



## COVER SHEET

1. Dunedin Engineering Hub – Feasibility Study	For: Approval
<b>Background &amp; context:</b>	<b>Recommendation:</b>
<p><b>Applicant Organisation:</b></p> <ul style="list-style-type: none"> <li>Farra Engineering Limited</li> </ul> <p>(Farra Engineering Limited is the proposed contracting entity, on behalf of the Dunedin Engineering Cluster, a collection of Dunedin engineering firms).</p> <p><b>Location:</b></p> <ul style="list-style-type: none"> <li>Dunedin, Otago region. However this project will provide benefit to the engineering sector across New Zealand. The study is being driven by the Dunedin Engineering Cluster, Commercial Information [REDACTED], and engineering sector participants from across the country will be involved.</li> </ul> <p><b>Proposal:</b></p> <ul style="list-style-type: none"> <li>Preparing a feasibility study for an Engineering Hub.</li> <li>The Engineering Hub would have a physical presence (in Dunedin or Taranaki), and would allow for shared equipment sharing, capacity and capability building, and a stronger link with education, skills and training and shared research and development.</li> <li>The feasibility study aims to better understand the New Zealand engineering sector including its capability, capacity and commercial opportunities define a model under which the sector can collaborate to improve competitiveness, and better understand how Government and the sector could invest in the productivity of the engineering sector.</li> </ul>	<p><b>We recommend that the SROs:</b></p> <p><b>a) Note</b> there is Commercial Information associated with this project. However there will be a Substantial Commercial Information from industry (in particular Farra).</p> <p><b>b) Note</b> that we a prerequisite to approval is that:</p> <p>the outputs of the feasibility are able to be used by the New Zealand engineering sector; and</p> <p>that it will be clear that the parties conducting the feasibility will look at what is best for engineering in New Zealand.</p> <p><b>Approve</b> \$200,000 from the PGF fund towards the cost of exploring the feasibility of an engineering hub and an evaluation of the engineering sector.</p> <p>If this feasibility is successful and industry need is shown, industry may come back to the PGF for further funding of the Hub.</p>

**Rationale:**

- Work to date carried out by Farra Engineering, along with NZTE has identified that individually, engineering firms in the Dunedin region lack scale to compete for international tenders. A specific market opportunity has been identified in respect of the planned \$Commercial Information

Under current free trade agreements, NZ firms will have the same opportunity to bid on contracts that Australian firms have.

**Funding Sought:**

Total project value: \$Commercial Informat  
PGF Funding: \$200,000

In kind contributions will be made by Dunedin Engineering Cluster firms, as well as other engineering firms across New Zealand, and the Otago Chamber of Commerce and Enterprise Otago.

It is expected that further PGF funding will be requested at the end of the this feasibility study.

**Background:**

The Dunedin Engineering Cluster is looking to answer the question - how to grow the productivity and outputs of the engineering sector in a sustainable manner.

Answering this question will require developing an understanding of current state and capabilities of the industry, identifying what opportunities exist today or are likely to evolve over coming years, and what industry needs to do in order to bridge any capability or productivity gaps from current state to what they need to look like in the future.

It is important that the study learns from what has been done in other industries and other countries in order to develop its recommendations, but also that any comparison is based on an understanding of the engineering sector in New Zealand, and is tailored to the unique challenges of our environment.

Within scope for the evaluation of this problem are:

- Are there better ways to collaborate in targeting significant contracts such as Australian defence, major construction?

<ul style="list-style-type: none"> <li>• Is there a way to encourage investment in the capital equipment needed to improve productivity or close capability gaps?</li> <li>• How would a hub work to boost R&amp;D spend and effectiveness?</li> <li>• What collaboration or support would be required from the education sector?</li> <li>• What physical infrastructure would be required?</li> </ul> <p>See the two appendices for further information on the scope of the feasibility and the costings.</p> <p>This proposal has strong regional support. While still at the feasibility phase it links closely with both the Dunedin waterfront project and the Dunedin Hospital build.</p> <p>NZTE is supportive of this proposal, they have been working closely with the Engineering sector on the Australian Defence sector upgrades opportunity.</p>		
<b>PGF criteria that this proposal supports:</b>		
<b>PGF Criteria</b>	<b>Assessment Commentary</b>	<b>Rating (1✓ to 5✓)</b>
<b>Link with fund and government outcomes: NOTE this is for overall project, not the feasibility study itself</b>		
Creates permanent jobs	Potentially strong economic impact – new investment into regions (Otago and Taranaki), generation of new jobs, improved profitability and income streams.	✓✓✓✓
Delivers benefit to the community	Yes – also links into large construction projects in Otago. Supports current Taranaki firms which are providing engineering resource to the oil and gas sector – will provide more options for collaboration.	✓✓✓✓
Increased utilisation and returns of Maori asset base		✓✓
Enhanced sustainability of natural assets		✓✓
Mitigation of climate change effects		✓✓
<b>Additionality</b>		
Adding value by building on what	Yes – looking to strengthen and grow the	✓✓✓✓

is already there	Engineering sector, while also encouraging clustering and collaboration	
Acts as a catalyst for productivity potential in the region	Yes – Otago, Taranaki and options for other regions to be included	✓✓✓✓
<b>Connected to regional stakeholders and frameworks</b>		
Alignment with regional priorities	Strong support from local businesses and local government.	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	Yes – see above comment	✓✓✓✓
<b>Governance, risk management and project execution</b>		
Robust project management and governance systems	Governance to include majority representation from the Dunedin Engineering Cluster.	
Risk management approach	Risk management framework will be established as part of feasibility study commencement.	
Future ownership / operational management	This will be considered as part of the feasibility study. It is likely that an industry body, or formal entity established for the hub will be the most appropriate vehicle for the project following this phase.	
<b>The purpose of this briefing is to consider recommending PGF funds to the Dunedin Engineering Hub feasibility proposal</b>		
<p><b>Risks Issues:</b></p> <ul style="list-style-type: none"> <li>The project is at proof of concept stage and there is a risk that the proposal will not proceed beyond this stage. However, the proposed PGF funding represents a small investment in a proposal that has the potential to be a game changer for the Engineering sector.</li> </ul> <p><b>Eligibility points of note:</b></p> <ul style="list-style-type: none"> <li><i>Due diligence:</i> Entity due diligence has not yet been completed. It will be carried out prior to any contracting.</li> <li><i>Conflict(s) of interest:</i> Based on the information provided no conflict of interest is evident noting that full due diligence will inform this item further.</li> <li><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.</li> <li><i>Alignment with Regional development plans:</i> Otago is in the process of undertaking a revised economic development strategy. However this has been discussed across the region and has strong support</li> <li><i>Commercial funding availability:</i> Given the nature of the project, which is at 'proof of concept' stage, in-kind support has been offered rather than cash co-funding, which will likely come at the next stage.</li> </ul>		
<b>Consultation undertaken or implications:</b>		

Legal	N/A	HR	N/A	Finance	N/A	MBIE policy	Sector Policy Team	Other	NZTE
<b>Supporting proposal:</b>									
Yes									
<b>Appendices:</b>									
Yes – budget and feasibility scope									
<b>Sponsor(s):</b>									
N/A									
<b>Manager/Author of paper:</b>									
Abby Cheeseman – Regional Lead Otago Privacy of natural persons – Investment Director									

PROACTIVELY RELEASED