

## 2.19 FARRA ENGINEERING – INSTALLATION HORIZONTAL FLOOR BORER MACHINERY

PGF Application		For: Approval	
<b>Applicant:</b>	Farra Engineering Limited	<b>Pipedrive ID #</b>	Commercial Information
<b>Entity Type:</b>	Company	<b>PGF Funding Sought:</b>	\$325,000
<b>Region</b>	Otago	<b>Total Project Value:</b>	\$ Commercial Inform
<b>Tier:</b>	2 - Sectors	<b>Co-contribution:</b>	\$ Commercial Inform (Comm %)
<b>Sector:</b>	Southland and Otago Regional Engineering Collective	<b>Funding Structure:</b>	Grant

### We recommend that SROs:

- a) **Approve** up to \$325,000 from the PGF fund towards the installation of their Horizontal Floor Borer machine costs 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.
- b) **Note** this project strongly 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 'Farra Engineering' are an integrated, full-service engineering company in Dunedin with experience in the delivery of design, drafting, product development, mechanical engineering and project management to support the manufacturing, energy, mining, transportation and construction sectors.

The applicant seeks financial support for installation of their Horizontal Floor Borer machine into their Dunedin workshop. PGF funding requested is \$325,000 and will enable the applicant to increase its productivity and meet customer demands.

The Horizontal Floor Borer is a critical piece of machinery for hydro equipment maintenance and will help complete maintenance work in shorter timeframes for companies such as Commercial Information. The machine will also be used for maintenance on operating machinery in roading, construction and mining sectors.

The machine was owned by Commercial Information. Farra Engineering was able to purchase

before it was sold to Australia.

(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

Given the varied nature of the applicant's clientele, the work directly supports the growth of the power generation, construction, rail, marine, food and beverage manufacturing sectors across Otago and Southland. Therefore the machine for which installation costs are sought through this application not only contribute to the growth of the applicant, but also the Otago engineering sector as a whole and those industries the applicant support, service and maintain.

### Policy objectives and regional priorities

The Engineering and Manufacturing sector has been identified by the 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✓)
<b>Link with fund and government outcomes</b>		
Creates permanent jobs	<ul style="list-style-type: none"> <li>PGF support will enable the applicant to hire C more permanent staff and additional support staff to accommodate additional workload.</li> </ul>	✓✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> <li>Indirectly, the creation of new, sustainable roles will have flow on effects to the local economy.</li> <li>Engineering students training in Dunedin will also benefit from use of this machinery.</li> </ul>	✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> <li>Not evident</li> </ul>	

Enhanced sustainability of natural assets	<ul style="list-style-type: none"> <li>• Not evident</li> </ul>	
Mitigation of climate change effects	<ul style="list-style-type: none"> <li>• Not evident</li> </ul>	
<b>Additionality</b>		
Adding value by building on what is already there	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> <li>• With the installation 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 our customers</li> </ul>	✓✓✓
<b>Connected to regional stakeholders and frameworks</b>		
Alignment with regional priorities	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	✓✓✓
<b>Governance, risk management and project execution</b>		
Robust project management and governance systems	<ul style="list-style-type: none"> <li>• Head of Heavy Engineering for Farra will oversee the installation. Project management systems are in place.</li> </ul>	✓✓✓✓
Risk management approach	<ul style="list-style-type: none"> <li>• Risks are identified with mitigations.</li> </ul>	✓✓✓
Future ownership / operational management	<ul style="list-style-type: none"> <li>• Existing arrangements.</li> </ul>	
<b>Analysis of the benefits and costs</b>		
The key benefit of this project is the potential for increased productivity and in turn the number of jobs created for the PGF investment being sought. In addition, the machinery being installed provides a potential training opportunity for those with lower skills and Engineering students in Dunedin.		
<b>Financial Analysis</b>		
Yes – 5 year financial and performance statements between 2015 and 2019 have been provided.		
<b>Funding Arrangements</b>		

A grant of \$325,000.

### 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
<b>Duplication</b>	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.	Medium
<b>Resource</b>	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