

Sir Brian Roche
Chair
Waka Kotahi NZ Transport Agency Board
Private Bag 6995
WELLINGTON

Dear Sir Brian

New Zealand Upgrade Programme – Transport baselining and delegation

We (Joint Ministers) would like to acknowledge Waka Kotahi NZ Transport Agency's (Waka Kotahi) ongoing work on the delivery of the transport component of the New Zealand Upgrade Programme (NZUP). The NZUP will deliver a number of critical projects that will help future proof the economy, get our cities moving, and make our roads safer.

Baselining the NZUP

As with a programme of this nature and scale, it is important that we have a sufficient understanding of how the NZUP, and the supporting projects are being scoped and developed, and how this aggregates to the programme level. This will enable us to make timely and critical decisions on programme-level trade offs, and avoid project-level risks.

It is therefore a priority for us to see a full and robust baseline established for NZUP by March 2021. This is required to establish a clearer and better defined view of the scope, benefits, costs, outcomes, and delivery schedules for each of the projects, and the overall programme.

The Ministry of Transport (the Ministry) and the Treasury, advised by the Oversight Group, will work with you to develop the baseline for the NZUP. As the baseline is being established, we expect Waka Kotahi and KiwiRail (the delivery agencies) to keep us, the Ministry and Treasury informed of risks as they arise and how they are being managed; any significant variations from the Establishment Reports; and of the progress and content of the baselining process.

The Ministry and Treasury, supported by the NZUP Oversight Group, will provide more specific guidance on the level of information that will be required to form a robust baseline for the NZUP.

Delivery agencies must also keep us, the Ministry and Treasury informed of any significant decisions or actions that could impact the overall delivery of the NZUP within the funding envelope. This is important for ensuring that we have confidence that the delivery agencies

are not making decisions outside of their delegation, or that will potentially trigger a threshold breach at a future point in time.

As we stated in our letters of January 2020 and August 2020, our expectation is that the transport projects are delivered within the fixed funding envelope of \$6.8 billion across both Waka Kotahi and KiwiRail. We are operating in a fiscally constrained environment, particularly as a result of the impacts from COVID-19. This means that it is critically important that the NZUP is sufficiently well scoped and defined so we are clear on both what we are purchasing through each of the projects, and the associated costs and benefits.

There are limited alternatives to managing unforeseen funding pressures across the NZUP, given the significant pressures on the National Land Transport Fund and the wider Crown balance sheet more generally. Joint Ministers' letter of January 2020 sets out options that may be considered, including making trade-offs within the NZUP, but you should not presume that any particular one of these would be used at this early stage. Delivery agencies, with the NZUP Oversight Group, will need to discuss these matters with Joint Ministers.

Strong engagement with the NZUP Oversight Group will be important to ensure officials can support Waka Kotahi and KiwiRail to successfully deliver the programme. Joint Ministers would welcome the Chairs of Waka Kotahi and KiwiRail engaging with the NZUP Oversight Group, particularly as the baseline for the programme is established.

Delegations and sub-delegations

This letter reconfirms, as stated in Joint Ministers' letter of 6 August 2020, that we agree to delegate the individual project level decisions in the Programme to the Waka Kotahi Board. For clarity, noting s98(3) of the Land Transport Management Act 2003, the Minister of Transport consents to the Waka Kotahi Board sub-delegating these decisions in accordance with an appropriate delegation framework being in place to manage these decisions.

Thank you again for your continued commitment and support in progressing this nationally significant programme of investment.

Yours sincerely

Hon Grant Robertson
Minister of Finance

Hon Michael Wood
Minister of Transport

Copy: Nicole Rosie
Chief Executive, Waka Kotahi NZ Transport Agency

Peter Mersi
Chief Executive and Secretary for Transport

Dr Caralee McLiesh
Chief Executive and Secretary to the Treasury