



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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