

2.23 RED1 FABRICATION – ENGINEERING EQUIPMENT

PGF Application		For: Approval	
Applicant:	Red One Fabrication Limited	Pipedrive ID #	Commercial
Entity Type:	Company	PGF Funding Sought:	\$93,000
Region	Otago	Total Project Value:	Commercial Inform
Tier:	2 - Sectors	Co-contribution:	Commercial Info \$ (Comm %)
Sector:	Southland and Otago Regional Engineering Collective	Funding Structure:	Grant

We recommend that SROs:

- a) **Approve** up to \$93,000 from the PGF fund towards the purchase of one specific piece of engineering equipment to build the capability and capacity of Southland and Otago manufacturing and engineering firms, subject to:
- The applicant maintaining alignment to the Southland and Otago Regional Engineering Collective objectives evidenced by the continued reporting to the Ministry on its outcomes.
- b) **Note** this project aligns with PGF and Southland and Otago Regional Engineering Collective objectives.
- c) **Note** this funding request is part of the agreed PGF allocation for the Southland and Otago Regional Engineering Collective.

Proposal:

The applicant specialises in fabrication of Stainless Steel and Aluminium products for the Aviation industry (such as helicopter fertiliser buckets) and Automotive industries. Its expertise extends to Computer Aided Design (CAD) and manufacture of hopper style seeding, fertiliser and bait helicopter buckets with the company having designed some of the most innovative models on the market today.

The applicant seeks financial support for a piece of equipment to help bring more of the process in establishing its products in-house. The piece of equipment the applicant requires PGF investment for is:

Equipment	Total cost
Maximum 1530 Water Jet Cutter	\$ Commercial Inform (the PDU recommends funding Comm % at \$93,000)

The Water Jet Cutter will enable the applicant to increase its productivity as it will decrease the waiting times currently constraining the applicant's growth, as it currently relies on other manufacturing companies to make the components.

Currently, the applicant outsource the machining and cutting of components that make its product. Commercial Inform

Commercial Information

The Water Jet cutter will reduce health and safety risks associated with cutting and finishing by hand, with the removal of grinding dust, and fumes. It will increase the applicants output greatly compared to their 'by hand' methods resulting in the internal manufacture with a cutting machine decreasing wait times and securing more sales.

(Please note that this coversheet should be read alongside the SOREC cover briefing and the other 7 related SOREC projects).

Assessment against the PGF criteria:

Eligibility Criteria

This application is eligible for PGF funding.

Productivity Potential

Currently, the applicant is reliant on other engineering and manufacturing firms to produce the specific parts required for its product. With the purchase of the Water Jet Cutter through this application, it will be able to increase productivity as it will have the equipment it needs in-house to make the product and it will avoid the need to hand deliver and pick up delicate parts.

Policy objectives and regional priorities

The Engineering and Manufacturing sector has been identified by the RED Ministers as a key sector for PGF investment. Linked to this is the identification that Otago and Southland are two regions which possess a high number of firms in this sector.

Through previous funding provided by the PGF, an analysis was undertaken by Comm to identify the pain points currently being faced by engineering and manufacturing firms in Otago and Southland. From this, a document outlining the steps to addressing the perceived issues was developed titled the 'Southland and Otago Regional Engineering Collective'. The applicant was approached as part of the analysis, and now has the opportunity with the support of the PGF to address its current challenges, specifically around its ability to meet demand, and provide good employment options for low-skilled employees and apprentices.

PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> The applicant currently employs ⁰⁰ staff. PGF support will enable the applicant to hire ^{0 m} more permanent staff, as well as ⁰⁰⁰ contractors required to install and commission the new equipment. 	✓✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> Indirectly, the creation of ⁰⁰⁰ new, sustainable roles will have flow on effects to the local economy. 	✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> Not evident 	

Enhanced sustainability of natural assets	<ul style="list-style-type: none"> • Not evident 	
Mitigation of climate change effects	<ul style="list-style-type: none"> • Not evident 	
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> • Engineering and Manufacturing is a strong sector in Dunedin which has been constrained due to the inability for companies to meet the demands through the lack of efficient equipment. 	✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> • With the purchase of the new Water Jet Cutter, the applicant will be able to increase productivity as it will have the equipment it needs to accelerate the production and output required to meet the demands of its customers. 	✓✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> • While not yet public, the applicant's project aligns well to the objectives of the ORED Framework, specifically the objective to increase productivity of the region. 	✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> • The Dunedin City Council is aware of the applicant's application to the PGF. The Dunedin City Council is heavily involved in Engineering Dunedin Inc. 	✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> • The applicant will oversee the installation of the equipment and procurement of the relevant staff to join the company. 	✓✓✓✓
Risk management approach	<ul style="list-style-type: none"> • Risks are identified with mitigations. 	✓✓✓
Future ownership / operational management	<ul style="list-style-type: none"> • Existing arrangements. 	
Analysis of the benefits and costs		
<p>The key benefit of this project is the number of jobs created for the PGF investment being sought. In addition, the jobs being created provide a good platform for a person coming into the company with a low-skill base, being able to progress through the company to a high-skilled role on a variety of automated equipment.</p>		
Financial Analysis		
Yes – 5 year Profit and Loss statements between 2015 and 2019 have been provided.		
Funding Arrangements		

A grant of \$93,000

Due Diligence and Ownership

Commercial Information

Risk Assessment

The key risks to the PDU and proposed mitigations of this investment are as follows:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
Duplication	Commercial Information	While still in its infancy, SOREC will aim to undertake a cataloguing of equipment across the engineering firms that are part of SOREC to ensure that duplication of equipment is minimised. The PDU has spoken to the company who the applicant is currently obtaining its manufacturing parts from, they are supportive of the applicant getting this piece of kit as they too are capacity constrained and this will relieve some of the pressures it has.	Medium
Resource	The ability for the company to find employees to fill the roles may delay the productivity potential of the applicant.	While still in its infancy, SOREC will aim to work with engineering firms to understand the current employee shortages, and then work with tertiary educators, employment agencies, and social development agencies to fill the employment gaps.	Medium

Consultation undertaken or implications:

MFAT has been consulted on any subsidies that could be provided through a grant to the applicant. This project was considered low risk.

Commercial Information

Supporting proposal:

Yes

Appendices:

Yes – application has been provided

Author of paper:

HW, Investment Team