

OC230959

13 December 2023

Tēnā koe 

I refer to your email dated 15 November 2023, requesting the following under the Official Information Act 1982 (the Act):

*“All correspondence , including but not limited to briefings,, records of meetings and other relevant records between the Ministry and the Minister and/or NZTA and Regional Councils concerning the process and the decision to use the CERF fund to improve the pay and conditions of bus drivers.*

*Also any information to support any change to the legislation, rules, regulations, or similar used to enact the decision”*

19 documents fall within the scope of your request and are detailed in the document schedule attached as Annex 1. The schedule outlines how the documents you requested have been treated under the Act. The relevant excerpts for some documents have been extracted under section 16(1)(e) of the Act and are included in this response.

Some 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. |

With regard to 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 five documents under the following section of the Act:

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

I have set out in Annex 1 where these documents are 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](http://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 black ink, appearing to be 'Alex Voutratzis', written in a cursive style.

Alex Voutratzis  
**Acting Manager, Urban Development and Public Transport**

## Annex 1: In-scope documents

Doc #	Reference number	Date	Title of Document	Decision on request
1	OCC220763	01/09/22	Briefing - OCC220763 Updated Draft Cabinet Paper – Progress on Establishing a Bus Industry Standard Agreement for Bus Drivers	Refused under s18(d) and can be found here: <a href="https://www.transport.govt.nz/assets/Uploads/Combined-Document.pdf">https://www.transport.govt.nz/assets/Uploads/Combined-Document.pdf</a>
2	OC220763		Draft Cabinet Paper – OC220763 Annex 1 - Progress on Establishing a Bus Industry Standard Agreement for Urban Bus Drivers	Released in full
3	OCC220654	18/08/22	Briefing - OCC220654 Further Advice on Progressing the Bus Industry Standard Agreement	Refused under s18(d) and can be found here: <a href="https://www.transport.govt.nz/assets/Uploads/Combined-Document.pdf">https://www.transport.govt.nz/assets/Uploads/Combined-Document.pdf</a>
4	OC220623	22/07/22	Briefing - OC220623 Options for Progressing the Bus Industry Standard Agreement	Refused under s18(d) and can be found here: <a href="https://www.transport.govt.nz/assets/Uploads/Combined-Document.pdf">https://www.transport.govt.nz/assets/Uploads/Combined-Document.pdf</a>
5	OC220550	13/07/22	Briefing - OC220550 Draft Cabinet Paper – Progress on Establishing a Bus Industry Standard Agreement for Urban Bus Drivers	Some information withheld under 9(2)(a)
6			Draft Cabinet Paper - OC220550 Annex 1 –Progress on Establishing a Bus Industry Standard Agreement for Urban Bus Drivers	Released in full
7			Cabinet Paper – Progress on Establishing a Bus Industry Standard Agreement for Public Transport Bus Drivers	Released in full
8			Cabinet Minute – Establishing a Bus Industry Standard for Public Transport Bus Drivers: Report on Progress (DEV-22-MIN-0232)	Released in full
9			Master CERF Info Table	Relevant excerpt 16(1)(e)



Doc #	Reference number	Date	Title of Document	Decision on request
10			Talking points - Budget 2022 Transport – follow up with the Minister of Finance	Refused under s18(d) and can be found here: <a href="https://www.transport.govt.nz/assets/Uploads/Combined-Document.pdf">https://www.transport.govt.nz/assets/Uploads/Combined-Document.pdf</a>
11			Budget 22 – Responses to MO	Relevant excerpt 16(1)(e)
12	OC210916		Budget 2022 Vote Transport – Initiatives for Submission (relevant excerpt)	Relevant excerpt 16(1)(e)
13			Budget 2022 Vote Transport – Initiatives for Submission – Annex 1 to Briefing (relevant excerpt)	Relevant excerpt 16(1)(e) and some information withheld under 9(2)(f)(iv)
14			Suggested Talking Points and Advice on Specific Budget 2022 Initiatives (relevant excerpt)	Relevant excerpt 16(1)(e)
15			Vote Transport – Significant and Technical Recommendations	Refused under s18(d) and can be found here (Pg 40, 41): <a href="https://budget.govt.nz/information-release/2023/pdf/b23-frs-trans-sig-4779845.pdf">https://budget.govt.nz/information-release/2023/pdf/b23-frs-trans-sig-4779845.pdf</a>
16			Building a sustainable and skilled public transport workforce, phases 2 and 3 (Initiative template)	Some information withheld under 9(2)(a)
17			Building a sustainable and skilled public transport workforce, phases 2 and 3 (CIPA)	Released in full
18			Draft cover note for the National Public Transport Workforce Steering Group – recruiting and retaining bus drivers	Released in full
19			Options for Budget 23 investment – notes for the Steering Group	Withheld in full under section 9(2)(f)(iv)



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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 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.

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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 Further improvements to bus driver terms and conditions will be addressed over the longer term. I will report back to Cabinet in December 2022 with more detail on those additional improvements, and I intend to seek funding through Budget 2023 for those initiatives.

## 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:



- 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 contribution<sup>2</sup>. 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.

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<sup>2</sup> 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.



- 49 The overall cost of Tranche 2 is subject to further analysis currently underway. Some of these costs will be captured in existing indexation processes. I will report back with further analysis of the expected costs by December 2022.

**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
Cabinet report back on further detail of Tranches 2 and 3	December 2022
Tranche 2 and 3 rollout	2023/2024

**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 Additional funding for Tranches 2 and 3 will be sought through Budget 2023.



## 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 note that I will report back to the Committee by December 2022 on progress of Tranche 1 and provide a detailed cost estimate of Tranche 2

*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)				
<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

- 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:

<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.

- 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)
<b>Vote Transport</b>	<b>2022/23 to 2026/27</b>
<b>Minister of Transport</b>	

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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





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, including further funding requirements (which may be part of Budget 2023).
- 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. Further analysis is currently being undertaken by Deloitte on the costings for the additional changes to terms and conditions in Table 1. We are then intending to seek additional funding to support these changes in Budget 2023.
- 5 There continues to be a level of disagreement over specific items such as overtime and weekend rates. The Bus Industry Standard sub-group intends to hold further discussions later this year to reach agreement prior to a Cabinet report back in December 2022 and seeking additional funding through Budget 2023.
- 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. We propose to report back to Cabinet by December 2022 with further detail on the second and third tranches of further improvements to terms and conditions, including cost information. Subject to your agreement, we will also begin work to prepare a bid for funding from Budget 2023 for those further improvements.



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
Cabinet report back on funding for Tranches 2 and 3	December 2022
Development of Budget 2023 bid initiative	From late 2022 (subject to confirmation of timeframes from Treasury).
Tranche 2 and 3 rollout	2023/2024

**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.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982



**ANNEX 1 DRAFT CABINET PAPER**

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

**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 Further improvements to bus driver terms and conditions will be addressed over the longer term. I will report back to Cabinet in December 2022 with more detail on those additional improvements, and I intend to seek funding through Budget 2023 for those initiatives.

## 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 Some of these costs will be captured in existing indexation processes. Further analysis will be performed over the coming months, and I will report back by December 2022 with that analysis

### 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>



	<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
Cabinet report back on further detail of Tranches 2 and 3	December 2022



Tranche 2 and 3 rollout	2023/2024
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### 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 Additional funding for Tranches 2 and 3 will be sought through Budget 2023.

### 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 note that I will report back to the Committee by December 2022 on progress of Tranche 1 and provide a detailed cost estimate of Tranche 2.

### *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 CONFIDENCE**

	\$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;

**IN CONFIDENCE**

- 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

DRAFT  
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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 public transport 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 public transport 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 – unions, PTAs, and operators – to collaboratively develop minimum terms and conditions for bus drivers that will stabilise the workforce.
- 7 I intend to use the Budget 2022 funding to implement immediate wage rate increases as a first step in fulfilling these minimum standards and progressing standardisation of base rates. However, to ensure equitable outcomes for PTAs, operators, and employees, I am proposing some flexibility to enable the implementation of split shift allowances and penal rates for work after 9pm where necessary or desirable.
- 8 Further improvements to bus driver terms and conditions (including base rates, split shift allowances and overtime rates) will be progressed by the sector over a longer term. I will report back to Cabinet in December 2022 with more detail on those additional improvements. Funding for these improvements may be sought through Budget 2023 or a future Budget, pending the Minister of Finance's decisions on invitations into the Climate Emergency Response Fund process for Budget 2023.

## Background

- 9 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. Public transport bus services are currently contracted by public transport authorities (PTAs) to privately-owned operators, which employ bus drivers.
- 10 To be attractive, public transport services need to be fast, frequent, and reliable. However, because of difficulties recruiting and retaining bus drivers PTAs have had to reduce service frequency and are increasingly unable to maintain reliable public transport (PT) bus services. 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.
- 11 Attracting and retaining bus drivers is critical to stabilising and growing public transport services, which will support mode-shift and emissions reductions. Achieving this outcome is particularly urgent in the large urban centres:
  - 11.1 AT estimates that its network is currently short of 500 drivers.
  - 11.2 Greater Wellington Regional Council (GWRC) estimates that its network is currently short of 115 drivers.
  - 11.3 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.
- 12 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.

- 13 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.
- 14 Instead, PTAs would be faced with the option of:
  - 14.1 cutting public transport services
  - 14.2 raising rates
  - 14.3 increasing fares
  - 14.4 increasing borrowing levels (noting that PTAs should not borrow to support operating costs)
  - 14.5 reallocating budgets.
- 15 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 public transport bus drivers. This was executed successfully, with all drivers being lifted to a minimum rate of \$22.75.
- 16 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.
- 17 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.
- 18 To help solve these stated issues, tagged contingency funding of \$61 million over four years was approved from the Climate Emergency Response Fund (CERF).
- 19 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:
  - 19.1 Base rates – A rate that would be sufficient to attract and retain staff
  - 19.2 Penal rates – Additional payments for working nights, weekends, and/or overtime
  - 19.3 Split shifts – Compensating drivers for working shifts with a large unpaid break due to timetabling

- 20 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**

- 21 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'.
- 22 To give effect to this objective, I have instructed officials to develop operational policy to achieve the following outcomes:
- 22.1 bus drivers have the opportunity to maintain employment if there is a change of operator
  - 22.2 the substantive terms and conditions of bus drivers are not negatively impacted by a change of operator
  - 22.3 the terms and conditions of the bus driver workforce are improved to increase recruitment and retention.
- 23 My proposal to provide funding for 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.
- 24 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**

- 25 Currently, there are no standard terms and conditions for bus drivers, and these vary widely throughout the country.
- 26 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.
- 27 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 implementing the uplift of drivers to the Living Wage.



- 28 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.
- 29 I have received a set of proposed 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

- 30 These conditions have significant financial implications.
- 30.1 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).
- 30.2 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. Equally, such an allowance is likely to incentivise operators to reduce the preponderance of split shift arrangements where they can.
- 30.3 Penal Rate: 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.
- 31 Given these financial implications, the funding available through CERF will be insufficient to achieve these agreed minimum standards - even if PTAs contribute to the cost at their normal funding assistance rate (FAR).
- 32 I propose the \$61m allocated through Budget 2022 is used to progress standardisation of base rates, and where necessary or desirable, the implementation of the Split Shift Allowance and the Penal Rate for work after 9pm. I am proposing a flexible approach to ensure equitable outcomes for PTAs, operators, and employees.
- 33 The first tranche of funding will focus on improvements that can be made within the \$61m allocated through Budget 2022. Tranches 2 and 3 will require additional funding. This may be sought through Budget 2023 or a future Budget, pending the Minister of Finance's decisions on invitations into the Climate Emergency Response Fund process for Budget 2023.

**Tranche 1: improvements to base wage rates and implementation of other terms and conditions**

- 34 I propose that the \$61m allocated through Budget 2022 is used to support the sector to standardise minimum base wage rates as much as possible and to implement the Split Shift Allowance and Penal Rate for time after 9pm where appropriate. To

receive the Crown funding, I propose operators and public transport authorities are required to contribute to wage increases.

- 35 I propose that, to be eligible for Crown funding, operators are required to contribute to wage increases consistent with indexation and continue to apply indexation to wage rates in future.
- 36 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.
- 37 To be eligible for Crown funding, PTAs will need to demonstrate that operators have contributed to increased bus driver wages. This includes demonstrating that:
- 37.1 operators have contributed increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021 at a minimum
- 37.2 operators commit to pass on future indexation payments relating to labour costs to increase drivers' wages.
- 38 These requirements will apply to all operators, regardless of region and regardless of the pre-increase wage rate.
- 39 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*

- 40 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.
- 41 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.

*Waka Kotahi will work with PTAs, operators, and unions to agree the best approach to allocate funding for Tranche 1 in each region*

- 42 I want to use the \$61 million agreed through Budget 2022 to standardise driver base wage rates across the country as much as possible. However, officials have advised me that, in some cases, doing so could have unintended consequences and lead to



inequitable outcomes. As a result, I propose to provide flexibility so some regions can use all available Crown funding to standardise minimum base rates, while other regions can begin to support the standardisation of base rates and implementation of the Split Shift Allowance and/or the Penal Rate for time after 9pm.

*Some regions will use all available funding to standardise base wage rates*

- 43 Where regions standardise minimum base rates, the region would use the available funding to support operators to reach a target rate (for example \$28 an hour in urban areas and \$26 an hour in regional areas). Note that there is insufficient funding to reach the base rates agreed by the Sub-Group indicated in Table 1.
- 44 Under this approach, where there are variations in base wage rates between operators in a region, bus drivers will receive different wage increases. As there are also variations in wages between regions, the level of Crown funding provided to PTAs will vary.

*Some regions will use available funding to standardise base wage rates and to implement other improvements to driver pay*

- 45 Where using all the available funding to standardise base wage rates would result in significant inequity and/or unintended consequences,<sup>2</sup> PTAs will have the option of providing funding to contracted operators according to market share. The funding would be used to:
- 45.1 initially enable operators to increase base rates to or towards the target rate
- 45.2 subsequently support operators to offer a penal rate for work after 9pm and/or a split shift allowance for operators that reach the target rate.
- 46 Officials do not have information on the likely cost of supporting penal rates or split shift allowances in specific regions 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*

- 47 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.
- 48 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:
- 48.1 attract drivers to meet demand for services

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<sup>2</sup> For example, where differences in existing wage structures would result in inequitable outcomes, or where standardisation would disadvantage operators who have already self-fund wage increases.

48.2 meet the local share to match Crown funding.

**Further improvements to base rates, and to allowances (Tranche 2)**

- 49 A further increase to base rate will be required 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.
- 50 This tranche will also see the full implementation of a split shift allowance of \$30 per split shift, and penal rates of Time 1.2 after 9.00pm.
- 51 The overall cost of Tranche 2 is subject to further analysis currently underway. Some of these costs will be captured in existing indexation processes. I will report back with further analysis of the expected costs, and options to meet these costs, by December 2022.

**Longer-term improvements to terms and conditions (Tranche 3)**

- 52 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:
- 52.1 recruitment and training
- 52.2 rosters, including minimising split shifts where possible
- 52.3 the working environment and infrastructure.
- 53 Further analysis of the financial implications of Tranche 3 is underway.

**Implementation**

- 54 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.
- 55 Funding will be administered through existing funding arrangements with PTAs.
- 56 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	October 2022
PTAs consult with operators on contractual changes	October 2022
Operators negotiate with unions to vary collective agreements where necessary	November 2022
Distribution of Tranche 1 funding starts	November 2022
Cabinet report back on further detail of Tranches 2 and 3	December 2022



Tranche 2 and 3 rollout (subject to additional funding)	2023/2024
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## Financial Implications

- 57 The proposals in this paper have direct financial implications for the Crown.
- 58 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.
- 59 Officials are investigating the likely cost of Tranches 2 and 3 and I anticipate reporting to Cabinet on those costs, and options for how they could be met, in December 2022. This may be sought through Budget 2023 or a future Budget, pending the Minister of Finance's decisions on invitations into the Climate Emergency Response Fund process for Budget 2023. I intend to seek funding through Budget 2023 to support the implementation of Tranches 2 and 3.

## Legislative Implications

- 60 There are no legislative implications with this proposal.

## Impact Analysis

### Regulatory Impact Statement

- 61 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

- 62 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.
- 63 To be attractive, public transport services need to be fast, frequent, and reliable. However, because of difficulties recruiting and retaining bus drivers PTAs have had to reduce service frequency and are increasingly unable to maintain reliable bus services. The establishment of nationally consistent terms and conditions is intended to support greater retention and recruitment of bus drivers, which is critical to stabilising and growing public transport services. This will support mode-shift and emissions reductions.

## Population Implications

- 64 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. Officials 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.
- 65 Many in the disability community rely on public transport services to find and participate in employment, leisure and education activities. Improving bus driver

terms and conditions to stabilise the workforce will contribute to improving the reliability of urban bus services and therefore enabling members of the disability community to live more meaningful, mana-enhancing lives. However, any increases to fares would create financial barriers for disabled people, impacting their full and honest participation in society.

- 66 Increased expenditure by the Crown and PTAs to support improved conditions for bus drivers will not negatively impact on Crown-funded fare concessions. However, PTAs are responsible for setting fares, including other concessions that are not Crown-funded. PTAs could decide to raise fares in order to fund their share of wage increases. However, providing Crown funding should reduce the need for PTAs to raise fares.

## Human Rights

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

## Consultation

- 68 The following departments were consulted: Ministry of Business, Innovation and Employment (Workplace Relations and Immigration), Ministry of Education, the Treasury, Ministry for the Environment, Department of Internal Affairs (Local Government), Ministry for Primary Industries (Rural Communities), Te Puni Kōkiri, Te Kawa Mataaho Public Service Commission, Office for Disability Issues, Worksafe, Accident Compensation Corporation and Waka Kotahi. The Department of Prime Minister and Cabinet was informed.
- 69 Members of the Bus Driver Conditions Steering Group were provided with a summary of this paper. Members of the Steering Group include NZ Council of Trade Unions, Bus and Coach Association, PTAs Ministry of Education and Waka Kotahi.
- 70 The Ministry of Education has noted that the proposals in this paper may have indirect impacts on the school transport services it funds, including relativities and overall labour costs. Transport officials will continue to engage with the Ministry of Education during the implementation of minimum base rates to understand the downstream impact on school transport services.
- 71 The Department of Internal Affairs noted the potential impact of the proposals on other bus services, such as interregional and tourism services, who are all competing for the same pool of bus drivers. Officials advise that most interregional and tourism bus services are owned by public transport bus operators, so the impact should be minimal.

## Communications

- 72 I will announce the outcome of the decisions on this paper in a media release and hold an event marking these decisions with members of the Bus Industry Sub-Group following confirmation from Cabinet.

## Proactive Release

- 73 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 public transport bus drivers
- 2 note that a bus industry standard agreement for public transport 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 is used to progress standardisation of base wage rates, and where indicated rates have been reached, the funding can then be used for the implementation of the Split Shift Allowance and the Penal Rate for work after 9pm
- 5 note that some flexibility around the allocation and use of funding is required to ensure equitable outcomes and avoid unintended consequences
- 6 note that, Waka Kotahi will work with public transport authorities, operators, and unions to agree for each region how funding is used to standardise base wages rates and/or to implement other improvements to driver terms and conditions
- 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 note that Crown funding will be released subject to all parties signing up to a written agreement
- 9 note that it is my expectation that all parties will bargain in good faith to incorporate the improvements to wages, terms and conditions outlined in this paper into their respective collective employment agreements
- 10 agree that to receive Crown funding for increases to wages, public transport authorities are required to demonstrate that operators:
  - 10.1 have contributed to increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021, and
  - 10.2 have committed to pass on future indexation payments to increase drivers' wages
- 11 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
- 12 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

- 13 note that through the development of the bus industry standard agreement for public transport 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
- 14 note that I will report back to the Committee by December 2022 on progress with Tranche 1, a detailed cost estimate of Tranche 2, and options to meet these costs

*Financial implications*

- 15 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:

- 15.1 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)				
<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

- 15.2 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 public transport bus drivers
- 16 agree that, as Cabinet is now satisfied with progress to agree nationally consistent terms and conditions via a bus industry standard agreement for public transport bus drivers, the contingency funding in recommendation 13.1 can now be drawn down
- 17 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.

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



**IN C O N F I D E N C E**

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

- 19 note that the indicative spending profile for the new multi-year appropriation described in recommendation 16 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	-

- 20 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;
- 21 agree that the expenses incurred under recommendation 16 above be charged against the tagged operating contingency described in recommendation 13 above
- 22 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



# Cabinet Economic Development Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Establishing a Bus Industry Standard for Public Transport Bus Drivers: Report on Progress

Portfolio                      Transport

On 28 September 2022, the Cabinet Economic Development Committee (DEV):

- 1        **noted** that as part of Budget 2022, Cabinet agreed to establish a tagged operating contingency of \$61 million over four years to improve the retention and recruitment of bus drivers through more attractive terms and conditions, to be given effect through nationally consistent terms and conditions for bus drivers agreed through a bus industry standard agreement for public transport bus drivers;
- 2        **noted** that a bus industry standard agreement for public transport bus drivers has been developed by central and local government, unions and bus operators;
- 3        **noted** 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        **agreed** that:
  - 4.1        the \$61 million allocated through Budget 2022 be used to progress standardisation of base wage rates;
  - 4.2        where indicated rates have been reached, the funding can then be used for the implementation of the Split Shift Allowance and the Penal Rate for work after 9pm;
- 5        **noted** that some flexibility around the allocation and use of funding is required to ensure equitable outcomes and avoid unintended consequences;
- 6        **noted** that Waka Kotahi will work with public transport authorities, operators, and unions to agree for each region how funding is used to standardise base wages rates and/or to implement other improvements to driver terms and conditions;
- 7        **noted** 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        **noted** that Crown funding will be released subject to all parties signing up to a written agreement;
- 9        **noted** that it is the Minister of Transport's expectation that all parties will bargain in good faith to incorporate the improvements to wages, terms and conditions outlined in the paper under DEV-22-SUB-0232 into their respective collective employment agreements;



- 10 **agreed** that to receive Crown funding for increases to wages, public transport authorities be required to demonstrate that operators:
- 10.1 have contributed to increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021; and
  - 10.2 have committed to pass on future indexation payments to increase drivers' wages;
- 11 **agreed** that public transport authorities also be 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;
- 12 **agreed** that, where funding is provided for bus driver wages from the National Land Transport Fund (NLTF), public transport authorities be required to provide matching funding for both NLTF and Crown funding;
- 13 **noted** that through the development of the bus industry standard agreement for public transport bus drivers, the sector has identified further improvements to bus driver terms and conditions, which will be administered in three tranches, subject to available funding;
- 14 **invited** the Minister of Transport to report back to DEV by December 2022 on progress with Tranche 1, a detailed cost estimate of Tranche 2, and options to meet these costs;

### Financial implications

- 15 **noted** 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:
- 15.1 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)				
<b>Vote Transport Minister of Transport</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Retaining and Recruiting Bus Drivers – Improving Terms and Conditions – Tagged Operating Contingency	-	13.000	15.000	16.000	17.000

- 15.2 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 public transport bus drivers;
- 16 **agreed** that satisfactory progress has been made to agree nationally consistent terms and conditions via a bus industry standard agreement for public transport bus drivers, and that the contingency funding referred to in paragraph 15.1 above can now be drawn down;

- 17 **agreed** 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

- 18 **approved** the following change to appropriations to give effect to the decision in paragraph 16 above, with a corresponding impact on the operating balance:

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

- 19 **noted** that the indicative spending profile for the new multi-year appropriation described in paragraph 16 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	-

- 20 **agreed** that the changes to appropriations above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 21 **agreed** that the expenses incurred under paragraph 18 above be charged against the tagged operating contingency described in paragraph 15 above;
- 22 **noted** that, following the adjustment detailed in paragraph 19 above, the tagged operating contingency described in paragraph 15 above is now exhausted and therefore closed.

Janine Harvey  
Committee Secretary

**Present: (see over)**



**Present:**

Hon Grant Robertson (Chair)  
Hon Willie Jackson  
Hon Michael Wood  
Hon Dr David Clark  
Hon Dr Ayesha Verrall  
Hon Priyanca Radhakrishnan  
Hon Phil Twyford  
Hon Kieran McNulty  
Rino Tirikatene, MP  
Dr Deborah Russell, MP

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV

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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
Retaining and Recruiting Bus Drivers – Improving Terms and Conditions	Tagged operating contingency: 22/23: 13.000 23/24: 15.000 24/25: 16.000 25/26: 17.000	<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>Any likely critiques following its announcement</p> <p><b>Risk</b> 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><b>Critique</b> 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>



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:

- Annual increases to bus driver wages to reach a nominal rate of \$31 per hour by 2026
- An allocation of \$3m a year in 22/23, 23/24, 24/25 for improved driver facilities
- 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.

Operating funding sought (\$m)	2022/23	2023/24	2024/25	2025/26	Total
Original initiative as submitted	11.900	17.700	23.500	25.400	78.500
Rephased initiative	17.000	19.500	20.500	21.500	78.500
Rephased and Scaled initiative	13.000	15.000	16.000	17.000	61.000

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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## Prioritising CERF initiatives

- 17 The Minister of Finance has asked Ministers with invited CERF initiatives to collectively prioritise these initiatives, and to consider the potential for sequencing the submission of these proposals across the next few Budgets, given the multi-year nature of the CERF.
- 18 While all Vote Transport CERF initiatives can help reduce transport emissions, we have advised you on their relative priority. We have prioritised initiatives based on their expected contribution to emissions reduction and a just transition, per dollar spent. We have also taken account of their implementation readiness and whether they are time sensitive (i.e., risks associated with deferral).
- 19 Within transport, we think the Government should prioritise investment in low-emissions travel choices through cost-effective mode-shift investment in infrastructure and services. This includes investments that can be delivered quickly and optimise existing transport networks through changes that make public transport, walking and cycling safer and easier for significantly more people (e.g. reallocating road space from private vehicles to public and active transport modes).
- 20 Mode-shift investment is also critical for supporting a just transition by making inclusive and affordable transport modes more accessible. We have a significant opportunity to reduce transport emissions and improve transport equity by prioritising mode-shift investment that improves access for transport disadvantaged and low-income households in urban areas that are heavily reliant on car travel, and disproportionately impacted by rising fuel costs.
- 21 Deferring investment in mode-shift risks locking in emissions-intensive transport patterns that will make it harder and more expensive to reduce emissions in the future at the pace and scale required.
- 22 Our relative prioritisation of CERF initiatives is consistent with our view that cost-effective mode-shift investment is of highest priority. Our recommendations are summarised in Table 2 below and discussed in more detail in **Annex 1**.

**Table 1: Summary of recommendations on CERF initiatives**

Initiative	Recommendation
<b>Focus 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport</b>	
3 Building a sustainable skilled workforce to support upscaling of bus networks	<p><b>Medium priority</b> - We recommend seeking funding for this initiative for a few years and reviewing its success and market developments prior to committing further Crown support.</p> <p><b>Please advise us on the level of funding you would like to seek for this initiative:</b></p> <ul style="list-style-type: none"> <li>You may wish to seek funding for this initiative for two years to align with the commencement of GPS 2024. This would provide the option of including expectations that supporting bus driver sustainability is funded out of the NLTF.</li> </ul>

		<ul style="list-style-type: none"><li>Alternatively, you may wish to seek funding for the full four-year forecast period.</li></ul>
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## Annex 1: Summary of Vote Transport initiatives for submission in Budget 2022

Climate Emergency Response Fund (CERF) initiatives			
#	Budget initiative title	Funding sought (\$m)	Ministry Comment
<b>Focus 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport</b>			
3	Building a sustainable skilled workforce to support upscaling of bus networks	<p>Operating</p> <p>22/23: 11.900</p> <p>23/24: 17.700</p> <p>24/25: 23.500</p> <p>25/26: 25.400</p> <p>Total Capital sought: N/A</p> <p>Funding sought makes assumptions about how PTAs would use the funding. Ultimately, PTAs will apply for funding to meet recruitment and retention needs in ways that they deem most appropriate for their regions.</p>	<p><b>Medium priority - We recommend seeking funding for this initiative for a few years and reviewing its success and market developments prior to committing further Crown support.</b></p> <p><i>Key points</i></p> <ul style="list-style-type: none"> <li>About 10-15 percent of driver roles are currently vacant in Auckland, Wellington and Christchurch, leading to a growing number of services being cancelled. The impacts of the driver shortage on services are not yet presenting as severe but service cancellations have been increasing over the past six months (for example, to almost 4% each month in Wellington).</li> <li>Over the longer term, if changes are not made now to make bus driving more attractive, the labour force will be unable to support planned organic growth and to support demand induced by mode-shift initiatives, which bids 1, 2 and 4 are designed to encourage.</li> <li>This initiative extends a current NLTF initiative to support bus drivers being paid the Living Wage (via co-funding between the NLTF and Public Transport Authorities) by co-funding, with councils, measures aimed at recruiting and retaining bus drivers. It would be possible to fund this initiative from the NLTF in future (after this initiative ends). All else equal, this would place pressure on FED and RUC rates.</li> <li><b>Please advise us on the level of funding you would like to seek for this initiative:</b> <ul style="list-style-type: none"> <li>You may wish to seek funding for this initiative for two years (i.e. \$11.9m in 22/23 and \$17.7m in 23/24) – to align with the commencement of GPS 2024. This would provide the option of including expectations that supporting bus driver sustainability is funded out of the NLTF.</li> <li>Alternatively, you may wish to seek funding for the full four-year forecast period as shown in the left-hand column.</li> </ul> </li> </ul> <p><b>Initiative description</b></p> <p>This initiative provides co-funding (about 51 percent) to support public transport authorities to implement measures aimed at recruiting and retaining bus drivers, such as:</p> <ul style="list-style-type: none"> <li>Increases to bus driver wages</li> <li>Improvements to driver rest facilities and/or construction of new facilities</li> <li>Changes to timetables, including more services during daytime off-peak hours, to increase the number of straight shifts available to drivers (rather than split-shifts)</li> </ul> <p>It will address current bus driver shortages under existing contracts. We anticipate that measures to improve bus driver wages and conditions will be incorporated in future contract rounds due to the Public Transport Operating Model (PTOM) review, which is currently underway.</p> <p><b>Draft ERP actions this initiative relates to:</b></p> <ul style="list-style-type: none"> <li>This initiative is not directly included in the ERP. However, a sustainable labour market for public transport services is necessary to enable mode-shift actions, including improving the reach, frequency, and quality of public transport.</li> </ul> <p><b>Comment on relative priority of initiative (criteria: expected contribution to emissions reduction and a just transition per dollar spent)</b></p> <p>This initiative is a <b>medium priority</b>. Higher bus driver wages and improved conditions are needed to expand bus services and successfully deliver on mode-shift goals. This initiative is entirely scalable – though has been designed to address the current bus driver shortages, so lower funding levels are not expected to fully address this problem unless local authorities cover more than 50 percent of the costs.</p> <p>About 10-15 percent of driver roles are currently vacant in Auckland, Wellington and Christchurch, leading to a growing number of services being cancelled. The immediate impact of these shortages is not yet severe but service cancellations are trending upwards (for example, to almost 4% each month in Wellington in recent months), exacerbated by the Covid-19 pandemic (with border controls restricting new drivers arriving from overseas), an aging driver population, and the sector finding it difficult to attract new drivers in a tight labour market. Wellington and Auckland are reporting month by month increases in cancellations. Christchurch, Dunedin, Queenstown and Hamilton and the Hawkes Bay are also now reporting problems.</p> <p>Over the longer term, if changes are not made now to make bus driving more attractive, the labour force will be unable to support planned organic growth and to support demand induced by mode-shift initiatives, which bid 1, 2 and 4 are designed to encourage. Timetable changes to increase the number of services in off-peak times (thus reducing the number of unattractive split shifts for bus drivers) could also make public transport a more attractive travel option, supporting mode-shift objectives.</p> <p>This initiative extends a current initiative to support bus drivers being paid the Living Wage (via co-funding between the NLTF and Public Transport Authorities). It would be possible to fund this initiative from the NLTF. This would likely involve delaying this initiative until GPS 2024 and relying on FED and RUC as a funding source. Delay will make it more challenging to meet</p>



## Climate Emergency Response Fund (CERF) initiatives

#	Budget initiative title	Funding sought (\$m)	Ministry Comment
			<p>the scale of mode shift envisaged to meet the Government's climate change commitments. It is also likely to result in more service cancellations in the meantime, which will affect the public perception (and reality) of the reliability of public transport.</p> <p><i>Funding decisions – now and in the future</i></p> <p>You may wish to seek funding for this initiative for two years (ie, \$11.9m in 22/23 and \$17.7m in 23/24) – to align with the commencement of GPS 2024. This would provide the option of including expectations that supporting bus driver sustainability is funded out of the NLTF. Alternatively, you may wish to seek funding for the full four-year forecast period as shown in the left-hand column.</p> <p>Similar to bid 1 and 2, we think that ETS proceeds, which are recycled into the CERF (and are an alternative form of motorist taxes from FED and RUC) are an appropriate revenue source to fund this bid. We think the NLTF is also an appropriate funding source but is currently heavily over-subscribed (for the 2021-24 period).</p> <p>s 9(2)(f)(iv)</p> <p><i>Implementation</i></p> <p>The successful implementation of this initiative relies on the following:</p> <ul style="list-style-type: none"> <li>• Waka Kotahi to implement alongside its existing co-funding support for bus driver wages – funding would likely be applied through the NLTF to achieve a specific outcome (similar to SuperGold card funding).</li> <li>• Public Transport Authorities to apply to Waka Kotahi for funding to meet recruitment and retention needs in ways that they deem most appropriate to meet the needs of their regions. PTAs are expected to contribute local share under existing funding assistance rules (51:49 split between central government and PTA), providing good incentives to only seek funding when it is needed.</li> </ul>



## Suggested talking points and advice to support your conversation on specific Budget initiatives

Climate Emergency Response Fund (CERF) initiatives				
<b>General talking points on the CERF:</b> <ul style="list-style-type: none"> <li>We have established the CERF as an enduring, multi-year budgetary mechanism. This 'ring-fencing' is designed to encourage ambition in both the public and private sectors to accelerate climate action. However, central 'CERF' funding alone will not encourage sufficient ambition in the transport sector: <ul style="list-style-type: none"> <li>Climate action in the transport sector, including investments in infrastructure and services and demand-management programmes, often needs to be driven by regional and local government who are generally not invited to directly bid for CERF funding.</li> <li>We have a 'chicken and egg' problem to solve. We cannot expect to receive the 'best' transport climate action ideas that are also implementation ready, without providing local government with a clear pathway to access central government funding.</li> <li>Several of my CERF bids would help address this problem – I am proposing a mode-shift contestable fund (bid 1) that would incentivise local councils to 'dream big' and put forward projects that facilitate mode shift. The contestable fund needs to be big enough to show councils that the Government is ambitious, and that it is worth their while to invest in project development because it is likely that funding will be available for their projects. I am also proposing funding support to address the severe bus driver shortages and decarbonise our bus network. All these initiatives will optimise multiple funding sources – the CERF, the NLTF, and local government. Access criteria and business case assessment will ensure value-for-money and reduce the risk of projects 'shifting' from other funding sources (eg NLTF) to Crown funding.</li> </ul> </li> <li><b>Implementation readiness:</b> Officials are working now to ensure all transport CERF bids have clear implementation plans by the time Budget decisions come into effect. The Ministry has employed consultants from KPMG, Deloitte and Mott MacDonald to assist with implementation planning for these Budget initiatives, due in May 2022. This will put us in a good position to roll-out Budget initiatives that do receive funding in Budget 2022.</li> </ul>				
#	Initiative title and description	Funding sought (\$m)	Potential issues / risks the Minister of Finance may raise	Ministry position and talking points
3	<b>Building a sustainable skilled workforce to support upscaling of bus networks</b> This initiative provides co-funding (about 51 percent) to support public transport authorities to implement measures aimed at recruiting and retaining bus drivers, such as: increases to bus driver wages, improvements to driver rest facilities, and/or changes to timetables.	Operating 22/23: 11.900 23/24: 17.700 24/25: 23.500 25/26: 25.400  Total Capital sought: N/A	<ul style="list-style-type: none"> <li>May ask why local councils and Waka Kotahi are unable to address bus driver shortages themselves, without additional Crown support.</li> </ul>	<b>Talking points</b> <ul style="list-style-type: none"> <li>Local councils are facing funding constraints. Waka Kotahi currently offers co-funding to support bus drivers being paid the Living Wage, but more support is required.</li> <li>There is a risk that local councils reduce public transport services (frequency and reliability) if no funding support is provided to councils - either through this bid or the bid <i>Crown Support for Reduced Public Transport Revenue due to COVID-19</i>. No funding support heightens the risk of service reductions and longer term consequences in commuter behaviour that do not align with our mode shift objectives and other funding commitments.</li> <li>This bid is focussed on addressing current bus driver shortages under existing contracts. Longer term, measures to improve bus driver wages and conditions will be incorporated in future contract rounds due to the Public Transport Operating Model (PTOM) review, which is currently underway.</li> </ul>



# Budget 2023 Submission for Invited New Spending Priorities and CERF Initiatives

Please ensure the minimum required information is provided for each question. The minimum required information is set out in italics in each of the answer boxes. Additional guidance is available in the Budget 2023 Guidance. **Please read the guidance before filling out this template.** Additional supplementary documents (e.g. relevant reports and Cabinet papers) may also be attached along with this submission.

## Section 1: Overview

Section 1A: Basic initiative information			
Initiative title (max 120 characters)	Public transport workforce sustainability and skill improvements – Tranches 2 and 3		
Lead Minister	Minister of Transport, Hon Michael Wood	Agency	Te Manatū Waka Ministry of Transport
Initiative description (max 800 characters)	This initiative will provide further short-term co-funding to support public transport authorities (PTAs) to implement measures aimed at increasing recruitment and retention of public transport bus drivers. Building on Budget 2022 funding, this funding provides for two further tranches of improvements including: base wage increases, split shift allowances, increases in late night rates and building more rest break facilities for drivers. Providing more attractive terms and conditions for bus drivers will improve the frequency and reliability of existing public transport services. In the longer-term, a strong workforce of bus drivers will be necessary to expand public transport services, that will be required to meet the vehicle kilometres travelled (VKT) reduction target.		
Priority area	<input checked="" type="checkbox"/> New Spending – Invited operating initiatives <input type="checkbox"/> New Spending – Invited capital initiatives (outside the Investment Panel process) <input type="checkbox"/> Climate Emergency Response Fund (CERF) <input checked="" type="checkbox"/>		
Is this a cross-Vote initiative?	<input checked="" type="checkbox"/> No    If yes, indicate which other Votes are affected.		
Department contact	Name: Helen White Phone: s 9(2)(a) Email: s 9(2)(a)		Treasury contact (Vote Analyst) Name: Olivia Maxwell Phone: s 9(2)(a) Email: s 9(2)(a)

## Section 1B: Summary of funding profile

Operating funding sought through Budget 2023 (\$m)										
2022/23	2023/24	2024/25	2025/26	2026/27	Total					
[•]	17.100	15.900	16.300	[•]	49.300					
*Extend the profile above to a "steady state" if funding into outyears is irregular. Delete "& outyears" for time-limited funding.										
Capital funding sought through Budget 2023 (\$m)										
22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32*	Total
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
*Extend the profile above if funding is needed beyond 2031/32.										

## Section 2: Alignment

Section 2A: Problem definition	
The answer to each question must not exceed 2-3 paragraphs	
What is the problem that this initiative is trying to	Describe the problem the initiative is trying to solve by outlining its root cause(s) and consequence(s), and explain why the problem needs to be solved now.



solve and why does it need to be solved now?

Aotearoa needs to significantly reduce its greenhouse gas emissions to reduce global warming risks. Transport is one of our largest sources of emissions, being responsible for:

- approximately 17 per cent of gross domestic emissions
- 39 per cent of total domestic CO2 emissions.

Successfully mitigating climate change involves implementing a suite of interventions focused at different levels: individuals (e.g., travel and consumption choices), culture (e.g., social norms), businesses (e.g., investments), institutions (e.g., policy settings and governance structures), and infrastructure (e.g., walking and cycling infrastructure). In combination, the transport initiatives in Budget 2023 will provide individuals, households, and businesses with the opportunity, capability and motivation to make positive and sustainable changes that support transport emissions reduction. The Emissions Reduction Plan (ERP) includes a transport target to reduce emissions by reducing total vehicle kilometres travelled (VKT) by the light fleet by 20 per cent by 2035. Achieving this will play a key role in meeting the Government's broader goal of reducing transport emissions by 41 per cent by 2035. The VKT reduction will require a significant lift in providing public transport services, to encourage mode-shift away from private vehicles, particularly in our largest cities.

However, provision and user take-up of public transport (most notably urban bus services) is being hampered by difficulty in recruiting and retaining bus drivers, due to poor wages and conditions. There is work underway to shift away from the strong focus on pricing in public transport procurement, which has been a key factor in driver wages remaining largely static for a long period, with most drivers, until very recent wage improvements, being paid near minimum wage. This, along with other unfavourable conditions including split shifts, late nights, weekend work and poor supporting facilities for drivers, has led to high turnover and more drivers leaving than entering the sector, forcing bus service cancellations. Without intervention now, public trust in public transport is expected to continue to diminish as more services are cancelled, this will have adverse impacts on the Government's mode shift and broader climate change objectives. Crown funding above and beyond what is provided through the National Land Transport Fund is required to top up the Crown share for public transport funding. Without this investment over the next three years the momentum that is building through the Budget 2022 initiative to boost public transport bus driver wages could be stunted. This initiative would also send a clear signal to public transport authorities (PTAs) that they will need to account for higher costs of public transport services when reviewing current, or developing future, regional land transport plans (RLTPs).

*Describe the existing arrangements for the asset or service, including (where applicable):*

- *How services are currently organised and provided;*
- *The associated throughput, turnover, and existing cost; and*
- *Current asset or service availability, utilisation, and condition.*

The current Public Transport Operating Model (PTOM) is focused on competition, commerciality and reducing reliance on subsidies. This was meant to result in more services for less investment. However, it has meant operators were more likely to win contracts if they had lower labour costs, creating downward pressure on the pay and conditions of employees. This has contributed to persistent and worsening bus driver shortages resulting in reduced and unreliable services in parts of the country. Public transport services are currently co-funded by the Crown and local government. The funding mechanism the Crown funds public transport services through is the National Land Transport Fund (NLTF). The NLTF is currently fully subscribed for the next three years.

There are huge strains on the ability to deliver public transport services that New Zealanders need due to a severe driver shortage. Bus operators report being below 80 percent staffing levels, and drivers are working unprecedented levels of overtime. The situation is particularly acute in Auckland and Wellington (which together account for approximately 70 percent of public transport services in Aotearoa), but has also affected Christchurch and other centres, where proportions of services have had to be cancelled. For example:

- Auckland Transport (AT) estimates that its network is currently short of 500 drivers, and it announced on 1 November 2022 that it was cutting almost 1000 scheduled services to give more certainty to public transport users.
- Greater Wellington Regional Council (GWRC) estimates that its network is currently short of 115 drivers and has reported that since the start of 2022 an average of one in ten buses has been cancelled. GWRC has also previously reported that to meet the expansion plans set out in its Long-Term Plan 2021-31 it would like to recruit an additional 272 drivers over 10 years. This is to support organic growth based on GWRCs current Long-Term Plan.




	<ul style="list-style-type: none"> <li>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.</li> </ul> <p>The Government has agreed to establish a sector agreement to allow operators to recruit for bus drivers from overseas markets. One key constraint with this is that bus drivers are required to have a passenger (P) endorsement as well as the appropriate class of heavy vehicle licence depending on the size of the bus they would be driving. Obtaining a P endorsement requires holding a New Zealand Class 1, 2, 3, 4 or 5 licence for at least two years and passing a background/history check. There is no automatic exception for any overseas licence holders but under some circumstances Waka Kotahi do issue exemptions to the two-year requirement.</p> <p>Click or tap here to enter text.</p> <p><i>What key partners/stakeholders/customers (including iwi and Māori) have been engaged to understand the problem and develop the initiative?</i></p> <p>Waka Kotahi 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 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.</p> <p><i>Has the initiative been developed in collaboration with any other relevant agencies? If so, explain.</i></p> <p>This initiative has been developed in collaboration with Waka Kotahi. Given Waka Kotahi provides funding to public transport authorities (who then contract operators) for public transport services it was crucial to ensure the operational knowledge Waka Kotahi possesses was incorporated into this initiative</p>
<p><b>What needs to improve and/or change to address the problem?</b></p>	<p><i>Describe the department's needs in terms of the improvements and/or changes that are required to address the problem. Outline specifically what will be changed or improved relative to existing arrangements.</i></p> <p>A key issue in recruiting and retaining bus drivers is the wages and conditions they experience. A prime example of this is the split shifts that drivers are required to work due to increased services at peak hours.</p> <p>Wages and working conditions for public transport bus drivers need to be improved to the extent that enough drivers can be retained and attracted to reverse current public transport bus service cancellations, and to increase services to support desired transport mode shift, to ultimately realise the ERP targets. In the short-term this requires variations to existing service contracts.</p> <p>In the longer-term planning and procurement/delivery of services will need to ensure a sustainable labour market. Te Manatū Waka is progressing amendments to primary legislation to replace PTOM with the Sustainable Public Transport Framework (SPTF). Once this legislation passes through the House of Representatives, PTAs will be required to ensure employment and engagement of the public transport workforce is fair and equitable, providing a sustainable labour market and sustainable provision of public transport services.</p>
<p><b>Section 2B: Alignment</b></p>	
<p>The answer to each question must not exceed 1-2 paragraphs. If the initiative has more than one intended outcome, select one of the rows below and click the  button that appears at the bottom right to duplicate this section.</p>	
<p><b>Alignment to the Wellbeing Objectives and the economic plan</b></p>	<p><i>Describe how the initiative aligns with the Wellbeing Objectives, and where relevant, delivery of the Government's economic plan to build a high-wage, low-emissions, secure economy.</i></p> <p><b>Wellbeing Objectives</b></p> <p>The primary Government Wellbeing Objective for this initiative is Just Transition. Increasing public transport bus driver wages and working conditions, will create more sustainable public transport services, which should lead to transport mode shift away from private vehicles to public transport. In the longer-term, a strong workforce of bus drivers will be necessary to expand public transport services, that will be required to meet the vehicle kilometres travelled (VKT) reduction target.</p> <p><b>Economic strategy</b></p>



	<p>The primary economic strategy outcome is <b>high-wage</b>.</p> <p>This initiative (along with the other work underway on public transport) supports delivery of the Government's economic strategy to build a high-wage, low-emissions, secure economy by ensuring public transport is a viable alternate to private vehicle travel. It does this through increasing public transport bus driver wages and working conditions, thereby creating more sustainable public transport services, aiming to lead to transport mode shift away from private vehicle use to public transport use and consequently lowering carbon emissions.</p> <p><b>CERF eligibility criteria</b></p> <p>This initiative meets CERF eligibility criteria of 'an initiative included in the ERP' as it is reflected in Action 10.1.2 B. 'Public transport – improve the reach, frequency and quality of public transport' - "Support a major uplift in all urban bus networks nationwide, including by improving bus driver terms and conditions."</p>
Specific implications regarding the Crown's obligations under the Treaty of Waitangi	<p>Briefly describe any specific implications, including any relevant Treaty Settlement commitments. Guidance on applying the Treaty to policy work can be found <a href="#">here</a> and <a href="#">here</a>.</p> <p>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 driver wages and conditions. The initiatives benefit of reducing carbon emissions also supports the Crown's obligation under the Treaty of Waitangi to protect Māori lands and treasures, by addressing climate change, which will improve Māori wellbeing.</p>

## Section 3: Value

### Section 3A: Benefits and outcomes

The answer to each question must not exceed 1-2 paragraphs. If the initiative has more than one intended outcome, select one of the rows below and click the  button that appears at the bottom right to duplicate this section.

What outcome(s) would the initiative achieve?	<p><i>What is the initiative intended to achieve in terms of the identifiable and measurable social, economic and/or environmental benefits? What is the specific impact or difference that this initiative will achieve?</i></p> <p>The initiative is intended to improve the employment conditions of public transport bus drivers. Improving the employment conditions for public transport bus drivers will make this a more appealing career option, which should in turn improve the sustainability of the workforce and reduce disruptions to public transport services.</p> <p>Through the Emissions Reduction Plan the Government has committed to a range of actions to reduce the 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.</p> <p>The primary Living Standards Framework domain for the initiative is <b>income consumption and wealth</b>.</p> <p>This initiative contributes to the levels of the Living Standards Framework in the following ways:</p> <ul style="list-style-type: none"> <li>• Our individual and collective wellbeing: public transport is an active mode of transport (considering most people walk to and from bus stops). It also enables people to connect to economic and social opportunities, which improves levels of mental wellbeing. This is an indirect contribution.</li> <li>• Our institutions and governance: building a sustainable public transport workforce by improving driver wages and conditions will play a key role in improving public transport services. Public transport services are generally co-funded by central and local government and ensuring they are reliable and frequent is crucial to ensuring they provide the connections to economic and social opportunities.</li> <li>• The wealth of Aotearoa New Zealand: building a sustainable public transport bus workforce by improving driver wages and conditions will play a key role in improving public transport services and encouraging mode shift away from private motor vehicles – thereby reducing carbon emissions. If public transport is to be a viable alternate to private vehicles, then it needs to be reliable and frequent, which can only be achieved with a sustainable workforce.</li> </ul> <p><i>Explain how the initiative's intended outcomes will be measured after the initiative is implemented.</i></p> <p>The outcomes of the initiative will be seen through reduced cancellations in services, enabled by improved retention and recruitment of public transport bus drivers.</p> <p>This will be reinforced by the SPTF, which will introduce a new focus and new objectives for public transport. A key objective of the SPTF is that: "employment and engagement of the public transport workforce is fair and</p>
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## BUDGET-SENSITIVE

	equitable, providing a sustainable labour market and sustainable provision of public transport services". Waka Kotahi is developing operational policy to implement the SPTF, which will align the planning, procurement and delivery of services with the objectives of the SPTF. Waka Kotahi will also monitor the continued work that will be required to improve bus driver wages and conditions, including through its NLTF investment decisions.					
Distributional/system impacts	If the initiative has any of the following distributional and/or system impacts, tick the relevant impact(s) and answer additional questions in Section 5 of this template, where applicable:					
	<input checked="" type="checkbox"/> Māori	<input checked="" type="checkbox"/> Pacific Peoples	<input checked="" type="checkbox"/> Child Poverty	<input checked="" type="checkbox"/> Women and Girls	<input checked="" type="checkbox"/> Environment	<input type="checkbox"/> Regulatory Systems
Timeframes	Indicate if the key benefits will be realised in the short term (<5 years), medium term (5-10 years), long term (>10 years) or inter-generationally. Indicate whether, and why, benefits vary across different timeframes.					
	<p>This is a short-term initiative and is intended to address issues with current operating contracts. The intention is that this initiative will set the sector up for the medium and longer terms to have a sustainable workforce that is supported by appropriate wages and conditions.</p> <p>Once the SPTF is given effect through primary legislation changes (a Bill is expected to be introduced to the House of Representatives in early 2023), all new service contracts and/or service delivery will need to align with the objectives of the SPTF.</p>					
Evidence and assumptions	Provide evidence (data/other information) and assumptions to support the existence and timeframes of the identified benefits, including any gaps or uncertainties.					
	<p>The issue of chronic shortages of public transport bus drivers is well understood by central government, PTAs, operators and unions. There have historically been disagreements on how to best address this problem. The intention of the workshops held between representatives of each of these groups 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 the issue.</p> <p>We have assumed that improving wages and conditions of drivers will improve retention and recruitment of public transport bus drivers. We have limited evidence to support this assumption.</p> <p>We have assumed that a Bill will be introduced to the House in early 2023 and assume this will pass in the second half of 2023.</p> <p>Gaps and uncertainties for this initiative include the ability to recruit from the domestic labour market and from overseas markets.</p>					


### Section 3B: Expenditure profile and cost breakdown

The answer to each question must not exceed 1-2 paragraphs.

Formula and assumptions underlying costings	What assumptions, if any, have been used to prepare the costings for this initiative?
	<p>This initiative is costed on the basis of funding Tranche 2 and Tranche 3 improvements to bus driver terms and conditions. The Tranche 2 improvements are:</p> <ul style="list-style-type: none"> <li>A further increase to base wage rates (from those reached using Tranche 1 funding) to reach the minimum hourly rate of \$30 for urban drivers and \$28 for regional drivers</li> <li>Full implementation of a split shift allowance of \$30 per split shift, and</li> <li>Penal rates of Time 1.2 after 9.00pm.</li> </ul> <p>The Tranche 3 improvements are:</p> <ul style="list-style-type: none"> <li>recruitment and training improvements</li> <li>roster changes, including minimising split shifts where possible</li> <li>improving working environment and infrastructure (by upgrading and/or providing new facilities so drivers can have rest and meal breaks - for example, more toilets, food preparation and rest areas).</li> </ul> <p>We have assumed initiatives are co-funded at the normal NLTF funding assistance rate. As a result, funding sought in this template meets 51% of the costs to implement these initiatives and assumes PTAs will meet the remaining 49% of costs.</p>
	Provide any formula that has been used to support the calculation of the costings. Alternatively, a spreadsheet of the costing that demonstrates the formula used to calculate the costing can be attached.



# BUDGET-SENSITIVE

Provide a breakdown of total initiative expenditure by individual expense category. Total operating and capital expenses in this section must match the totals in Section 1B: Summary of funding profile. To duplicate these rows for additional rows, select the applicable row below and click the  button that appears at the bottom right.

Operating expenses (\$m)						
Operating expense category	2022/23	2023/24	2024/25	2025/26	2026/27 & outyears*	Total
Improved driver base wage rates	[●]	6.200	6.500	6.700	[●]	19.400
Split shift allowance	[●]	2.000	2.100	2.200		6.300
Penal rate after 9pm	[●]	4.500	4.700	4.800	[●]	14.000
Implementation costs, including Tranche 3 initiatives	[●]	4.200	2.600	2.600	[●]	9.400
New FTE wage funding	[●]	0.130	[●]	[●]	[●]	0.130
New FTE/contractor overhead funding	[●]	0.060	[●]	[●]	[●]	0.060
<b>Total (\$m)</b>	[●]	17.100	15.900	16.300	[●]	49.300

\*Extend the profile above to a "steady state" if funding into outyears is irregular. Delete "& outyears" for time-limited funding.

# of new FTEs (incl. contractors) over the forecast period	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	[●]	1	[●]	[●]	[●]	1

Capital expenses (\$m)											
Capital expense category	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32*	Total
<b>Total (\$m)</b>	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]

\*Extend the profile above if funding is needed beyond 2031/32.

## Section 3C: Options analysis

The answer to each question must not exceed 1-2 paragraphs.

What were the range of options considered?	Describe how the longlist of options was generated. Briefly summarise each shortlisted option and describe whether and how each shortlisted option would achieve the initiative's intended outcome(s).
	<p>The primary alternative option considered is for the Crown to fully fund the Crown and local share, rather than co-funding the initiative with PTAs. This option was discounted as it goes against how public transport services are currently funded. It would also mean that once the funding through this initiative runs out that local government would have to fund half the cost (or the Crown would need to continue funding the full cost).</p> <p>Another option is for there to be no Crown support and PTAs to meet the full cost of any improvements to driver wages and conditions. However, PTAs are already financially constrained, with public transport bus services under existing cost pressures. Various PTAs reported concern about the loss of fare revenue throughout the response to COVID-19. Because of current difficulties recruiting and retaining bus drivers PTAs have had to reduce service frequency and are increasingly unable to maintain reliable public transport (PT) bus services. Bus operators report being below 80 percent staffing levels and drivers are working unprecedented levels of overtime. This is impacting service reliability – for example, AT reports its services have dropped to 85 percent reliability. This option also goes against the current funding arrangements for public transport services which is a co-funding model between the Crown and local government.</p> <p>If we do nothing, once changes to primary legislation come into effect all new contracts issued by PTAs will need to align with the SPTF, which puts a focus on ensuring the workforce is sustainable. At the conclusion</p>



	<p>of Crown funding (approved through Budget 2022, last year of funding provided in 25/26) we expect future public transport service provision will be funded according to the current arrangements. This will require costs to be met by a combination of the NLTF, fare revenue and local government share.</p> <p>The current funding environment and constraints mean that PTAs are not able to fully fund any improvements to driver conditions and wages. It is also well established that funding for public transport is shared between local and central government. An alternative option is for co-funding to be provided from the NLTF. However, the fund is oversubscribed, and it is highly unlikely that it will be able to support this initiative. We also consider that it is most effective regarding recruiting and retaining drivers to fund the varying outputs noted under Tranches 2 and 3 above. However, there are other options to put more funding into one or two of the outputs rather than all three.</p>
<b>What was the process used to select the preferred option?</b>	<p><i>Describe what analyses and methodologies were used to evaluate the long-list and short-list options.</i></p> <p>We have not undertaken detailed analysis of a long list of options. The alternative options outlined above relate to not funding the initiative, or only funding certain improvements to bus driver terms and conditions.</p> <p>A cost benefit analysis for the preferred option is provided as an attachment to this template.</p> <p><i>Detail the monetary and non-monetary costs and benefits to the agency, broader public sector, New Zealand society and environment that were included in the options analysis, and how they were quantified, including from a Te Ao Māori perspective.</i></p> <p>N/A</p> <p><i>Describe how engagement/consultation with partners/stakeholders/customers, including iwi and Māori, informed the identification and quantification of costs and benefits.</i></p> <p>N/A</p> <p><i>Describe the climate impacts analysis used to support the options analysis, and the selection of the preferred option. Attach the Climate Implications of Policy Assessment (if relevant) and any other supporting evidence.</i></p> <p>A CIPA for this initiative is provided as an attachment to this template.</p> <p><i>Describe how the preferred option represents best public value.</i></p> <p>N/A</p> <p><i>What sensitivity analysis was undertaken and how did it influence the choice of preferred option?</i></p> <p>N/A</p>
<b>Counter-factual question</b>	<p><i>Explain the implications if funding is deferred or not approved. If there are options (e.g. choosing to reduce either output or quality of an existing service if funding is not approved), detail these here. Explain how the department would address the pressure or problem if the funding is not approved.</i></p> <p>PTAs are currently facing problems with recruitment and retention of bus drivers that are already impacting service delivery. Further, if funding support is not expanded, it will not be possible to meet the scale of transport mode shift envisaged to meet the Government's climate change commitments.</p> <p>Without Crown funding, PTAs will be faced with the option of:</p> <ul style="list-style-type: none"> <li>• further cutting public transport services</li> <li>• raising rates and/or fares</li> <li>• increasing borrowing levels (noting that PTAs are recommended not to borrow to support operating costs).</li> <li>• reallocating budgets (for example to defer any planned improvements to public transport services).</li> </ul>



Section 3D: Scaled option

The answer to each question must not exceed 1-2 paragraphs.

**Scaling option overview**

*Provide a concise overview of the scaled down option to fund this initiative (the funding level below which it would be better to defer the initiative than fund it).*

The scaled option would only fund increases to base wages. Increases to base wages will continue on from the Budget 22 initiative and are the minimum requirement to improve the sustainability of the public transport bus driver workforce. While any funding provided for this initiative could be put towards improvements to driver wages and conditions, the minimum spend for the initiative to be viable is providing funding to increase base wages.

*Explain how the initiative's expected outputs and outcomes would differ if fully funded and any risks associated with scaling down.*

If less funding is made available, bus drivers would be offered less substantial wage increases or be provided with fewer rest and meal break facilities etc. There is a risk that doing so would lead to fewer new drivers being recruited and/or high numbers of drivers continuing to leave the sector.


The best chance of improving the sustainability of the public transport workforce is by funding the suite of improvements to wages and conditions. For example, AT reports that in its experience small wage increases have not had a positive effect on resolving driver shortages. Any increase needs to be in line with what other industries are offering to attract new drivers and/or provide an incentive to stay. However, clearly signposted incremental improvements in wages, allowances and working conditions (as envisaged in the primary option) may incentivise drivers to stay in the sector or attract new drivers.

*If the initiative cannot feasibly achieve its objectives without full funding (i.e. scaling option is not viable), succinctly explain why (e.g. if the initiative is to purchase a discrete asset at a set price).*

AT reports that in its experience small wage increases have not had a positive effect on resolving driver shortages. Any increase needs to be in line with what other industries are offering to attract new drivers and/or provide an incentive to stay. However, clearly signposted incremental improvements in wages, allowances and working conditions (as envisaged in the primary option) may incentivise drivers to stay in the sector or attract new drivers.

*Explain the formula and assumptions for the scaled option if they are different from those for the preferred option.*

The scaled option assumes that only the increases in base wages are funded.

Provide a breakdown of what the scaled down option would purchase. Add additional rows to the table as needed by selecting a row and clicking the  button that appears at the bottom right.

Operating expenses (\$m)						
Operating expense category	2022/23	2023/24	2024/25	2025/26	2026/27 & outyears*	Total
Improved driver base wage rates	[•]	6.200	6.500	6.700	[•]	19.400
Implementation costs	[•]	0.300	0.300	0.300	[•]	0.900
New FTE wage funding	[•]	0.130	[•]	[•]	[•]	0.130
New FTE/contractor overhead funding	[•]	0.060	[•]	[•]	[•]	0.060
<b>Total (\$m)</b>	[•]	6.400	6.500	6.700	[•]	20.500

\*Extend the profile above to a "steady state" if funding into outyears is irregular. Delete "& outyears" for time-limited funding.

# of new FTEs (incl. contractors) over the forecast period	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	[•]	1	[•]	[•]	[•]	1



Capital expense category	Capital expenses (\$m)										Total
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32*	
Total	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

\*Extend the profile above if funding is needed beyond 2031/32.

## Section 4: Delivery

### Section 4A: Procurement and workforce requirements

The answer to each question must not exceed 2-3 paragraphs.

<p><b>What is the initiative purchasing/funding?</b></p>	<p><i>Describe the key resources (workforce, goods, assets, services) that need to be sourced, including any ancillary services.</i></p> <p>The initiative will fund expansions to Tranche 1 improvements to public transport bus driver base wage rates, terms and conditions previously approved through Budget 2022 by providing:</p> <ul style="list-style-type: none"> <li>a further increase to the base wage rate to reach the minimum hourly rate of \$30 for urban drivers and \$28 for regional drivers</li> <li>full implementation of a split shift allowance of \$30 per split shift, and penal rates of Time 1.2 after 9.00pm</li> <li>further actions to improve terms and conditions involving: <ul style="list-style-type: none"> <li>recruitment and training</li> <li>rosters, including minimising split shifts where possible</li> <li>the working environment and infrastructure.</li> </ul> </li> </ul>
<p><b>Is there a market that can meet these needs?</b></p>	<p><i>Describe the market you are looking to procure the above key resources from. Support your answer with evidence of any market testing that has been completed, and any engagement that has been undertaken with the relevant supply markets.</i></p> <p>The public transport bus sector, and particularly unions, operators and PTAs are the market that we are looking to procure the above outcomes from.</p> <p>There were a number of workshops held to agree minimum terms and conditions that would stabilise the workforce. This initiative is informed by these agreed terms.</p> <p><i>What is the capacity and capability of the market to provide these resources and how has this been tested?</i></p> <p>The market's capacity to implement the initiative is assessed as moderate, on the basis that PTAs have successfully negotiated contract variations to increase bus driver wages and to implement rest and meal breaks for bus drivers.</p> <p>The capacity of PTAs to co-fund initiatives might be constrained depending on whether PTAs have budgeted for additional investment to improve bus driver wages and conditions.</p> <p><i>For new FTEs and/or contractors, outline occupation and skills area and indicate the market capacity to fill these roles.</i></p> <p>Implementation of improved terms and conditions can be accommodated within existing capabilities at PTAs.</p> <p>Regarding bus drivers, the skills required for this workforce include the capability to safely and effectively drive heavy vehicles (buses) used for public transport (have the requisite licence) and customer service for public transport users. There may be labour market constraints that limit the ability to address the driver shortages in some regions.</p> <p><i>What potential suppliers have been identified for the initiative, are they interested in participating in the procurement, and do they have the capacity and capability to meet these needs?</i></p>



	<p>PTAs and operators have been identified as potential suppliers for the initiative. The capacity of PTAs to co-fund the initiatives will depend on whether they have budgeted for additional investment in bus driver conditions that can be used to meet their share of initiative costs.</p> <p><i>What other competitors are there for similar workforce, goods, and services around the same time as this initiative? Have opportunities to collaborate or strategies to deconflict competing timelines been explored?</i></p> <p>Other transport-related industries are competitors for current or potential future public transport bus drivers – for example trucking firms, ride-share and taxi companies, courier firms.</p> <p>No opportunities to collaborate or strategies to deconflict competing timelines have been explored. This bid looks to increase the competitiveness of public transport bus driving as an appealing career.</p>
<b>Government Procurement Rules</b>	<p><i>Does the proposed approach align with Government Procurements Rules? If not, on what basis is the initiative exempted?</i></p> <p>Waka Kotahi sets procurement rules for public transport services and these are aligned with government procurement rules.</p>

### Section 4B: Risks, constraints, and dependencies

The answer to each question must not exceed 1-2 paragraphs

<b>What are the main risks?</b>	<p><i>Describe the main risks associated with this initiative and the proposed mitigations to address these. Focus on the 20% of risks which are likely to provide 80% of the initiative's risk values.</i></p> <p>Related to local share contribution:</p> <ul style="list-style-type: none"> <li>PTAs seeking more funding than is available (potential mitigation: requests for funding are invited to be submitted at the same time and Waka Kotahi assesses the requests at one time using a prioritisation approach).</li> <li>PTAs being unable or unwilling to co-fund the initiative. We understand that some PTAs are financially constrained and may not be able to meet the local share to access this funding. The risk with this is that they do not opt in for this initiative and public transport bus drivers in those regions do not see the benefits. If this is the case there is a risk that the full funding available through the initiative is not drawn down. (potential mitigation: outputs will be scaled down to match available funding)</li> </ul> <p>Related to bus driver conditions improvements being insufficient:</p> <ul style="list-style-type: none"> <li>Funding made available to support recruitment and retention is insufficient to meet the current driver shortage (potential mitigation: longer-term solutions to issues related to driver wages and conditions are expected to be implemented as part of the Sustainable Public Transport Framework)</li> <li>Immigration settings may not allow sufficient potential drivers into the country (potential mitigation: Cabinet has agreed to establish a sector agreement for public transport bus drivers, providing a pathway to recruit migrant bus drivers).</li> <li>Improving the wages and conditions for bus drivers does not guarantee that more people will apply to be bus drivers. It should reduce the current retention issues as drivers will see increases to their wages and improved conditions. Increased wages and improved conditions should improve the appeal of public transport bus driving so we expect more people will apply than is currently the case.</li> </ul> <p>Related to the short-term funding provision:</p> <ul style="list-style-type: none"> <li>Once this funding stops these costs do not disappear and ongoing funding for bus driver terms and conditions will be required from a combination of fares, NLTF and local government.</li> <li>The short-term funding sought is based on the assumption that the government's share of costs in later years will be met by the NLTF and provided for through the Government Policy Statement on land transport (GPS) 2024. There is a risk that when Crown funding ceases, there is insufficient funding in the NLTF to continue these initiatives. This could require either making trade-offs against other public transport service activities or activity classes, or necessitate an increase in NLTF revenue to continue funding the initiative.</li> </ul>
<b>What are the key constraints?</b>	<p><i>Describe any key constraints that have been and/or could be placed on the initiative.</i></p>



	<p>The initiative will be constrained by the level of funding contributed by PTAs.</p> <p>A further constraint is the number of New Zealand residents willing and able to undertake public transport bus driving work – desirability of conditions in other substitutable employment (e.g. truck or taxi driving) and immigration settings may influence this constraint</p>
<b>What are the key dependencies?</b>	<p><i>Describe any key dependencies that are outside the scope of the initiative and may determine the initiative's success.</i></p> <p>This initiative depends on Waka Kotahi to lead delivery. Public transport authorities also need to implement the initiative through identifying opportunities to make bus driving more attractive, seeking financial support from Waka Kotahi under the initiative, and co-funding the initiatives.</p>

### Section 4C: Governance and timeframes

The answer to each question must not exceed 1-2 paragraphs.

<b>What are the governance arrangements for this initiative?</b>	<p><i>What is the governance structure, including decision making and any advisory groups? It is optional to attach the Governance Diagram showing the governance structure.</i></p> <p>Te Manatu Waka established an Emissions Programme Office (EPO) mid-2022. The EPO supports the Emissions Reduction Governance Group (the ERG), which is a Portfolio Governance Group established to ensure delivery risks are managed effectively across the Emissions Portfolio. The ERG has representation from across the Ministry and includes senior membership from Waka Kotahi.</p> <p><i>Explain how the governance structure provides for input from partners/stakeholders/customers, including iwi and Māori?</i></p> <p>N/A</p>										
<b>Timeframes and monitoring</b>	<p><i>Outline key milestones and the expected timeframe for the delivery of these milestones. When will the responsible Minister(s) receive information on implementation and delivery of this initiative?</i></p> <table border="1"> <thead> <tr> <th>Milestone</th><th>Indicative Timing</th></tr> </thead> <tbody> <tr> <td>Communication with PTAs on initiative</td><td>Late-May-2023</td></tr> <tr> <td>Updated funding agreement in place – leveraging off funding agreement for Budget 22 initiative</td><td>September 2023</td></tr> <tr> <td>Waka Kotahi works with PTAs, in collaboration with operators and unions, to progress improvements to bus driver terms and conditions</td><td>October 2023 onwards</td></tr> <tr> <td>First tranche of improved wages and conditions under Budget 23 initiative</td><td>Late-2023</td></tr> </tbody> </table>	Milestone	Indicative Timing	Communication with PTAs on initiative	Late-May-2023	Updated funding agreement in place – leveraging off funding agreement for Budget 22 initiative	September 2023	Waka Kotahi works with PTAs, in collaboration with operators and unions, to progress improvements to bus driver terms and conditions	October 2023 onwards	First tranche of improved wages and conditions under Budget 23 initiative	Late-2023
Milestone	Indicative Timing										
Communication with PTAs on initiative	Late-May-2023										
Updated funding agreement in place – leveraging off funding agreement for Budget 22 initiative	September 2023										
Waka Kotahi works with PTAs, in collaboration with operators and unions, to progress improvements to bus driver terms and conditions	October 2023 onwards										
First tranche of improved wages and conditions under Budget 23 initiative	Late-2023										

### Section 4D: Demonstrating performance

The answer to each question must not exceed 1-2 paragraphs.

*Does this meet the threshold of a significant initiative? Is it part of an existing strategy / work programme / initiative with existing reporting, and if so what is it called?*

*Outline the type (or types) of evaluation planned and their timeframe(s). Indicate what funding is proposed to be allocated for evaluation.*

*Describe the performance information that would be included in the Estimates if this initiative was funded, or if the performance information in the Estimates is not expected to change then describe the reasons for that decision.*

This initiative expands on the Budget 22 initiative 'Building a sustainable and skilled public transport workforce', therefore any reporting or evaluation requirements are expected to leverage off those established for the Budget 2022 initiative.



## Section 5: Initiatives with Distributional/System Impacts

### Section 5A: Māori initiatives

The answer to each question must not exceed 2-3 paragraphs.

What kind of impact would the initiative have on Māori?	A	Direct impact	<input checked="" type="checkbox"/>	Explain your answer to A.  Data from the 2013 census shows that Māori are disproportionately likely to work as bus drivers. The initiative will therefore directly impact Māori in this occupation by improving their driver wages and working conditions.						
		Indirect impact	<input type="checkbox"/>							
	B	Targeted and tailored impact	<input type="checkbox"/>	Explain your answer to B.  Data from the 2013 census shows that Māori are disproportionately likely work as bus drivers. Consequently, given the initiative seeks to improve driver wages and working conditions it will have a disproportionately positive impact on Māori.						
		Disproportionate positive impact	<input checked="" type="checkbox"/>							
	Other	<input type="checkbox"/>								
	C	List any assumptions you have made in considering impacts for Māori/iwi/hapū/whanau.  We have assumed that Māori will value improved wages and working conditions, like we would expect the general population to value these, even though relative value for Māori may differ.								
How does the initiative align with any of the means of He Ara Waiora?	Kotahitanga	<input checked="" type="checkbox"/>	Tikanga	<input checked="" type="checkbox"/>	Whanaungatanga	<input type="checkbox"/>	Manaakitanga	<input checked="" type="checkbox"/>	Tiakitanga	<input checked="" type="checkbox"/>
	Discuss how the initiative demonstrates one or more of the Means of He Ara Waiora identified above, this should draw on responses highlighted in previous sections.									
	<p><b>Kotahitanga</b> - The initiative supports kotahitanga as it involves working in an aligned, coordinated way with PTAs and the bus driver workforce to enhance wages and working conditions.</p> <p><b>Tikanga</b> - Like Tranche 1 of this initiative approved in Budget 2022, which is soon to be drawn down, Tranches 2 and 3 will be designed and delivered in partnership with Waka Kotahi. Implementation will largely rely on PTAs. These agencies are best placed to understand the scale of the issue in their region and to identify and realise opportunities to make the sector more attractive to new and existing bus drivers.</p> <p><b>Manaakitanga</b> - The initiative supports manaakitanga by improving New Zealanders' wellbeing through the objective of reducing greenhouse gas emissions, while also directly improving the wellbeing of bus drivers and, indirectly, their families. Given disproportionate numbers of Māori and Pacifica drivers, it also addresses inequities through benefits to these ethnic groups.</p> <p><b>Tiakitanga</b> - The initiative supports tiakitanga through its overarching objective to provide guardianship of the environment by reducing greenhouse gas emissions (by increasing use of public transport) thereby strengthening systems that support wellbeing.</p>									
How will the initiative contribute to the ends of He Ara Waiora?	Te Taiao	<input checked="" type="checkbox"/>	Demonstrate how the initiative will contribute to one or more of the Ends of He Ara Waiora, this should draw on responses highlighted in previous sections.							
	Te Ira Tangata	<input checked="" type="checkbox"/>	<p><b>Te Taiao</b> - The overarching objective on the initiative is to enhance the natural world/environment by reducing greenhouse emissions through strengthening public transport.</p> <p><b>Te Ira Tangata</b> - The initiative supports the human domain by improving the wages and working conditions of bus drivers, thereby enhancing their mana (power or authority) and consequently increasing their wellbeing and that of their families</p>							

### Section 5B: Pacific initiatives

The answer to each question must not exceed 2-3 paragraphs.

A	Direct impact	<input checked="" type="checkbox"/>	Explain your answer to A.
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<b>What kind of impact would the initiative have on Pacific people?</b>		Indirect impact	<input type="checkbox"/>	Data from the 2013 census shows that Pacific peoples are disproportionately likely to work as bus drivers. The initiative will therefore directly impact Pacific peoples in this occupation by improving their driver wages and working conditions.				
	<b>B</b>	Targeted and tailored impact	<input type="checkbox"/>	Explain your answer to B.				
		Disproportionate positive impact	<input checked="" type="checkbox"/>	Data from the 2013 census shows that Pacific peoples are disproportionately likely to work as bus drivers. Consequently, given the initiative seeks to improve driver wages and working conditions it will have a disproportionately positive impact on Pacific peoples.				
		Other	<input type="checkbox"/>					
<b>C</b> List any assumptions you have made in considering impacts for Pacific communities.  We have assumed that Pacific peoples will value improved wages and working conditions, like we would expect the general population to value these, even though relative value for Pacific peoples may differ.								
<b>How would the initiative contribute to the focus areas of the <a href="#">All-of-Government Pacific Wellbeing Strategy</a>?</b>	<b>Lalaga Potu:</b>	<input type="checkbox"/>	<b>Fale Fono:</b>	<input type="checkbox"/>	<b>Vaka Moana:</b>	<input checked="" type="checkbox"/>	<b>Te Kupega:</b>	<input checked="" type="checkbox"/>
	Cultural Values and Principles      Partnership and Governance      Performance and Improvement      Capability							
Demonstrate how the initiative will support system shifts in one or more of the Strategy's four focus areas identified above  The initiative will support progress to achieving Pacific wellbeing outcomes (through assessment using the Pacific Wellbeing Outcomes Framework), given Pacific peoples are disproportionately represented amongst bus drivers, and improved wages and working conditions are likely to improve Pacific people's wellbeing overall.  The initiative will support desired outcomes aligned with Pacific workforce development strategies, including Pacific pay equity, given it directly improves wages and conditions for public transport bus drivers, which includes disproportionate numbers of Pacific drivers..								

<b>How would the initiative contribute to the outcomes for Pacific communities articulated in the <a href="#">Pacific Wellbeing Outcomes Framework</a>?</b>	<b>Goal 1:</b>	<input type="checkbox"/>	<b>Goal 2:</b>	<input checked="" type="checkbox"/>	<b>Goal 3:</b>	<input checked="" type="checkbox"/>	<b>Goal 4:</b>	<input checked="" type="checkbox"/>
	Thriving Pacific languages, cultures, and identities		Prosperous Pacific communities		Resilient and healthy Pacific families		Confident, resilient, and thriving Pacific young people	
	Demonstrate how the initiative will contribute to one or more of the community outcome statements for Pacific communities found in the Pacific Wellbeing Outcomes Framework ( <a href="#">see pages 6 to 28</a> ).  The initiative will support prosperous Pacific communities through directly providing better wages to Pacific public transport drivers, given disproportionate numbers of Pacific drivers.  The initiative can be expected to positively impact resilient and healthy Pacific families, given disproportionate numbers of Pacific drivers. This is through improved driver wages and conditions facilitating resilience and health (for example, reducing financial risk and enabling more healthy choices/opportunities) both directly to the driver and flowing onto their family.							

### Section 5C: Child poverty initiatives

The answer to each question must not exceed 2-3 paragraphs.

<b>What kind of impact would the initiative have on reducing child poverty?</b>	<b>A</b>	Direct impact	<input type="checkbox"/>	Explain your answer to A.  Public transport bus driving is a comparatively low paid occupation (until relatively recently many drivers were paid near minimum wage). Consequently, children being provided for by guardians relying on income from bus driving risked being in poverty. This initiative is likely to help this situation by increasing drivers' wages, which should flow through to drivers' children.
		Indirect impact	<input checked="" type="checkbox"/>	

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	B	Targeted and tailored impact	<input type="checkbox"/>	Explain your answer to B.  There are disproportionate numbers of Māori and Pacific peoples who are bus drivers. These two ethnic groups are also disproportionately represented among child poverty statistics. Therefore, improving wages for bus drivers would be expected to have a disproportionate positive impact on reducing child poverty.
		Disproportionate positive impact	<input checked="" type="checkbox"/>	
		Other	<input type="checkbox"/>	

Does the initiative align with the Child and Youth Wellbeing Strategy?

**Yes** If yes, indicate which of the six high-level wellbeing outcomes it aligns to.

'Children and young people have what they need' – the initiative will support this outcome by increasing the wages of a comparatively lower paid occupation, with expected flow-on benefits for the children and in families of bus drivers regarding material wellbeing.

'Children and young people are happy and healthy' – the initiative will support this outcome for children and young people in families of bus drivers. This is through increased wages for drivers being expected to enable healthier options (for example, more health care or better-quality food) for their families. Further, better wages and working conditions for drivers would be expected to enhance driver wellbeing, leading to flow-on effects for children and young people in drivers' families (for example, better family dynamics/wellbeing through healthier and less stressed guardians).

## Section 5D: Initiatives with impacts on women and girls

The answer to each question must not exceed 2-3 paragraphs.

Which group(s) of women and girls would be impacted by the initiative? Select all that apply.	Māori	<input type="checkbox"/>	Pacific	<input type="checkbox"/>	Asian	<input type="checkbox"/>	Culturally and linguistically diverse	<input type="checkbox"/>
	Older persons	<input type="checkbox"/>	Younger persons	<input type="checkbox"/>	Migrants	<input type="checkbox"/>	Refugees	<input type="checkbox"/>
	LGBTQIA+	<input type="checkbox"/>	Rural persons and communities	<input type="checkbox"/>	Students	<input type="checkbox"/>	Disabled people and those with disabilities	<input type="checkbox"/>
	Business owners	<input type="checkbox"/>	Employees	<input type="checkbox"/>	Specific industries or sectors	<input type="checkbox"/>	Other	<input checked="" type="checkbox"/>

This section has been answered using the groups of 'women as public transport users' and 'women who are bus drivers'.

How many women and girls would be affected by this initiative?

Provide disaggregated data on the women and girls who would be affected by the initiative.

Women will disproportionately benefit from improvements in public transport service provision as women are more likely to be reliant on public transport than men.

This initiative will benefit existing female public transport bus drivers; however, we do not have a gender breakdown of the public transport bus driver workforce.

Qualitative impacts: Refer to the guidance for examples.

What is the initiative expected to achieve that will help to improve outcomes for women and girls, including for wāhine Māori and kōtiro?

Describe the overall aspirations of the initiative in how it would benefit women and girls (the vision). Secondly, consider and describe how the initiative may help to overcome gender stereotypes, roles, and pressures.

As above, women will disproportionately benefit from improvements in service provision as women are more likely to be reliant on public transport than men. Also as above, this initiative will benefit existing female public transport bus drivers; however, we do not have a gender breakdown of the public transport bus driver workforce.

We do not have data on how many wāhine Māori and kōtiro rely on public transport as their primary means of transport. We also do not have data on how many wāhine Māori are public transport bus drivers, or how many kōtiro are supported by public transport bus drivers.



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	However, given there are disproportionate numbers of Māori people who are bus drivers, and the fact that Māori are disproportionately represented among child poverty statistics we expect that, improving wages and conditions for bus drivers to have a positive impact on wāhine Māori and kōtiro.
<b>What direct and indirect impacts on women and girls is the initiative expected to have, including on wāhine Māori and kōtiro?</b>	<p>Describe the <b>direct</b> impacts, including the immediate impacts on women and girls as a proportion of the targeted demographic. Secondly, describe the <b>indirect</b> impacts, such as the secondary benefits or long-term benefits.</p> <p>Please consider the answer provided for the above question as the response to this question also.</p>

<b>Are there any anticipated negative impacts of the initiative on women and girls, including on wāhine Māori and kōtiro?</b>	<p>This could be both short and long-term impacts. For example, are there any groups of women and girls who may be excluded from the initiative? Will the initiative inadvertently reinforce or rely on existing gender roles, stereotypes and/or pressures?</p> <p>No.</p>
<b>Describe how the initiative contributes to the wellbeing objectives and improves outcomes for women and girls.</b>	<p>Given women are more likely to be reliant on public transport than men, any improvements to service provision will result in benefits to women. This includes physical and mental wellbeing by providing better connections to social and economic opportunities through enhanced public transport service frequency and reliability.</p>

### Section 5E: Initiatives with environmental impacts

The answer to each question must not exceed 2-3 paragraphs.

<b>Does the initiative align to a category within the <a href="#">Green Bond Framework?</a></b>	Clean Transport	<input checked="" type="checkbox"/>	Energy Efficiency and Renewable Energy	<input type="checkbox"/>	Living and Natural Resources and Land Use	<input type="checkbox"/>	Terrestrial and Aquatic Biodiversity	<input type="checkbox"/>
	Climate Change Adaptation	<input type="checkbox"/>	Sustainable Water and Wastewater Management	<input type="checkbox"/>	Pollution Prevention and Control	<input type="checkbox"/>	Green Buildings	<input type="checkbox"/>
<p>Please advise whether the initiative meets the category specific criteria for the Green Bonds Programme (see section 4.5 of the Budget 2023 Guidance).</p> <p>No.</p>								
<b>Does the initiative have significant direct or indirect environmental impacts (positive or negative) beyond any climate change implications caught by CERF?</b>	A	Direct impacts	<input type="checkbox"/>	<p>Explain the nature and size of the environmental impacts by type (both positive and negative).</p> <p>Mode shift – improved services should increase mode shift and reduce the overall harmful emissions from transport.</p>				
		Indirect impacts	<input checked="" type="checkbox"/>					
	B	Avert long-term tipping-points	<input type="checkbox"/>	<p>Explain how the impact of the initiative relates to environmental tipping-points.</p>				
		Advance long-term tipping-points	<input type="checkbox"/>					
	C	<p>List any assumptions you have made in considering these impacts (see section 4.5 of the Budget 2023 Guidance).</p>						

### Section 5F: Regulatory systems initiatives

The answer to each question must not exceed 2-3 paragraphs.

<b>Which regulatory system(s) does the initiative relate to?</b>	<p>List the name(s) of the regulatory system(s). For example, Consumer and Commercial; Courts and Tribunals; Climate Change.</p>
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Which category does the initiative primarily relate to?	A major government reform priority (e.g. manifesto commitments)	<input type="checkbox"/>	Managing or mitigating operational performance of risks	<input type="checkbox"/>	Enabling economic activity and/or easing compliance burdens	<input type="checkbox"/>	Other	<input type="checkbox"/>
	If other, describe here.							
Which stage of the policy or legislative process is the proposal at?	If Cabinet decisions on the policy have been made, provide the relevant Cabinet Minute.							

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# Climate Implications of Policy Assessment: Disclosure Sheet

This disclosure sheet provides the responsible department's best estimate of the greenhouse gas emissions impacts for New Zealand that would arise from the implementation of the policy proposal or option described below. It has been prepared to help inform Cabinet decisions about this policy. It is broken down by periods that align with New Zealand's future emissions budgets.

## Section 1: General information

General information	
Name/title of policy proposal or policy option:	Building a sustainable and skilled public transport workforce – phases 2 and 3
Agency responsible for the Cabinet paper:	Ministry of Transport
Date finalised:	4 Nov 2022
Short description of the policy proposal:	This initiative will provide further short-term co-funding to support public transport authorities (PTAs) to implement measures aimed at increasing recruitment and retention of public transport bus drivers. Building on Budget 2022 funding, this funding provides for two further tranches of improvements including: base wage increases, split shift allowances, increases in late night rates and building more rest break facilities for drivers. Providing more attractive terms and conditions for bus drivers will improve the frequency and reliability of existing public transport services. In the longer-term, a strong workforce of bus drivers will be necessary to expand public transport services, that will be required to meet the vehicle kilometres travelled (VKT) reduction target.

## Section 2: Greenhouse gas emission impacts

Sector & source	Changes in greenhouse gas emissions in tonnes of carbon dioxide equivalent (Kt CO <sub>2</sub> -e)						
	2020–25	2026–30	2031–35	2036–40	2041–45	2046–50	Cumulative impact
Transport	-9	-10	-32	-45	-33	-24	-152
<b>Total</b>	<b>-9</b>	<b>-10</b>	<b>-32</b>	<b>-45</b>	<b>-33</b>	<b>-24</b>	<b>-152</b>



## Section 3: Additional information

### Additional information

- Impacts have been calculated out to 2050 with the assumptions that after 2035 only electric buses will be used in the bus fleet.
- We made some key assumptions around both the counterfactual and intervention bus cancellation rates. We assumed that the baseline 2022 cancellation rate is 20% with it reducing to 10% in 2028 and into the future and we assumed that with this intervention from 2028 and into the future cancellation rates will be at 2%.
- We have assumed that if the bus is cancelled; 15% of people wait for the next bus, 70% take a light passenger vehicle, 5% decide not to take the trip and 10% choose to either walk or cycle.

## Section 4: Quality assurance

### Quality assurance

The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements apply to this proposal given that a primary objective of the proposal is to reduce emissions. The emissions impact is indirect but estimates of impact have been able to be calculated.

This proposal is expected reduce emissions by around 9, 10, and 32 Kt CO<sub>2</sub>-e over emissions budget periods 1,2 and 3 respectively. This measure is aligned with the Climate Change Commission's recommendation to support a major uplift in all urban bus networks nationwide, including by improving bus driver terms and conditions.

## Initiatives to improve recruitment and retention of bus drivers

### Work to date

*Budget 22 funding was made available subject to further work*

Following chronic and worsening bus driver shortages, the Government made \$61 million available through Budget 22 to increase recruitment and retention of bus drivers. The funding was subject to further work to identify minimum terms and conditions for bus drivers.

*The Bus Industry Standard Sub-Group identified a set of terms and conditions*

The Bus Industry Standard Sub-Group (the Sub-Group) – comprised of Waka Kotahi, unions, PTAs and operators – had a series of workshops in early 2022. The Sub-Group identified a set of terms and conditions intended to stabilise the public transport bus driver workforce (referred to as tranches 1 and 2). These are set out in Table 1.

Table 1: Terms and conditions identified by the Sub-Group – tranches 1 and 2

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

The Sub-Group also identified a range of other actions that could improve recruitment and retention. These include improving recruitment and training, rosters, and the working environment and infrastructure (referred to as tranche 3).

*Cabinet agreed to drawdown Budget 22 funding*

In September 2022, Cabinet agreed to drawdown the funding to achieve the targeted wage rates as identified by the Sub-Group (tranche 1). Cabinet imposed conditions to be met before the funding be allocated to PTAs, including:

1. All parties had to sign a written agreement;
2. PTAs were required to demonstrate that operators have contributed to increased wages consistent with indexation, and have committed to pass on future indexation payments to increase drivers' wages;
3. PTAs were required to provide local share to match Crown funding at the normal funding assistance rate.

The funding has been allocated across eligible PTAs and has supported increases to base wage rates to at least \$28 an hour in most regions.

National bus driver shortages have reduced from 860 in December 2022 to 237 in July 2023.



## Current work

### Budget 23 funding

Budget 2023 provided an additional \$49.3 million to implement tranches 2 and 3 to support further improvements to terms and conditions as identified by the Sub-Group. As part of this, Cabinet agreed:

1. that funding for tranche 2 improvements is subject to the same conditions as tranche 1; and
2. to authorise the Minister of Transport to approve the conditions for tranche 3 following advice from the Ministry and Waka Kotahi.

Table 2 shows indicative costs of the components that were used to inform the budget bid. These costings were based on work commissioned by Waka Kotahi and were calculated using data and information provided by operators.

Table 2: Indicative costings of tranche 2 and 3 components used for Budget 23 bid

Category	Total cost (\$ millions)	Comment
Improved driver base wage rates	19.4	Most regions now at ~\$28 p/h. Funding intended to bring urban areas up to \$30 p/h. Calculation based on wage rates identified in June 2022, but wages have since increased. Actual cost likely to be below this estimation.
Split shift allowance	6.3	
Penal rate after 9pm	14.0	
Implementation costs, including tranche 3 initiatives	9.4	Implementation costs refer to one-off costs associated with increased wage rates, including annual leave liability.
Overheads/ admin	0.19	
<b>Total</b>	<b>49.3</b>	All figures show the total cost across 3 years.

The total amount of funding available is fixed. However, the appropriation is not broken down into the cost components shown in Table 2 and the amount available for each component is not limited by these estimates.

### Next steps

The Ministry and Waka Kotahi will develop advice on the use of Budget 23 funding, including the conditions for tranche 3 funding. We are re-engaging with key stakeholders through this group to help inform this advice.