



1 September 2022

OC220763

Hon Michael Wood
Minister of Transport

Action required by:
Monday, 5 September 2022

UPDATED DRAFT CABINET PAPER - PROGRESS ON ESTABLISHING A BUS INDUSTRY STANDARD AGREEMENT FOR BUS DRIVERS

Purpose

This paper seeks your:

- feedback on the revised draft Cabinet paper regarding the Bus Industry Standard Agreement; and
- agreement to begin departmental and Ministerial consultation on the draft paper.

Key points

- We have updated the draft Cabinet paper (provided at Annex 1) to reflect your direction on how the Budget 2022 funding is distributed for the first tranche of improvements to bus drivers' base wage rates (OC220654 refers).
- The draft Cabinet paper proposes that, to receive Crown funding, public transport authorities are required to:
 - demonstrate that operators have contributed increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021 at a minimum;
 - demonstrate that operators commit to pass on future indexation payments to increase drivers' wages; and
 - contribute local share to match Crown funding at the normal funding assistance rate (typically 49 percent local/51 central government) unless they have already provided this in advance of Crown funding.
- The draft Cabinet paper also proposes that base wages will differ for regional and urban drivers, with the aim of reaching \$30 an hour for urban drivers, and \$28 an hour for regional drivers. We recommend public transport authorities determine whether they target the urban rate or the regional rate, based on the needs and characteristics of their region, and their ability to meet the local share required to meet those rates.

- Since our previous advice on the distribution of Crown funding, the Waka Kotahi Board agreed to co-fund wage increases in Auckland from the National Land Transport Fund (NLTF). Other regions will likely also receive co-funding from the NLTF to increase bus driver wages. Waka Kotahi has recommended PTAs be required to provide local share to match both NLTF investment and Crown investment. This will ensure PTAs are able to meet local share for increased wage costs after the four years of Crown funding. However, it could impact the ability to distribute Crown funding if PTAs are not able to raise additional local share.
- Cabinet approval is required to drawdown the \$61 million allocated in Budget 2022. To progress this as quickly as possible, we have proposed a very tight timeframe, with Cabinet Economic Development Committee consideration on 21 September 2022. To meet this timeframe, departmental and Ministerial consultation will need to occur from 5 September 2022 until 13 September 2022.

Recommendations

We recommend you:

- | | | |
|---|---|----------|
| 1 | agree that public transport authorities (PTAs) should determine whether they meet the urban or regional driver base wage rates, based on the needs of their respective regions | Yes / No |
| 2 | agree that PTAs be required to provide local share for both Crown funding and for any co-funding from the National Land Transport Fund | Yes / No |
| 3 | agree to start departmental and Ministerial consultation on the draft Cabinet paper, following any further feedback. | Yes / No |



Helen White
Manager, Mobility and Safety
 01 / 09 / 2022

Hon Michael Wood
Minister of Transport
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- Minister's office to complete:**
- | | |
|--|---|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Seen by Minister | <input type="checkbox"/> Not seen by Minister |
| <input type="checkbox"/> Overtaken by events | |

Comments

Contacts

Name	Telephone	First contact
Helen White, Manager, Mobility and Safety	s 9(2)(a)	✓
Olivia Kitson, Senior Adviser, Mobility and Safety	s 9(2)(a)	

UPDATED DRAFT CABINET PAPER - PROGRESS ON ESTABLISHING A BUS INDUSTRY STANDARD AGREEMENT FOR BUS DRIVERS

We have updated the draft Cabinet paper to reflect your direction on Crown funding

- 1 We have updated the discussion in the Cabinet paper regarding how the first tranche of wage improvements will be met from Crown funding agreed as part of Budget 2022. Based on our previous advice (OC220654 refers), the paper proposes that Crown funding is used to start moving wages towards the nationwide standard agreed by the Bus Industry Standard Sub-group.
- 2 The paper also states that to receive Crown funding, public transport authorities (PTAs) will need to contribute local share to match Crown funding, unless they have already contributed their share. PTAs will also need to demonstrate that operators:
 - 2.1 have contributed to increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021, at a minimum
 - 2.2 commit to pass on future indexation payments to increase drivers' wages.

We propose that PTAs determine whether they need to meet the urban or regional base rate

- 3 We have noted previously (OC220654 refers) that further work is needed to determine the PTAs that need to meet the urban base rate, and those that need to meet the regional rate. We have proposed in the draft Cabinet paper that PTAs determine which rate they need to meet, according to the needs of their region.
- 4 Higher costs of living in urban areas is the key reason for the two different rates. We anticipate PTAs will consider costs of living in determining which rate to apply, as well as their ability to attract drivers to meet demand for services and meet local share to match Crown funding.

We propose PTAs be required to match both NLTF and Crown funding

- 5 Following our advice on how the Budget 22 funding is distributed (OC220654 refers), the Waka Kotahi Board agreed to co-fund wage increases in Auckland from the National Land Transport Fund (NLTF). Other regions will likely also receive co-funding from the NLTF to increase bus driver wages. With this in mind, Waka Kotahi has recommended PTAs be required to provide local share to match both NLTF investment and Crown investment.
- 6 Waka Kotahi's recommended approach will ensure PTAs are able to meet local share for increased wage costs after the four years of Crown funding. However, it is dependent on PTAs being able to raise local share to match NLTF and Crown investment. Consequently, there is a risk that PTAs are unable to match Crown funding, preventing Crown funding from being used to increase wages. This is more

likely in the first year of Crown funding where PTAs have not budgeted sufficient funding and for PTAs not experiencing driver shortages¹.

- 7 It is also possible that some PTAs provide local share that is less than what would be required to match their portion of Crown funding. In that instance, we would anticipate Crown funding to match the local share provided, even if it is below what might be expected.

We are seeking your feedback on the draft Cabinet paper, and agreement to start consultation

- 8 Cabinet approval is required to drawdown the \$61 million allocated in Budget 2022. The funding was agreed by Ministers as a tagged contingency, and that drawdown of the contingency requires Cabinet approval, upon its satisfaction with work to agree nationally consistent terms and conditions for bus drivers.
- 9 To progress Cabinet approval as quickly as possible, we have proposed a tight timeframe, detailed in Table 1 below.

Table 1: Timeline for Cabinet report back

Date	Milestone
5 September 2022	Officials receive your feedback on the draft Cabinet paper
5–13 September 2022	Departmental and Ministerial consultation on the draft Cabinet paper occurs, as well as consultation on a summary of the Cabinet proposals with the Bus Driver Conditions Steering Group
15 September 2022	Final paper lodged
21 September 2022	DEV
26 September 2022	Cabinet

¹ We understand the regions not currently experiencing driver shortages are regions with smaller public transport networks, such as Northland, Taranaki, Nelson, and Invercargill.

IN CONFIDENCE

ANNEX 1 UPDATED DRAFT CABINET PAPER

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OFFICIAL INFORMATION ACT 1982

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