



22 July 2022

OC220623

**Hon Michael Wood**  
**Minister of Transport**

**Action required by:**  
 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




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Matt Skinner  
**Acting Manager, Mobility and Safety**  
 22 / 07 / 2022

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Hon Michael Wood  
**Minister of Transport**  
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- Minister's office to complete:**
- Approved
  - Declined
  - Seen by Minister
  - Not seen by Minister
  - Overtaken by events

**Comments**

**Contacts**

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