

## 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 authorities<sup>1</sup> to adequately meet the needs of the public in designing their networks and growing services. Many report that they are now having to run

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<sup>1</sup> 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*

<b>Recruitment and Training</b>	<p>High level national campaign promoting bus driving as a career. This should target:</p> <ul style="list-style-type: none"> <li>- advocating for the industry as a whole</li> <li>- raising profile around the importance of bus driving to the community</li> <li>- targeting the idea of public transport as a key factor in reducing carbon emissions. Both electric buses but also getting people out of cars.</li> <li>- using other factors that are being discussed in these workshops such as pay rates to advertise the better conditions of the sector</li> <li>- 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</li> <li>- humanising and using real life scenarios.</li> </ul> <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"> <li>- health and Safety</li> <li>- identifying Risk</li> <li>- de-escalation</li> <li>- interacting with Customers.</li> </ul> <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>
<b>Rosters and Engagement</b>	<p>Co-design process to occur between all relevant parties. As a minimum, working towards:</p> <ul style="list-style-type: none"> <li>- maximum 12 hour working day (inclusive of split shifts and meal breaks)</li> <li>- a maximum sign off period (between split shifts) <ul style="list-style-type: none"> <li>o it was agreed to exclude drivers of (council contracted) school bus services due to the nature of the work.</li> </ul> </li> </ul>



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	<ul style="list-style-type: none"> <li>- minimising split shifts (e.g.by moving peak services into offpeak) and work towards offering a variety of work patterns to meet needs</li> <li>- review run times against actual times.</li> </ul> <p>Waka Kotahi to work with PTAs on developing a consistent set of principles for this process.</p>
<b>Working Environment and Infrastructure</b>	<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)				
<b>Vote Transport</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<b>Minister of Transport</b>					
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:

<b>Vote</b>	<b>Appropriation Minister</b>	<b>Appropriation Administrator</b>	<b>Title</b>	<b>Type</b>	<b>Scope</b>
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)
<b>Vote Transport</b>	<b>2022/23 to 2026/27</b>
<b>Minister of Transport</b>	
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)				
<b>Indicative annual spending profile</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	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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