

Evaluation, Cover Sheet and Decision Form

Project:	Central Custom Engineering - Machinery		FOR:	Approval
Applicant:	Central Custom Engineering		PDU ID:	Commercial Information
Application type:	PGF	(A) Total Project Value:	\$ Commercial Information	
Funding type:	Grant	(B) PGF Funding Sought:	\$156,000	
Entity Type:	Company	(C) PGF Funding Recommended:	Up to \$156,000	
Region:	Otago	(D) Applicant Contribution:	\$ Commercial Information Commercial Information	
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Comm %	
Sector:	Manufacturing/ Engineering			
Application summary:	<p>Central Custom Engineering based in Alexandra has specialist sheet metal equipment for making industrial quality trailers, alloy dog boxes and truck decks. As well as custom-made equipment it takes care of repairs and maintenance. It does not export internationally.</p> <p>The applicant seeks the financial support for a piece of equipment to help remove blockages, increase productivity and meet the current demands on its business. The equipment required is:</p> <ol style="list-style-type: none"> 1. Water Jet Cutter 			

It is recommended that SROs:

Agree to approve up to \$156,000 for a grant from the PGF towards the purchase of a specific piece of engineering equipment because:

- The equipment will diversify the applicant's service offering and reduce the amount of work that is currently outsourced. This aligns with the PGF objectives in regard to uplift in productivity, enhanced economic opportunities, more highly-skilled jobs (Comm FTE) and resilient communities
- it aligns with the Southland and Otago Regional Engineering Collective objectives 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 (SOREC) objectives evidenced by the continued reporting to the Ministry on its outcomes
- The applicant providing a written statement that assures that the new equipment will not adversely affect other firms
- Satisfactory financial analysis.

Note this funding request is part of the agreed PGF allocation for the Southland and Otago Regional Engineering Collective, in which Comm projects have already been approved by SRO's for grant funding.

Section A: Triage – Assessment against PGF eligibility criteria**Is the project:**

➤ an illegal activity?	No
➤ located in the three main metropolitan areas?	No
➤ seeking investment in large scale infrastructure of social assets?	No
➤ three waters	No

Application description

The applicant seeks financial support for a piece of equipment to help remove blockages, reduce lead times, accelerate productivity and bring more of its process in-house. The equipment the applicant requires is:

Item	Cost (excluding GST)
Water Jet Cutter	\$ Commercial Information
Total	\$ Commercial Information (of which PDU recommends funding % - \$156,000)

The equipment sought not only contributes to the growth of the applicant, but the Otago engineering sector as a whole as well as those industries the applicant supports, services, and maintains for instance local orchards and their pack house machinery.

Detail of the equipment and the benefits to the company are as follows:

1. Water Jet Cutter

This machine would speed up current lead times and would allow for expansion beyond predominate trailer products. Commercial Information

Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount
Central Custom Engineering	Commercial Information	\$ Commercial Information
Total		\$ Commercial Information

Competitors

The nearest competitor is based in Hamilton (Commercial Information) and manufactures hardlids. Central Custom Engineering does not tend to compete with them directly due to the geographical distance. Other competition is from imported goods and a small number of local manufacturers; however there is a wait list for many of these products.

Southland and Otago Regional Engineering Collective

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 ^{Commercial Informat} 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 to high skilled employees and apprentices.

Please note that in August and September SRO's approved ^{Comme} Southland and Otago projects as part of the engineering package and this coversheet should be read alongside the other related SOREC projects and the cover briefing.

Overseas Investment Office

- | | |
|---|----|
| ➤ Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted) | No |
|---|----|

Section B: Operational Assessment Criteria (Complete for EoIs and Applications)

(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)

Fund and government outcomes

Please highlight number below

Would the project:

➤ create permanent jobs?	The applicant currently has around ^{Comm} people working for it in Central Otago. Funding would enable ^{Com} new sustainable jobs. Jobs created are ^{Com} at the highly-skilled level, ^{Com} low-skilled and ^{Com} apprentice.	Commercial Information
➤ deliver community benefits?	Indirectly, the creation of new sustainable roles will have flow on effects to the local community.	Commercial Information
➤ increase utilisation of and returns on Maori assets?	Not evident.	Commercial Information
➤ enhance the sustainability of natural assets?	Not evident.	Commercial Information
➤ mitigate climate change effects, or assist with the lowering of emissions?	Not evident.	Commercial Information

Additionality		
Would the project:		
➤ add value by building on what is already there, without duplicating effort?	Engineering and manufacturing is a strong sector in Otago which has been constrained due to the inability for companies to meet the demands through the lack of efficient equipment.	Commercial Information
➤ be a catalyst for productivity potential in the region?	With the purchase of the new equipment, 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.	Commercial Information
Connected to regional stakeholders and frameworks		
Does the project:		
➤ align with regional priorities, such as frameworks, or regional plans?	The applicant aligns with the objectives of the Southland and Otago Regional Engineering Collective (SOREC). SOREC is the incubator for building the capability and capacity of the Southland and Otago manufacturing and engineering Firms. SOREC will grow the region by increasing collaboration to successfully compete for new work, adopt new technologies or methodologies, and increase the calibre and number of regional apprentices.	Commercial Information
➤ have the support of local governance groups (councils, iwi and hapu)?	Dunedin City Council are supportive of the engineering package and are heavily involved with Engineering Dunedin Inc.	Commercial Information
Governance, risk and project execution		
Does the application show:		
➤ robust project management and governance systems?	The applicant will oversee the installation of the equipment and recruitment of the relevant staff to join the company. The Director and Foreman will lead and have experience in the implementation of the project. Risks are identified and mitigated appropriately.	Commercial Information
➤ plans for future ownership and operational management?	Existing arrangements.	Commercial Information
➤ how the project will be delivered and managed?	The equipment supplier has already been identified and the machine seen in use by the applicant.	Commercial Information

Section C: Risk Management Evaluation			
Does this application demonstrate consideration of the following risks?			Yes
Type of risk	Risk description	Mitigations	Risk Rating
Duplication	PGF funding may lead to the applicant purchasing equipment that competes directly with another engineering firm.	The PDU has sought assurance the new equipment will not adversely affect other firms, at times checking with those other firms. We will also seek a written statement from the applicant where this confirmation wasn't explicit in the application.	Commercial Information
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.	Commercial Information
Supplier delays	Delays in buying the equipment delays the creation of new jobs.	The applicant will get clarity from the supplier on expected timeframes and will utilise existing equipment until supplied.	Commercial Information

Section D: Funding and financial analysis		Please highlight number below
Does the application show:		
➤ How strong is the financial position of the applicant organisation?	The applicant has a strong financial position. For further information please refer to Annex One of this coversheet. <small>Withheld - Commercial Information</small>	Commercial Information
➤ How does the scale of the project	In line with current business.	Commercial Information

compare to their overall business?		
➤ Why is Crown funding being sought rather than commercially-available funding?	The applicant has had plans to update its technology for some time. They could fund this internally but it would take a few years. Commercial Information	Commercial Information
➤ What does the independent financial analysis/ business case indicate?	N/A	Commercial Information
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	Due to the level of funding sought (\$156,000) the PDU recommends that a grant (with ^{Comm} % co-contribution) would be the most appropriate funding model for this Engineering/Manufacturing package. Commercial Information	Commercial Information
➤ Has the applicant provided evidence of market pull for this project?	Funding would positively impact on the applicant's ability to meet demand. Demand for the applicant's services is evident, shown by a ^{Comm} % increase in sales from 2016 to 2019.	Commercial Information
➤ Has the applicant provided evidence that their supply chain is secure?	A supplier of the machinery has been identified. The applicant has also physically inspected the machinery and seen the machinery in operation to verify it meets the applicant's requirements.	Commercial Information
Summary of funding and financial analysis:	Commercial Information PGF funding will accelerate the investment and bring forward the date production efficiencies are achieved. This will also mean that the flow on effects of new jobs in Alexandra and the positive impact this will have on the local economy will be realised much sooner.	Commercial Information

Funding arrangements

Suggest a grant of up to \$156,000 from the PGF fund towards the purchase of a specific piece of engineering equipment.

Proposed deliverables for negotiation during contracting include:

#	Deliverable	Due Date	Associated Payment (ex-GST)
1	Funding Agreement executed and any pre-conditions are met or waived	Commercial Information	\$ Commercial Inform
2	Equipment installed and operational	Commercial Information	\$ Commercial Inform
3	Quarterly report 1 of 4 submitted	Commercial Information	\$ Commercial Inform
5	Quarterly report 2 of 4 submitted	Commercial Information	
6	Quarterly report 3 of 4 submitted	Commercial Information	\$ Com
7	Quarterly report 4 of 4 submitted	Commercial Information	
8	Final Report submitted	Commercial Information	
Total			\$156,000

Consultation from partner agencies undertaken or implications

Feedback from MFAT.

Provided:

- a. the funding is not contingent on export performance or the use of domestic over imported inputs; and
- b. firms receiving PGF funding sell to other NZ firms at normal commercial prices

Then MFAT has no material concerns from an international obligations perspective.

Conflicts of interest and T&Cs

Due diligence has been undertaken and nothing of note was found.

Summary statement of Peer Review undertaken

The following Review has taken place in connection with this application:

All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SROs / IAP.

Consultation with the relevant partner agencies has occurred allowing them to provide any relevant technical advice with any feedback included verbatim within this application form.

In the development of this form:

- i. A review by an Investment Director has taken place and included the following to the satisfaction of the reviewer:
 - a. An evaluation against the PGF criteria;
 - b. Financial analysis;
 - c. A risk assessment, highlighting any relevant or key risks;
 - d. Conflicts of interest have been noted and accepted and the reviewer concurs with the recommendation proposed.
- ii. The Head of Investment has reviewed this recommendation.
- iii. This application has been reviewed by the PDU SLT.

Peer Review has been completed

Yes

Supporting proposal:

Yes

Appendices:

Yes - Annex One and application is attached

Withheld - Commercial Information

Author of paper:

HW, Senior Investment Analyst, PDU Investment Team
 MN, Investment Analyst, PDU Investment Team
 PS, Investment Director, PDU Investment Team