



## BRIEFING

### Further detail on implementation of sector agreement for bus drivers

|                                 |               |                         |           |
|---------------------------------|---------------|-------------------------|-----------|
| <b>Date:</b>                    | 24 March 2023 | <b>Priority:</b>        | High      |
| <b>Security classification:</b> | In Confidence | <b>Tracking number:</b> | 2223-3180 |

| Action sought   |  |               |
|---|--|---------------|
|   | Action sought  | Deadline      |
| Hon Michael Wood<br><b>Minister of Immigration</b>              | Agree to the scope and wage threshold for the sector agreement for bus drivers | 29 March 2023 |
| Hon Barbara Edmonds<br><b>Associate Minister of Immigration</b> | Copy for information   | N/A           |

| 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 |
|--|
|  |

Minister's office to complete:

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

Comments

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### Purpose

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To seek your decisions on linking sector agreement requirements to work underway to uplift pay and conditions in the industry.

### Recommended action

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The Ministry of Business, Innovation and Employment, Ministry of Transport and Waka Kotahi recommend that you:

- a **Agree** to one of the following options for the scope of the sector agreement for bus drivers:
- i. 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, OR  
**(Recommended)**  
*Agree / Disagree*
  - ii. bus drivers employed by operators who have signed a regional agreement to uplift wages in the region they are recruiting for, OR  
*Agree / Disagree*
  - iii. 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 AND if the services are provided under a contract with the Public Transport Authorities, require that the operator has signed a regional agreement  
*Agree / Disagree*

b **Agree** to one of the following options for the wage threshold for the bus driver work to residence pathway:

i. \$28 per hour, OR

**(Recommended)**

*Agree / Disagree*

ii. \$28 per hour for bus on regional services, and \$30 per hour for bus drivers on urban services, OR

*Agree / Disagree*

iii. wage threshold set at the rate specified in the relevant regional agreement.

*Agree / Disagree*



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

Hon Michael Wood  
**Minister of Immigration**

..... / ..... / .....

24 / 03 / 2023



Jacob McElwee  
**Acting Manager, Mobility and Safety**  
Ministry of Transport

24 / 03 / 2023



Deborah Hume  
**National Manager Multimodal Integration -  
Transport Services**  
Waka Kotahi

24 / 03 / 2023

## Background

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1. We recently provided you with advice on the detailed design of the transport sector agreement, including settings for bus drivers [2223-2504]. When MBIE officials met with you on 20 March 2023 to discuss the briefing, you requested that MBIE and transport officials work together to provide further advice on how the requirements for bus drivers could be linked to work underway to uplift pay and conditions in the industry.

## Restricting eligibility to employers who have signed a regional agreement to uplift wages

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2. Our advice provided you with three options for the scope of the agreement for bus drivers:
  - Option 1: bus drivers working primarily on public transport services (under contract with Public Transport Authorities) and school buses
  - Option 2: 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
  - Option 3: anyone working in a role in the ANZSCO unit group 7312 Bus Driver
3. You agreed to option 2, however you also indicated when we met with you on 20 March 2023 that you would like eligibility to be restricted to operators that have signed a regional agreement to uplift wages (in the region they are recruiting for). This could be operationalised relatively easily – Waka Kotahi would maintain a list of eligible operators in each region and provide this to Immigration New Zealand for visa processing purposes.
4. However, we note that requiring operators to have signed a regional agreement to uplift wages in order to access the sector agreement would restrict eligibility to operators who have contracts with public transport authorities to deliver public transport services. This would be inconsistent with option 2, which you indicated was your preferred option, as it would exclude Ministry of Education-funded school bus services and other services that meet the definition of a public transport service in the Land Transport Management Act 2003 (in relation to Part 5), for example intercity bus services. An alternative could be to have different eligibility criteria for different services, with those on contract with public transport authorities required to be with an operator signed up to a regional agreement, and other services covered by option 2 having no additional eligibility criteria, but this would add significant complexity to the system.
5. We also note that only three regions would currently meet the proposed criteria (Waikato – urban services only, Taranaki, and Nelson/Tasman), with a fourth agreement (Christchurch) currently with Waka Kotahi for signing.
6. Other regions would remain ineligible to recruit migrant drivers below the median wage or support drivers on the work to residence pathway until an agreement is signed. The following regions are working towards signing an agreement, but we do not have any certainty about when the process will be completed: Northland, Auckland, Bay of Plenty, Gisborne, Greater Wellington, Marlborough. The remaining regions (Waikato – regional services, Hawke’s Bay and Invercargill) have indicated they do not intend to progress an agreement, but we note that driver shortages are less severe in these areas.
7. s 9(2)(g)(i)  
[Redacted text]

## Setting the pay threshold at \$28 for regional and \$30 for urban

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8. Our initial advice recommended a pay threshold of \$28/hour for employers to recruit bus drivers under the Accredited Employer Work Visa (AEWV) and support them on the work to residence pathway. This would reflect the pay rates for regions that have signed or are likely to sign agreements to uplift wages – currently only Wellington and Christchurch are expected to reach a higher rate of \$30/hour.
9. You have indicated that you would instead like the pay threshold for the sector agreement to be “linked to paying the bus driver industry standard rate”, noting that “this is currently \$28 for Metro and \$26 for rural, and will likely increase to \$30/\$28 in a few months.”
10. The Bus Driver Conditions Steering Group agreed that pay rates of \$30/hour for urban services and \$28/hour for regional services would help stabilise the workforce. However, operators that have signed the agreements to uplift wages and will receive CERF funding will not necessarily be paying these rates. A \$30/hour threshold for urban services appears achievable for Wellington, Christchurch and possibly Otago in the near term. Auckland is uplifting wages in increments and is aiming to get to \$30, however the timeframe remains unclear due to local share funding constraints. A \$30 threshold is likely to halt overseas recruitment into Auckland for an extended period and prolong driver shortages.
11. We also note that \$30/hour is above the median wage threshold of \$29.66, so would only apply to the work to residence part of the sector agreement (i.e. employers could still recruit bus drivers on AEWV at \$29.66/hour, but they would need to pay at least \$30/hour for two years for the employee to be eligible for residence). This would mean that there is a higher bar for residence for bus drivers than other occupations under the sector agreement (truck drivers, deck hands and ship’s masters), where you have agreed that the threshold will be the median wage.
12. A \$28/hour regional threshold appears achievable for all other regions that have signed or will sign agreements to uplift wages and access the CERF funding. However, we note that there is not a clear distinction between which areas are urban and regional. On 28 September 2022, Cabinet ‘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’ [DEV-22-MIN-0232]. Furthermore, some regions (like Waikato and Wellington) are targeting differential rates within their region with the result being higher base rate for their larger urban areas and lower rates for their regional areas. In order to implement differential rates for the sector agreement, we would need you to indicate which regions the \$30/hour urban and \$28/hour regional rates should apply to.
13. An alternative could be to require operators to pay at the threshold set out in the relevant regional agreement. This would mean, for example, that the pay threshold for Auckland operators would be the incremental rates (between \$28 and \$30) set out in the regional agreement. However, we note that this would still set a higher residence threshold for bus drivers in some regions than other occupations under the sector agreement (\$30/hour vs \$29.66/hour), and increase complexity.
14. We therefore continue to recommend a flat threshold of \$28/hour for all regions, with a review in twelve months’ time and the ability to adjust the threshold upwards in future as further progress is made. This would enable driver recruitment to continue in most instances, support operators and public transport authorities that have proactively lifted rates, while also creating some tension for those that remain below \$28. We consider that there is little risk that setting the threshold at \$28/hour will undermine efforts to lift wages – regions with driver shortages are already moving to increase wages to the target rates of \$28 and \$30. This option is also the simplest for INZ to operationalise and communicate to employers.

## Next steps

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15. We will work through the implementation work required once you confirm your preferred option regarding pay rate and scope of the agreement.