

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)
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- 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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