

3.5 NELSON ARTIFICIAL INTELLIGENCE INSTITUTE

PGF Application		For: Discuss/ provide advice	
Applicant:	Nelson Artificial Intelligence Institute Limited (NAII)	Pipedrive ID #	Commercial Information
Entity Type:	Company	PGF Funding Sought:	\$ Commercial Information
Region	Top of the South	Total Project Value:	\$ Commercial Information
Tier:	2 - Sectors	Co-contribution rate:	Comma%. Commercial Information
Sector:	Aquaculture / Digital	Funding Structure:	Grant / Loan

We seek that the IAP:

Discuss and provide advice on NAII.

NAII is a private company that has been established to work with regional industry, and, education provider Nelson/ Marlborough Institute of Technology (NMIT), to provide Artificial Intelligence services focussed on aqua culture.

The commercial opportunity is to develop JVs with companies and industry entities such as Commercial Information, Commercial Information to better use captured data. AI will allow these partners and NAII to develop efficiencies in existing processes, and, develop new opportunities/ market offerings.

The educational opportunity is to work with NMIT, via the provision of AI content for courses, to graduate AI capable staff able to fill roles at NAII or in the AI sector more generally. NMIT has provided written evidence they wish to work with NAII to deliver this.

The applicant is seeking funding from the PGF of \$Commer. The applicant is seeking this funding as a mix of a \$Commercial I grant and a \$Commercial I loan, reflecting the dual private and public opportunities associated with this application. The funding will provide working capital to accelerate the company's activities.

NAII has worked in the region for two years to establish and build relationships (written support provided) with:

- Industry
- Education
- Government

The project has strong support from the PGF Te Taihu team.

The PDU has developed a portfolio of investments focussed on the acknowledged competitive advantage of aqua culture in the region. The investments cross the production and manufacturing spectrum from R&D through to infrastructure.

NAII could provide a valuable service by helping the industry to develop efficiencies, discover new opportunities and climb the value chain – a service not currently well-developed. The PDU notes aqua-culture is seeking to create more value from its products and that considerable scope for improvement exists.

Artificial Intelligence (AI) is a growing industry. The opportunities it can provide are well-understood and there is strong evidence of considerable state investment internationally. As such, seeking public funding for AI to help industry is reflective of international trends and, evidence of the increasing value being placed on AI. As the application notes, China invested over \$6b in AI in 2017.

The benefits of this application, therefore, include:

- An application seeking to bring a growth industry to a sector that is acknowledged as a competitive advantage in Te Taihu.
- A PDU Te Taihu team identified vector, within aqua culture and the ocean economy, that is not currently well-developed but that could bring significant benefits and opportunities.
- A proposed model that offers public and industry benefits within a structure that works towards self-sustainability.
- An applicant that has been assessed by the PDU in-depth and, that assessment has shown they are well respected and capable of delivering such a service offering.

NAII has also received funding from the PGF to develop its business case/ structure document. That project was delivered on time and within budget, providing confidence in the applicant.

The PDU has assessed this application and notes investment risk is present.


The Te Taihu portfolio has a risk profile. It is recognised that as an early stage acceleration play, NAII contains an amount of risk as an investment. It is noted the risk profile across the portfolio is weighted conservatively.

Whilst it is acknowledged the applicant has been developing NAII in the region for the past two years, this investment is early stage. NAII has secured small contracts with **Commercial Information** and has outlined additional progressed opportunities with **Commercial Information**. As such, commercial activity is underway but is limited.

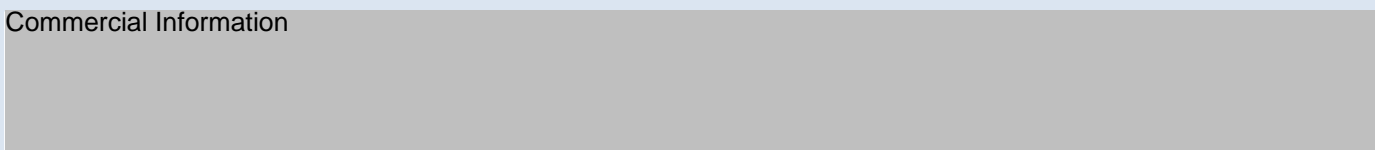
Commercial Information



Commercial Information



Commercial Information



Noting both the positives and issues associated with this application, the PDU wishes to seek advice from the IAP and puts forward the following strawman.

Strawman

Funding associated with training AI workers, proposed to be done in association with NMIT, be provided to NMIT within the model that NMIT undertakes with contractors. This reflects that NAIL is likely to be contracted by NMIT to provide the AI course content.

Funding is provided to NAIL to help them accelerate their activity. To achieve this, a working capital budget be agreed with NAIL for a period of ^{Comm} months. This would be in the form of a loan of no more than \$^{Commercial}.

Items of capex associated with the building of AI such as the computer cluster, ^{Commercial Information}, could be funded via a ^{Commercial Information} (approx. \$^{Commercial}). ^{Commercial Information}

The PDU seeks advice from the IAP in relation to additional funding. Options could be:

- To nominally allocate an additional amount that could be provided to NAIL following a review of NAIL three months prior to the second anniversary of the funding agreement, should NAIL struggle to operate without additional funding. This reflects that NAIL is seeking funding across a four year period.
- The PDU could extend the drawdown period of the facility to allow NAIL to work within a set limit of funding (\$^{Commer}) but for longer than ^{Comm} months. This has been used by MBIE Science previously.
- The PDU could outline to the applicant that funding is available for ^{Comm} months and that is the extent of PGF funding.

Next step

The PDU proposes that once the IAP has provided advice on NAIL the PDU will go back to NAIL and establish if they are interested in working within an amended funding structure, noting this strawman and further comments from the IAP are likely to differ from the request for funding from the applicant.

Consultation undertaken or implications:

Supporting proposal:	Seeking advice
Appendices:	Yes – Application. One pager from AI Morrison (SRO). Business case
Author of paper:	ELH, Investment Team