

Evaluation, Cover Sheet and Decision Form

Project:	Stabicraft – Engineering Equipment for Marine services	FOR:	Approval
Applicant:	Stabicraft Marine Limited	PDU ID:	Commercial Information
Application type:	PGF	(A) Total Project Value:	\$ Commercial Informa
Funding type:	Grant	(B) PGF Funding Sought:	\$225,000
Entity Type:	Company	(C) PGF Funding Recommended:	Up to \$225,000
Region:	Southland	(D) Applicant Contribution:	\$ Commercial Informa (cash)
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Comm %
Sector:	Manufacturing/ Engineering		
Application summary:	<p>Stabicraft specialise in manufacturing aluminium-chambered vessels, providing recreational and commercial vessels in New Zealand and some other countries. Currently Stabicraft manufacture around 800 boats with a hope to grow to 1000+ in 2020. Constrains to this growth are around plant and factory efficiency. The applicant seeks the financial support for two pieces of equipment to help accelerate and increase productivity and meet the current demand for vessels produced for domestic sale. The two pieces of equipment required are:</p> <ol style="list-style-type: none"> 1. Robot and Welder 2. Medium Press 		

It is recommended that SROs:

Agree to approve up to \$225,000 for a grant from the PGF fund towards the purchase of two specific pieces of engineering equipment because:

- it aligns with the PGF objectives in regard to uplift in productivity, enhanced economic opportunities, more highly-skilled jobs/apprenticeships (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
- 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 two pieces of equipment to help accelerate productivity and bring more of the process in establishing its boats in house. The two pieces of equipment the applicant require include:

Item	Cost (excluding GST)
Robot and Welder	\$ <small>Commercial Inform</small>
Small Press	\$ <small>Comm. Inform</small>
Total	\$ <small>Commercial Inform</small> (of which PDU recommends funding <small>Comm %</small> - \$ <small>Commercial Inform</small>)

PGF funding will enable the applicant to increase its productivity and meet domestic customer demand in a timelier manner. The equipment sought not only contributes to the growth of the applicant, but the Southland Engineering sector as a whole through their alignment with SOREC and the ability for apprentices to train on specialised equipment. Detail of the equipment and the benefits to the company are as follows:

1. Robot and Welder

Welding Machine – Fronius Cold Metal Transfer (CMT) this is new technology for the marine industry supplied by Digital Weld

Robotic Welding Cell – purpose built for Stabicraft by Design Energy to include Nachi MV16 robot, the machine will decrease welding jig times by 50% which will remove a bottle neck for increased boat production. This will enable skilled welding staff to focus on more specialised welding tasks.

2. Small Press - 4 – 4.5 meter length - Dener

Supplied by Scott Machinery. The introduction of this press to Stabicraft will speed up the changeover of set-ups by 50-60% and will enable fast flexibility between jobs as press operators will not have to manually adjust back stops.

Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount
Stabicraft Marine Limited	Cash	\$ <small>Commercial Inform</small>
Total		\$ <small>Commercial Informa</small>

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 Inform} 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 high to low skilled employees and apprentices.

Please note that in August SROs approved ^{Com}Otago projects as part of the Engineering package and this coversheet should be read alongside the other ^{Com}related SOREC projects from Southland.

Overseas Investment Office

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| ➤ 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 |
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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 ^{Commer} people working for them in Invercargill. Funding would enable ^{Comm} new sustainable jobs. Jobs created include highly skilled to apprentice level.	N/A 1 2 3 4 5
➤ deliver community benefits?	Indirectly, the creation of new sustainable roles will have flow on effects to the local community.	N/A 1 2 3 4 5
➤ increase utilisation of and returns on Maori assets?	Not evident.	N/A 1 2 3 4 5
➤ enhance the sustainability of natural assets?	Not evident.	N/A 1 2 3 4 5
➤ mitigate climate change effects, or assist with the lowering of emissions?	Not evident.	N A 1 2 3 4 5

Additionality		
Would the project:		
➤ add value by building on what is already there, without duplicating effort?	Engineering and Manufacturing is a strong sector in Southland which has been constrained due to the inability for companies to meet the demands through the lack of efficient equipment.	N/A 1 2 3 4 5
➤ 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.	N/A 1 2 3 4 5
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 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.	N/A 1 2 3 4 5
➤ have the support of local governance groups (councils, iwi and hapu)?	This project broadly aligns with Southland's goal of '10,000 more people by 2025' in their Southland Regional Development Strategy. The project fits with several of their objectives around developing innovative business environments, removing obstacles to doing business in Southland, and developing new industries in Southland.	N/A 1 2 3 4 5
Governance, risk and project execution		
Does the application show:		
➤ robust project management and governance systems?	The applicant will oversee the procurement and installation of the equipment and the recruitment of the relevant staff to join the company. Management has overseen this type of project for new pieces of equipment previously. Risks are identified and mitigated appropriately and the applicant will be working with SOREC to help address recruitment and procurement issues if encountered.	N/A 1 2 3 4 5
➤ plans for future ownership and operational management?	Existing arrangements.	N/A 1 2 3 4 5

➤ how the project will be delivered and managed?	Appropriate plans and personnel are in place to deliver the project.	N/A 1 2 3 4 5
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Complete assessment and undertake due diligence?

Yes. Complete the Evaluation/ Recommendation form and submit DU request form.

No. Complete the front page of this form, recommending the application be declined.

Note: Due diligence has been undertaken with no major risks noted, Privacy of natural persons [redacted]. The PDU has followed this up to confirm this is a different person.

Section C: Risk Management Evaluation

Does this application demonstrate consideration of the following risks?			Yes
Type of risk	Risk description	Mitigations	Risk Rating
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

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 company has a strong financial position. In 2019 the focus has been on their growth strategy around channel to market, staffing, training, business software improvements and LEAN manufacturing process. Further information can be found in the cover briefing.	N/A 1 2 3 4 5
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➤ How does the scale of the project compare to their overall business?	The project is in line with the company's standard business.	N/A 1 2 3 4 5
➤ Why is Crown funding being sought rather than commercially-available funding?	The PDU approached the applicant as part of the wider Engineering/Manufacturing priority package. It is unlikely that the applicant would reprioritise funds or seek bank support for these items, rather waiting ^{Comme} years to fund internally.	N/A 1 2 3 4 5
➤ What does the independent financial analysis/ business case indicate?	N/A	N/A 1 2 3 4 5
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	Due to the level of funding sought (under \$ ^{Commercial Inform}) the Head of PDU agreed that a grant (with ^{Comm} % co-contribution) would be the most appropriate funding model for this Engineering/Manufacturing package.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence of market pull for this project?	Funding would positively impact on the applicant's ability to meet customer demand.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence that their supply chain is secure?	As above.	N/A 1 2 3 4 5
Summary of funding and financial analysis:	If funding is approved for this equipment it is clear that it would impact significantly on efficiencies, job opportunities and would accelerate production to meet customer demand. While this applicant has a strong balance sheet and could arguably fund the project in full itself, without PGF support it is unlikely that the applicant will choose to fund these items in the near future, therefore immediate benefits would not be realised.	N/A 1 2 3 4 5
Funding arrangements		
Suggest a grant of up to \$225,000 from the PGF fund towards the purchase of two specific pieces of engineering equipment.		
Proposed deliverables include:		

#	Deliverable	Due Date	Associated Payment (ex-GST)
1	Funding Agreement executed and any pre-conditions are met or waived	Commercial Information	Commercial Information
2	Equipment Piece One installed and operational		
3	Quarterly report 1 of 4 submitted		
4	Equipment Piece Two installed and operational		
6	Quarterly report 2 of 4 submitted		
7	Quarterly report 3 of 4 submitted		
8	Quarterly report 4 of 4 submitted		
9	Final Report submitted		
Total			\$225,000

Consultation from partner agencies undertaken or implications

MFAT note that "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."

Summary statement of Peer Review undertaken

The following Peer 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 peer review by an Investment Director has taken place and included the following to the satisfaction of the peer 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 peer 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 – application is attached
Author of paper:	HW, Senior Investment Analyst, PDU Investment Team PS, Investment Director, PDU Investment Team