

COVER SHEET

2.1 Nelson Artificial Intelligence Institute Project PGF Application		For: Approve	
Tier:	1 - Regional	Sector:	Aquaculture/ Artificial Intelligence
Background & context:		Recommendation(s):	
<p>Applicant Organisation:</p> <ul style="list-style-type: none"> Nelson Artificial Intelligence Institute (NAII) <p>Location:</p> <ul style="list-style-type: none"> Top of the South/ Te Tau Ihu <p>Proposal:</p> <ul style="list-style-type: none"> Assisting regional industry, research and business organisations through the application of artificial intelligence (AI) to their operations <p>Funding Sought:</p> <ul style="list-style-type: none"> Total project value: \$^{Commercial Inform} PGF Funding: \$95,000 <p>Background:</p> <ul style="list-style-type: none"> The Nelson Artificial Intelligence (AI) Institute is seeking to develop a regional AI facility with a focus on aiding the aqua culture industry. The primary objective of the NAII is to develop an AI-based software product that can be continually developed and applied to datasets, to improve commercial and/or research projects. The milestones of this application are to: <ul style="list-style-type: none"> Develop the corporate structure Develop a robust business case Develop existing work streams to finalise the first two AI projects (^{Commercial Informatio} and ^{Commerce}) Develop an application for funding for a regional AI institute focussed on aqua culture but able to expand and seek international opportunities as development allows The three founders have strong backgrounds in 		<p>We recommend that SROs:</p> <p>a) Discuss The Nelson Artificial intelligence Institute (NAII) PGF application seeking \$95,000 of \$^{Commercial Inform} (^{Comm}%) to deliver four milestones (outlined in Background)</p> <p>b) Note That although co-funding is 'in-kind', the applicant has invested heavily into NAII over the last 12 months, witnessed by the progressed nature of the relationships with potential clients and collaborators. NAII has also employed a Full Stack Developer (\$^{Commer}) who is working on the software platform</p> <p>c) Note MBIE Science has been consulted and Technical Advice sought. Their comments are in the Background</p> <p>d) Note This project is being developed as a regional opportunity:</p> <ol style="list-style-type: none"> I. Focussing on the region's competitive advantage, aqua culture II. The project is seeking to establish education programmes with NMIT to bring through appropriately qualified workers III. Working with regional stakeholders and established entities, ^{Commercial Informatio} and ^{Commerce} ^{Commercial Inform} to deliver better commercial and research outcomes <p>e) Note The project meets PGF criteria with strong support from regional stakeholders, strong acumen and commercial experience in relation to governance and management, and a focus on providing pathways for people in the region</p>	

tech, including AI. Noting that this project is not yet commercialised, the talent associated with the company is one factor that provides confidence in the venture. A second positive associated with NAI is the industry support, witnessed in letters of support from:

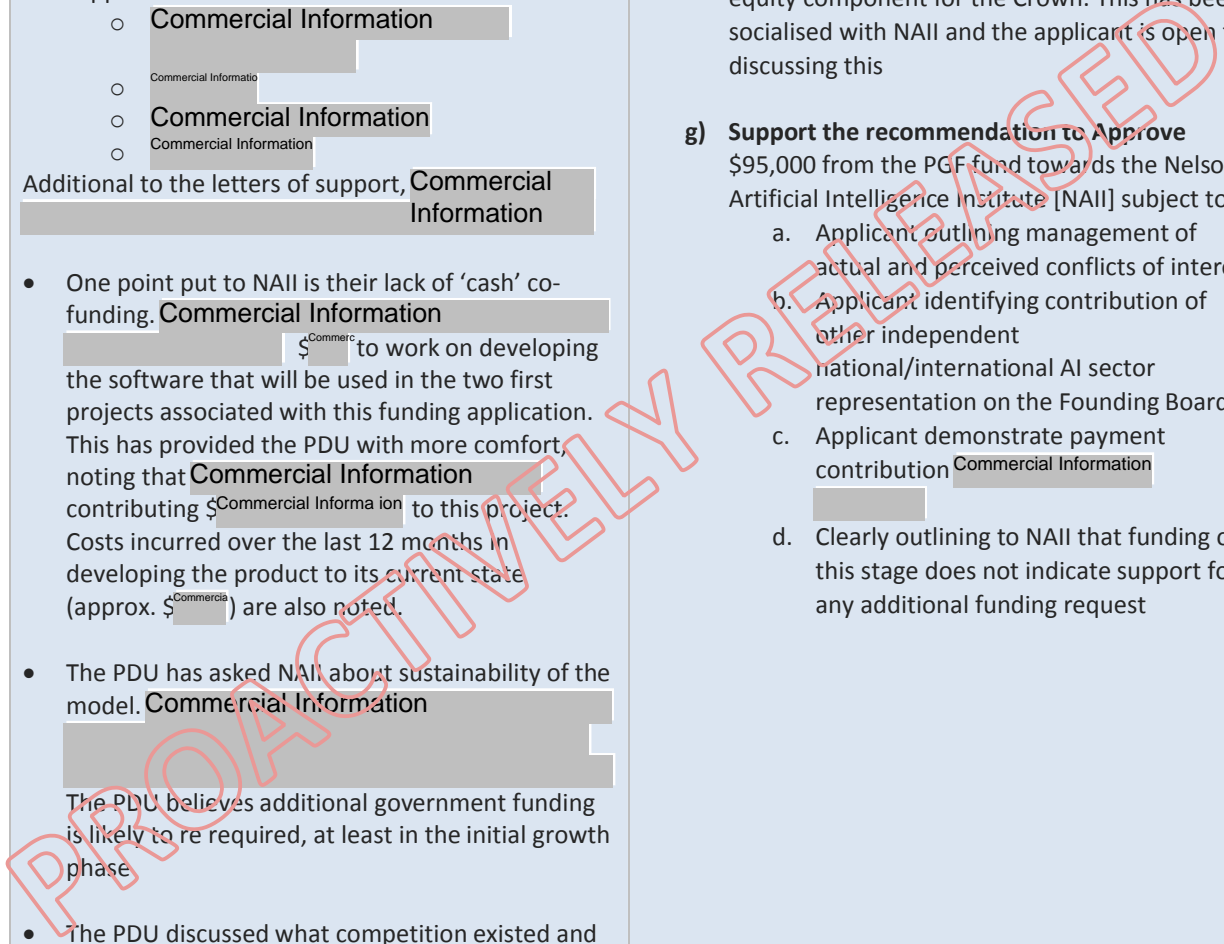
- Commercial Information
- Commercial Information
- Commercial Information
- Commercial Information

Additional to the letters of support, Commercial Information

- One point put to NAI is their lack of 'cash' co-funding. Commercial Information
 Commercial Information \$Commercial to work on developing the software that will be used in the two first projects associated with this funding application. This has provided the PDU with more comfort, noting that Commercial Information contributing \$Commercial Information to this project. Costs incurred over the last 12 months in developing the product to its current state (approx. \$Commercial) are also noted.
- The PDU has asked NAI about sustainability of the model. Commercial Information
 Commercial Information
 The PDU believes additional government funding is likely to be required, at least in the initial growth phase
- The PDU discussed what competition existed and what entities might be adversely affected should this application be successful. The applicant noted a significant need for skilled staff in this field. NAI noted that existing jobs in the aqua culture sector are not likely to be affected as the goal is to better understand what is currently happening in a process, what opportunities might exist to optimise or change for benefit manufacturing and processing models, which would then open workstreams to implement results.
- The PDU has discussed the nature of the project milestones, noting that they are heavily weighted to professional services. In response, the applicant notes the need to set strong foundations,

to **develop educational pathways** that will be applicable to this emerging field

- f) **Note** Previous projects funding in this space, including Commercial Info, have been funded with an equity component for the Crown. This has been socialised with NAI and the applicant is open to discussing this
- g) **Support the recommendation to Approve** \$95,000 from the PGF fund towards the Nelson Artificial Intelligence Institute [NAII] subject to:
 - a. Applicant outlining management of actual and perceived conflicts of interest
 - b. Applicant identifying contribution of other independent national/international AI sector representation on the Founding Board
 - c. Applicant demonstrate payment contribution Commercial Information
 - d. Clearly outlining to NAI that funding of this stage does not indicate support for any additional funding request



<p>including legal, to ensure that as the institute scales up, they are doing so within a model that can sustain growth. The PDU believes this is prudent and not excessive.</p> <ul style="list-style-type: none"> • MBIE Science has been asked for Technical Advice. The PDU asked questions in relation to the applicant's use of third parties to undertake work and what has been funded to date in this space. They noted, applicants do seek expertise as required, and, that AI projects have been funded. This has provided the PDU with confidence that this is a sector seen as worthy of funding. 		
PGF criteria that this proposal supports:		
PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> • This application will create Commercial Information. However, the implementation of the milestones of this phase will lead to strong employment opportunities for Te Tau Ihu • In the next phase the applicant notes: <ul style="list-style-type: none"> ○ Current global and NZ shortage in AI expertise [Forbes] and illustrates the net effect of AI on UK jobs by industry sector [PWC Report on Global Impact of AI on Jobs]. The goal is to increase productivity and it is unlikely current jobs will become redundant but rather the output per capita would be higher. Other jobs would be created such as software engineers and machine learning. ○ That the institute will be developed out of an identified gap in the region in regard to technology depth, which contributes to local companies' competitiveness. 	✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> • This application will provide limited community benefit • Education and commercial opportunities will be realised in the next phase <ul style="list-style-type: none"> ○ NAIL is in discussion with NMIT regarding AI curriculum delivery 	✓

	<ul style="list-style-type: none"> ○ NAI is committed to education to increase tertiary level students entering the workforce ○ The Institute could bring higher paying and sustainable jobs into a higher value vector of a regionally acknowledged priority sector 	
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> ● This phase will provide limited benefit 	
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> ● As above 	
Mitigation of climate change effects	<ul style="list-style-type: none"> ● This phase will generate no mitigation of climate change effects ● The applicant is currently working with a company to help reduce mortality of their product, and notes climate change is impacting life expectancy (Commercial Information). The applicant further notes this could have a number of wider applications 	✓
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> ● This application is seeking to establish a new venture. That said, the founders are seeking to build on their considerable experience in this sector, and twelve months of project and relationship development 	✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> ● Limited in this phase but the PDU assesses that this stage has merit to ensure future growth is undertaken within a model that can accommodate it ● The development of NAI could bring significant productivity upside to the region. The ability to better use data, and generate outcomes that can increase economic activity could be a strong catalyst 	✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> ● Aquaculture and Research, Science, Innovation are key focuses within the 2077 Te Tau Ihu Regional Growth Study being developed 	✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> ● The project has strong support from regional stakeholders 	✓✓✓✓
Governance, risk management and project execution		

Robust project management and governance systems	<ul style="list-style-type: none"> The applicants have strong backgrounds in business and have outlined sensible milestones in this application, providing confidence in M&G 	✓✓✓							
Risk management approach	<ul style="list-style-type: none"> The risk/ mitigation register is short but identifies reasonable issues. The PDU has met the applicants and additional risks were discussed and mitigations socialised. These included: <ul style="list-style-type: none"> How the Institute will generate funding to ensure it is self-sustaining How it would benefit the region as a whole How it would be staffed, noting future growth would depend on attracting staff How the Institute will be structured Answers to these points have been received and assessed as reasonable 	✓✓							
Future ownership / operational management	<ul style="list-style-type: none"> The founders have established a company. The structure of the institute is one of the milestones of the feasibility 	✓							
<p>The purpose of this briefing is to consider recommending PGF funds to the Nelson Artificial Intelligence Institute</p>									
<p>Risks Issues: The applicant has supplied a risk/ mitigation register. It is relatively high level but the identified risks are reasonable. The PDU has met the applicants and additional risk were socialised. These are noted above (Risk management approach). The PDU is satisfied the applicant well-understands this industry, and is cognisant of what skills they do not possess which is reflected in the contractors and consultants involved in this project</p> <p>Eligibility points of note:</p> <ul style="list-style-type: none"> <i>Due diligence:-</i> Full due diligence has been completed. <i>Conflict(s) of interest:-</i> Based on the information provided conflict of interest is evident. The applicant notes that Commercial Information developed through NAII. The applicant notes this and so has disclosed a future potential conflict. A founding member sits on other AI organisation boards but has disclosed this. <i>Illegal Activity:-</i> Based on the application information provided and feedback from other agencies there is no indication that the applicant or project has been involved in, or associated with illegal activity. <i>Alignment with Regional development plans:-</i> The project aligns with regional priorities and has strong support from significant entities in the region. <i>Commercial funding availability:-</i> Given the nature of the project which is to develop structure and assess viability access to commercial funding is not considered a feasible option. 									
<p>Consultation undertaken or implications:</p>									
Legal	N/A	HR	N/A	Finance	N/A	MBIE policy	N/A	Other	MBIE Science
Supporting proposal:			Yes						

Appendices:	Yes – Application. Commercial Information
Sponsor(s):	N/A
Manager/Author of paper:	Eliot Linforth-Hall, Investment Team

PROACTIVELY RELEASED