



# PTOM Impacts on Bus Driver Employment Conditions and Wage Rates

Supplementary Information

27 July 2018



**Ian Wallis  
Associates Ltd**

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## GLOSSARY

Agreement	Employment agreement
All up hourly rate	Fully costed pay rate that includes sick leave, annual leave & allowances
Allowance	Additional payment for a specific purpose
AM permanent duties	Regular morning shift
Annualised	Converted to an annual rate
Area Baseline	The starting position of pay rates against which subsequent pay offers can be compared
Bus operator	Company contracted to provide bus services
Bus schedule	The allocation of bus resources to meet timetable commitments
CDO	Cancelled day off
CEA	Collective Employment Agreement
Duty	A schedule detailing an employee's start and finishing times, meal breaks and work to be performed
Effective hourly rate	Calculation of total pay divided by hours worked for the period, and includes overtime and shift allowances
Flat rate	A single, fixed hourly pay rate
Full time shift	Shifts of at least 8 hours per day
IEA	Individual Employment Agreement
Part time shift	Shifts of less than 8 hours per day
Penal rates	Special pay rates for doing certain tasks, working particular days or shifts or extra hours (overtime)
PM permanent duties	Regular afternoon shift
PTOM	Public Transport Operating Model
Roster	A list showing an employee's working days on and days off in a given a period
Rotate	Where drives move through a specific set of shifts over a specific period
Seniority	Employee's standing due to length of service
Shift	Type of duty rostered to an employee on any given day
T1/T1.5/T2	Ordinary Time, Time and a half, Double Time
Timetable	Agreed departure times for bus services
Unit	Units are an area, no smaller than a route for the full timetable
Vacant shift	A shift that has not been allocated a driver

## 1. LIST OF DOCUMENTS REVIEWED

Auckland Transport – *Request for Tender South*

Auckland Transport – *PTOM Unit Agreement: Unit 62 - Otahuhu*

Auckland Transport – *Non-Price Attributes Response Template: Contract for Auckland Public Transport Bus Services*

First Union – *Analysis of PTOM tendering bus drivers wages and terms and conditions in Auckland (Confidential)*

Hawke's Bay Regional Council – *Procurement Review Policy*

Ministry of Transport – *Briefing to the Minister of Transport: The effects of the Public Transport Operating Model on the public transport market*

NZ Transport Agency – *Procurement manual for activities funded through the National Land Transport Programme*

TDM Consulting – *PTOM Impact on Staff, Independent Assurance Review Final Report (Confidential)*

TDM Consulting – *PTOM Impact on Staff, Independent Assurance Review Supplementary Report (Confidential)*

Various – *Collective and individual Employment Agreements of bus operators in Auckland*

A brief media scan was also conducted, covering print media articles on bus driver wage and employment conditions issues.

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## 2. LIST OF STAKEHOLDER CONTACTS AND RESPONSES

Stakeholder	Information requested	Contacted	Responded
<b>Regional Councils</b>			
Greater Wellington	The research team met with Greater Wellington Regional Council to discuss the research commissioned to understand the impact of PTOM on bus drivers' employment conditions and wages in Wellington (note this information and the report are not referred to in this research report).	✓	✓
Auckland Transport	<p>The Regional Councils were contacted by email and asked to complete a brief questionnaire covering:</p> <ul style="list-style-type: none"> <li>A list of operators involved in tendering for contracts in their region</li> <li>The number of tenderers vs number of contracts (i.e., how many contracts have had one bidder, two bidders etc.).</li> <li>Comments on the PTOM procurement/contracting process, in particular relating to: tender evaluation criteria (including any regard for driver employment pay rates and conditions); any knowledge or evidence from tender bids or other sources on the effects of PTOM on driver rates and conditions; other points?</li> </ul>	✓	✓
Waikato Regional		✓	✓
Bay of Plenty		✓	✓
Northland		✓	✓
Taranaki		✓	✓
Horizons (Manawatu-Whanganui)		✓	✓
Hawkes Bay		✓	✓
Gisborne		✓	✓
Nelson City Council		✓	✓
Marlborough		✓	✓
Environment Canterbury		✓	✓
Otago		✓	✗
Invercargill City Council		✓	✓
<b>Operators</b>			
Bus and Coach Association (BCA)	BCA were contacted to ask what assistance they could provide in helping gain access to relevant information from the bus operators (primarily in Auckland).	✓	✓

Stakeholder	Information requested	Contacted	Responded
<b>Auckland operators</b>			
Go Bus	<p><i>Primary topics:</i></p> <p>a. has the advent of PTOM had any effects on operator negotiations of driver pay rates and conditions over the last few years?</p> <p>b. if yes, summarise these effects on driver pay rates (in \$ or % terms where possible) and other employment terms and conditions;</p> <p>c. has PTOM led to more industrial disputes than would otherwise have been the case?</p> <p>d. extent of union membership of bus drivers, and which unions;</p> <p>e. has union membership been materially affected by the introduction of PTOM and associated re-tendering;</p> <p>f. have staff shortage/recruitment issues been affected (positively or negatively) by the advent of PTOM etc and any associated effects on employment pay rates and conditions?</p>	✓	✓
Howick and Eastern		✓	✓
Ritchies (and national)		✓	✓
Ritchies Murphy Transport Solutions (RMTS)		✓	✓
Pavlovich		✓	✓
Birkenhead		✓	✓
Tranzit		✓	✗
Bayes/Waiheke Bus/Party Bus		✓	✗
<b>Wellington operators</b>			
NZ Bus	<i>As above</i>	✓	✗
Tranzit		✓	Collected through Greater Wellington Regional Council commissioned report
Mana		✓	
Uzabus		✓	
<b>Unions</b>			
New Zealand Council of Trade Unions	Contacted for meetings to discuss what information the respective unions could provide on the impact of PTOM on worker's conditions and wage rates. The Wellington-based unions also asked whether they would agree to the research team gaining access to the Greater Wellington Regional Council research (this was not agreed too).	✓	✓
Tramways Wellington Branch		✓	✓
Tramways Auckland Branch		✓	✓
First Union (Auckland)		✓	✓
Rail and Maritime		✓	✓

Stakeholder	Information requested	Contacted	Responded
<b>Government agencies</b>			
NZ Transport Agency (NZTA)	NZTA was contacted to see whether they have any information that might be helpful to the project (e.g., re contract prices and bidders per contract) and to what extent they want to be involved/kept informed (maybe just informally) about progress of the project.	✓	✓
Ministry of Education	<p>The Ministry of Education was contacted to assess whether comparative information on the school bus services could be accessed with a view to allowing changes in pay rates from baseline to changes in rates in the urban bus sector.</p> <p>The main issues to be addressed are access to information on:</p> <ul style="list-style-type: none"> <li>• current school bus driver employment pay rates, terms and conditions;</li> <li>• basis on which these rates etc are set; and,</li> <li>• changes in these rates etc over the last (say) five years.</li> </ul>	✓	✓



### 3. REGIONAL COUNCIL SURVEY OF PTOM CONTRACTING

#### 3.1. Introduction

The survey involved each regional council in completing tables and responding to questions in an Excel workbook. Survey responses were received from 13 of the 14 regional councils. They were generally of a high standard in terms of completeness and quality. Where appropriate, follow-up discussions/Q & A were held (principally by email) with the regional public transport managers, so as to clarify any response queries.

The full details of the survey responses from all regional councils have been consolidated and are provided in spreadsheets at the end of this appendix. The following sub-sections draw out particular features of the regional council responses on each of the survey main topic areas, without attempting a comprehensive coverage of all aspects included in the survey.

#### 3.2. Overview of NZ urban bus services

For purposes of commentary in this appendix, the regions have been categorised into three groups:

- **'Large' regions (3)** - those operating more than 10 million bus service kilometres pa.
- **'Medium' regions (5)** - those operating between 1.0 million and 10 million bus service kilometres pa.
- **'Small' regions (6)** - those operating fewer than 1.0 million bus service kilometres pa.

For all regions together, the post-PTOM bus services provide a total of 111.5 million service kilometres pa. The large regions account for 81.0% of this total (Auckland 52.9%, Canterbury 14.8% and Wellington 13.4%), the medium regions combined for 16.9% and the small regions for 2.1%.

#### 3.3. Levels of and changes in service supply

The PTOM contracts have, in several centres, been accompanied by substantial changes in both the overall quantity of services supplied (eg as measured by total service kilometres) and by the redesign of the bus network. This is particularly the case in the two largest centres:

- Auckland:
  - involved a major restructuring of the bus network, on a sub-regional basis; this was accompanied by substantial increases in total service km operated (by 31.7% overall), particularly in non-peak periods; and
  - in addition, there have been ongoing increases in the average passenger capacity per vehicle, particularly through increases in the proportion of double-deckers in the total bus fleet.
- Wellington:
  - substantial restructuring of the network (although not to the same extent as in Auckland); this has included a revised pattern of route linking across the CBD (assisted by the removal of the trolley bus overhead network);

- a modest overall increase (3.4%) in total service km operated, focused in areas and at times (off-peak) previously poorly served; and
- increases in passenger capacity/vehicle on the main routes (as a means of increasing cost efficiency and reducing the problem of bus-bus congestion at peak periods in the Wellington City CBD).

To an extent, these changes in network design and service increases have been facilitated by some of the changes to the regulatory regime associated with this PTOM, e.g.:

- removal of the previous legislative provisions allowing operators to register commercial services (including, in particular, the 'cherry-picking' of a selection of services on a given route in such a way that the commercial operator will then be in a near-monopoly position to tender for the remaining services on that route, and is able to frustrate regional council plans for more comprehensive service redesign and tendering of the whole route or relevant network); and
- requiring contracts to be on a gross cost basis (with fare revenues being returned to the regional council), rather than the net cost contracts previously dominant in the larger centres -- which tended to inhibit the regional councils in making service changes.

On the other hand, the long period of debate and deliberations on a new regulatory and contracting model, which has continued for some 15 years, has resulted in the postponement of many desirable service -related changes which could otherwise have been implemented years earlier. It has also delayed the normal re-tendering cycle for most bus services by at least five years: most of the pre-PTOM bus contracts which, in 'normal' situations would have expired 5-10 years ago, have been 'rolled over' on a continuing basis, which has arguably delayed proposals for improving service quality and efficiency by many years.

### 3.4. Methods of service procurement – competitive tendering vs negotiation

While the general intent of PTOM was to encourage competition in the market for bus service contracts, as a means of achieving efficient costs of supply and so better 'value for money', not all PTOM contracts have been open to competitive tendering. The PTOM legislation allowed for the negotiation of contracts with an incumbent operator, in two situations:

1. 'Like-for-like' contracts – a transitional arrangement where an operator had been providing 'commercial' (non-subsidised) services under the previous legislation, they were entitled to negotiate PTOM contract(s) in the same region for an equivalent amount of service km to the level previously provided on a commercial basis. These contracts were generally for 12 years.
2. 'Other' negotiated contracts -- regional councils will be able to offer a number of other units to their previous operator by negotiation, for services (units) that have above average commerciality and are performing well. These contracts were generally for 6 years (while competitively tendered contracts were for 9 years).

As a result of these provisions, the two largest regions (Auckland, Wellington), which previously had relatively high proportions of commercial services, negotiated 'like-for-like' contracts for some units; and, in the cases of Auckland and Wellington, also offered some other negotiated contracts to their incumbent operators.

Table 1: PTOM bus contract procurement approaches

Procurement Type		Duration <sup>1</sup>	Market Share (service km)	
			Auckland	Wellington
Competitive tendering		9 years	47.2%	65.6%
Negotiation	Like-for-Like	12 years	30.7%	28.3%
	Other	6 years	22.1%	6.1%

Thus, substantial proportions of the total services in these have been procured under PTOM through a negotiation process. Auckland negotiated contracts account for 29 of the 52 units, and 52.8 % of total regional service km. Wellington negotiated contracts account for 7 of the 16 units, and 34.4% of total regional service km.

### 3.5. Extent of competition for contracts

For the first time since competitive tendering for local bus services was introduced in NZ in 1991, a consistently 'good' level of competition for PTOM contracts occurred in the recent tender rounds, particularly in the larger centres:

Table 2: Competition for tendered contracts

Region <sup>2</sup>	Tendered Market		Bidders/contract	
	Units	Service km (million)	Mean	Typical range
Auckland	23	27.8	5.65	4-8
Wellington	9	9.8	5.22	5-7
Medium centres (4)	17	18.8	3.94	2-6
Small centres (6)	12	2.4	2.63	2-5
<b>New Zealand Total</b>	<b>61</b>	<b>58.8</b>	<b>4.66</b>	-

#### 3.5.1. 'Large' regions:

Both Auckland and Wellington averaged between five and six bidders per tendered contract, with the majority of contracts in both centres having between three and seven bidders. Canterbury (Christchurch and Timaru) has to date competitively tendered only its school services under PTOM: these represent only a small proportion (1-2%) of the total bus services in the region.

#### 3.5.2. 'Medium' regions:

The level of competition for contracts in these regions has not been as high as in the large regions but has generally been sufficient to result in reasonably efficient market outcomes. The average number of bidders per contract has been just under 4.0, with almost all contracts having between two and six bidders.

<sup>1</sup> It appears that exceptions have been made to the standard length of some negotiated contracts.

<sup>2</sup> Excludes Canterbury where PTOM has not yet been implemented and Otago, which did not respond to the survey

### 3.5.3. 'Small' regions:

The levels of competition have been somewhat below that in the medium regions, with average bidders per contract of about 2.6 and a typical range between two and four.

These results may be compared with earlier experience with local bus contracting in NZ. In previous tender rounds since 1991, typically the level of competition for bus contracts has been either one or two bidders, with the majority of contracts being retained by the existing operator [References -- more detail?]. Such levels of competition would generally be seen as insufficient to provide an effective competitive market and therefore in general to result in efficient contract costs.

### 3.6. Operator market shares (pre- and post-PTOM)

Table 1: Change in market share (Auckland and Wellington)

Operator	Natl. Market Share	Regional Market Share							
		Auckland				Wellington			
		Pre-PTOM	Post-PTOM	Tender	Neg'td	Pre-PTOM	Post-PTOM	Tender	Neg'td
Go Bus	27.8%	-	16.5%	34.9%	-	-	-	-	-
NZ Bus	24.0%	61%	33.8%	1.4%	62.8%	73%	28.5%	-	82.8%
Ritchies / RMTS	15.2%	16%	24.5%	38.7%	11.7%	-	-	-	-
Tranzit	12.2%	1%	2.8%	5.9%	-	1%	59.6%	90.8%	-
All others	20.8%	22%	22.4%	19.1%	25.5%	26%	11.9%	9.2%	17.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			<b>100%</b>	<b>100%</b>

The changes in market shares in each centre resulting from the new PTOM contracts, together with the differences in pay rates and conditions offered by the various operators, has been the major factor giving rise to the concerns/disquiet expressed by some of the present bus drivers and their unions. The PTOM contracts have resulted in major changes in operator market shares in the two main centres:

- **Auckland:** NZ bus market share reduced from c 61% to 34% market share gains were made by a number of other operators, principally Go Bus (increased from 0 to 16%) and Ritchies/RMTS (increased from 16% to 25%).
- **Wellington:** NZ Bus market share fell from c 73% to 29%, and Mana share from 24% to 6% these losses were offset by Tranzit, with market share increasing from a minimal amount to 60%.

Also, of significance is the split of market shares in the main centres between tendered and negotiated contracts:

- NZ Bus was very largely unsuccessful in winning tendered contracts, such that its share of the tendered market is now 1.4% in Auckland (it won one inner area contract) and zero in Wellington. On the other hand, it has been the main beneficiary of the negotiated contracts: it now holds 63% of the negotiated contract market in Auckland and 83% of this market in Wellington. As a result, NZ Bus is now very dependent on negotiated

contracts: only 1.6% of its total services in the two centres combined relates to competitively tendered contracts.

- Other major operators that are now largely dependent on negotiated contracts are Mana in Wellington and Birkenhead Transport in Auckland.
- On the other hand, operators largely dependent on tendered contracts, through their successes in the PTOM tendering round, are principally:
  - Transit -- now holds 91% of the Wellington tendered market (representing 60% of the total Wellington market) and 6% of the Auckland tendered market: previously its market share in both regions was minimal.
  - Go Bus -- now holds 35% of the Auckland tendered market: previously it had no presence in the Auckland market.
  - Ritchies/RMTS -- now holds 39% of the Auckland tendered market, representing 25% of the total Auckland market (previously held 16%).

### 3.7. Regional Council views on PTOM procurement and contracting

Table 2: Summary of RC survey responses to qualitative questions

Specific aspect	Summary of responses
<b>Contract requirements and tender evaluation criteria</b>	
Safeguarding previous employment terms and conditions for drivers previously staffing same or similar service  <i>(number of respondents n=1)</i>	<ul style="list-style-type: none"> <li>• The possibility of safeguarding was explored in some detail by Greater Wellington Regional Council, with an explicit decision being made not to impose such a requirement.</li> </ul>
Track record re passenger complaints and resolution, workplace health and safety, on-road accidents  <i>(number of respondents n=9)</i>	<ul style="list-style-type: none"> <li>• Most regional councils included at least two of these three aspects as part of their quality evaluation.</li> <li>• Greater Wellington Regional Council considered but decided against assessing previous complaints performance, on the basis that there is little consistency between operators in record keeping.</li> </ul>
Commitment to paying at minimum 'living wage' rate to drivers  <i>(number of respondents n=1)</i>	<ul style="list-style-type: none"> <li>• Bay of Plenty Regional Council included a 'living wage' provision in the form of awarding additional quality points for commitment to pay higher wage rates to drivers.</li> </ul>

Specific aspect	Summary of responses
<b>Relevant impacts of the PTOM tendering/contracting process</b>	
Tender bid prices and contract prices <i>(number of respondents n=6)</i>	<ul style="list-style-type: none"> <li>Four regional councils consider that the PTOM process had no discernible effects on this aspect.</li> <li>Two regional councils considered that PTOM contract prices were somewhat lower than anticipated or than previous prices for the same services.</li> </ul>
Driver employment conditions and wage rates <i>(number of respondents n=8)</i>	<ul style="list-style-type: none"> <li>11 of the 13 regional councils either had no knowledge or did not respond.</li> <li>Hawkes Bay Regional Council thought that their relatively low contract price probably reflected low driver pay rates.</li> <li>Greater Wellington Regional Council had good knowledge of differences in pay rates and structures between its main incumbent operator (NZ Bus) and other bidders with flat rate payment structures.</li> </ul>



#### 4. OVERVIEW OF FIRST UNION MEMBERSHIP IN AUCKLAND, BAY OF PLENTY, AND WAIKATO

The following estimates were provided by First Union:

	First Union members	Non-union or other union
NZ Bus Auckland	■	■
Pavlovich Auckland	■	■
Birkenhead Transport	■	■
Howick & Eastern	■	■
Ritchies Holdings	■	■
Ritchies Murphy	■	■
Go Bus Waikato	■	■
Go Bus Bay of Plenty	■	■
<b>Sub totals</b>	■	■

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## 5. INITIAL SYSTEM LEVEL IMPACT OF PTOM

### 5.1. Introduction

This section provides some summary data for the Auckland and Wellington regions on the total annual kilometres of bus services operated and the total (gross) costs of the operator contracts to provide these services, including comparisons between the 'before' and 'after' PTOM situations. This data is based on information from the two regional councils, which has been supplied on a strictly confidential basis.

Equivalent data was not readily available for the other regions – although we note that Auckland and Wellington together account for around two-thirds of the total national bus kilometres and gross contract costs associated with the new PTOM contracts.

### 5.2. Summary of operations and cost changes associated with PTOM

Table 3: Impact on service levels and costs (Auckland and Wellington)

	Percentage change		
	Auckland	Wellington	Aggregate
Service kms	+32.1%	+2.1%	+25%
Service hours	+40.6%	n/a	-
Peak buses	+15.0%	n/a	-
Gross contract costs	+7.0%	-6.6%	+4%
Gross contract costs / service km	-19.0%	-8.4%	-17%

The table above provides:

- For Auckland region, Wellington region and the two regions combined.
- Covering all contracted bus services in the two regions (but excluding 'exempt' services).
- Data for the situation under the 'old' pre-PTOM contracts, the situation under the 'new' post-PTOM contracts, and the change between these two sets of contracts. The 'old' and the 'new' contract data have been expressed on a 'like-for-like' basis.
- All financial data provided is in 2017/18 prices (excluding GST). Where required, actual and budget expenditures have been adjusted to this price base using cost indices taken from NZTA's Bus Cost Indexation Model.

The data provides two main measures:

- Total bus service kilometres in the region (on an annualised basis). This measures the total in-service distance operated (i.e. to provide all services on the timetable) and excludes any out-of-service running (e.g. to/from the depot or re-positioning between routes).
- Total gross contract costs of operating the services, i.e. the annual costs payable to the bus operators under the terms of their contracts. These costs are given on a 'gross' basis, i.e. without any allowance for fare revenues collected from passengers.

Key features of the table results include the following:

- Service km. For Auckland, the new (post-PTOM) contracts have involved an increase in annual service kilometres of some 32%, from 44.8 million to 59.1 million per annum. For Wellington, the new contracts have involved a much more modest increase, of 2.1%, from 14.4 million to 14.7 million per annum. For the two regions together, the overall increase has been some 25% and 14.7 million km pa.
- Gross contract costs. For Auckland, the new contracts involved a gross cost increase of some 7%, or \$18.5 million pa. Wellington had a cost decrease of some 7%, or \$5.8 million pa. For the two regions together, the combined cost increase was \$13 million pa, or 3.6% on the previous total gross costs.
- Average (gross) costs/service km. For Auckland, the average costs/km for the new contracts were 19% lower than for the old contracts, while the corresponding reduction in Wellington was some 8%. For the two regions together, the overall reduction was some 17%, from approximately \$6.00/km to approximately \$5.00/km.

In summary, comparing the post-PTOM with the pre-PTOM service km and gross costs in the two regions combined, the total service km has increased by some 25% while the gross cost of providing the services has increased by only 4%: as a result, the average gross cost/service km has reduced by some 17%.

### 5.3. Brief Commentary on these results

A detailed assessment of the various factors that have influenced the results given in table A.1 has not been attempted in this project (or in any other studies, as far as we are aware). In the absence of such a detailed assessment, the following provides brief comments relevant to the interpretation of the table A.1 results.

- **Measures of service provided - service km, service hr, (peak) vehicles.** The table expresses (gross) costs relative to service km operated, as a cost efficiency indicator. While this indicator is frequently used by bus operators (and sometimes by analysts) in assessing the cost efficiency of different operations, it should be regarded as only a very partial measure of such efficiency. For example, the average cost/km for the Wellington services under the old contracts was about 5% higher than the equivalent Auckland figure, and for the new contracts about 20% higher. In our view, no conclusions can be drawn on the relative cost efficiency of the two sets of operations based on these comparisons alone. A further examination of the Auckland data shows that the 32% increase in service km was accompanied by a 15% increase in the number of buses required to operate the peak period services (PVR): this indicates that off-peak service levels have increased relative to peak period service levels, with each bus operating more kilometres per year (and so spreading the fixed costs of the operation over more kilometres, thus on its own reducing total costs/km). This is one factor behind the relatively large reduction in gross costs/km in Auckland, which has not occurred to the same extent in Wellington (where there does not appear to have been such a relatively large increase in off-peak bus kilometres).
- **Measures of service provided - bus capacities.** The cost/service km measure takes no account of the different capacities of different bus types: other things being equal, larger capacity buses could be expected to have higher costs/service km but probably lower

costs/seat km or similar measure. This point may be particularly relevant to the Wellington results, with the progressive introduction of higher capacity (including double-decker) vehicles: a more useful measure of cost efficiency, such as cost/seat km or cost/place km (allowing for standing capacity), would most likely indicate a cost/km reduction in Wellington exceeding the 8% given in the table.

- **Wellington trolley buses.** Most of the evidence indicates that the trolley buses have been costlier to operate (per service km) than diesel buses on similar routes -- although we are not aware whether this continued to be true in their last year of operation. To the extent that it was true, this may have resulted in higher Wellington costs in the 2017/18 year than would otherwise have been incurred, and so may account for part of the Wellington 'after PTOM' cost savings shown in the table.
- **Proportion of contracts subject to negotiation.** It might be hypothesised, particularly given the relatively high levels of competition for contracts in both regions (see below), that keener (i.e. lower) contract prices would be achieved from competitively tendered contracts than from negotiated contracts. However, our assessment of the proportions of all contracts (and all service km) subject to negotiation in the two regions indicated that these were very similar. This suggests that any differences between the two regions in these proportions are likely to have had at most a minor impact on differences in total costs/km or in total cost/km savings.
- **Extent of competition for contracts.** The weight of international evidence relating to competitive tendering for bus contracts is that, in general, lower contract prices are associated with a higher number of bids per contract. We therefore examined whether differences in the number of bidders per contract between Auckland and Wellington could be a significant contributor to the lower costs per kilometre in Auckland and the greater reduction in these costs with the new contracts. For those PTOM contracts in the two regions which were subject to competitive tendering, we found that the average number of bidders per contract in Auckland and Wellington (excluding Wairarapa) was very similar, at around 5-6 bidders/contract. It therefore appears that the extent of competition for contracts has not been a material factor in the differences in cost levels and on the extent of cost reductions between the two regions.
- **Gross costs and net costs.** All the analyses in this annex have been based on the gross contract costs of service provision for both the pre-PTOM contracts (allowing for actual revenues) and the post-PTOM contracts. On this basis, the table indicates (for the two regions combined) that the new contracts will provide some 25% more service km with a 4% increase in gross contract costs. Typically, an increase in services of 25% would be expected to increase patronage and hence fare revenues by in the order of 8%-10%. With typical farebox recovery ratios of around 50%, such a fare revenue increase would equate in \$ terms to 4%-5% of gross costs. After this revenue increase is allowed for, it is evident that it will more-or-less offset the 4% increase in gross costs, and so result in minimal, if any, increase in the net costs of providing bus services in the two regions. In conclusion, for the two regions combined, comparison of the post-PTOM bus contracts with the pre-PTOM contracts indicates that the 25% increase in service km (the weighted average across the two regions) would be expected to increase bus patronage and fare revenues by around 8% - 10% with only a minimal (if any) increase in overall public funding requirements.

## 6. MEDIUM AND LONG-TERM TRENDS IN BUS DRIVER WAGES

### 6.1. Introduction

This appendix provides details of the work undertaken on medium/long-term trends in bus driver pay rates in the Auckland region and in other centres in the Upper North Island (Hamilton and Tauranga).

The primary purpose of this area of work was to provide a 'baseline' of driver wage levels and trends in these over a longer-term period prior to any significant implementation of PTOM -- so that any effects of PTOM on driver wages can be compared against these baseline trends.

Trends in driver pay rates for a sample of larger operators were analysed, primarily covering the period 2005 -2017 but also including some earlier data back to around 1990.

These trends were analysed in real terms, i.e. relative to changes in external economic indicators, including consumer price index (CPI), average hourly earnings in the economy generally (AHE) and the labour cost index (LCI) for similar categories of employees (as used in the NZTA bus cost indexation formula). Comparisons of these wage rates are also made with the NZ statutory minimum hourly wage rate and the 'living wage' rate.

We acknowledge the considerable assistance provided to us by the First Union in this work, principally through the provision of (and permission to use) the detailed data that the Union has assembled on bus driver wage rates by operator by year.

### 6.2. Analysis Undertaken

Analyses were undertaken of trends in bus driver pay rates (per driver hour) for six selected bus operators in the wider Auckland region (including the Hamilton and Tauranga areas) for the period for which such data is reasonably readily available -- which was for years 2005 to 2017 in most cases, for years 1990 to 2017 in the case of NZ Bus.

The operators covered are:

- NZ Bus (Auckland)
- Ritchies (Auckland)
- Howick and Eastern (Auckland)
- Birkenhead Transport (Auckland)
- Go Bus (Hamilton)
- Go Bus (Tauranga).

For each of these operators, two sets of wage data were derived:

- A 'low' rate, based on the standard hourly pay rates for 'new' drivers in their first year of service, without additions for any shift allowances, service allowances etc [check??].
- A 'high' rate, reflecting typical additional payments for more experienced/longer serving drivers, and including allowances (where applicable) for 'overtime' work beyond the basic 40- hour week, split shift payments, length of service payments etc

In addition, these 'low' and 'high' rates were compared with:

- the national (statutory) minimum hourly wage rate (which is generally adjusted annually); and
- the 'living wage' rate (also generally adjusted annually, but only introduced in year 2013/14).

While bus driver wage rates are typically adjusted annually, the 'real' trends in driver wages are masked by general price and cost inflation in the economy. To better appreciate these 'real' trends, the money wage rates ('\$ of the day') were adjusted by three alternative measures of price and cost inflation in the NZ economy (all taken from Statistics NZ sources):

3. National consumer price index (CPI) - reflecting movements in the prices of goods and services in the economy generally.
4. Labour cost index (LCI) - reflecting average movements in pay rates for motor operators and drivers nationally (of which only a small proportion would be bus drivers)
5. National average hourly earnings (AHE) - reflecting movements in average hourly pay rates for all employed people in NZ.

For each of these three inflationary measures, movements in driver wage costs (on an annual basis) relative to each of these measures were derived, for each of the selected operators, covering two periods:

- A 'longer term' period (1999 – 2017): limited driver wages data is available for the first part of this period.
- A 'medium term' period (2005 – 2017): the required data set is almost complete for this period.

## 6.3. Results and Commentary

### 6.3.1. Driver wage rate movements relative to CPI

The figures below clearly indicate that, in most cases, wage rates have been increasing gradually relative to the CPI. Over the 12-year (medium term) period, the relative rate of increase has averaged around 1% per year or slightly more. This result is unsurprising, reflecting modest increases in 'real' pay rates (relative to the 'cost of living') over this period.





Also, not surprisingly, all the driver pay rates shown are significantly higher than the national minimum wage. However, for most of the operators, the 'low' pay rates shown are below the 'living wage'; while the 'high' pay rates are above the 'living wage' for three of the six operators, on a par for one operator and significantly below for the other two operators.



### 6.3.2. Driver wage rate movements relative to LCI

These charts show less clear-cut trends than those relative to the CPI. For three of the six operators, over the medium term the 'high' pay rates have generally been increasing in relative

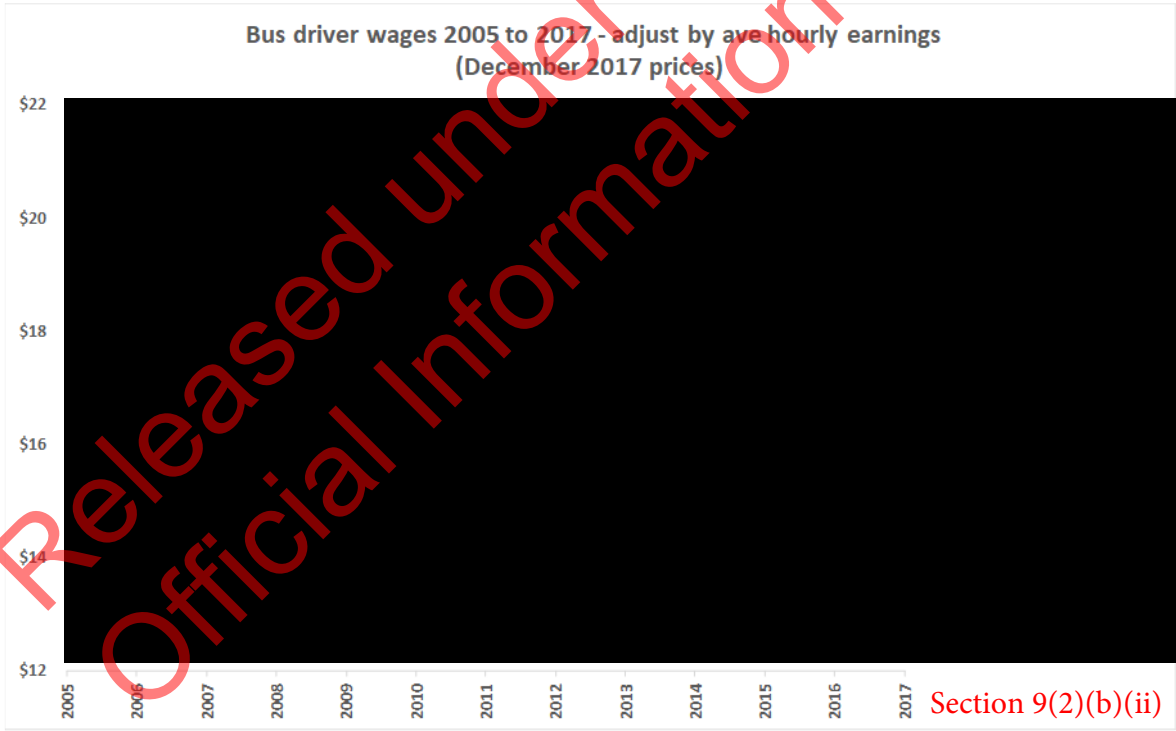
terms (and again are above the 'living wage'), while the trends in the 'low' pay rates are very mixed. Overall, driver wage rates still appear to have been increasing on this measure, but at an average rate of rather less than 1% a year, i.e. less than that relative to the CPI (which reflects that the LCI has been increasing rather faster than the CPI over the analysis period).



**6.3.3. Driver wage rate movements relative to AHE**

These charts show a rather mixed picture for driver wage rate movements relative to average hourly earnings in the NZ economy overall. In the second half of the period since 2005 (i.e. since

about 2012), there appears to be a slight tendency for the driver rates to reduce somewhat relative to AHE, but in most cases at rates of well under 0.5% per year.



**6.4. Results and commentary - relative pay rates by operator**

Examination of the chart data for recent years give some information on the relative rates paid by the individual bus operators. Considering both the 'high' and the 'low' sets of rates together, the rate relativities may be summarised as follows:

- 'High' rates: [REDACTED]
- 'Medium' rates: [REDACTED]
- 'Low' rates: [REDACTED]

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## 6.5. Summary of findings

### 6.5.1. Trends in driver pay rates relative to national economic indicators

The main findings from our analyses of movements in bus driver pay rates for our sample of six of the larger Auckland/Upper North Island operators over the period since 2005 (but not including any significant effects of the recent PTOM tendering) indicate:

- increases of around 1%pa or rather more relative to CPI (which reflects the costs of goods and services in the NZ economy as a whole);
- increases of rather less than 1%pa relative to LCI (an index representing labour cost movements in the wider motor driver sector); and
- some small reductions, but well under 0.5%pa and particularly in the later part of the period, relative to AHE (an index of average hourly earnings in the economy as a whole).

In all cases, and entirely as expected, the driver pay rates, even on the 'low' figures, are significantly above the statutory minimum hourly wage. Taking the 12 data-points analysed (i.e. six operators, 'low' and 'high' values for each), three of these are significantly above the 'living wage', two are very close to this figure, and the remaining seven are significantly below this figure.

### 6.5.2. Relative pay rates by operator

The data for recent years, taking both the 'high' and the 'low' rates together, indicates that:

- [REDACTED]
- [REDACTED]

Section 9(2)(b)(ii)

## 7. DETAILED ANALYSIS OF PTOM IMPACTS ON BUS DRIVER EMPLOYMENT CONDITIONS AND WAGE RATES

### 7.1. Framework for Analysis

The overarching framework for producing analyses of the impacts of PTOM on wages and employment conditions of bus drivers to answer the research questions required two key steps:

1. Establishing a basis for comparison of bus driver wages, employment terms and conditions
2. Making comparisons across regions and bus operators.

These two steps allowed three types of analysis of:

- overall wage and employment conditions trends pre-post PTOM (1990 - 2017)
- specific analysis of changes in wages and employment terms and conditions across bus operators (primarily focused on Auckland and Wellington).

In addition, in order to understand the context for changes in wages and employment conditions of bus drivers, it is also important to understand what has happened within the overall PTOM contracting environment across regional councils. For example, changes in market share of bus operations, and who is employing bus drivers; and on what types of employment contracts, and specific wages, terms and conditions. An analysis of this context and its relationship to wages, employment and conditions is reported in the findings section.

#### 7.1.1. Comparing wages with a similar cohort (e.g. school or charter bus drivers)

The research team briefly investigated bus industry pay rates and whether there are significant differences in pay rates by the role or type of bus driving employees do in order to understand whether it was possible to compare urban bus driver wages and conditions with school or charter bus drivers as a cohort. There wasn't a clear basis to compare based on type of bus driving (i.e. school bus, charter, urban bus) rather a mix of approaches by operators. Some bus operators pay by qualifications and experience, and some to pay differently by driver role/type, and pay is also influenced by region. Therefore, this type of comparative analysis was not able to be conducted.

#### 7.1.2. Operator Approach

A sample of operators who did respond to questions about whether they have the same or different agreement, terms and conditions depending on the type of driving had the following responses:

##### Uzabus

- [REDACTED]
- [REDACTED]

Section 9(2)(ba)(i)

- [REDACTED]
- [REDACTED]
- [REDACTED]

These different approaches may indicate that operators who are in a truly competitive situation (either through securing contracts or getting enough staff) are flexible in their arrangements and tailor driver conditions and rates to the business need.

### 7.1.3. Medium/Long Term Trends in Driver Pay Rates

The research team undertook an analysis of medium/long-term trends in bus driver pay rates in the Auckland region and in other centres in the Upper North Island (Hamilton and Tauranga). This was to provide a 'baseline' of driver wage levels and trends over a longer-term period prior to any significant implementation of PTOM, so that any effects of PTOM on driver wages could be compared against these baseline trends. This is detailed in Section 6.

In addition to the above the team also conducted a survey of bus operator pay rates for 2017 and 2018 to determine whether there had been any changes. This was then consolidated to provide a national picture of rates and as a comparison between regions and operators within a region. This presented in table x in the next section.

## 7.2. Establishing the Basis for Comparison

### 7.2.1. Bus operator data on wages and employment conditions

To determine the impact on bus driver staff with the move to new contracts, the documents providing evidence of the pay rates and employment terms and conditions pre-PTOM were reviewed and compared to those in place post-PTOM. These before and after comparisons enabled similarities and differences between regions, operators and bus driver groups to be identified.

In the limited time available the research team collected as much data on employment conditions as was available for operators and unions. This information discovery phase resulted in completed templates from all the major Auckland operators, including supplementary information on their regional operations where appropriate.

The majority of stakeholders provided information, with the notable exception of NZ Bus who advised us that after consideration on value for effort, NZ Bus would not be participating in or providing any material to the PTOM impacts on employment conditions research.

In addition to the information provided within the completed templates the research team were also provided with copies of employment agreements and other documentation that has been useful in establishing a basis for comparison of wages, employment terms and conditions across operators pre- and post-PTOM both in regions and nationally.

The key terms that contribute to establishing the comparisons are included in the table below.



<b>Research Database</b>	<p>This provides a set of data on which this research has been conducted. It includes source documents (e.g. employment agreements) and transcriptions provided by operators of the information recorded in documents. The latter may contain errors and omissions and is subject to the interpretation of the person providing the information. It establishes an objective starting position or set of conditions at a given point in time. Any proposed or implemented alternatives (including approaches to pay and rates) can be compared to the baseline to determine the degree of change.</p>
<b>Comparison of Terms and Conditions</b>	<p>The basis of this analysis is to make comparisons between operators in different locations both before and after the implementation of PTOM.</p>
<b>Pay rates</b>	<p>Base hourly rate – ordinary time hourly rate as referred to in the employment agreement.</p> <p>Effective hourly rate - a calculated rate derived from total pay for the period divided by the number of hours worked in that period. Includes:</p> <ul style="list-style-type: none"> <li>• hourly rate adjusted for service and overtime where applicable</li> <li>• shift allowances</li> </ul> <p>All up hourly rate – a fully costed rate and monetised representation of the terms and conditions that have a financial benefit or value to the driver. Includes:</p> <ul style="list-style-type: none"> <li>• annual leave</li> <li>• sick leave</li> <li>• other allowances</li> </ul> <p>Exclusions:</p> <ul style="list-style-type: none"> <li>• terms and conditions that require an activity to trigger entitlement e.g. redundancy, parental leave, bereavement leave</li> <li>• terms and conditions that are difficult to quantify in value e.g. disciplinary procedures</li> </ul> <p>The focus of this analysis has been on comparisons of base rates and effective hourly rates</p>

<b>Modelling Scenarios</b>	<p>A model was built in order to determine how various operator conditions and wage rates compare. The scenarios modelled were:</p> <ul style="list-style-type: none"> <li>• <b>Scenario A – Weekday ordinary hours</b> - working Monday to Friday within a 40-hour working week.</li> <li>• <b>Scenario B – Weekend ordinary hours</b> – Scenario A modified to include working on either Saturday or Sunday within a 40-hour working week.</li> <li>• Scenario C – Overtime – Scenario B plus working 8 hours overtime to make up a 48-hour working week.</li> <li>• Scenario D – Cancelled Day Off – Scenario C plus working on a day a driver is rostered off to make a 56-hour working week.</li> </ul>
<b>Roster &amp; Shift Analysis</b>	<p>A more detailed model was built for an earlier, GWRC-commissioned report. It included analysis of wages and employment conditions that could be monetised, including rosters and shifts, to allow Unions and Operators to establish a baseline of the NZ Bus rosters and shifts for comparison to the offer to be made by Transitz.</p> <p>This level of analysis was not undertaken for this piece of research, however the GWRC report has been referred where relevant.</p>

### 7.2.2. Union (employee) perspective of PTOM impacts

First Union had completed their own independent analysis of historic wage rates and their assessment of the impact of PTOM on driver employment conditions and wages (this analysis provides a useful union perspective on the impact PTOM. This research provides a summary of the changes in bus driver pay rates and related employment conditions made in response to the PTOM tendering process. For each Auckland area (sub-regions) and each operator that held significant market shares in the area before and/or after PTOM, it sets out the key information in diver pay rates and conditions for (as appropriate) pre- and post-PTOM situations.

### 7.2.3. Greater Wellington Regional Council (GWRC)-commissioned report

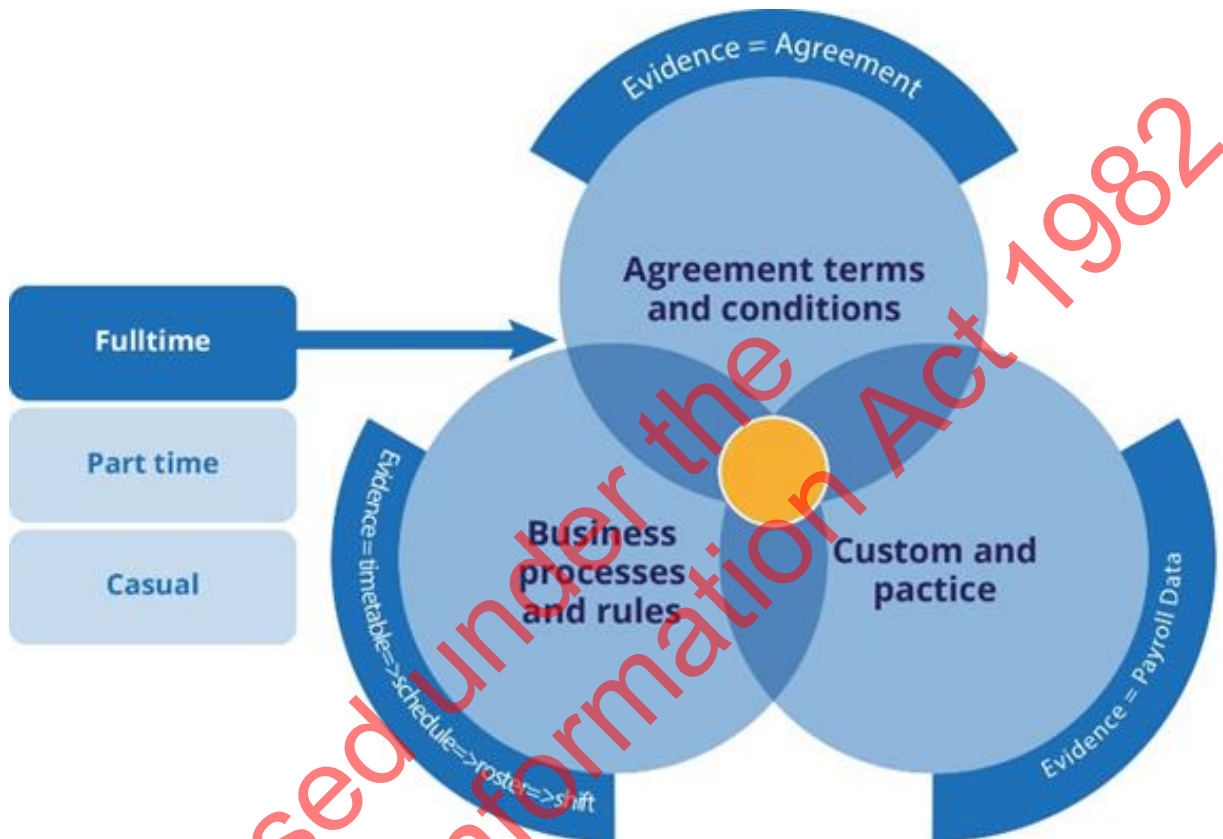
In 2017, GWRC commissioned Bill McDonald to undertake analysis to understand the impact of PTOM on Wellington regional bus driver wage and employment conditions, in advance of the introduction of PTOM. In Wellington, most PTOM contracts are commencing in mid-July 2018. Modelling for Wellington report established a baseline of existing wages and employment conditions offered by the dominant incumbent operator, NZ Bus subsidiary Go Wellington, whose collective agreement and operational practices are more complex than other operators in Wellington and the rest of New Zealand. The parties to the report have not agreed to its public release, however it is in the public domain. As research team member Bill McDonald also undertook that analysis, he has drawn on the analysis and findings of that report. The same depth of that analysis has not been mirrored for this research due to time constraints and limited participation by operators, which did not provide information required to do so.

#### 7.2.4. Determinants of employment conditions

The research team identified that there are three key determinants (factors) that can be applied to a particular bus operator workplace and analysed; namely (summarised in table 2A):

- terms and conditions for full time, part time and casual workers;
- business processes; and,
- custom and practice.

Figure 1: Determinants of bus driver terms and conditions



This is a 'bottom up' approach to determine the impact of terms and conditions on an individual bus driver based on their employment status, the interpretation of their employment agreement combined with the business rules and how they are applied in practice. It is the interplay of these factors that determine driver take-home pay.

While there is clear publicly available evidence available to evaluate the terms and conditions in employment agreements (e.g. collective employment agreements), and business process rules and processes can be viewed (although may be considered commercially sensitive by operators), custom and practice develops over time and in response to specific circumstances. Therefore, it is too early to say what custom and practice will be in a post-PTOM environment so our analysis to date has not focused on this area for research. The utilisation is an example in a pre-PTOM environment as to how operators and drivers responded to persistent driver shortage.

#### 7.2.5. Cancelled Days Off

The GWRC-commissioned report describes the Go Wellington practice where shifts are routinely run short-handed – the complement of drivers rostered on to carry out rostered duties is just sufficient. At times a vacant shift arises, and a driver comes in on their day off to work that shift.

These 'cancelled days off' attract penal rates that incur a greater cost to deliver that particular shift. Due to time constraints and NZ Bus declining to participate in this research, no information is available regarding the existence of this practice elsewhere in New Zealand.

### 7.3. Making comparisons

We undertook a comparison of the terms and conditions of the collective employment agreements and the individual employment agreements between operators and drivers across the Auckland and Wellington operational regimes. 'Like for like' comparisons were not entirely possible, as both regions and different types of bus operators differ significantly in organisation and culture.

Comparisons of business rules and processes and custom and practice were undertaken for Wellington, as far as possible, given most PTOM contracts were due to commence in July 2018. The complexity of the Go Wellington collective agreement necessitated this approach, which assigned a value to some of the operational practices that had a direct bearing on the take home pay received by drivers. The same exercise was not carried out in other regions due to limitations of time and the view that the additional value of these practices on pay received was marginal and therefore had little bearing on the outcome of our analysis.

#### 7.3.1. NATIONAL CONTEXT

##### Bus Driver Wages

In terms of industry pay rates the research team found that:

- Entry-level bus drivers usually start on \$17 per hour. [REDACTED] With the minimum wage increase to \$16.50 per hour from 1 April 2018 it is expected that the starting rate for new bus drivers will rise and this will have a knock-on effect in rates between on starting rates and relativities through the entire driver pay scale.
- By way of comparison, the minimum wage will be \$16.50 per hour from 1 April 2018, and the 'Living Wage' of \$20.20 per hour at 1 July 2017. The current Living Wage increased by 40 cents on the 2016/17 rate of \$19.80 in line with the average movement in wages. The Living Wage rate is set by the Family Centre Social Policy Research Unit in the Hutt Valley.
- These figures compare to New Zealand Household Labour Force Survey average hourly earnings of \$29.62 and median hourly earnings from wages and salaries of \$23.49 for the same quarter.
- In addition to experience, pay rates for bus drivers are influenced by region (and within regions), even if employed by the same operator. For example, bus driver pay rates in Hamilton and Tauranga are lower than Auckland and Wellington. Within Wellington Porirua drivers receive less than their Wellington City counterparts; number of hours worked; and the type of bus driven.

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**Pay**  
 Bus drivers usually earn  
**\$17-\$23** per hour  
 Source: Ritchies and NZ Bus, 2017.

**Job opportunities**



Chances of getting a job as a bus driver are good due to strong demand and high turnover.

**Length of training**



<1 year of training required

**National overview of current wage rates in major metropolitan areas**

The research team also conducted a survey of bus operator pay rates specifically and this is presented in the table below. This shows that base rates tend to be higher in the main centres which is consistent with greater opportunities for semi-skilled workers in those areas. As a result, drivers in the main centres tend to receive higher base rates of pay.

Table 4: Average bus driver wages by region Section 9(2)(b)(ii)

Region	Starting rate		Top rate	
	2017	2018	2017	2018
Hamilton	████	████	████	████
Napier	████	████	████	████
Dunedin	████	████	████	████
Christchurch	████	████	████	████
Wellington	████	████	████	████
Auckland	████	████	████	████
National Average	████	████	████	████

**Relative pay rates by operator**

██
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Section 9(2)(ba)(i)

Table 5: Bus driver wage rates 2018

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Region	Operator	Base	1 yr	1+ yrs	Top
Hamilton	Go Bus	████	████	████	████
Napier	Go Bus	████	████	████	████
Dunedin	Go Bus	████	████	████	████
Christchurch	Go Bus	████	████	████	████
Wellington	Uzabus	████	████	████	████
	NZ Bus (Valley Flyer)	████	████	████	████
	NZ Bus (Go Wellington)	████	████	████	████
	Mana	████	████	████	████
	Tranzit (Hutt Valley)	████	████	████	████
	Tranzit (Wellington)	████	████	████	████
Auckland	Ritchies	████	████	████	████
	RMTS	████	████	████	████
	Pavlovich	████	████	████	████
	Birkenhead Transport	████	████	████	████
	NZ Bus	████	████	████	████
	Go Bus	████	████	████	████
	Howick & Eastern	████	████	████	████

### Overall trends in wage rates and employment conditions (pre-post PTOM) relative to national economic indicators

The main findings from our analyses of movements in bus driver pay rates for our sample of operators over the period since 2005 (but not including any significant effects of the recent PTOM tendering) indicate:

- increases of around 1 percent per annum or rather more relative to CPI (which reflects the costs of goods and services in the NZ economy as a whole);
- increases of rather less than 1 percent per annum relative to LCI (an index representing labour cost movements in the wider motor driver sector); and
- some small reductions, but well under 0.5 percent per annum and particularly in the later part of the period, relative to AHE (an index of average hourly earnings in the economy as a whole).

In all cases, and as expected, the driver pay rates, even on the 'low' figures, are significantly above the statutory minimum hourly wage. Taking the 12 data-points analysed (i.e., six operators, 'low' and 'high' values for each), three of these are significantly above the 'living wage', two are very close to this figure, and the remaining seven are significantly below this figure.

#### 7.3.2. Bus driver employment conditions

Employment contracts for bus drivers fall into two broad categories:



- Agreements that feature a relatively complex remuneration model subject to interpretation, extensive penal rates for evenings, weekends and additional shifts worked, full recognition of seniority with a progressive scale with additional rights and benefits and non-standard employment conditions.
- Relatively straightforward contracts with a flat hourly rate, minimal penal rates and other statutory based entitlements.

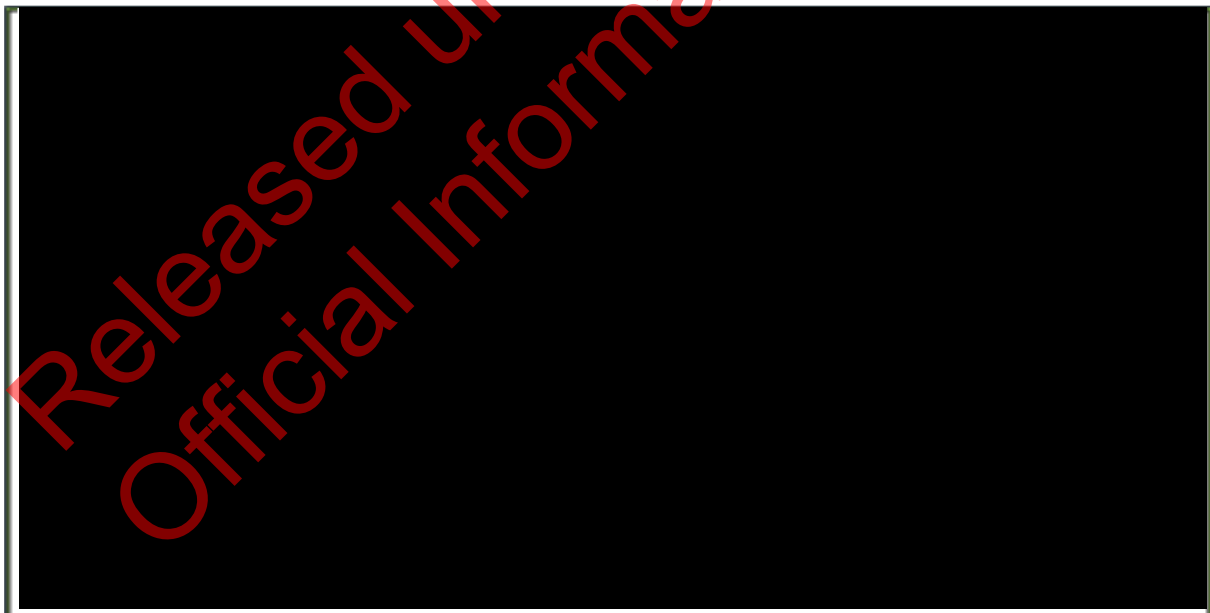
Agreements are usually with a single employer operating a bus service within a particular area. Each agreement is founded on the history of the business (e.g. council departments versus private charter operators), reflecting the underlying business philosophy of the operator and shaped by negotiations with unions.

Consequently, agreements in the same region with the same operator may have quite different terms and conditions. A good example of this is reflected in the three Tramways Union Collective Agreements with NZ Bus in Wellington:

- **Mana** - A basic agreement with a flat hourly rate, no penal rates and no redundancy
- **NZ Bus (Valley Flyer)** - An enhanced agreement with some penal rates, redundancy payments and additional conditions retained from when the bus operation was part of NZ Rail.
- **NZ Bus (Go Wellington)** - A relatively complex agreement, subject to interpretation, with extensive penal rates for evenings, weekends, working a cancelled day off, full recognition of seniority with a progressive wage scale, generous redundancy provisions and additional rights and benefits dating back to its operation under Wellington City Council.

Figure 2: Wellington regions bus operator agreements

Section 9(2)(b)(ii)

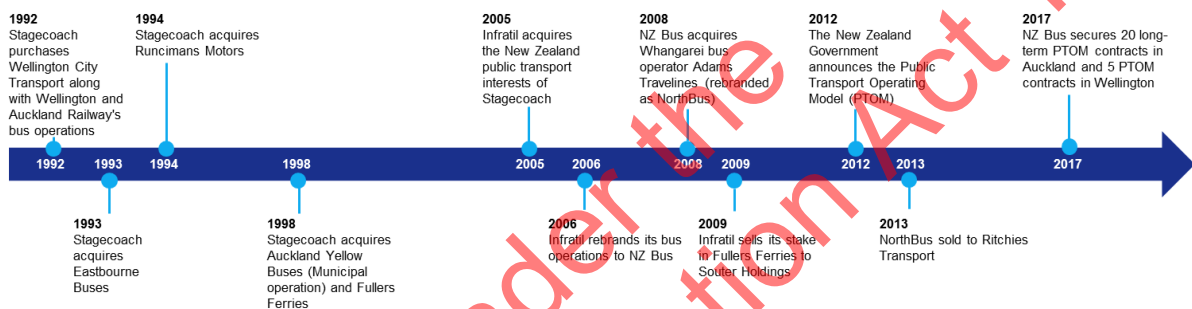


While operators with their roots outside the main metropolitan centres may have some differences in agreements between locations, these differences are in the margins. This means where an operator has a philosophy of offering a flat hourly rate this is consistently applied in all their contracts with the only notable difference being the different rates for different locations.

A number of Auckland's incumbent operators appear to have attempted to renegotiate their collective agreements before bidding for a PTOM contract. From the information received for this research, it would appear that this resulted in a strongly negative response from the unions, so there wasn't a widespread change to terms and conditions. Therefore, the agreements have survived the transition process to the new PTOM environment (i.e. there is little noticeable difference between a pre-PTOM and post-PTOM agreements for the same operator providing services in the same location).

The significant loss of market share by incumbent operator NZ Bus has markedly changed the landscape for driver wages and conditions. Markets that were traditionally serviced by operators who had acquired existing bus operations from local council's (e.g. NZ Bus) had largely preserved the employment terms and conditions that were in place pre-acquisition. The following timeline sourced from the NZ Bus website provides a good summary of what has happened in both Wellington and Auckland where through acquisition they have grown to become the dominant player.

For NZ Bus drivers this has meant their employment conditions have been largely preserved through the transition from municipal operators up until the present day.



## 7.4. Regional Impact

There are differences in impacts between regions (particularly Auckland and Wellington) .

### 7.4.1. Key comparisons of wage rate trends and employment conditions across Auckland and Wellington (and other key regions of interest)

A comparison of employment contracts identifies the following major differences:

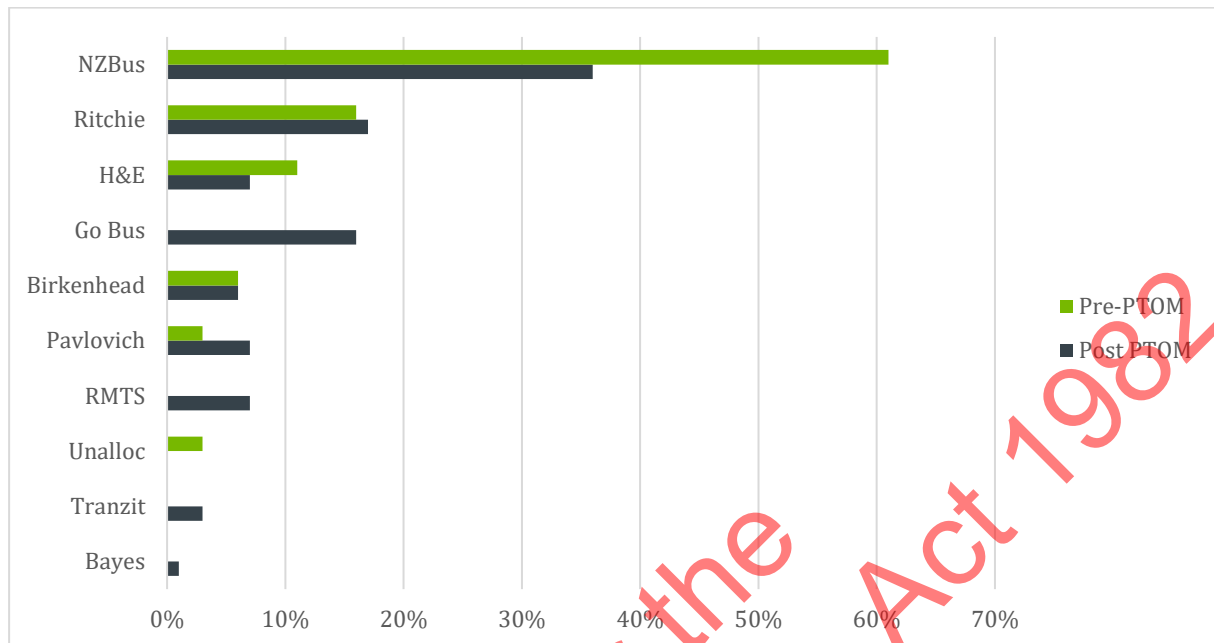
- Base pay rates
- Application of penal rates
- Recognition of seniority
- Entitlement to redundancy payments.

### 7.4.2. Auckland bus driver impacts

The result of the Auckland Transport PTOM was that NZ Bus reduced its market share from 61 percent to 36 percent with new to the Auckland market Go Bus picking up 16 percent, with Pavlovich and Ritchies increasing their share (see table 3A).

It is important to note that operators, in general, have retained their employment `agreements for markets in which they already operate, adopting the same type of agreement as the basis for their PTOM bids.

**Figure 3: Auckland public bus operator market share Pre- and post-PTOM**



In the leadup to, and following, the PTOM bus tendering/contracting process in Auckland, bus drivers of the major bus companies were faced with requests to negotiate changes to driver wage rates and employment conditions. The impetus for this was that the companies felt a need to improve their cost competitiveness in advance of the PTOM tender process, which was the major factor in trying to maximise their market share (through a combination of retaining their existing service contracts and winning contracts for services previously provided by other operators). We note that driver costs typically account for around 50 percent of total bus company operational costs (which include bus capital charges).

The incumbent operators who tried to negotiate new conditions with staff were largely unsuccessful due to staff and union resistance. This attempt indicates that the incumbent operators knew competition was coming but were unable to make the required changes because of the staff resistance. Consequently, the lower cost operators have entered the Auckland market. Pavlovich, Ritchies and RMTS set their flat wage rates below the NZ Bus starting rate, so the impact on drivers who switched would be an inferior wage to what they had had previously.

### Impacts on employment conditions

The potential impact on the changes in operator market share for bus drivers was threefold:

- A reduction in overtime as incumbent operators are able to redeploy additional staff now available to fill gaps in the roster.
- A loss of jobs as incumbent operators look at downsizing their workforce to meet post-PTOM service contracts. Note drivers with NZ Bus would be eligible for redundancy payments in this event which may suit those close to retirement or those looking to leave the industry, while for others it would reflect some compensation for accepting a job with a different operator with inferior conditions and wages.

- The operators who have gained market share offer drivers similar employment conditions as they offer other drivers who work for them throughout New Zealand. Wage rates are higher than the rest of the country but are inferior to the rates and conditions offered by incumbent operators.

The following table outlines the differences in employment terms and conditions, pay rates, and union membership of the main Auckland bus operators, reflecting that the newer (lower-cost) operators: Pavlovich, Go Bus, RMTS, Ritchies offer less terms and conditions (e.g. penal rates and allowances) and flat pay rates.

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Table 6: Auckland public bus operator terms and conditions

2018	NZ Bus (Auckland)	Birkenhead	Pavlovich	RMTS	H&E	Ritchies (North Shore)	Ritchies (Swanson)	Go Bus (Auckland)

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**Comparison of wage rates of Auckland bus operators**

The following table compares Auckland bus operator pay rates. NZ Bus and Birkenhead Transport (long-standing incumbent operators) offer the highest average effective pay rates, while newcomers like Pavlovich and Ritchies offer among the lowest average effective pay rates.

**Table 7: Comparison of wage rates of bus operators in Auckland**

Operator	Average of Effective Hourly Rate (CDO)	Average of Effective Hourly Rate (Overtime)	Average of Effectively Hourly Rate (Weekends)	Average of Base Rate
RMTS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Pavlovich	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ritchies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Go Bus	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Howick & Eastern	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Birkenhead	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NZ Bus	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Auckland Average</b>	<b>22.22</b>	<b>22.07</b>	<b>21.74</b>	<b>21.39</b>

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

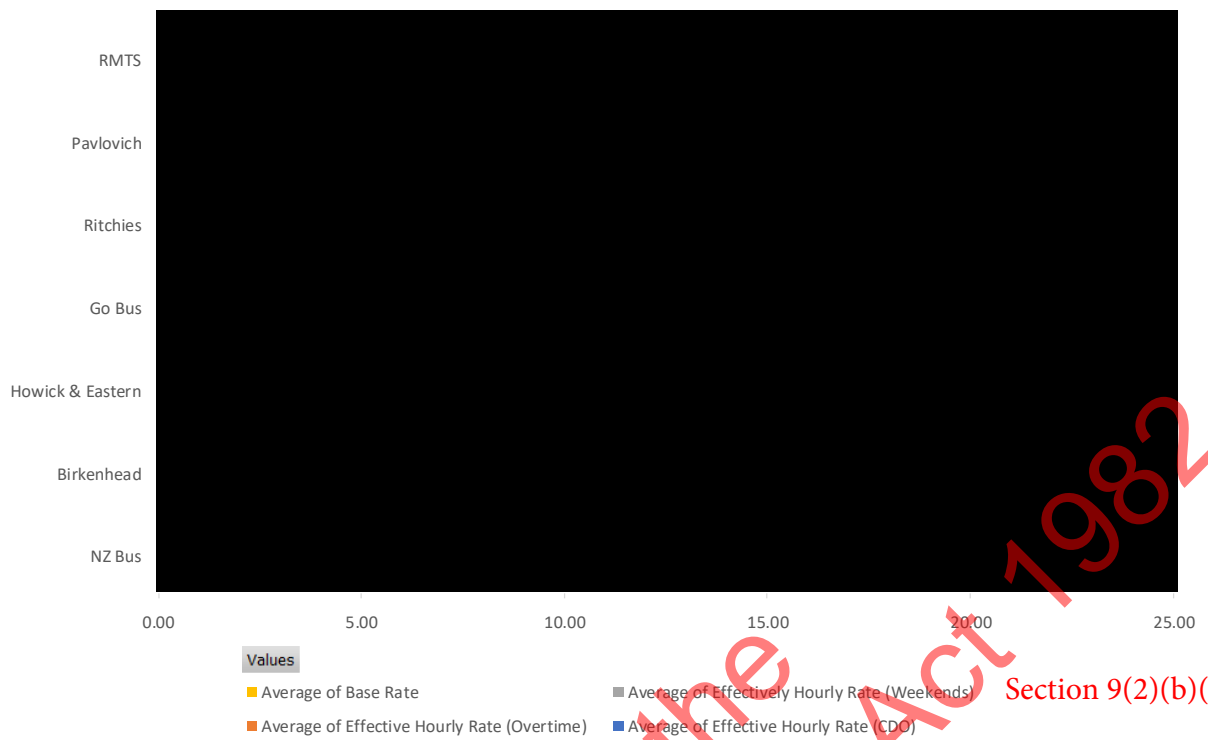
[REDACTED]

[REDACTED]

[REDACTED]

Section 9(2)(b)(ii)

Figure 4: Average Effective Hourly Rate in Auckland



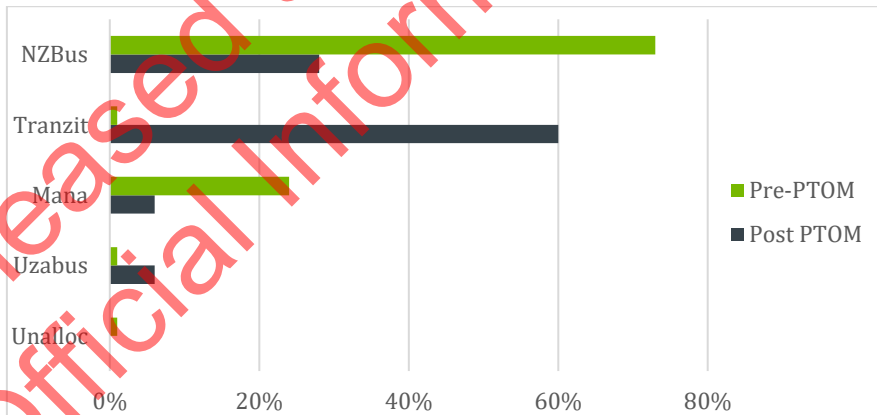
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Section 9(2)(b)(ii)

### 7.4.3. Wellington bus driver impacts

The outcome of GWRC’s bus contract tenders was a reduction of staff required by incumbents Go Wellington, Valley Flyer and Mana. The net result is that NZ Bus reduced its market share from 73 percent to 28 percent with newcomer Tranzit increasing its share to 60 percent (table 6A).

Figure 5: Wellington public bus operator market share Pre- and post-PTOM



It is worth considering the approach the GWRC took to their PTOM tendering round. GWRC’s Bus Invitation to Tender did not include any arrangements for the surplus staff of any unsuccessful incumbent operators to be transferred to new operators, or the specification of labour rates and conditions. Consequently, the contracts do not require the transfer of staff from an outgoing operator to an incoming operator at the commencement of or at the end of each contract term.

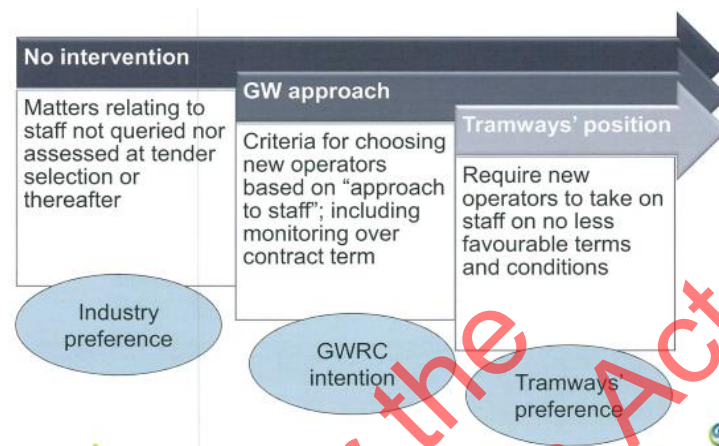
Operators and unions took varying positions regarding the treatment of drivers employed by the incumbent operator, who are subsequently displaced due to the bus contract tender outcome. The award of the tendered bus contracts has led to political, company, union and staff reaction. Several



stop work meetings were held and there was media reporting of both NZ Bus’s dissatisfaction with the outcome of the tender process and union concerns. Tranzit, which was awarded eight of the nine tendered contracts held meetings with potential employees to discuss its intended approach. It undertook to employ as many bus drivers from the region’s existing workforce as possible, having regard to alignment with Tranzit’s culture, reference checks, and agreement on remuneration and terms and conditions.

GWRC sought to identify an appropriate position that considers both views, settling on a middle position. This is represented in the diagram below.

Figure 6: GWRC approach to staff in PTOM tender assessment



NZ Bus did not try to change their agreements with their staff. Tranzit won the competitive tender process and set their flat-rate wage above the top NZ Bus rate to such an extent that the impact on drivers depended on the interaction of a number of factors.

**Impacts on employment conditions**

The scenarios applying to Wellington drivers pre- and post-PTOM can be summarised below:

Table 8: Impacts on Wellington Bus Drivers

Before	After	Impact
Driver worked for Uzabus		
Driver worked for Mana	Driver works for Tranzit	Tranzit’s flat rate is higher than the highest rate previously available
Driver worked for Valley Flyer		
Driver worked for Go Wellington	Driver remains with Go Wellington	No change to conditions and wages but face a reduction in the availability of overtime and the potential loss of a job with 120 jobs lost. Redundancy payment per CEA and opportunity to retire, leave the industry or work for another operator on a new contract.

Before	After	Impact
<b>Driver worked for Go Wellington</b>	Driver takes redundancy	Redundancy payment per CEA and opportunity to retire, leave the industry or work for another operator on a new contract.
<b>Driver worked for Go Wellington</b>	Driver works for Transit	<ul style="list-style-type: none"> <li>• Drivers with less than five years' service would be better off at Transit.</li> <li>• Those with five to 10 years' service "may be" better off.</li> <li>• Those with more than 10 years' service and associated penal rates would be worse off.</li> </ul>

The impact on drivers depends on who they worked for before PTOM and who they worked for after PTOM, as summarised below:

### NZ Bus drivers

- If they retain their jobs, then there are no changes to their employment conditions or wages
- Note in Wellington, NZ Bus had a persistent shortfall of staff so the need to downsize their workforce presented an opportunity to no longer run shorthanded. If they did this then the overtime available to other drivers and the need to use CDOs could be reduced which would reduce driver earnings overall. Note we do not have the same information for Auckland.
- If they are surplus to requirements and could not be redeployed, then they would be eligible for a redundancy pay out. In Wellington I am aware of a number of drivers close to retirement who took this option, so they effectively left the industry.
- The impact on an individual NZ Bus driver depends on which NZ Bus subsidiary they work for

### Transit

- Offered drivers a flat rate for all hours worked that was the same for all drivers regardless of seniority. Unlike in Auckland where operators with similar contracts, the Transit flat-rate offer is above the rates offered by NZ Bus. Analysis commissioned by GWRC concluded:
  - Drivers who come across with less than five years-service would be better off at Transit.
  - Those with five to 10 years-service "may be" better of
  - while those with more than 10 years-service would be worse off.
- The impact on individual drivers depends on the business processes and rules and the custom and practice at NZ Bus (Go Wellington). Drivers with longer tenure have both higher basic wage rates but are also more likely to be allocated more lucrative shifts including overtime and cancelled days off.

The following table outlines the specific differences in employment terms and conditions, pay rates, and union membership of the Wellington bus operators, reflecting that in Wellington Tranzit offers a much higher flat rates, but NZ Bus offers significant additional terms and conditions (e.g. overtime penal rate, redundancy, days worked per week).

**Table 9: Wellington public bus operator terms and conditions**

**Comparison of wage rates of Wellington bus operators**

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The following table compares Wellington bus operator pay rates. Unlike Auckland, Tranzit as the newer operator, offers the highest average hourly rate, compared to NZ Bus, Mana and Uzabus.

Table 10: Comparison of wage rates of bus operators in Auckland

Row Labels	Average of Base Rate	Average of Effectively Hourly Rate (Weekends)	Average of Effective Hourly Rate (Overtime)	Average of Effective Hourly Rate (CDO)
Uzabus	█	█	█	█
Tranzit (Hutt)	█	█	█	█
Mana	█	█	█	█
NZ Bus (Valley Flyer)	█	█	█	█
Tranzit (Wellington)	█	█	█	█
NZ Bus (Go Wellington)	█	█	█	█
<b>Wellington Average</b>	<b>20.16</b>	<b>20.81</b>	<b>21.23</b>	<b>21.64</b>

Figure 7: Average Effective Hourly Rates in Greater Wellington Region



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Without additional information on the impact on individual drivers at NZ Bus (GO Wellington) and NZ Bus Auckland following the implementation of PTOM (i.e. the numbers and demographics of driver that have been made redundant or chosen to leave the company), it is not possible to estimate the impact on the average driver. It is also difficult to estimate any impact on drivers that remain with NZ Bus (Go Wellington) and NZ Bus Auckland without knowing what the business processes and rules and custom and practice for allocating overtime and cancelled days off is without further information from NZ Bus.

## 8. DATA COLLECTION TEMPLATES

### 8.1. Bus Operator Information Request Template

PTOM - Impacts on Employment Conditions Research					
Section 1 - Overview  A bullet point summary of the operation		Description			Example
					<ul style="list-style-type: none"> <li>XYZ Ltd has been operation for over 20 years</li> </ul>
					<ul style="list-style-type: none"> <li>Providing a range of services including schedule services, charters and school buses</li> </ul>
					<ul style="list-style-type: none"> <li>Operating 24x7x365 that requires a flexible workforce</li> </ul>
					<ul style="list-style-type: none"> <li>The driver workforce is made up of fulltime, part time and casual drivers</li> </ul>
					<ul style="list-style-type: none"> <li>The majority of the workforce are on a collective employment agreement negotiated with PQR Union</li> </ul>
Section 2 - Staff Profile		2017	2018	Changes	Notes
Number of Staff	Drivers				
	Supervisors				
	Managers				
	Workshop				
	Admin				
	Other				
Drivers Length of Service	Up to a year				
	1-2 years				
	2-3 Years				
	3-5 Years				
	6-10 Years				
	11-15 Years				
	More than 15 years				

Section 3 - Terms & Conditions	2017	2018	Changes	Example
Type of Agreement				Collective Employment Agreement (CEA) - Copy attached
Allowances				Travel
Agreements				Collective
Benefits				Free travel
Costs				Medical, legal, licences
Disciplinary				Statutory
Hours				40 hours per week over 7 days
Incentives				No
Leave				4 weeks
Overtime/Penals				Tx1.25 on Saturday / T 1.5 on Sunday
Pay Rates				Step 1 \$16 / Step 2 \$17 / Step 3 \$18 / Step 4 \$19 / Step 5 \$20
Redundancy				None
Remuneration				Service scale
Retirement				Gratuity
Service				Qualifications
Superannuation				Kiwisaver
Uniform				Provided
Unions				CEA Provisions
Section 4 - Business Rules & Processes	2017	2018	Changes	Example
Passenger Timetables				Timetables are as agreed in the PTOM contract
Bus Schedules				
Shifts				Standard rosters are in place and drivers are advised a month in advance
Rosters				Shifts are allocated on a first come first served basis
Section 5 - Custom & Practice				
Informal aspects of business operations				Drivers can swap shifts amongst themselves
				Callbacks are offered to drivers based on seniority

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## 8.2. Regional Council Survey Template

Table A1: Respondent contact details	
Region:	
Name:	
Position:	
Email:	
Telephone:	
Mobile:	

Table A2: Consultant contact details (for any queries etc)	
Company:	Ian Wallis Associates Ltd
Name:	Ian Wallis
Email:	<a href="mailto:ian@ianwallis.org">ian@ianwallis.org</a>
Telephone:	04 472 2354
Mobile:	021 475 131

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TABLE B: BUS CONTRACT SUMMARY (post-PTOM)									
would be helpful.									
Region	% NZ serv km (1)	Procurement basis		Area	Start date	Units by operator			Notes, queries
		Type	Duration (years)			Tot units	% reg km (CT)		
		CT							
		Lfl							
		Neg other							
		Total regional service km (%) - post							
		Total regional service km (%) - pre							
<b>Notes:</b>									
(1) Need to check whether these proportions are bus only, bus + ferry, or bus + ferry + rail (? defn of service km for rail?) - check Nick H									
(2) Comprises a seasonal Coromandel unit and a trial Thames service - are these part of one CT contract, or separate?									

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Table D: Regional Bus Contract Summary by Operator							
<b>Region:</b>							
* Operator name	Operator A	Operator B etc					
Key operator contact:							
* Name							
* Position							
* Email							
* Telephone							
* Mobile							
Number of pre-PTOM contracts held:							
PTOM tendered contracts:							
* Number bid for							
* Number awarded							
PTOM negotiated contracts:							
* Number awarded							

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<b>Table E: Comments on the PTOM Procurement/Contracting Process in your Region</b>											
<b>Region:</b>											
<b>Instructions:</b> Could you please comment on the specific questions (1, 2, 3, 4) below relating to the PTOM procurement and contracting process in your region, with a particular emphasis on issues relating to employment arrangements and conditions. Also, please provide any other comments on the process that you might have in the section below these specific questions. If you think it would be more helpful, we would be happy to arrange a phone discussion relating to the PTOM process and issues - please let us know.											
<b>Specific questions:</b>						<b>RC response:</b>					
1. Do your region's PTOM bus tender evaluation procedures and/or PTOM contracts include any provisions relating to safeguarding employment terms and conditions (eg requirements to employ staff from the previous operator of the comparable service, on identical or similar terms and conditions)? If Yes, please provide a summary of such provisions here (or attach extracts from relevant contract etc documents)?											
2. Do you have any knowledge or evidence, from tender bids or other sources, on the effects of PTOM (with its increased emphasis on commerciality and its generally greater level of competition for contracts) on bus driver pay rates and employment conditions in your region? If Yes, can you please provide further information on these effects?											
3. In your opinion, has the PTOM process had any effects on tender bid prices and on resultant (gross) contract prices in your region? If Yes, please comment further, in particular on any effects on contract prices?											
4. Are there any other factors in your region ( apart from those directly related to PTOM, as covered above) that you consider have affected the level of labour costs in recent (PTOM) bus contract tenders, apart from normal inflationary trends? (One example of such factors may be driver recruitment difficulties resulting in higher driver pay rates.) If Yes, please describe these factors briefly?											
<b>Any other comments re the PTOM procurement and contracting process (with particular emphasis on any effects of PTOM on bus operator staff pay rates and employment conditions, and indirectly on contract prices):</b>											
A.											
B.											
C.											
D.											

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## 9. SUMMARY DATA

Region	Procurement basis	# Units	Total service km (million)				Bidders/contract			Notes
			Pre-PTOM	Post-PTOM		Post:Pre % change	Mean	Min	Max	
				% Neg:Ten	% total					
<b>LARGE REGIONS (&gt; 10 million service km)</b>										
AKL	Negotiated	29	31.14	52.8%						
	Tendered	23	27.83	47.2%			5.65	4	8	
	Sub-total		<b>44.77</b>		<b>58.96</b>	<b>52.9%</b>	<b>31.7%</b>			
WLG	Negotiated	7	5.12	34.4%						
	Tendered	9	9.79	65.6%			5.22	1	7	
	Sub-total		<b>14.43</b>		<b>14.92</b>	<b>13.4%</b>	<b>3.4%</b>			
CAN	Negotiated	25	16.21	98.5%						
	Tendered	14	0.24	1.5%			1.53	1	2	
	Sub-total				<b>16.45</b>	<b>14.8%</b>				
<b>Summary - Large Regions</b>					<b>90.33</b>	<b>81.0%</b>	<b>5.53</b>	<b>(excl CAN)</b>		
<b>MEDIUM REGIONS (1.0 - 10.0 million service km)</b>										
BoP	Tendered	5			5.33	4.8%	3.60	3	4	
WAI	Tendered	8			5.40	4.8%	4.50	2	6	
OTA	Negotiated	????								
	Tendered	????								
	Sub-total	????			5.70	5.1%				
HOR	Negotiated	1	0.20							
	Tendered	2	1.10				2.00	2	2	
	Sub-total				1.30	1.2%				
HB	Tendered	1			1.07	1.0%	5.00	5	5	
<b>Summary - Medium Regions</b>					<b>18.80</b>	<b>16.9%</b>	<b>3.94</b>			
<b>SMALL REGIONS (&lt;1.0 million service km)</b>										
TAR	Tendered	3			0.84	0.8%	3.50	3	4	
TAS	Tendered	1			0.47	0.4%	1.00			
NOR	Negotiated	3	0.18							
	Tendered	1	0.40				3.00			
	Sub-total				0.58	0.5%				
SOU	Tendered	1			0.31	0.3%	2.00			
GIS	Tendered	2			0.11	0.1%	3.50	2	5	
MAR	Tendered	1			0.05	0.0%	1.00			
<b>Summary - Small Regions</b>					<b>2.36</b>	<b>2.1%</b>	<b>2.63</b>			
<b>Totals</b>		136			<b>111.495</b>	<b>100.0%</b>	<b>4.66</b>	<b>(excl CAN)</b>		

Table C2: Operator market shares (service km) by region																					
Region		Proc Basis	Service km measure	Total	NZBus	Tranzit	Go Bus	Ritchie	Red Bus (CHC)	RMTS	B'head	H&E	Pavlov	Bayes	Fullers	Mana	Uzabus /Madge	Reesby	Other	Unalloc	
AKL	Post-PTOM	Tendered	Total km pa - 000	27827.0	378.7	1655.4	9709.8	6799.5		3985.5		1592.4	3705.7								
		Negotiated		31135.6	19538.3			3654.8				3639.8	2654.8	807.3	185.6	655.0					
		Total		58962.6	19917.0	1655.4	9709.8	10454.2	0.0	3985.5	3639.8	4247.3	4513.0	185.6	655.0						
	Pre PTOM	Tendered	% reg. market share	100.0%	1.4%	5.9%	34.9%	24.4%	0.0%	14.3%	0.0%	5.7%	13.3%	0.0%	0.0%						
		Negotiated		100.0%	62.8%	0.0%	0.0%	11.7%	0.0%	0.0%	11.7%	8.5%	2.6%	0.6%	2.1%						
		Total		100.0%	33.8%	2.8%	16.5%	17.7%	0.0%	6.8%	6.2%	7.2%	7.7%	0.3%	1.1%						
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>	98.5%	<b>61%</b>	<b>1%</b>		<b>16%</b>			<b>6%</b>	<b>11%</b>	<b>3%</b>	<b>1%</b>							
WLG	Post-PTOM	Tendered	Total km pa - 000	9791.0	0	8,890										0	901				
		Negotiated		5124.0	4,245	-											879	-			
		Total		14915.0	4,245	8,890	-	-	-	-	-	-	-	-	-	-	879	901	-	-	
	Pre PTOM	Tendered	% reg. market share	100.0%	0.0%	90.8%										0.0%	9.2%				
		Negotiated		100.0%	82.8%	0.0%										17.2%	0.0%				
		Total		100.0%	28.5%	59.6%										5.9%	6.0%				
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>	100.0%	<b>73%</b>	<b>1%</b>									<b>24.0%</b>	<b>1%</b>			<b>1%</b>		
CAN	Post-PTOM	Total	Total km pa - 000	16453.2			Go Bus	Ritchie	Red Bus												
		Total	% reg. market share	100.0%			11,349.2	383.1	4,720.9												
							69.0%	2.3%	28.7%												
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
BoP	Post-PTOM	Total	Total km pa - 000	5327.1	NZBus													Uzabus	Reesby		5,327.1
		Total	% reg. market share	100.0%																	100.0%
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
WAI	Post-PTOM	Total	Total km pa - 000	5398.5			Go Bus														
		Total	% reg. market share	100.0%			5,366.6														31.9
							99.4%														0.6%
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
OTA	Post-PTOM	Total	Total km pa - 000	5702.2			Go Bus	Ritchie													
		Total	% reg. market share	100.0%																	5,702.2
																					100.0%
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
HOR	Post-PTOM	Total	Total km pa - 000	1303.7		Tranzit											Uzabus				
		Total	% reg. market share	100.0%		1100.8											202.9				
						84.4%											15.6%				
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
8. H Bay	Post-PTOM	Total	Total km pa - 000	1073.2			Go Bus														
		Total	% reg. market share	100.0%			1073.2														
							100.0%														
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
9. TAR	Post-PTOM	Total	Total km pa - 000	838.0		Tranzit															
		Total	% reg. market share	100.0%		600															238
						71.6%															28.4%
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
10. TAS	Post-PTOM	Total	Total km pa - 000	468.5																	
		Total	% reg. market share	100.0%																	468.5
																					100.0%
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
11. NOR	Post-PTOM	Total	Total km pa - 000	581.0				Ritchie													
		Total	% reg. market share	100.0%				400.0													181.0
								68.8%													31.2%
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
12. SOU	Post-PTOM	Total	Total km pa - 000	306.7			Go Bus														
		Total	% reg. market share	100.0%			306.7														
							100.0%														
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
13. GIS	Post-PTOM	Total	Total km pa - 000	114.6			Go Bus														
		Total	% reg. market share	100.0%			114.6														
							100.0%														
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
14. MARL	Post-PTOM	Total	Total km pa - 000	51.0				Ritchie													
		Total	% reg. market share	100.0%				51.0													
								100.0%													
	<b>Pre PTOM</b>	<b>Total</b>	<b>% reg. market share</b>																		
NZ TOTAL	Post-PTOM	Total	Total km pa - 000	111,495.2	24,162.0	12,246.2	27,920.1	11,288.3	4,720.9	3,985.5	3,639.8	4,247.3	4,513.0	185.6	655.0	879.0	1,103.9	-	919.4	11,029.3	
		Total	% NZ market share	100.0%	24.0%	12.2%	27.8%	11.2%	4.7%	4.0%	3.6%	4.2%	4.5%	0.2%	0.7%	0.9%	1.1%	0.0%	0.9%	9.9%	
			(excl Unallocated)																		

Table E: Specific Questions re PTOM Procurement/Contracting Process & Experience -- Summary	
<b>Q1: Do your tender evaluation procedures and/or contracts include specific provisions relating to:</b>	
<b>(i) safeguarding previous employment terms and conditions</b>	
1 RC (WLG):	<b>No</b> . The matter was fully considered and an explicit decision made not to include specific provisions.
12 RCs:	<b>N/a', 'DK' or no response given</b>
<b>(ii) giving favourable quality ratings to operators offering better wages and employment conditions?</b>	
1 RC (BoP):	<b>Yes</b> (TAU contract). Payment of a living wage was included in the quality attribute evaluation. [Consultant comment: it is unclear to what extent higher driver wages would result in a greater or lesser overall score in the tender evaluation, as the higher quality score may be more than offset by the associated higher price. The overall result would depend on the detailed evaluation methodology, which is not provided in detail in the published tender documents.]
12 RCs:	<b>N/a', 'DK' or no response given</b>
<b>Q2: Do your tender evaluation procedures take into account the tender is a past track record relating to:</b>	
<b>(i) Workplace incidents and safety record?</b>	
<b>(ii) On road accidents/incidents affecting passengers or other road users?</b>	
9 RCs:	<b>Yes</b>
1 RC:	<b>No'</b>
3 RCs:	<b>N/a', 'DK' or no response given</b>
<b>(iii) Complaints received?</b>	
5 RCs:	<b>Yes</b>
3 RCs:	<b>Partial/unclear</b>
2 RCs:	<b>No</b> . One region (WLG) noted that this matter had been considered but rejected, given concerns relating to the consistency of complaints records across different operators.
3 RCs:	<b>N/a', 'DK' or no response given</b>
<b>Q3: Do you have knowledge or evidence on the effects of PTOM on bus driver pay rates and employment conditions?</b>	
1 RC (WLG):	<b>Yes</b> . clearly good knowledge/evidence of effects on driver T & C. Noted that: impacts on drivers primarily a result of changes in operator market shares in the region; drivers employed under CEAs with current operators would retain their existing T & C; operators that have gained market share in the region generally pay drivers on a flat rate basis, with any penal payments limited to those required by law.
1 RC (Hbay):	<b>Partial</b> . Noted from tender evaluation process that the total driver costs for the winning tender were low, relative to those for other bidders, but unclear whether or not this related to driver pay rates.
6 RCs:	<b>No'</b>
5 RCs:	<b>N/a', 'DK' or no response given</b>
<b>Q4: Has the PTOM process had any effects on tender bid prices and resultant contract prices?</b>	
2 RCs:	<b>Probably/may be':</b> * WLG: Found that winning tender bid prices were close to or a little lower than GW's 'shadow bid' estimates. * Hbay: Found that winning tender bid prices were lower than under the previous contracts for the same services, which was seen as probably a result of increased competition.
4 RCs:	<b>No'</b>
7 RCs:	<b>N/a', 'DK' or no response given</b>
<b>Q5: Are there any other factors (not related to PTOM) that have affected the level of labour costs in PTOM tenders (and contracts)?</b>	
2 RCs:	<b>Yes/probably':</b> * CAN: Probably post-earthquake increases in labour costs in the region, which has the lowest unemployment rate in the country. * H Bay: Operator has found difficulty to get drivers for Sunday services, so has had to pay 50% above the standard rate on the services.
5 RCs:	<b>No'</b>
6 RCs:	<b>N/a', 'DK' or no response given</b>
<b>Q6: Any general comments re PTOM procurement/contracting process and experience, with particular emphasis on any PTOM effects on bus operator pay rates and employment conditions?</b>	
WLG:	<b>(A)-Concerns re driver wage rates and conditions.</b> These concerns, which were raised principally by the Tramways Union, related very largely to driver wage rates and conditions for employees of NZ Bus in Wellington City (ex-employees of Wellington City Transport Ltd). The main issue for the Tramways Union was the flat rate remuneration structure offered by Tranzit (and most other NZ urban bus operators, including some of NZ Bus' subsidiary companies) versus the penal rate structure (and including length of service increments) of WCTL. <b>(B)-GW tendering approach</b> . The council ran a very attractive, and so very competitive tender process: nine tenderers submitted a total of 86 tenders for the various combinations of contracts available. The attractiveness of this approach in part reflected the risk/reward balance of the contracts and and outcomes focus, with relatively light handed approach and lack of prescription by the authority. It was considered that prescribing or directing operators in employment matters would have reduced their ability to offer the most efficient operational outcome, and would also have tied the council into all future employment claims. <b>(C)-GW tender evaluation methodology.</b> GW adopted the price and quality evaluation methodology this was consistent with its objective to achieve best value for money, balancing price and quality factors (not lowest cost). <b>(D)-Employee welfare considerations.</b> GW built in a number of safeguards for driver welfare to the procurement process and to the service contract. Employee welfare and good employer practices were seen as a key consideration in the evaluation of tenders. Strong financial provisions covering economic performance in the contract would provide powerful incentive for operators to appropriately remunerate their employees. <b>(E)-Importance of wage rates in operator selection/tender evaluation</b> . Contrary to some views often expressed, GW experience in the tender evaluation process was that factors other than wage rates accounted for the major component of cost differences between tender prices of different operators.
CAN:	<b>Living wage issues</b> . It was noted that some unions are campaigning for all employees (particularly bus drivers in this context) to be paid the 'living wage' rate as a minimum. If this requirement were to be legislated, then appropriate provisions would need to be made within current (PTOM) contracts, which cover a period of 9-12 years.
BoP:	<b>Contract exclusivity</b> . One positive aspect of PTOM is the abolition of operators being able to notify/register commercial services within limited constraints, which then necessitates RCs adjusting contractor services to allow for these. The PTOM move to exclusivity for contracts is welcomed. <b>Patronage and revenue incentives</b> . The current FIM arrangements incentivise operators for patronage increases, but do not penalise them for decreases. This stacks the system unjustly in the operator's favour.