver base rates in the first instance

- 17 The initial increases in wages being funded by operators, PTAs and the Crown funding is the first step towards the minimum standards agreed by the Bus Industry

Standard sub-group. Of note, the minimum standards include a penal late night rate for work after 9pm and a split shift allowance.

- 18 To progress towards a standard, we recommend targeting standardisation of driver base rates in the first instance. Base rate is the most readily standardised aspect of pay. It also reflects that at present, for most operators in most regions, the base rate is the primary determinant of wages for a given driver duty. However, as set out in paragraphs 26-28 below you may wish to adopt a different approach for GWRC – which has already gone through a process of standardising driver wages.

We recommend the target base rate differs between urban and regional bus drivers

- 19 The Bus Industry Standard sub-group proposed different standard wage rates for urban and regional bus drivers, reflecting the different cost of living. They proposed a base rate of \$30 per hour for urban drivers and \$28 per hour for regional drivers. This is not affordable within the current allocation of \$61 million over four years.
- 20 For the purposes of the Crown funding, we recommend different base rates are also targeted, with an approximate difference of \$2 an hour between the urban and regional drivers. The exact amounts will still need to be confirmed, due to other factors such as the potential for co-funding from the NLTF, which could affect the final figures.
- 21 We will need to confirm which PTAs and/or towns and cities are considered 'urban' or 'regional' for the purposes of setting the different rates. There are some differences within PTAs, for example Wellington compared to Wairarapa or Kāpiti in Greater Wellington, or Tauranga compared to Rotorua in Bay of Plenty. There are also some areas that may be considered regional, but comprise areas with high costs of living, for example Queenstown. We will provide more advice on how PTAs are classified in the draft Cabinet paper.

We recommend the Crown funding is used to standardise base rates, but flexibility is retained for how other funding contributions are used

- 22 As noted above, some PTAs have self-funded wage increases and more will likely follow prior to Crown funding being available. The base rate increases in Auckland have been across the board, rather than targeting a standard, and we anticipate future PTA-funded increases will be along the same lines. As a result, we do not think it is feasible to require PTAs to retrospectively fund standardisation. We therefore recommend Crown funding is used to standardise wages, but PTAs retain flexibility in how they apply their local share.

We recommend Crown funding is allocated to PTAs based on what it costs for each operator to reach a target standard base rate

- 23 Subject to PTAs and operators contributing to increased wages, PTAs should be allocated Crown funding based on achieving a target standard base rate. The target will likely need to be informed by:

23.1 driver base rates achieved following PTA and operator contributions in each region

23.2 driver base rates achieved following any contribution/s from the NLTF

23.3 timing of expenditure and available funding for future years.

- 24 This will mean drivers with higher base rates will receive a smaller increase to wages because of the Crown funding and vice versa. Targeted increases to wages will ultimately be necessary to achieve a standard, which will support better labour market outcomes in the long-term. However, some stakeholders may consider the allocation of Crown funding on this basis inequitable.

The NZCTU has also proposed Crown funding be allocated based on the market share of operators

- 25 The NZCTU has suggested Crown funding could be allocated based on a percentage of market share in full time equivalent (FTE) bus drivers they employ. Under this proposed approach each PTA, subject to meeting eligibility criteria, would receive a proportion of the Crown funding equivalent to its share of services. PTAs would then be required to allocate the funding to operators based on market share, as determined by FTE.
- 26 In practice, this proposal is very similar to an across-the-board increase to base rates, because the Crown funding is not sufficient to reach the Bus Industry Standard sub-group target base rates. As a result, it is unlikely to achieve standardisation of wages, and existing differences in wages will likely be carried over after the Crown funding is allocated. As a result, we do not recommend pursuing this proposal nationally to achieve a standard. However, as set out below you may wish to use this approach to allocate Crown funding in Wellington.

Our proposed approach to standardisation would likely result in significant wage disparity for GWRC contracted operators

- 27 Our initial assessment is the target base rate in metro areas would likely be close to \$27 an hour, assuming no NLTF contribution. This would mean the bus drivers on flat rate wages in Wellington would likely receive little or no increase to their wages. Meanwhile, we understand NZ Bus Wellington drivers would likely receive a significant increase to their base rate because it is lower than the base rate of \$27 an hour for other Wellington drivers. When combined with existing penal rates, this would create a significant disparity between the effective hourly rate of NZ Bus drivers compared to drivers for other GWRC contracted operators.
- 28 One option would be to allocate funding to GWRC according to the NZCTU proposal – such that a proportion of funding is allocated to GWRC operators based on market share, and it is used to:
- 28.1 initially increase base rates to (or towards) the target rate
 - 28.2 subsequently support a penal rate for work after 9pm and/or a split shift allowance (for operators that reach the target rate).
- 29 We do not have information on the likely cost of supporting penal rates or split shift allowances in Wellington or nationally. As a result, we cannot provide an indication of what could be achieved with the funding available.

The recommended approach will be complex to administer and will delay increases to bus driver wages

- 30 We consider the recommended approach is the best available to ensure operators and PTAs contribute to wage increases, and to standardise wage rates with the funding available. However, the recommended approach is significantly more complex than across the board increase to base rates (which was initially proposed) and will therefore take longer to implement. This will delay increases to bus driver wages.
- 31 It also may not be possible to standardise wages nationally. We understand that some regions may not be willing to provide local share for an increase to wages, on the basis that it is not an investment priority and/or they cannot afford it. This is the case for many of the smaller public transport networks, where there is less of an issue with driver retention. Furthermore, costs of living are generally lower in these regions, meaning less pressure on existing wages.

The Bus Driver Conditions Steering Group is broadly supportive of the proposal, but also has some feedback

- 32 We have shared our advice with the Bus Driver Conditions Steering Group, which includes representatives from central government, PTAs, unions and operators. Overall, members of the Steering Group support the proposal.
- 33 We have received feedback from unions³ that while they see merit in the proposal, there is further detail that still needs to be addressed, specifically that:
- 33.1 the process for adjusting rates should be through collective bargaining in the first instance, followed by negotiations for individual employment agreements
 - 33.2 the interim target wage rates should be agreed by the Steering Group
 - 33.3 additional funding for allowances for Wellington drivers be discussed and agreed with the Tramways Union before proposals are made
 - 33.4 confirmation is needed of what has been agreed by the Steering Group for allowances as part of the national standard
 - 33.5 further detail is needed about what the final standard is and how it will be reached.
- 34 We have not provided this level of detail in this briefing, but instead are seeking your agreement on the principles that will allow the detail to be worked through. Furthermore, the Waka Kotahi Board decision on the Auckland Transport (AT) funding request for increasing driver wages will have a significant impact on the target wage rates nationally. Should the Board agree to AT's proposal, this may also mean NLTF funding will be made available for other PTAs (if requested), including Wellington.

³ We received feedback from NZCTU, on behalf of NZCTU, First Union and Tramways Union.

- 35 Additionally, some of the feedback from unions suggests there may be differing views on the terms agreed for the Bus Industry Standard. For example, the advice from Waka Kotahi, which was reflected in the previous draft Cabinet paper, indicated the sector had agreed to a penal late night rate of 1.2 times the base rate. However, unions have indicated they agreed to a rate of 1.25.
- 36 Considering these issues, we propose to share the next draft of the Cabinet paper with the Steering Group, subject to your agreement. This will ensure that Steering Group members have visibility of what is being proposed and to ensure it reflects what has been agreed, including the level of detail unions have requested. We anticipate sharing the draft with the Steering Group while departmental and Ministerial consultation is underway.
- 37 We have also received feedback from the Ministry of Education (MoE). MoE has noted that the proposals for Crown funding to reach a target standard base rate will have implications for MoE contracted and funded bus services – likely placing upward pressure on school bus driver wages. We will reflect this consideration in the draft Cabinet paper.

Should you agree with our recommended approach, we will provide you with an updated draft Cabinet paper for feedback

- 38 Subject to your agreement, we will provide you with an updated draft Cabinet paper that reflects this new approach as well as decisions made by the Waka Kotahi Board. As the Budget 2022 funding is a tagged contingency, you are required to seek Cabinet approval for distribution of the funding.
- 39 A timeline is provided below. The timeframes for Cabinet are very tight and require departmental and Ministerial consultation to occur concurrently for one week.

Table 1: Timeline for Cabinet report back

Date	Milestone
22 August 2022	Officials receive your feedback on this briefing
31 August 2022	Updated draft Cabinet paper provided
5 September 2022	Officials receive your feedback on the draft Cabinet paper
5–13 September 2022	Departmental and Ministerial consultation occurs, including consultation with the Bus Driver Conditions Steering Group
15 September 2022	Final paper lodged
21 September 2022	DEV
26 September 2022	Cabinet



22 July 2022

OC220623

Hon Michael Wood

Action required by:

Minister of Transport

Monday, 25 July 2022

OPTIONS FOR PROGRESSING THE BUS INDUSTRY STANDARD AGREEMENT

Purpose

Inform your discussion with officials on alternative approaches to distribute the funding for bus driver terms and conditions approved through Budget 2022, in particular, the proposal from NZCTU and First Union. This topic is on the agenda for your meeting with officials on Monday 25 July 2022.

Seek your feedback on Auckland Transport's proposal to uplift driver wages.

Context

- 1 You have asked for a discussion with officials on alternative approaches to distribute the funding for bus driver terms and conditions approved through Budget 2022, in particular, the proposal from NZCTU and First Union.
- 2 Since we received your feedback, AT has advised officials that it intends to fund an interim uplift to driver wages to an average of \$25 an hour. It is also seeking a Cost Scope Adjustment from Waka Kotahi to further lift wages to an average of \$27 an hour. The Waka Kotahi Board is expected to consider this in late August 2022. We note that if the Board approves AT's application, there would be expectations from other public transport authorities to do the same for them.
- 3 AT intends to announce this early in the week beginning 25 July 2022, but has asked whether you have any concerns with their planned approach.
- 4 In light of these developments, we have outlined three possible approaches to distributing the Crown funding, for your consideration. None of these approaches include NLTF funding, nor do they have buy-in from all parties involved in the Subgroup. All three approaches will require local share and agreement from councils and operators.
- 5 We recommend Option 1 for ease of implementation, to ensure continued buy-in from PTAs and operators, and to ensure an equitable uplift in bus driver wages. We note standardisation of terms and conditions will be progressed in future subject to additional funding being available.

Options

Option 1: \$3 an hour increase for all drivers in all regions

- 6 This is the current proposal in the draft paper. This is the approach agreed to by the Bus Industry Standard Agreement Subgroup (the Subgroup).
- 7 Pros of this option are:
 - 7.1 It reflects what the Subgroup has agreed to, including what PTAs have agreed to co-fund, and what bus operators have agreed to implement.
 - 7.2 It provides a wage uplift to all drivers, which doesn't disadvantage those who have already increased rates.
 - 7.3 Due to simplicity, it is the quickest to implement.
- 8 Cons of this option are:
 - 8.1 It won't establish a standard wage rate, or address existing variations.
 - 8.2 We understand after the Subgroup work, NZCTU, First Union, and Tramways Union have indicated they do not support this approach.

Option 2: Varied increases to wages, focused on those operators currently paying a lower wage, in order to get all regions to a standard rate

- 9 This option is based on your feedback on the draft Cabinet paper. Pros of this option are:
 - 9.1 It would help address the current variations between operators and regions, supporting the establishment of a standard wage rate.
 - 9.2 Implementing a standard wage rate now will make it easier to ensure terms and conditions are protected in future procurement/service delivery.
- 10 Cons of this option are:
 - 10.1 It will mean some regions receive more funding than others, or some missing out entirely. It will also mean driver wages increase more for some operators than others. Therefore, it disadvantages the PTAs and/or operators that have already funded increases to wages.
 - 10.2 More unionised workforces (e.g. NZ Bus, Go Bus) are likely to receive a smaller increase to pay. NZ Bus Wellington would likely receive no increase to pay.
 - 10.3 Operators and PTAs have been involved in the development of the approach outlined in the draft paper alongside unions, and to change it now risks losing buy-in from operators and PTAs.
 - 10.4 This option is more complex, with agreement needed from all parties on the standard rate to be applied across the country, and assurance that it can be funded over the four-year period of Crown funding.

Option 3: operator-funded benchmark wage of \$24 an hour to be eligible for Crown funding that is then used to reach a standard rate

- 11 This is the option proposed by NZCTU and First Union. Pros of this option are:
- 11.1 Puts more onus on operators to contribute to the cost of improved wages, rather than just PTAs and government.
 - 11.2 Addresses the issue with option 2 where those who have made improvements to wages are disadvantaged.
- 12 Cons of this option are:
- 12.1 Operators and PTAs have been involved in the development of the approach outlined in the draft paper alongside unions, and to change it now risks losing buy-in from operators and PTAs. Their buy-in is critical for the next tranche of improvements, as well as any future efforts at working collaboratively across the sector, including SPTF implementation.
 - 12.2 Some operators may not be able to afford meeting the benchmark.
 - 12.3 May take longer to implement – where implementation of the benchmark could be unsustainable for their business, operators would need to prove they can't afford the benchmark, likely requiring a third-party review to confirm this.

Recommendations

We recommend you:

- 1 **discuss** further with officials, at your meeting on Monday 25 July 2022



Matt Skinner
Acting Manager, Mobility and Safety

22 / 07 / 2022

Hon Michael Wood
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
Matt Skinner, Acting Manager, Mobility and Safety	s 9(2)(a)	✓
Jacob McElwee, Principal Adviser, Mobility and Safety	s 9(2)(a)	

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UNCLASSIFIED



13 July 2022

OC220550

Hon Michael Wood

Action required by:

Minister of Transport

Friday, 22 July 2022

DRAFT CABINET PAPER- PROGRESS ON ESTABLISHING A BUS INDUSTRY STANDARD AGREEMENT FOR URBAN BUS DRIVERS

Purpose

Seek your feedback on the draft Cabinet paper reporting on progress to establish a bus industry standard agreement, which received funding through Budget 2022. We also seek your approval to start departmental consultation concurrently with ministerial consultation, and to share the draft with the Bus Driver Conditions Steering Group.

Key points

- Through Budget 2022, Ministers agreed to provide tagged contingency funding of \$61 million over four years, to support improvements to recruitment and retention of bus drivers through nationally consistent terms and conditions.
- You were invited to report back by July 2022 to Cabinet on progress to agree these terms and conditions through a bus industry standard agreement. Given the recess and other priorities, we are now working to an August 2022 report back.
- Waka Kotahi and the sector have developed a proposal that will result in the \$61 million over four years providing up to a \$1.60 an hour increase across the board. With public transport authorities (PTAs) being required to match that increase with their local share, this funding will result in an increase of up to \$3 per hour.
- The Cabinet paper outlines the wider system of improvements required to support driver recruitment and retention, grouped into three tranches. The first tranche will be funded by the \$61 million allocated through Budget 2022; the second and third tranches outline further improvements needed to terms and conditions which are not currently funded. This puts a plan in place for addressing industry concerns that the first tranche does not go far enough.
- The draft Cabinet paper proposes a report back in December 2022 on progress, as well as further detail on the funding required to progress future improvements, s 9(2)(f)(iv)
- We understand that the unions have requested that this funding be used to bring all operators to the same base rate. We have considered but do not propose this approach,

as it raises issues of equity and efficiency that we do not think can be addressed in the short term.

Recommendations

We recommend you:

- 1 **provide feedback** on the draft Cabinet paper at Annex 1
- 2 **agree** to the \$61 million allocated through Budget 2022 for the development of the Bus Industry Standard being used to deliver an increase to base wage rates across the board Yes / No
- 3 **agree** to start departmental consultation and ministerial consultation, following incorporation of your feedback on the draft Cabinet paper Yes / No
- 4 **agree** to officials sharing the draft Cabinet paper with the Bus Driver Terms and Conditions Steering Group (which includes representatives from public transport authorities, unions and operators) at the same time as departmental and ministerial consultation Yes / No



Matt Skinner
Acting Manager, Mobility and Safety
 13 / 07 / 2022

Hon Michael Wood
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
Matt Skinner, Acting Manager, Mobility and Safety	s 9(2)(a)	✓
Olivia Kitson, Senior Adviser, Mobility and Safety	s 9(2)(a)	

DRAFT CABINET PAPER- PROGRESS ON ESTABLISHING A BUS INDUSTRY STANDARD AGREEMENT FOR URBAN BUS DRIVERS

The Bus Industry Standard sub-group has identified improvements needed to terms and conditions over the longer term, as well as immediate improvements

- 1 The Bus Industry Standard sub-group was initiated to run a series of workshops to agree minimum terms and conditions for public transport bus drivers. This subgroup is overseen by the Bus Driver Conditions Steering Group. It includes representatives from the Council of Trade Unions (NZCTU) and affiliates First Union and NZ Tramways Union, the Bus and Coach Association (BCA) and affiliate operators, non-BCA operators, Public Transport Authorities (PTAs), and Waka Kotahi NZ Transport Agency.
- 2 The issue of chronic shortages of bus drivers in the industry is well understood by all parties. There have historically been disagreements on how best to address the problem. The intention of the workshops was to agree what the minimum terms and conditions would be to stabilise the workforce. All parties made a concerted effort to collaborate effectively on this issue. The minimum terms and conditions agreed by the sub-group are outlined in Table 1.

Table 1: Agreed improvements to bus driver terms and conditions

Terms and Conditions	Agreed Action
Base Rate – Urban	Increase up to \$30 per hour
Base Rate – Regional	Increase up to \$28 per hour
Split Shift Allowance	\$30 allowance per split shift
Penal Rates	Time 1.2 after 9.00pm

- 3 We have undertaken an indicative analysis of the impact of the \$61 million on reaching these minimum standards. We estimate that the funding will be sufficient to provide up to a \$1.60 per hour increase to driver wages. Waka Kotahi will also require that any increase be matched by the PTA in local share at the normal funding assistance rate (FAR). Therefore, this funding will result in an increase of up to \$3 per hour. Based on engagement to date, we understand that this spend is a priority for PTAs and that they will be able to meet the local share contribution.
- 4 The \$61 million will only get the industry part-way to the stated minimum standards.
§ 9(2)(f)(iv)
- 5 There continues to be a level of disagreement over specific items such as overtime and weekend rates. § 9(2)(f)(iv)
- 6 There were also a number of issues and actions identified for the industry outside of the immediate driver wage changes such as changes needed to infrastructure,

training, and recruitment. Waka Kotahi intends to work with the industry to affect change in this area in the longer term.

- 7 We are planning to roll these out in three tranches, as outlined in the draft Cabinet paper. The first tranche will be funded by the \$61 million allocated through Budget 2022; the second and third tranches outline further improvements needed to terms and conditions which are not currently funded.

7.1 Tranche One will see the \$61 million funding an increase in wages

7.2 Tranche Two will see further changes to driver wages, as well as changes to penal rates and additional allowances over the next 12-18 months, but is subject to additional funding

7.3 Tranche Three will see changes to a wider set of industry conditions over the longer term, and is also subject to additional funding.

We are aiming for Cabinet report back in August

- 8 You were due to report back to Cabinet in July 2023, but we are unable to meet this deadline due to competing work priorities and limited availability on the Cabinet DEV Committee agenda for July. Instead, we are working towards a Cabinet report back in August 2022.
- 9 The table below sets out our proposed timeframe. We note that this includes concurrent departmental and ministerial consultation.

Table 2 Timeline for Cabinet report back

Task	Date
Feedback on draft Cabinet paper provided to officials	22 July 2022
Updated paper circulated for departmental and ministerial consultation	25-29 July 2022
Updated paper provided to your office	3 August 2022
Paper lodged	4 August 2022
DEV	10 August 2022
Cabinet confirmation	15 August 2022

- 10 We have also provided a timeline for next steps on further improving bus driver terms and conditions in Table 3. ^{s 9(2)(f)(iv)}

Table 3 Timeline for improving bus driver terms and conditions

Milestone/activity	Timeframe
Cabinet agreement to release funding for Tranche 1	August 2022
Notification to PTAs of availability of funding	August 2022
PTAs consult with operators on contractual changes	September 2022
Distribution of Tranche 1 funding	October 2022
s 9(2)(f)(iv)	
s 9(2)(f)(iv)	
s 9(2)(f)(iv)	

We seek your agreement to start departmental consultation, and to share a draft with the Bus Driver Conditions Steering Group

- 11 There is some concern within the Bus Industry Standard sub-group that while the \$61 million does help to make immediate improvements to wages, further funding is needed to make meaningful improvements to the attractiveness of bus driving as an occupation.
- 12 We understand that you met with NZCTU and affiliate unions earlier this week, and during this meeting they emphasised the need to move quickly and requested that the \$61 million be used to bring all drivers to the same minimum base wage. We have identified some issues with this method including:
- 12.1 Buy-in from PTAs: public transport is co-invested in by both Waka Kotahi and PTAs and requires PTAs to raise the local share and agree to implement changes in investment. We understand that PTAs have been clear that they are interested in seeing a set base rate increase to ensure existing relativity is retained.
- 12.2 Buy-in from bus operators and disadvantaging those operators who have already made wage uplifts: similarly, operators are clear they are not interested in a situation where an operator who has reprioritised their budget on their own initiative to raise wages is disadvantaged by distribution of this funding. As the decision to increase wages ultimately sits with the employers of these drivers it is critical that we do not lose buy-in from these operators.
- 12.3 Not targeting those in most need: many PTAs in lower cost of living areas are not experiencing the same extent of driver shortages as the larger cities. Operators in these regions are paying their drivers the lowest wage rates (Living Wage). Targeting these drivers with a wage uplift will not make a difference to the ability to recruit and retain drivers in urban areas such as Auckland, which contain the majority of the public transport network and are experiencing the most critical shortages.

- 13 Based on those issues, we recommend that the \$61 million allocated through Budget 2022 is used to deliver an increase to base rates across the board.
- 14 We consider it prudent to provide the draft Cabinet paper to the Bus Driver Conditions Steering Group members, particularly given their work to date in agreeing on an industry standard. Should you agree, we propose to share it with the Group on a confidential basis, at the same time as departmental consultation.

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ANNEX 1 DRAFT CABINET PAPER

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In Confidence

Office of the Minister of Transport

Cabinet Economic Development Committee

Progress on establishing a bus industry standard agreement for urban bus drivers

Proposal

- 1 This paper:
 - 1.1 reports on progress to agree nationally consistent terms and conditions via a bus industry standard agreement for urban bus drivers;
 - 1.2 seeks approval to drawdown the tagged contingency funding for the retaining and recruiting bus drivers initiative, as agreed through Budget 2022; and
 - 1.3 advises Cabinet of the public transport bus sector's intention to roll out further improvements to bus driver terms and conditions, subject to funding availability.

Relation to government priorities

- 2 The proposals in this paper support the Government's priority to provide an inclusive economy where economic growth is shared by all. The proposals will improve the wages of public transport bus drivers by supporting a bus industry standard.
- 3 The proposals also relate to the Government's commitment to reduce emissions as part of our response to climate change. As part of this, the Government has committed to a range of actions in the Emissions Reduction Plan to reduce reliance on cars through mode shift. These actions include improving the reach, frequency and quality of public transport. The sector will only be able to achieve these outcomes with a sustainable and growing workforce, which is a key outcome I am targeting with this proposal.

Executive Summary

- 4 Public Transport is an increasingly important transport option for New Zealanders, both in terms of its importance in providing access and its role in emissions reduction.
- 5 The sector is reporting huge strains on the ability to deliver the services that New Zealanders need due to a severe shortage of bus drivers. This is limiting the ability of public transport authorities¹ to adequately meet the needs of the public in designing their networks and growing services. Many report that they are now having to run

¹ Public transport authorities are regional councils, Auckland Transport, unitary authorities (other than Auckland Council) and territorial authorities that have the public transport function.

reduced timetables to manage the shortages, which is impacting on public confidence in the network.

- 6 To address these issues, \$61 million was made available in Budget 2022. To ensure the appropriate distribution of this funding, I asked the industry to collaboratively develop minimum terms and conditions for bus drivers that will stabilise the workforce. I intend to use the Budget 2022 funding to implement immediate wage rate increases as a first step in fulfilling these minimum standards.

- 7 s 9(2)(f)(iv)

Background

- 8 The public transport network relies heavily on bus drivers; bus services make up the vast majority of the public transport network with around 80% of all passenger boardings.
- 9 Public transport authorities (PTAs) are increasingly unable to maintain reliable public transport (PT) bus services due to difficulties recruiting and retaining bus drivers. Bus operators report being below 80% staffing levels, and drivers are working unprecedented levels of overtime. This is impacting service reliability – Auckland Transport (AT) reports its services have dropped to 87% reliability. Without the ability to successfully deliver to the baseline schedule, it will be impossible to grow the service and achieve the required reduction in emissions.
- 10 The situation is particularly acute in the large urban centres:
- 10.1 AT estimates that it needs between 260 and 390 additional bus drivers to keep services running to timetable.
 - 10.2 Greater Wellington Regional Council (GWRC) estimates that its network is currently short of 75 drivers.
 - 10.3 Environment Canterbury (ECan) reports that it has had to cancel services due to driver shortages and that the problem is becoming a systemic one.
- 11 Additional central government funding is required to support PTAs to fund improvements to driver conditions and wages critical to improving the reliability and sustainability of the PT bus network. COVID-19 has exacerbated the existing financial constraints of PTAs and cost pressures facing PT bus services, with patronage and fare revenue down, and greater staff shortages as a result of isolation requirements. Without additional central government support, PTAs cannot deliver improvements to driver conditions and wages.
- 12 Instead, PTAs would be faced with the option of:
- 12.1 cutting transport services
 - 12.2 raising rates
 - 12.3 increasing fares

- 12.4 increasing borrowing levels (noting that PTAs should not borrow to support operating costs)
- 12.5 reallocating budgets.
- 13 In 2021/22, I instructed Waka Kotahi NZ Transport Agency (Waka Kotahi) to work with PTAs to implement an uplift to the Living Wage for all urban bus drivers. This was executed successfully, with all drivers being lifted to a minimum rate of \$22.75.
- 14 The majority of bus drivers now receive the Living Wage as a base rate. There are some exceptions: in the Auckland region, driver wages average \$23.71 per hour, while in Wellington the minimum wage rate is \$27 per hour.
- 15 However, even with this increase the industry continues to experience high levels of attrition and difficulty attracting new staff. Further, while Waka Kotahi was able to co-fund this increase with PTAs, there is insufficient ability to fund any further wage increases on top of the Living Wage through the 2021-2024 National Land Transport Programme.
- 16 To help solve these stated issues, tagged contingency funding of \$61 million over four years was approved to come from the Climate Emergency Response Fund (CERF).
- 17 As a condition of receiving this funding, I had requested that Waka Kotahi work closely with the industry to develop an agreed minimum set of terms and conditions that would stabilise the public transport network. This was to explore provisions for:
 - 17.1 Base rates – A rate that would be sufficient to attract and retain staff
 - 17.2 Penal rates – Additional payments for working nights, weekends, and/or overtime
 - 17.3 Split shifts – Compensating drivers for working shifts with a large unpaid break due to timetabling
- 18 I have received a suitable set of terms and conditions from Waka Kotahi. These are outlined below.

Improvements to bus driver terms and conditions will support the establishment of the Sustainable Public Transport Framework

- 19 The Sustainable Public Transport Framework (SPTF) establishes new objectives for the planning, procurement and delivery of public transport services. One of the new objectives focuses on long-term improvements to bus driver terms and conditions: 'employment and engagement of the public transport workforce is fair and equitable, providing for a sustainable labour market and sustainable provision of public transport services'.
- 20 To give effect to this objective, I have instructed officials to develop operational policy to achieve the following outcomes:
 - 20.1 bus drivers have the opportunity to maintain employment if there is a change of operator

- 20.2 the substantive terms and conditions of bus drivers are not negatively impacted by a change of operator
- 20.3 the terms and conditions of the bus driver workforce are improved to increase recruitment and retention.
- 21 My proposal to fund an increase to bus driver wages, and the implementation of a bus industry standard in the longer-term, is a key part of achieving the SPTF objective, and the more specific outcomes above.
- 22 I also anticipate that further improvements to bus driver terms and conditions can be progressed through a Fair Pay Agreement when enabling legislation is in place. Greater standardisation of terms and conditions will prevent a race to the bottom on wages and will better facilitate the transfer of employees between operators should there be a change of operator.

Waka Kotahi has been working with the public transport sector to develop standard terms and conditions for bus drivers

- 23 Currently, there are no standard terms and conditions for bus drivers, and these vary widely throughout the country.
- 24 I tasked Waka Kotahi with representing the Crown as a member of the Bus Industry Standard Sub-Group (Sub-Group). It has worked with unions, PTAs, and operators to identify a set of terms and conditions needed to stabilise the sector and determine an indicative price to deliver these terms and conditions. The Sub-Group has also identified how the \$61 million can best be allocated to make immediate improvements to the sustainability of the bus industry.
- 25 This Sub-Group was overseen by a tripartite Bus Driver Conditions Steering Group (Steering Group), which contained representatives from the Council of Trade Unions, Bus and Coach Association, and local government, as well as central government representatives. This Steering Group had previously been established to oversee the implementation of the Employment Rights Amendment Act 2018 and was also responsible for actioning the uplift of drivers to the Living Wage.
- 26 The Sub-Group met at a series of collaborative, in-person workshops over the first half of 2022. The workshops were a concerted effort to bring together very disparate and often historically contentious positions.
- 27 I have received a set of ideal terms and conditions for bus drivers from the Steering Group that they have agreed upon, that will allow for a stabilisation of the public transport workforce. These are outlined in the table below.

Table 1: Agreed improvements to bus driver terms and conditions

Terms and Conditions	Agreed Action
Base Rate – Urban	Increase up to \$30 per hour
Base Rate – Regional	Increase up to \$28 per hour
Split Shift Allowance	\$30 allowance per split shift
Penal Rates	Time 1.2 after 9.00pm

- 28 These conditions have significant financial implications.
- 28.1 Base rate: Indicative calculations estimate that increasing the wage of all drivers by \$1 will cost \$10m per year (excluding local share raised by PTAs).
- 28.2 Split Shift Allowance: there is an overrepresentation of split shifts within the bus driver workforce due to increased services at peak hours. Providing a \$30 allowance for each split shift would result in significant cost increases.
- 28.3 To provide Time 1.2 to drivers who work after 9.00pm will also result in a significant cost to regions with late night services.
- 29 Given these financial implications, the funding available through CERF will not be sufficient to achieve these agreed minimum standards - even if PTAs contribute to the cost at their normal funding assistance rate (FAR).
- 30 As a result, I therefore propose that increases to bus driver terms and conditions will be rolled out in three tranches.
- 31 The first tranche will focus on immediate improvements that can be made within the \$61m allocated through Budget 2022. The second and third tranches comprise further improvements to terms and conditions the Sub-Group has identified that could be made subject to additional funding.

Tranche 1

- 32 Analysis undertaken by Waka Kotahi provides that the \$61 million will be sufficient to fund up to a \$1.60 per hour increase in driver base rate. Combined with the equivalent local share (i.e. councils will also need to contribute around \$61 million) this funding will be able to be used to increase driver wages by \$3.00 per hour. On average, this will increase driver wages to roughly \$26 per hour. I anticipate that ongoing funding for this increase beyond the four years of funding will be built into the National Land Transport Programme 2024-27.
- 33 This increase will be offered to all bus operators, regardless of the current underlying base rate. This will provide an equitable uplift to all drivers, as well as recognising that some operators and PTAs have reprioritised their own budgets to provide increases prior to funding being made available.
- 34 I note that councils will still need to agree to contribute their local share to meet a \$3.00 increase. Waka Kotahi has set clear expectations with PTAs that the wage increases will be funded with the \$61 million from the Crown at the normal funding assistance rate of 50%. Furthermore, the Crown share of \$61 million will provide some incentive to councils to invest their share.

Tranche 2

- 35 A further increase to base rate will be required in order to reach the minimum hourly rate of \$30 for urban drivers and \$28 for regional drivers. This is estimated to cost an additional \$40 million per year. Taking into account PTA local share, the additional Crown funding cost of this uplift is estimated to be \$20 million per year.
- 36 This tranche will also see provision of a split shift allowance of \$30 per split shift, and penal rates of Time 1.2 after 9.00pm.

37 The overall indicative cost of Tranche 2 will be in the vicinity of an additional \$30 million to \$40 million per year (plus the same local share).

38 s 9(2)(f)(iv)

Tranche 3

39 Further actions were identified through the Bus Industry Standard Sub-Group, which we have classed as Tranche 3. These were noted as key actions to improve conditions for drivers, but less urgent than improving the underlying contractual terms. These are outlined in the below table. Further analysis of the financial implications of Tranche 3 is underway.

Table 2: Tranche 3 improvements to terms and conditions identified through the Sub-Group

Recruitment and Training	<p>High level national campaign promoting bus driving as a career. This should target:</p> <ul style="list-style-type: none"> - advocating for the industry as a whole - raising profile around the importance of bus driving to the community - targeting the idea of public transport as a key factor in reducing carbon emissions. Both electric buses but also getting people out of cars. - using other factors that are being discussed in these workshops such as pay rates to advertise the better conditions of the sector - targeting people who may enjoy aspects of the job, e.g. how split shifts breaks can be used, promoting the community service aspect of the job - humanising and using real life scenarios. <p>Targeted campaign around youth, diversity (including neurodivergent and trans community), and disability community.</p> <p>Develop a document exploring different career opportunities available to public transport staff.</p> <p>Require core modules of training to cover:</p> <ul style="list-style-type: none"> - health and Safety - identifying Risk - de-escalation - interacting with Customers. <p>Commit to developing NZQA training modules and engaging with Centres of Vocational Excellence (COVEs) to develop this in the longer term.</p> <p>Paying drivers while they are getting their Class 2 learners licence.</p>
Rosters and Engagement	<p>Co-design process to occur between all relevant parties. As a minimum, working towards:</p> <ul style="list-style-type: none"> - maximum 12 hour working day (inclusive of split shifts and meal breaks) - a maximum sign off period (between split shifts) <ul style="list-style-type: none"> o it was agreed to exclude drivers of (council contracted) school bus services due to the nature of the work.

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	<ul style="list-style-type: none"> - minimising split shifts (e.g.by moving peak services into offpeak) and work towards offering a variety of work patterns to meet needs - review run times against actual times. <p>Waka Kotahi to work with PTAs on developing a consistent set of principles for this process.</p>
Working Environment and Infrastructure	<p>PTAs to review disruption management and relief policies to allow for more leeway. Increased levels of communication between PTAs, operators, drivers and customers when disruption occurs.</p> <p>Provision of an in-house nurse or health care package.</p> <p>Create a working group that targets innovative solutions to the unhealthy lifestyle factors associated with bus driving.</p> <p>Operators to provide further information on their emergency processes including the availability of an emergency button and radiotelephones.</p> <p>PTAs to invest in better toilet infrastructure (with funding assistance) and provide better information/maps around toilets and parking on routes. Any new routes must have appropriate toilet and parking infrastructure along them.</p> <p>Each operator to work with drivers on geographical areas of need for infrastructure (e.g. survey), identify where there is a deficit and return to councils. Councils to provide roadmap on how these issues will be dealt with.</p> <p>To assist in the above, commit to having representatives from each sector participate in new "Driver Infrastructure Working Group".</p> <p>PTAs to commit to including operators in consultations when reviewing networks.</p>

Implementation

- 40 Waka Kotahi will be managing the implementation of this initiative.
- 41 Funding will be administered through existing funding arrangements with PTAs.
- 42 Key milestones and indicative timeframes are outlined below:

Milestone/activity	Timeframe
Cabinet agreement to release funding for Tranche 1	August 2022
Notification to PTAs of availability of funding	August 2022
PTAs consult with operators on contractual changes	September 2022
Distribution of Tranche 1 funding starts	October 2022
s 9(2)(f)(iv)	

s 9(2)(f)(iv)

Financial Implications

- 43 The proposals in this paper have direct financial implications for the Crown.
- 44 A tagged operating contingency of \$61 million was approved through Budget 2022 from the CERF. This paper proposes that this contingency funding be drawn down to enable the rollout of Tranche 1.
- 45 Tranches 2 and 3 will require additional Crown funding, the amount is yet to be determined.

46 s 9(2)(f)(iv)

Legislative Implications

- 47 There are no legislative implications with this proposal.

Impact Analysis

Regulatory Impact Statement

- 48 Cabinet's regulatory impact analysis requirements do not apply to this proposal as it does not involve the introduction of new legislation, or changes to, or the repeal of existing legislation.

Climate Implications of Policy Assessment

- 49 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the emissions impact is indirect and unable to be accurately quantified.
- 50 The establishment of nationally consistent terms and conditions is intended to enable greater retention and recruitment of bus drivers and stabilise public transport services, which have been impacted by a shortage of drivers. As a result, this work will support greater reliability of public transport services to encourage mode shift, potentially enabling future transport emissions reductions.

Population Implications

- 51 Data from the 2013 census shows that Māori are more likely to work as bus drivers compared to the general population, and so will disproportionately benefit from initiatives to improve bus driver wages and conditions. We understand Pasifika and minority ethnic people are also more likely to work as bus drivers than the general population so will also be more likely to benefit from improvements to wages and conditions.

Human Rights

- 52 There are no inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993 from these proposals.

Consultation

- 53 The following departments were consulted: Ministry of Business, Innovation and Employment (Workplace Relations), the Treasury, Ministry for the Environment and Waka Kotahi.

Communications

- 54 I will announce the outcome of the decisions on this paper in a media release following confirmation from Cabinet.

Proactive Release

- 55 This paper will be proactively released within 30 business days of Cabinet confirmation of decisions. Proactive release is subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Transport recommends that the Committee:

- 1 note that Cabinet established a tagged operating contingency in Budget 2022 of \$61 million over four years to improve the retention and recruitment of bus drivers through more attractive terms and conditions, given effect to through nationally consistent terms and conditions for bus drivers agreed through a bus industry standard agreement for urban bus drivers
- 2 note that a bus industry standard agreement for urban bus drivers has been developed by central and local government, unions and bus operators
- 3 note that with the development of this standard agreement and Waka Kotahi analysis, the \$61 million allocated through Budget 2022 will provide a \$1.60 per hour increase in driver base rate, and that with local share, this funding will increase driver wages on average to \$26 per hour
- 4 note that through the development of the bus industry standard agreement for urban bus drivers, the sector has identified further improvements to bus driver terms and conditions, subject to available funding
- 5 note that the nationally consistent terms and conditions have been identified, and will be administered in three tranches, subject to available funding
- 6 s 9(2)(f)(iv)

Financial implications

- 7 note that, as part of Budget 2022 decisions on 11 April 2022 and detailed Budget 2022 financial recommendations agreed to by the Minister of Transport and the Minister of Finance (Joint Ministers) on 14 April 2022, Cabinet and Joint Ministers:
 - 7.1 agreed to establish a tagged operating contingency in Vote Transport of the following amounts to provide for the establishment of nationally consistent terms and conditions to improve the retention and recruitment of bus drivers:

IN C O N F I D E N C E

	\$m – increase/(decrease)				
Vote Transport	2021/22	2022/23	2023/24	2024/25	2025/26
Minister of Transport					
Retaining and Recruiting Bus Drivers – Improving Terms and Conditions – Tagged Operating Contingency	-	13.000	15.000	16.000	17.000

7.2 agreed that the drawdown of the contingency requires Cabinet approval (establishing any new appropriations as necessary), upon Cabinet's satisfaction with progress to agree nationally consistent terms and conditions via a bus industry standard agreement for urban bus drivers

8 agree that, as Cabinet is now satisfied with progress to agree nationally consistent terms and conditions via a bus industry standard agreement for urban bus drivers, the contingency funding in recommendation 7.1 can now be drawn down

9 agree to establish the following new multi-year appropriation, to run from 1 September 2022 to 30 June 2027:

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Transport	Minister of Transport	Ministry of Transport	Retaining and Recruiting Bus Drivers	Non-Departmental Output Expense	This appropriation is limited to improving the retention and recruitment of bus drivers through more attractive terms and conditions.

10 approve the following change to appropriations to give effect to the decision in recommendation 8 above, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)
Vote Transport	2022/23 to 2026/27
Minister of Transport	
Non-Departmental Output Expense: Retaining and Recruiting Bus Drivers MYA	61.000

11 note that the indicative spending profile for the new multi-year appropriation described in recommendation 10 above is as follows:

	\$m – increase/(decrease)				
Indicative annual spending profile	2022/23	2023/24	2024/25	2025/26	2026/27
	13.000	15.000	16.000	17.000	-

12 agree that the proposed change to appropriations above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

- 13 agree that the expenses incurred under recommendation 10 above be charged against the tagged operating contingency described in recommendation 7 above.
- 14 note that, following the adjustment detailed in recommendation 13 above, the tagged operating contingency described in recommendation 7 above is now exhausted and therefore closed.

Authorised for lodgement

Hon Michael Wood

Minister of Transport

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BUDGET SENSITIVE

Initiative title	Funding profile	What, in plain language, the initiative is funding	Timeframes for implementation	Emissions reduction impact associated with the initiative	Focus area and target in the ERP Transport chapter this initiative is aligned with	Specific action/s in the ERP this initiative aligns with or will enable	Key risks in respect to developing and implementing the initiative Any likely critiques following its announcement
Retaining and Recruiting Bus Drivers – Improving Terms and Conditions	Tagged operating contingency: 22/23: <small>s 9(2)(f)(iv)</small> 23/24: <small>s 9(2)(f)(iv)</small> 24/25: <small>s 9(2)(f)(iv)</small> 25/26: <small>s 9(2)(f)(iv)</small>	<p>This initiative funds improvements to wages and conditions for public transport bus drivers. E.g., facilities improvements, or reductions in split shifts.</p> <p>This is to be given effect through nationally consistent terms and conditions for bus drivers to be agreed through a bus industry standard for urban bus drivers (represented by Government, Industry and Unions).</p>	Waka Kotahi is working with operators, unions and local government to establish nationally consistent terms and conditions for bus drivers. These terms and conditions are expected to be agreed by August 2022, with negotiations between PTAs and operators for contract variations in September 2022, and distribution of funding starting in October 2022.	<p>The Ministry has not quantified the emissions reduction impacts of this initiative.</p> <p>This initiative is not expected to directly increase mode shift and reduce emissions. The establishment of nationally consistent terms and conditions is intended to enable greater retention and recruitment of bus drivers and stabilise public transport services. This will support greater reliability of public transport services, to encourage mode-shift.</p>	<p>Focus area 1: Reduce reliance on cars and support people to walk, cycle and use public transport.</p> <p>Transport target 1: Reduce total kilometres travelled by the light fleet by 20 percent by 2035, through providing better travel options.</p>	<p>This initiative supports Action 10.1.2 in the transport chapter, supporting people to walk, cycle and use public transport.</p> <p>This includes action to improve the reach, frequency, and quality of public transport, by supporting a major uplift in urban bus networks nationwide, including by improving bus driver terms and conditions.</p>	<p>Risk There is a risk that the implementation of improved terms and conditions is limited by affordability constraints for public transport authorities and/or Waka Kotahi.</p> <p>Critique There may also be criticism that the funding provided will not support the scale of improvements to wages and conditions that are needed to retain and recruit drivers.</p>

BUDGET SENSITIVE

Budget 2022 Transport – follow up with the Minister of Finance

Talking points for your meeting with the Minister of Finance at 11am on Friday 18 March

- The public transport sector is currently facing significant cost pressures and public transport is currently at risk of going backwards – worsening services – if we do not contribute some funding to baseline cost pressures. These cost pressures include Covid-19 (farebox revenue reductions), bus driver shortages and workforce pressures and other inflationary pressures (eg, the diesel Index has risen to 7% and is usually 2%).
- We need to address these underlying cost pressures alongside any decisions to reduce fares and increase public transport services. In addition to lowering fares, I strongly support prioritising funding towards reimbursing Waka Kotahi and councils for Covid-19 revenue shortfalls (outside the CERF), and towards improved terms and conditions for bus drivers (within the CERF).
- A national agreement on terms and conditions for bus drivers is currently being progressed with the industry, Public Transport Authorities, and unions. If we cannot attract and retain drivers, the benefits of any fare reductions, and existing and improved services are compromised.

We recommend prioritising funding to baseline public transport cost pressures

1. We recommend prioritising two bids to support public transport cost pressures:
 - a. *Crown support for Reduced Public Transport Revenue due to COVID-19* (about \$70m)¹ – note that this bid sits outside the CERF
 - b. *Building a sustainable skilled workforce to support upscaling of bus networks* (about \$80m) – this funding would be used to progress improved terms and conditions for bus drivers. If we cannot attract and retain drivers, the benefits of existing and improved services are compromised.

Initiative title	Our understanding of Budget Ministers current draft decisions (which are subject to change)
Building a sustainable skilled workforce to support upscaling of bus networks	Not receiving funding in the draft package <ul style="list-style-type: none">• We understand this bid is not currently included in the draft budget package.• We recommend prioritising this bid in your discussions with the Minister of Finance tomorrow

3. **Bus driver terms and conditions – MoF expressed an interest in resuscitating this, so please could you work with Treasury on what a scaled option might look like.**

Ministry response:

The 'Building a sustainable skilled workforce to support upscaling of bus networks' initiative is costed based on funding:

- s 9(2)(f)(iv)
- s 9(2)(f)(iv)
- An allocation for timetable changes to improve bus driver shift patterns
- A contingency for costs beyond forecast – for example from organic growth in the driver workforce and associated wage costs.

The initiative assumed co-funding from public transport authorities at the normal Waka Kotahi financial assistance rate (FAR) (49 percent local/51 percent NLTF).

Since the bid was prepared, the sector has begun a process to establish nationally consistent terms and conditions for bus drivers. We anticipate these would be agreed through an industry accord (the Industry Accord). We consider improving terms and conditions through the Industry Accord is a higher priority than other outputs that were targeted by the bid. As a result, the initiative could be rephased and/or scaled to only deliver improved bus driver wages. The Rephased option would see the original quantum of the bid put wholly towards improved bus driver wages, and the flow of funding would reflect that the Industry Accord would likely see a larger increase to terms and conditions initially, but less growth in expenditure in subsequent years. The Rephased and Scaled option would see a proportion of the original bid rephased to reflect the Industry Accord. The flow of funding for these two options are shown alongside the Original initiative as submitted.

s 9(2)(f)(iv)					

Assuming co-funding from public transport authorities at the normal FAR, indicatively the Rephased initiative would see a nation-wide increase in bus driver wages of approximately \$3.75 an hour – or from an average of \$23 an hour to \$26.75. Meanwhile, the Rephased and Scaled option would indicatively see an increase of approximately \$3 an hour to \$26 an hour. In both cases we anticipate the increases would likely fall short of the recent increase to bus driver wages in Wellington to \$27 an hour.

Given the terms and conditions agreed through the Industry Accord are subject to a process currently underway, we do not have certainty about the costs of meeting these terms and conditions or when the costs will be incurred. However, we recommend funding is made available in 2022/23 to help support the successful negotiation of the Industry Accord. We also note the Industry Accord is

likely to be an input to the negotiation of a Fair Pay Agreement once enabling legislation is in place (anticipated to be late-2022). As a result, we anticipate the funding provided would also contribute to the costs of a Fair Pay Agreement if/when one is in place. Given the uncertainties about the timing and quantum of funding one option would be to include this initiative as a tagged contingency.

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