



BRIEFING

Detailed design of transport sector agreement

Date:	17 March 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-2504

Action sought		
	Action sought	Deadline
Hon Michael Wood Minister of Immigration	Agree to the detailed design of the transport sector agreement for truck drivers, bus drivers and critical ferry roles	21 March 2023
Hon Ginny Anderson Associate Minister of Immigration	For your information	Click here to enter a date.

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Andrew Craig	Manager, Immigration (Skills and Residence) Policy	04 901 1245	s 9(2)(a)	✓
Bronwyn Chapman	Senior Policy Advisor	04 897 6561		

The following departments/agencies have been consulted
Ministry of Transport, Waka Kotahi, Maritime New Zealand, Ministry of Education, Competition Policy (MBIE)

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments

Comments



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Detailed design of transport sector agreement

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Purpose

To seek your agreement to the detailed design of the transport sector agreement for truck drivers, bus drivers and critical ferry roles.

Executive summary

In December 2022, Cabinet agreed in principle to a transport sector agreement with a two-year work to residence pathway for truck drivers and bus drivers [DEV-22-MIN-0303]. This was intended to support critical national infrastructure (public transport, waste collection and supply chains) as the industries working towards improved pay and conditions and increased training of New Zealanders.

Cabinet directed officials to briefly consult transport sector representatives and invited you to finalise the detailed settings for the sector agreement in the first quarter of 2023. We have developed proposals for truck and bus drivers and tested these with employers, industry bodies and the New Zealand Council of Trade Unions.

You have since asked for advice on including critical ferry roles in the sector agreement. We have had some initial conversations with ferry operators and developed some options based on these, but have not tested the proposals or discussed the work with the relevant unions.

Truck drivers

We recommend making the residence pathway available to any truck drivers primarily driving a vehicle that requires a class 4 or 5 licence (i.e. heavy vehicles). This will target the area where the greatest shortages are and is consistent with the aims of the Immigration Rebalance to promote career pathways for New Zealanders by restricting access to migrant workers in lower-skilled roles (class 2 or 3 licences).

This approach was supported by National Road Carriers and the Waste and Recycling Industry. Iā Ara Aotearoa Transporting New Zealand advocated to make the residence pathway available to class 2 and 3 drivers as well, but acknowledged that the greatest shortage is at class 4 and 5.

We do not recommend any exemptions from the median wage for these roles, as the Accredited Employer Work Visa (AEWV) data and industry feedback indicates that the median wage is achievable for these roles.

Bus drivers

There are options for how widely to make the agreement available for bus drivers, depending on who you want to target. The narrowest scope would be to only make the agreement available to drivers working primarily on public transport services (under contract with Public Transport Authorities) and school buses. You could also widen the scope to include any services that meet the definition of a public transport service in the *Land Transport Management Act 2003* (in relation to Part 5) – this would include commercially run scheduled services between towns/cities. The widest scope would be to make it available to all bus drivers, including charter and tour bus drivers.

The key trade-offs are between keeping the agreement targeted to the objective of supporting critical national infrastructure and managing numbers (achieved best by the narrower options), and simplicity and the perception of fairness to private bus operators (achieved best by the wider option). The introduction of a two-year residence pathway for these roles will have an unknown impact on the volume of applicants, so we cannot provide useful estimates of the volume of applicants under each option. However, we note that the wider the scope of the agreement, the higher the risk that volumes will increase disproportionately.

On balance, we recommend including any service that meets the definition of a public transport service in the *Land Transport Management Act 2003* (in relation to Part 5), as this is most in line with the policy objective. The main drawback of this option is that there is some subjectivity in the assessment of whether a service is eligible, but we think the risk of misuse is low, and propose to assess eligibility primarily based on employer declaration.

We received mixed feedback from the sector about the scope of the agreement. The Bus and Coach Association and some individual operators supported restricting eligibility to public transport services only, because this is where most pressing need is, constraints on terms and conditions are less of an issue outside of public transport, and increasing staffing in public transport will likely have flow on effects to the other services anyway. Tourism industry bodies and some individual operators supported extending eligibility to all bus driver roles, because there are also shortages in the tourism sector, and wider eligibility would allow operators more flexibility to manage their workforce, reduce split shifts, and provide more variety to workers.

Regardless of the option selected, we recommend an exemption from median wage threshold set at \$28/hour. Current pay rates in the public transport sector do not meet the new median wage threshold of \$29.66/hour. The proposed \$28/hour is in line with pay in regions that have funded increases to pay and conditions and will access the Crown funding made available to support this through Budget 22. The intention is that the threshold would increase if further funding was made available in future. The \$28/hour threshold was supported by all stakeholders we consulted with.

Critical ferry roles

We have undertaken some initial discussions with public transport ferry operators to determine which roles are critical to the operation of their services and the extent of any shortages and immigration barriers. Feedback from operators indicated that the roles critical to their services are deck hands and ship's masters (skippers).

However, initial discussions do not indicate strong evidence that immigration settings are a barrier to recruitment. Most operators indicated that they do not intend to use migrant workers. Fullers was the only public transport operator to report that they were recruiting internationally (however they are by far the largest metropolitan public transport ferry operator, and therefore most likely to face shortages). Fullers reported a shortage of 19 deck hands and 14 skippers, and that they are in the early stages of international recruitment, with early indications that they are likely to some success with South African candidates.

We also note that ship's masters/skippers employed by Fullers will have a three-year work to residence pathway under the new Skilled Migrant Category (SMC), as they will be able to claim three points for their skipper certification from Maritime NZ.

We therefore do not recommend any changes for ship's masters or deck hands. However, if you wish to offer more favourable immigration settings for these roles, we would recommend adding ship's masters to the Green List work to residence pathway and deck hands to the two-year work to residence pathway under the transport sector agreement.

Adding ship's masters to the Green List would recognise that these are higher-skilled roles (ANZSCO skill level 2, compared to skilled level 4 for truck drivers, bus drivers, and deck hands), with higher pay rates (up to \$50/hour), and skills that we want to attract to New Zealand long-term

(through the NZ Professional Registration stream of the SMC). It will also give their partners open work rights, which was raised by Fullers as a key concern.

Deck hands are lower-skilled roles, which are primarily trained on the job, so would sit more appropriately in the sector agreement. We would recommend a pay threshold of median wage for deck hands. Operators reported the top of the pay range for these roles is above median wage, so we are confident that the median wage threshold is achievable for experienced deck hands.

As with bus drivers, there are choices about how widely available the residence pathway should be, and we recommend including any service that meets the definition of a public transport service in the *Land Transport Management Act 2003* (in relation to Part 5), as this is most in line with the policy objective. This would include services such as Fullers' Waiheke ferry service, Stewart Island ferries and Cook Strait ferries.

However, we note that this would not include coastal shipping operators, which could also be considered critical to national infrastructure. If you wish to include these operators, we recommend making the agreement available to all deck hands, regardless of service type. The Ministry of Transport recommends the broader option to avoid creating inequity among maritime operators.

Managing risks

Cabinet agreed that the sector agreement would be reviewed after two years. However, we now recommend reviewing it after 12 months to manage the risk that the new residence pathways may considerably increase the volume of applicants beyond what is needed to fill genuine labour market gaps or in areas that are not the target of the agreement.

As mentioned above, we cannot predict how much application volumes will increase, but there is evidence that the number of truck drivers will be very high (over 1,300 have arrived already under AEWV), and the wider the agreement is available for bus drivers and deck hands, the higher the risk of unexpectedly large volumes. Reviewing the agreement after 12 months would allow us to shut the pathway down if numbers are significantly higher than expected and/or it appears to be primarily benefitting operators who are not the target of the policy.

Implementation timeframes

We previously indicated that we were aiming to implement the changes in April 2023. The Ministry of Business, Innovation and Employment has now completed more detailed scoping of the changes, and, in order to meet an April deadline, other scheduled changes to the ADEPT platform would need to be paused. We will provide advice next week on when the transport sector agreement can be implemented (April, May or June) and the associated trade-offs and their impacts. We note that the options for scope of the agreement will not have any material impact on implementation timeframes.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

- a **Note** that Cabinet agreed in principle to provide a sector agreement for truck drivers and bus drivers, with the following parameters [DEV-22-MIN-0303]:
 - i. the sector agreement will provide a two-year work to residence pathway
 - ii. the agreement will be reviewed after two years
 - iii. access to the agreement will be uncapped
 - iv. other details, including ANZSCO codes, pay thresholds and qualification requirements to be determined

Noted

- b **Note** that Cabinet directed officials to briefly consult transport sector representatives, and invited you to finalise the detailed settings for the sector agreement in the first quarter of 2023
Noted
- c **Note** that you subsequently asked us to consider including roles critical to the operation of ferries in the agreement, and indicated that you have decided to provide a two-year work to residence pathway for critical ferry roles
Noted
- d **Agree** that the two-year work to residence pathway for truck drivers will be available to drivers who:
- i. are primarily driving vehicles that require class 4 or 5 licences, AND
 - ii. are working in a role in the ANZSCO unit group 7331 Truck Driver, AND
 - iii. are paid at least the median wage
- Agree / Disagree*
- e **Agree** that the two-year work to residence pathway for bus drivers will be available to one of the following options:
- i. bus drivers working primarily on public transport services (under contract with Public Transport Authorities) and school buses, OR
Agree / Disagree
 - ii. bus drivers working primarily on any service that meet the definition of a public transport service in the *Land Transport Management Act 2003* (in relation to Part 5) and school buses (**recommended option**), OR
Agree / Disagree
 - iii. anyone working in a role in the ANZSCO unit group 7312 Bus Driver
Agree / Disagree
- f **agree** that bus driving roles covered by the sector agreement will have an exemption from the median wage threshold of \$29.66/hour, and that the thresholds will instead be set at \$28/hour (both for Accredited Employer Work Visas (AEWV) and residence visas)
Agree / Disagree
- g **Note** that ferry operators have reported that their most essential roles are deck hands and ship's masters (skippers), but that most operators have not reported that immigration settings are a barrier to recruitment
Noted
- h **Note** that we have been working with Maritime NZ to identify certifications that meet the requirements to be included under the NZ Professional Registration skill proxy of the Simplified Points system for the new Skilled Migrant Category (SMC), and that 24 maritime certifications will meet the threshold for inclusion.
Noted
- i **Note** that Fullers requires their ship's masters/skippers to have the Skipper Restricted Limits certification with 500GT endorsement, and that this certification will be eligible for three points under the new SMC, allowing applicants with this certification to apply for residence after three years of working in skilled employment in New Zealand
Noted

j **Agree** to one of the following residence options for ship's masters with minimum qualification of Skipper Restricted Limits with 500GT endorsement:

- i. no change, i.e. three-year work to residence pathway under the new SMC (**first preference**), OR

Agree / Disagree

- ii. add them to the Green List work to residence pathway, noting that this may undermine messaging to other sectors that they need to wait till the mid-year review before further additions to the Green List will be considered (**second preference**), OR

Agree / Disagree

- iii. add them to the transport sector agreement with a two-year work to residence pathway (**not recommended**)

Agree / Disagree

k **Note** that ferry operators reported a pay range of \$23.65-\$33.90/hour for deck hands, so higher-skilled deck hands are likely to be recruited above the current median wage of \$29.66

Noted

l **Agree** to one of the following residence options for deck hands:

- i. no change, i.e. ability to recruit through the AEWV, but no residence pathway (**recommended**), OR

Agree / Disagree

- ii. add them to the transport sector agreement with a two-year work to residence pathway and a pay threshold of the median wage

Agree / Disagree

If you agree to recommendation l.ii. above:

m **Agree** the two-year work to residence pathway for deck hands will be available to one of the following options:

- i. deck hands working primarily on services under contract with Public Transport Authorities, OR

Agree / Disagree

- ii. deck hands working primarily on any public transport service (**MBIE recommended option**), OR

Agree / Disagree

- iii. anyone working in a role covered by the ANZSCO code 899211 Deck Hand (**Ministry of Transport recommended option**)

Agree / Disagree

n **agree** to review the transport sector agreement after 12 months (rather than 24 months), to ensure that numbers remain manageable, and that the agreement is meeting its objectives

Agree / Disagree

o **Note** that MBIE will advise of implementation timeframes (April, May or June), based on competing ADEPT system changes and impacts of delaying these

Noted

p **agree** that all visas issued under the sector agreement, including those for bus drivers paid below the median wage, will have a maximum duration of three years and no maximum continuous stay

Agree / Disagree

- q **Note** that, as with the care workforce sector agreement, the residence instructions for the transport sector agreement will sit under the SMC instructions, and that this means the SMC fee of \$4,020-4,890 will apply to residence applications made under both sector agreements.

Noted



Andrew Craig
**Manager, Immigration (Skills and Residence)
Policy**
Labour, Science and Enterprise, MBIE

17 / 03 / 2023

Hon Michael Wood
Minister of Immigration

..... / /

Background

1. In December 2022, Cabinet agreed in principle to provide a sector agreement for bus drivers and truck drivers [DEV-22-MIN-0303]. This was to:
 - recognise that the current workforce shortage of bus drivers is a critical issue for national infrastructure (public transport), and that the trucking industry has also reported shortages, which are impacting on critical infrastructure (waste collection services and supply chains)
 - support the industries as they work towards improved pay and conditions and increased training of New Zealanders.
2. Cabinet agreed to the following parameters:
 - the sector agreement will provide a two-year work to residence pathway
 - the agreement will be reviewed after two years
 - access to the agreement will be uncapped
 - other details, including ANZSCO codes, pay thresholds and qualification requirements to be determined.
3. Cabinet directed officials to briefly consult transport sector representatives and invited you to finalise the detailed settings for the sector agreement in the first quarter of 2023. We have now completed consultation with representatives of the bus and trucking industries, and this briefing provides our advice on the detailed settings for these occupations. We consulted with the following organisations:
 - all bus operators with public transport contracts
 - Bus and Coach Association
 - Ministry of Education (re school buses)
 - Tourism New Zealand and Tourism Industry Aotearoa
 - National Road Carriers
 - Iā Ara Aotearoa Transporting New Zealand
 - NZ Trucking Association
 - Waste and Recycling Industry Forum
 - New Zealand Council of Trade Unions (NZCTU).
4. You have subsequently asked us to consider including roles critical to the operation of ferries in the agreement. We understand that you have since taken the decision to provide a two-year work to residence pathway for critical ferry workers and intend to announce this following a meeting with stakeholders on Auckland ferry issues later this month.
5. We have included advice in this briefing on how a work to residence pathway for critical ferry roles could be operationalised. While we have had some contact with public transport ferry operators and the Cook Strait ferries to seek information about their workforce needs, we note that we have not had the opportunity to test any detailed proposals with the sector and have not spoken to relevant unions.
6. Te Manatū Waka Ministry of Transport has been consulted on this advice and broadly supports the proposed scope of the transport sector agreement. Te Manatū Waka notes the importance of implementing the sector agreement as soon as possible to facilitate the continued recruitment of migrant bus drivers. Operators have advised that they have had to halt overseas recruitment, because they cannot meet the current median wage threshold. Te

Manatū Waka also supports measures to address ferry crew shortages and, should you agree to include deck hands in the sector agreement, recommends option 3 (all deck hands) to ensure commercial public transport ferry operators can recruit migrant deckhands and to avoid creating inequity among maritime operators.

Truck drivers

We recommend including people driving vehicles that require class 4 or 5 licences, with a pay threshold of median wage

7. We recommend restricting the sector agreement to drivers primarily driving vehicles that require class 4 or 5 licences. Stakeholders agree that class 4 and 5 is where the greatest shortage is, and this is confirmed by Accredited Employer Work Visa (AEWV) data.¹ Restricting eligibility to higher licence classes (that take longer to train for) is also consistent with the aims of the immigration rebalance to promote career pathways for New Zealanders by restricting access to migrant workers in lower-skilled roles.
8. Employers will still be able to use the AEWV to recruit people with class 2 or 3 licences, but they will not have a pathway to residence unless they progress to a class 4 or 5 licence.
9. We consider that linking eligibility to licence class is sufficient to target the roles with the greatest shortage and greatest importance to national infrastructure. We therefore recommend including all ANZSCO codes in the unit Group 7331 Truck Driver, i.e.:
 - 733111 Truck Driver (General)
 - 733112 Aircraft Refueller
 - 733113 Furniture Removalist
 - 733114 Tanker Driver
 - 733115 Tow Truck Driver
10. We recommend that the wage threshold for the residence pathway is set at the median wage. Immigration New Zealand (INZ) data shows that 96% of AEWVs issued for truck drivers had a pay rate between \$27.76 (old median wage threshold) and \$30 per hour. We expect that pay rates are rising with inflation and that the industry can meet the new median wage threshold (\$29.66) for skilled drivers, noting that the median wage threshold has not been raised as an issue by stakeholders. This would mean that there are no changes to truck driver recruitment at AEWV stage – the only change is the ability to apply for residence after two years working in the role.
11. Employer representatives that we consulted with were supportive of the median wage threshold, but feedback on the linking eligibility to class 4 and 5 licences was mixed. National Road Carriers and the Waste and Recycling Industry were supportive. Transporting New Zealand submitted that class 2 and 3 licence holders should also be included, but acknowledged that the greatest shortages are at class 4 and 5.

Bus drivers

There are options for how widely available the agreement should be for bus drivers

¹ A sample of job checks for truck drivers shows 80% require class 4 licence or higher, and the remaining 20% require class 2 or higher.

12. We understand that your intended focus for the bus driver part of the sector agreement is stabilising public transport services. However, depending on your objectives, you may wish to make the agreement available more widely. We have identified the following three options:
- a. **Option 1 – services under contract with Public Transport Authorities and school buses only**

This would restrict eligibility to drivers who are working primarily on public transport services on contracts for regional councils, and school buses (to the extent that they meet other eligibility criteria).
 - b. **Option 2 – any public transport service and school buses (recommended)**

This would restrict eligibility to drivers who are working primarily on services that meet the definition of a public transport service in the *Land Transport Management Act 2003* (in relation to Part 5) and school buses. This would include commercially run scheduled services between towns/cities. It would exclude tourism operators who do not run scheduled services.
 - c. **Option 3 – all bus drivers**

This would make the agreement available to anyone working in the ANZSCO codes in the unit group 7312 Bus Driver, i.e.:

 - **731211 Bus Driver** – this covers buses on scheduled intra-city service over established routes, i.e. public transport services. INZ data shows it has previously also been used by some tourism operators transferring customers to their site.
 - **731212 Charter and Tour Bus Driver** – this primarily captures tourism-related services.
 - **731213 Passenger Coach Driver** – this covers coaches on scheduled intercity services over established routes, e.g. Intercity buses.
13. We have provided an analysis of the three options in the table below. On balance, we recommend option 2, as it is most in line with policy intent (supporting critical national infrastructure). The main drawback of this option is that there is some subjectivity in the assessment of whether a service is eligible, but we think the risk of misuse is low, and propose to assess eligibility primarily based on employer declaration. There is also the potential that operators who do not provide public transport services may consider they are being put at competitive disadvantage due to spill over effects (where public transport operators are able to expand their private charter business as a result of greater access to workers on public transport services). However, we think this risk is minor because:
- there is no evidence of job checks being submitted by competitors to companies that provide public transport services
 - the advantage from access to the agreement is time-limited – once the agreement is shut-down and workers get residence, they will enter the general labour pool and can work for any employer
 - operators without public transport contracts can still compete for New Zealand workers who we understand are more likely to work in private charter and tour roles.
14. If you wished to make the agreement available more widely (to all bus drivers), the main risk would be the potential for unexpectedly high application volumes. The introduction of a residence pathway for these roles will change incentives and could lead to larger volumes of applications than have been seen previously. This is an unknown risk and we cannot provide useful estimates of the volume of applicants under each options. However, we expect that the wider the scope of the agreement, the higher the risk that volumes will increase disproportionately.

	Pros	Cons	Potential volumes
<p>Option 1</p> <p>Services under contract with Public Transport Authorities and school buses only</p>	<p>Relatively easy to determine eligibility – self-declaration by employers, checked against list of operators who have contracts with Public Transport Authorities</p> <p>More manageable numbers</p> <p>In line with policy intent – public transport is critical national infrastructure, has clear shortages, and a clear plan to improve pay and conditions</p>	<p>Potential fairness issues – operators usually offer private charter as well as public transport and there is not always clear distinction between the workers. There is the potential that access to migrant workers will allow operators to expand their private charter business in a way that their competitors without public transport contracts cannot</p>	<p>INZ data indicates a total of 590 individuals who would potentially be eligible (as at 6 February 2023)</p> <p>Waka Kotahi estimates a shortage of 715 drivers in February 2023.</p> <p>Uncertain what attrition rates are.</p>
<p>Option 2</p> <p>Any public transport service and school buses (recommended)</p>	<p>Most in line with policy intent – strong argument that scheduled services between towns/cities are also part of critical national infrastructure</p> <p>Manageable numbers</p>	<p>More subjective test of eligibility – self-declaration by employer, checked against list of known public transport providers, but list will not be exhaustive and some scope for subjective assessment</p> <p>Potential fairness issues (as above)</p> <p>No clear demand for migrant workers beyond contracted services with Public Transport Authorities (no job checks or previous visas found for scheduled services between towns/cities). Unclear if there are structural issues affecting attraction and retention for these roles</p>	<p>No evidence of scheduled services between towns/cities using work visas previously, so unclear what additional volume would be captured beyond Option 1</p> <p>Unclear what future inflows would be, as residence offer will change incentives</p>
<p>Option 3</p> <p>All bus drivers</p>	<p>Very easy to determine eligibility – based on ANZSCO code</p> <p>May offer more flexibility for employers</p> <p>No fairness issues – all employers have equal access</p>	<p>Potentially larger volumes, although limited evidence of demand beyond public transport</p> <p>Less clear link to policy rationale – less compelling national infrastructure argument for tourism businesses and no plan to improve pay and conditions outside of public transport</p>	<p>INZ data indicates an additional 24 individuals who would potentially be eligible beyond those already covered by Option 1 (as at 6 February 2023)</p> <p>However, unclear what future inflows would be, as residence offer will change incentives</p>

15. We asked stakeholders their views on the scope of the agreement and received mixed feedback. The Bus and Coach Association and some individual operators supported restricting eligibility to public transport services only. Reasons given included that this is where most pressing need is, constraints on terms and conditions are less of an issue outside of public transport, and that increasing staffing in public transport will likely have flow on effects to the other services anyway.
16. The tourism industry bodies and some individual operators supported extending eligibility to all bus driver roles, including charter and tour bus driver. Reasons given included that there are also shortages in the tourism sector, and that wider eligibility would allow operators more flexibility to manage their workforce, reduce split shifts, and provide more variety to workers.

Regardless of the option selected, we recommend a wage threshold of \$28/hour

17. An exemption to median wage threshold is needed for bus drivers. The highest pay rates in the public transport system are currently \$28-29/hour, which represent pay increases of around 25 per cent over the previous year. These increases are funded by operators, councils, Waka Kotahi and Crown funding made available through Budget 22. Operators have limited ability to increase pay rates further without further funding from central and local government.
18. We recommend setting the pay threshold at \$28/hour at this stage, with the intention that the threshold would increase if more Crown funding becomes available in future. We also note that an application to initiate a fair pay agreement has been made that includes bus drivers in the proposed coverage and that, if a fair pay agreement was developed, this could potentially impact the pay thresholds for the sector agreement in future.
19. The \$28/hour wage threshold would apply at the AEWV stage as well as the residence visa stage.
20. The proposed threshold will capture most public transport operators – most of the 14 regions have or are intending to lift wages to \$28/hour (with Wellington and Canterbury targeting \$30/hour). s 9(2)(b)(ii)
[Redacted]
Some regions (Northland, Hawke’s Bay, Marlborough and Invercargill) are paying at lower rates and will not qualify, but these regions are generally not experiencing such significant shortages.
21. s 9(2)(b)(ii)
[Redacted]
22. We do not have enough information about pay rates outside of the public transport and school bus network to know how the proposed pay threshold would impact scheduled intercity services and tourism operators. However, information received through consultation suggests that drivers on tourism services are often paid more than those on the public transport network, as additional skills are often needed.
23. All stakeholders we consulted with supported the \$28/hour threshold s 9(2)(b)(ii)
[Redacted]

Critical ferry workers

Initial discussions with passenger ferry operators have not made a strong case that immigration settings are a barrier to recruitment

24. Following your request to consider adding ferry roles to the sector agreement (which we understood to be focused on public transport roles), we contacted ferry operators with public transport contracts and the Cook Strait ferries to ask which roles were critical to operation of ferry, the extent of any shortages and what the pay rates were for these roles.
25. All respondents indicated that the roles critical to operating ferries were deck hands and ship's masters (skippers). However, the vacancies they reported in these roles were relatively few. They also did not report that immigration settings were necessarily a barrier to recruitment.
26. Of the companies that replied to our request for information, only Fullers indicated concrete plans to hire migrant workers, although the Ministry of Transport notes that they are by far the largest metropolitan public transport ferry operator, and therefore most likely to face shortages. Fullers reported a shortage of 19 deck hands and 14 skippers, and that they are in the early stages of international recruitment, with early indications that they are likely to have some success with South African candidates. They also provided feedback that a residence pathway, retaining partner work rights, and lower application costs would increase attractiveness.
27. s 9(2)(b)(ii)
28. Two operators (Black Cat, East by West) indicated that they did not need to recruit internationally. And a further (Belaire) indicated they had one unfilled skipper role, but did not indicate whether they planned to recruit migrants.
29. We did not receive responses from Sealink or the Interislander. s 9(2)(b)(ii)

Most ship's masters and many other maritime roles will have a pathway to residence through the Skilled Migrant Category, but this does not include deck hands

30. The Ministry of Business, Innovation and Employment (MBIE) has been working with Maritime NZ to identify certifications that meet the requirements to be included under the NZ Professional Registration skill proxy of the Simplified Points System for the Skilled Migrant Category (SMC), which is planned to open from October.
31. We have identified 24 maritime certifications that would meet the threshold for inclusion. This will offer a pathway to residence via the SMC for most marine transport professionals, including ship's masters, ship's engineers, ship's officers, and master fishers. The length of the residence pathway will depend on the type of certification held rather than their ANZSCO occupation classification and will range from a straight to residence pathway up to a three-year pathway to residence.
32. Fullers has indicated that migrant skippers/ship's masters would generally be employed as senior deck hands while working towards getting their Skipper Restricted Limits (SRL) certification, with 500GT endorsement (this is the minimum requirement to skipper 75 per cent of their fleet). The SRL with 500GT endorsement will be eligible for three points under the NZ Professional Registration stream of the new SMC, which would allow applicants with

this certification to apply for residence after three years of working in skilled employment in New Zealand.

33. There are 15 maritime certifications identified that will not meet the standard for inclusion under the SMC, including deck hands. These roles are generally entry-level and lower-skilled and require less than two years of training to gain the certification. Most of these roles have progression pathways to higher-skilled roles and certifications that would provide a pathway to residence through the SMC.
34. A full list of maritime certifications, and whether or not they are proposed for inclusion under the NZ Professional Registration proxy of the SMC are included at Annex One. Officials will add the eligible certifications to Appendix 5 of the Future of the Skilled Migrant Category Cabinet paper ahead of lodgement in early April.

If you wish to provide a faster residence pathway for ship's masters, we recommend adding them to the Green List

35. If you wish to provide a more attractive offer than the SMC for ship's masters (i.e. a two-year work to residence pathway), we consider that they would be a better fit for the work to residence tier of the Green List, rather than the sector agreement, because:
 - these are higher skilled roles – ANZSCO skill level 2 and pay rates reported by operators are \$30-\$50/hour depending on experience
 - they are not a good-fit for the one-off nature of the sector agreement, as the SMC acknowledges that these are skills we want long-term
 - Fullers have specifically raised partner work rights as an issue, which would be retained if added to the Green List, but not via a sector agreement.
36. The minimum qualification requirement would be the Skipper Restricted Limits certification with 500GT endorsement. This would include ship's masters working on any type of boat, i.e. not restricted to passenger ferries or public transport services.
37. This would mean that ship's masters get additional benefits beyond the other transport occupations with a residence pathway under the transport sector agreement, i.e. no requirement to advertise roles under the AEWV, open work rights for partners, prioritised processing, and a more enduring residence pathway. We consider this difference in treatment appropriate, as skippers are higher-skilled and higher-paid than the other occupations proposed to be covered in the agreement (truck drivers, bus drivers and deck hands are all ANZSCO skill-level 4, with pay rates straddling the median wage).
38. As other Green List additions were agreed by Cabinet, we would recommend confirming this approach with your Cabinet colleagues. If you choose to progress with adding these roles to the Green List, it could be included in the Health Sector Green List Cabinet paper, which is scheduled to be considered by the Cabinet Economic Development Committee on 5 April 2023.
39. However, we note that there is a risk in this approach, as other potential candidates for addition to the Green List (e.g. corrections officers) have been told that they need to wait until the mid-year Green List review to be considered. Adding ship's masters before the mid-year review could undermine this message.

A residence pathway for deck hands could be provided through the transport sector agreement

40. As outlined above, there is low demand for deckhands and not yet any strong evidence that immigration settings are a barrier to recruitment. However, if you wish to provide a pathway to residence, the sector agreement would be the most appropriate mechanism, because

these are lower-skilled roles (ANZSCO skill level 4, and unskilled applicants can be trained on the job).

41. We would recommend a pay threshold of median wage for these roles. According to operators, pay rates range between \$23.65 and \$33.90/hour for public transport services, depending on experience. All operators who responded reporting a top range above median wage, so we are confident that the median wage threshold is achievable for experienced deck hands. Setting the threshold at median wage would mean that there are no changes to recruitment at AEWV stage – the only change would be the ability to apply for residence after two years working in the role.
42. If you want to set a lower wage threshold to facilitate access for less experienced deck hands, you could align the threshold with bus drivers (i.e. \$28/hour), however we have not done any analysis on what impact this could have on market pay rates.
43. As with bus drivers, there are choices about how widely available the residence pathway should be. These options are set out in more detail below. We have not repeated the analysis in detail here, as it is largely the same as for bus drivers.
44. We recommend Option 2 (any public transport services), as it is most in line with policy intent. This is based on the assumption that you intend to target passenger ferries providing public transport services. However, we note that there is also a national infrastructure argument for coastal shipping operators to be included, and that they use a similar workforce to the Cook Strait ferries (who would be included under option 2). We have not spoken to coastal shipping operators, so do not have any data about their workforce shortages or use of overseas workers. If you wanted to include coastal shipping operators, we would instead recommend option 3 (all deck hands), but note that this would also capture tourism operators and has a higher risk of unexpectedly large application volumes.

a. Option 1 – services under contract with Public Transport Authorities only

This would restrict eligibility to deck hands who are working primarily on public transport services on contracts for regional councils. This would not include Fullers' Waiheke ferry, which operates commercially.

Information provided from operators suggests we would only expect up to 19 applicants (Fullers). No further evidence of visas being applied for by other public transport operators.

b. Option 2 – any public transport service (recommended)

This would restrict eligibility to deck hands who are working primarily on services that meet the definition of a public transport service in the *Land Transport Management Act 2003* (in relation to Part 5). This would include Fullers' Waiheke ferry service, Stewart Island ferries and Cook Strait ferries. This would exclude services that are exclusively for tourism.

In addition to the numbers covered under Option 1, there are least 49 Cook Strait ferry applications approved or in progress that would likely be eligible. Unclear what future inflows would be, as residence offer will change incentives.

c. Option 3 – all deck hands

This would include anyone working in the ANZSCO code 899211 Deck Hand. This would include deckhands on most types of vessels, including cargo ships, but it would exclude fishing hands (as this is a separate ANZSCO occupation).

In addition to the numbers covered under Option 2, this would capture 38 applications approved or in progress, mostly with shipping companies, and some tourism operators. Unclear what future inflows would be, as residence offer will change incentives.

45. We note that we have not had the opportunity to test these proposals with stakeholders and have not discussed this piece of work with the NZCTU or any of the relevant unions.
46. We recommend confirming the inclusion of these roles in the sector agreement with your Cabinet colleagues, as they originally agreed to the sector agreement only covering truck drivers and bus drivers. As above, this can be done through the Health Sector Green List Cabinet paper.

There is a risk that the new residence pathways may not have the intended outcome, so we recommend reviewing the agreement after 12 months

47. Cabinet agreed that the sector agreement would be reviewed after two years. However, we now recommend a review after 12-months, as the new residence pathways may considerably increase the volume of applicants beyond what is needed to fill genuine labour market gaps or in areas that are not the target of the agreement.
48. Given that the intention of the agreement is to provide one-off boost of workers to stabilise the industries while they work towards improved pay and conditions and increased training of New Zealanders, the agreement should ideally be shut down when staffing reaches sustainable levels.²
49. In the case of truck drivers, we do not have any reliable way to determine the actual level of shortage. Industry estimates range from 3,449 to 8,400. We have already had over 1,300 applications for truck drivers under the AEWV – this is the fourth highest of any occupation – and we expect the volume of applications to increase once the residence pathway is confirmed. This suggests that the industry is on track to fill the reported shortages much more quickly than two years, and that leaving the pathway open for that long could risk oversupply and reduced incentive to train and upskill New Zealanders into class 4 and 5 licences.
50. There is also significant uncertainty about what the uptake of the sector agreement for ferry roles will be. As outlined above, the number of deck hands required across the public transport network and Cook Strait ferries appears to be relatively low (likely fewer than 60). We do not know how long it will take industry to fill these roles. We also note that, if the sector agreement is made available beyond the public transport sector, there is a risk of larger volumes of applicants for roles that do not meet the policy objective of supporting critical national infrastructure.
51. A review at twelve months would allow us to shut the pathway down if numbers are significantly higher than expected and/or the agreement appears to not be meeting the objectives (e.g. by benefitting tourism operators more than essential transport services).
52. There is less risk of oversupply with bus drivers, as there is a clear shortage and need for a median wage exemption and transport officials will be able to advise us on when staffing levels are more sustainable. However, we consider that there may still be some value in reviewing at the 12-month mark for bus drivers, to review what effect improvements to pay and conditions have had on attraction and retention of the domestic workforce.

² For clarity, this means that, after a certain date, new AEWV applicants will not be eligible to apply for residence, but those who entered before the agreement is closed will be able to continue working towards residence.

53. Cabinet previously agreed that sector agreements will be accompanied by expectations these sectors should meet for the favourable settings to continue, and that the government would monitor progress. The five sector agreements confirmed by Cabinet in August 2022 have agreed end or review dates in 2024/25. MBIE has set up regular data reporting for these sectors which can be extended to the transport sector agreement. While officials expressed to unions and employers the government's general expectations of these sectors to reduce reliance on low-wage migrant labour through investment in workforce and technology, no formal tripartite monitoring structure has been established to monitor progress. This work was commenced in late 2022 and as part of work programme discussions, you indicated at the time that Green List work was higher priority. We will further consider our approach to monitoring and reviewing the transport sector agreement in line with this work.

Other issues raised by stakeholders

Passenger endorsements

54. Bus operators frequently raised that the process for overseas applicants to get a P endorsement hampered international recruitment, as applicants cannot apply until they are in New Zealand, and some reported that the overseas police check was sometimes taking several months to complete.
55. Waka Kotahi advises that the P endorsement process for bus drivers is currently taking an average of 10 days to process, as applications are being prioritised ahead of other activities. The process is relatively quick where applicants have all the necessary documents at the time of applying. However, timeframes can be much longer where applicants do not yet have all required documents, in particular Foreign Jurisdiction Documents (FJDs). FJDs (such as background checks) are sourced from entities overseas and in some cases this can take months for the applicant to obtain. Consequently, it is important for operators and candidates to have the FJDs in place before recruitment and employment commences. Notwithstanding, Waka Kotahi is reviewing the overall processing system with the aim of making improvements.

Maritime certifications

56. Ferry operators and Auckland Transport also indicated that Maritime New Zealand certifications were the biggest barrier to international recruitment – both because many international qualifications are not recognised, and because of processing times.
57. Maritime New Zealand notes the industry comments made in relation to certificate processing times are historical. Considerable work has been undertaken to reduce backlogs and improve processing times which has proven highly successful, with average certificate processing times now well within the publicised 20 working days.
58. In relation to the recognition of foreign certificates, the International Maritime Organisation (IMO) sets the standard for international seafarer training via the International Convention on Standards of Training, Certification and Watch-keeping for Seafarers 1978 (STCW). This Convention allows for countries to recognise the STCW training carried in another country as the syllabus and training requirements are standardised and audited by the IMO. The STCW Convention permits countries to recognise Rating (deck level) certificates from any country approved to deliver training under the Convention. For the recognition of Officer level certificates, due to the importance of these positions the Convention applies a second layer of protection by requiring countries to have MoU's with each other.
59. Maritime New Zealand therefore recognises Rating certificates from any country training to STCW standards and for Officer levels Maritime New Zealand has MoU's with 28 other countries.

60. On a national basis, individual countries can also introduce their own national level certificates for the domestic environment, this is something New Zealand does. Maritime New Zealand, however, does not recognise (excluding Australia) another countries' national level certificates as there is no visibility on the type of training undertaken or to what standards this is delivered and it would be very resource intensive to introduce and maintain this type of recognition.

Training requirements

61. Transporting NZ requested that participation in their training programme Road to Success be a requirement for employers to access the sector agreement for trucking companies. We recommend considering whether this could be useful in the context of further work on training and upskilling requirements for high-volume employers and monitoring of sector agreements. Specific employer requirements for access to sector agreements could not quickly or easily be built into the ADEPT system at this stage.

Partner work rights

62. We also note that Fullers and another bus operator requested that open work rights be retained for partners of ferry workers and bus drivers, to make roles more attractive to overseas applicants. We do not see any reasons for differential treatment of roles covered by the transport sector agreement compared to other occupations.

Implementation

63. We previously indicated that we were aiming to implement the changes in April 2023. MBIE has now completed more detailed scoping of the changes, and, in order to meet an April deadline, other scheduled changes to the ADEPT platform would need to be paused. MBIE is currently working through the reprioritisation options and impacts and will provide advice next week on when the transport sector agreement can be implemented (April, May or June) and the associated trade-offs and their impacts. We note that the options for scope of the agreement will not have any material impact on implementation timeframes
64. Bus operators raised the implementation timeframe as a major concern during consultation, as pay rates for drivers on the public transport network are below the new median wage threshold (\$29.66/hour), so they are unable to recruit internationally until the lower wage threshold is in place.
65. Later implementation will not affect the work to residence pathway, as the earliest eligible visa holders will be able to apply for residence in September 2023. This is in line with Green List work to residence occupations and the work to residence pathway under the care workforce sector agreement, where the two years' work experience can only be counted from September 2021.
66. We recommend that all visas issued under the sector agreement have a maximum duration of three years. These are the standard settings for roles paid at least the median wage (truck drivers and deck hands), but roles below the median wage (bus drivers) generally have a maximum visa duration of two years. A three-year visa for bus drivers will ensure that they do not need to apply for a further AEWV in order to submit and wait for the outcome of their residence application after completing their two years of work experience. We think that a similar approach is needed for the work to residence pathway under the care workforce sector agreement (which currently has a maximum visa length of two years) and will report back to you on options for making this change. As bus drivers will be on a residence pathway, we do not propose to apply the maximum continuous stay (stand-down) conditions to their visas.
67. The residence pathway for the roles covered by the sector agreement will sit under the SMC instructions. This is consistent with the approach to the residence pathway under the care

workforce sector agreement and means that the SMC fee of \$4,020-4,890³ will apply to residence applications under these sector agreements.

Next steps

68. We will update the Health Sector Green List Cabinet paper to reflect any changes that you agree to the original scope of the agreement (i.e. ferry roles and duration) and provide you with the final paper on 29 March, for consideration at the Cabinet Economic Development Committee on 5 April 2023.
69. We will provide advice next week confirming options for implementation timeframes and associated trade-offs.
70. The establishment of a sector agreement providing a two-year work to residence pathway for bus and truck drivers was announced following Cabinet decisions in December 2022. We will work with your office to confirm the approach to announcing further details, including any changes for maritime roles.

Annexes

Annex One: Eligibility of maritime certifications for points under the new SMC

³ The total payable for an application under SMC is an immigration levy of \$2,410, plus an application fee of \$1,880 for New Zealand applications, \$1,610 for Pacific applications, or \$2,480 for applications from the rest of the world.

Annex One: Eligibility of maritime certifications for points under the new SMC

Type	Certificate of Competency/Proficiency (CoC/CoP)	Inclusion under NZ Professional Registration proxy at 2 year threshold	Combined minimum qualification and sea service time to gain certification	Proposed skill points under sim	Qualification	Qualification Length	Sea Service	Notes	
National	Qualified deck crew	No	None	0	N/A		None required		
STCW	Skipper restricted limits	No	31 weeks	0	NZ Certificate in Domestic Maritime Operations (Restricted Limits) (Level 4)	26 weeks	200 hours		
	Skipper restricted limits with 24m endorsement	No	1 year	0	NZ Certificate in Domestic Maritime Operations (Restricted Limits) (Level 4)	26 weeks	6 months		
	Skipper restricted limits 500GT endorsement	Yes	2 years	3	N/A	N/A	12 months	Pre-requisite is the SRL with 24m endorsement	
	Skipper restricted limits 3000GT endorsement	Yes	2 years+ (with employer training)	3	Onboard training through an approved training programme with an approved employer	Determined by employer		N/A	Pre-requisite is the SRL with 500GT endorsement
	Skipper coastal/offshore	Yes	2.5 years minimum	3	NZ Certificate in Domestic Maritime Operations (Coastal & Offshore) (Level 4)	26 weeks	12 months		Pre-requisite is either an SRL <24m or SRL <500GT - meets 3 years if previously held 24m, then 500GT but not if progressed straight from SRL <24m
	Master Yacht <24m	No	n/a	0	N/A	N/A	N/A		
	Marine engineer class 4	Yes	3.5 years	3	NZ Diploma in Marine Engineering (Level 6)	2.5 years	12/24 months		Can enter straight in at MEC4 level or progress up through MEC6 & 5
	Marine engineer class 5	No	1.5 years	0	NZ Certificate in Marine Engineering Class 6 (Level 4) - with Marine Engineering Class 5 Strand	24 weeks	12/24 months		
	Marine engineer class 6	No	4 months	0	NZ Certificate in Marine Engineering Class 6 (Level 4)	12 weeks	200 hours		
	Deck watch rating	No	Approx 6 months	0	NZ Certificate in Maritime Crewing (Level 3) - Deck Crewing strand	Part of AB Deck course	2/6 months		
	Able seafarer deck	No	1 year + 4 months	0	NZ Certificate in Maritime Crewing (Level 4) - Deck Crew strand	17 weeks	12/18 months		
	Engine room watch rating	No	Approx 6 months	0	NZ Certificate in Maritime Crewing (Level 3) - Engineering strand	Part of AB Engine course	2/6 months		
	Able seafarer engine	No	Approx 10 months	0	NZ Certificate in Maritime Crewing (Level 4) - Engineering strand	17 weeks	6/12 months		
	Integrated rating	Yes	Approx 2 years + 7 months	3	N/A	Combination of AB Deck & Engine	Combination of AB Deck & Engine		Only possible if maximum sea service route for DWR/EWR (pre-requisite certificates) & AB Deck/Engine was taken
	Electro-technical rating	No	Approx 7 months	0	NZ Certificate in Maritime Crewing (Level 4) - Electro-technology strand	17 weeks	3/12 months		
Watchkeeper deck <500GT Near Coastal	No	Approx 1 year 8 months	0	NZ Certificate in Maritime Operations (Level 4) - Watchkeeping strand	34 weeks	12/36 months		Only possible if 36 month sea service route taken	
Master <500GT Near Coastal	Yes	3 years	3	NZ Certificate in Maritime Operations (Level 5)	17 weeks	12 months		Pre-requisite is the Watchkeeper Deck <500GT NC	
Master <500GT	Yes	7 years	6	NZ Diploma in Nautical Science (Level 6) and applicable sections of the NZ Diploma in Yacht Operations (Level 6) Optional strand in Master Yacht[1]	24 months	24/36 months		Pre-requisite is the Master <500GT NC	
Watchkeeper deck	Yes	3 years	3	NZ Diploma in Nautical Science (Level 6)	24 months	12/36 months			
Chief Mate <3000GT	Yes	4 years	4		12 months		None required	Pre-requisite is the Watchkeeper Deck	
Master <3000GT	Yes	6 years	6	Diploma in Foreign-going Master or Chief (Level 7)	12 months	24/36 months		Pre-requisite is the Watchkeeper Deck or Chief Mate <3000GT	
Chief Mate	Yes	5 years	5	Diploma in Foreign-going Master or Chief (Level 7)	12 months	12 months		Pre-requisite is the Watchkeeper Deck	
Master	Yes	6 years	6	Diploma in Foreign-going Master or Chief (Level 7)	12 months	24/36 months		Pre-requisite at the minimum is the Watchkeeper Deck	
Chief Mate Yacht	Yes	3 years	3	NZ Diploma in Yacht Operations (Level 6)	12 months	24/36 months			
Master Yacht <500GT	Yes	4 years + 3 months	4	NZ Diploma in Yacht Operations (Level 6) - Master Yacht strand	12 weeks	12 months		Pre-requisite is the Chief Mate Yacht	
Master Yacht	Yes	4 years + 3 months	4	NZ Diploma in Yacht Operations (Level 6) - Master Yacht strand	12 weeks	12/24 months		Pre-requisite is the Chief Mate Yacht	
GMDSS radio operator	No	n/a	0	N/A	N/A	N/A			
Electro-technical officer	Yes	Approx 4 years	4	NZ Diploma in Maritime Electro-technology (Level 6)	30 months	12/36 months		Pre-requisite is the Electro-technical rating	
Marine engineer class 1	Yes	5 years + 9 months	5	Diploma in Foreign-going Master or Chief (Level 7)	12 weeks	24/36 months		Pre-requisite is the MEC2 or 3	
Marine engineer class 2	Yes	5.5 years	5	Diploma in Foreign-going Master or Chief (Level 7)	12 months	12 months		Pre-requisite MEC3	
Marine engineer class 2 endorsed Chief engineer	Yes	5.5 years	5	Diploma in Foreign-going Master or Chief (Level 7)	Part of full MEC2 course	12 months		Pre-requisite MEC3	
Marine engineer class 2 <3000KW	Yes	5.5 years	5	Diploma in Foreign-going Master or Chief (Level 7)	Part of full MEC2 course	12 months		Pre-requisite MEC3	
Marine engineer class 3	Yes	3.5 years	3	NZ Diploma in Marine Engineering (Level 6)	2.5 years	12/36 months			
Advanced deck-hand - fishing	No	1 year	0	NZ Certificate in Fishing Vessel Crewing (Level 3)	25 weeks	6 months			
Mate fishing vessel - limited	No	1 year + 9 months	0	NZ Certificate in Maritime Operations (Level 4) - with Fishing Strand	38 weeks	12/24 months			
Skipper fishing vessel - limited	Yes	3 years	3	NZ Certificate in Maritime Operations (Level 5)	17 weeks	12 months		Pre-requisite is the Mate fishing vessel - limited	
Mate fishing vessel - unlimited	Yes	2.5 years	3	NZ Diploma in Fishing Vessel Operations (Level 6)	24 weeks	24 months			
Skipper fishing vessel - unlimited	Yes	Approx 3 year + 9 months	3	NZ Diploma in Fishing Vessel Operations (Level 6) with Fishing Vessel Skipper strand	18 weeks	12 months		Pre-requisite is the Mate fishing vessel - unlimited	