



PGF PROPOSALS FOR REVIEW

Date:	29 April 2019	Priority:	Medium
Security classification:	In Confidence	Tracking number:	3265 18-19

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Regional Economic Development	Agree to the recommendations outlined in this briefing	2 May 2019
Hon Grant Robertson Minister of Finance		2 May 2019
Hon Phil Twyford Minister of Transport		2 May 2019
Hon David Parker Minister for Economic Development		2 May 2019
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing	2 May 2019

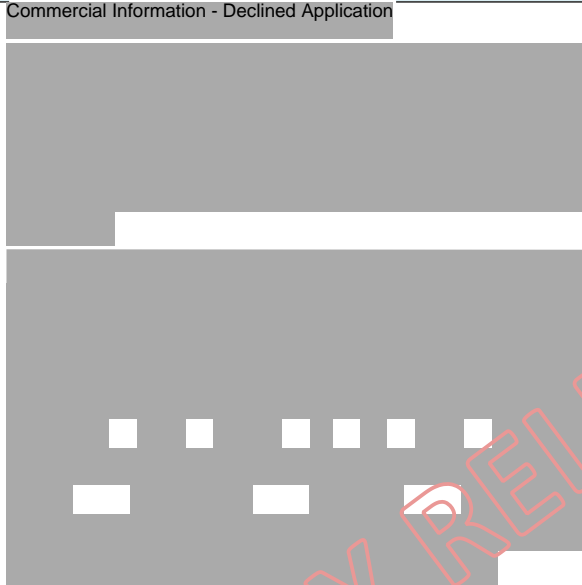
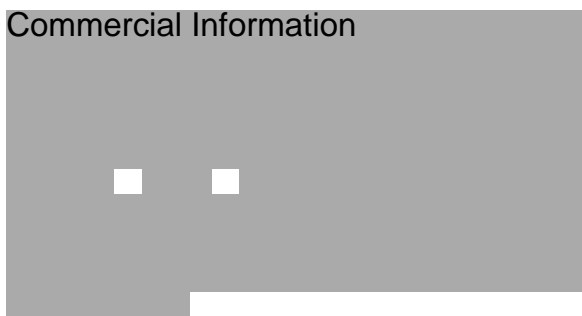
Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
David van der Zouwe	Acting Head of Investment Management	Privacy of natural persons	✓
Hannah Lee	Policy Advisor	Privacy of natural persons	
Jessica Sandford	Policy Advisor	Privacy of natural persons	

Recommendations

Projects seeking approval from Regional Economic Development Ministers

Ref	Project name	Project	Comment	Total cost of project	Proposed PGF investment	IAP recommendation	PDU recommendation
1	Omeo Technology	<p>Applicant: Omeo Technology Limited (Omeo Group)</p> <p>Omeo Technology Ltd is 100 per cent owned by Omeo Group Ltd.</p> <p>Region: Ōtaki, Kāpiti Coast</p> <p>The Omeo Group seeks a \$ [Commercial Information] loan from the Provincial Growth Fund (PGF) to assist with the company's growth strategy to meet anticipated sales demand. The Omeo is a mobility device for wheelchair bound persons. The Omeo is based on a [Commercial Information] platform, and uses patented hands free [Commercial Information] technology to operate the device. The Omeo has received considerable media coverage, and in its first year of commercial operations has sold [Commercial Information] devices as of 28 February 2019.</p> <p>Funding assistance is needed to scale up assembly operations to meet anticipated demand for the Omeo which is forecast to grow to [Commercial Information] units sold in the year to [Commercial Information]. The proposal requests \$ [Commercial Information] loan to assist with a growth strategy to meet anticipated sales demand.</p> <p>The loan will enable Omeo Group to:</p> <ul style="list-style-type: none"> on-board approximately [Commercial Information] new local Ōtaki based employees via direct and sub-contracting arrangements; acquisition of new manufacturing/ plant equipment; and re-locating assembly operations to a fit for purpose industrial premises in Ōtaki along with the associated fit-out. 	<p>The Provincial Development Unit (PDU) recommends that Omeo Group's application be approved as a \$2.5 million loan subject to:</p> <ol style="list-style-type: none"> securing suitable premises in Ōtaki, with an acceptable lease executed. satisfactory evidence of signed supply agreement and contracts with [Commercial Information] confirmation of advice from Ministry of Foreign Affairs and Trade (MFAT) regarding New Zealand's obligations relating to the loan Commercial Information <p>[Commercial Information]</p> <p>g. Existing management staying involved with the business.</p> <p>The PDU is recommending \$2.5 million and not \$ [Commercial Information] as the view taken is that the strength of the proposal should allow for further capital to be raised.</p> <p>The proposal will allow Omeo Group to scale up and centralise its operations in Ōtaki, an area on the Kāpiti Coast recognised as having generally higher levels of deprivation/unemployment. Ōtaki locals will be targeted for the new employment opportunities, with the creation of a mixture of skilled roles (operations, marketing, and administration) employed directly by Omeo Group and a number of semi-skilled assembly-type roles through a sub-contractual arrangement with BJC Elements.</p> <p>Sector Workforce Engagement Programme (SWEP) has assessed this as having the potential for ongoing upskilling opportunities including electrical apprenticeships in Ōtaki. Ongoing continuous improvement including technology development has the potential create further high skilled jobs in the future.</p> <p>Te Puni Kōkiri (TPK) are supportive of the proposal given that the Ōtaki-based operation offers potential for local employment growth (population is predominantly Māori). Should the operation grow to the extent where additional building space is required, at that time there may</p>	\$ [Commercial Information]	<p>Requested: \$ [Commercial Information] loan</p> <p>PDU proposed investment: \$2.5 million loan</p>	Approve	Approve

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			<p>also be an opportunity for Māori via utilisation of whenua Māori. That scenario assumes that Ngāti Raukawa ki te Tonga has completed the Treaty settlement process and that surplus land is available for commercial use/lease.</p> <p>TPK will endeavour to work with Omeo Group to build potential relationships with iwi, Māori landowners and training services to maximise future opportunities for Māori development, particularly in jobs, training and land rental.</p>				
2	<p>Commercial Information - Withdrawn Application</p> <p style="text-align: center; color: red; opacity: 0.5; font-size: 2em; transform: rotate(-30deg);">PROACTIVELY RELEASED</p>						

Ref	Project name	Project	Comment	Total cost of project	Proposed PGF investment	IAP recommendation	PDU recommendation
			Commercial Information - Declined Application 				
4	Aotearoa Social Enterprise Trust	<p>Applicant: Aotearoa Social Enterprise Trust</p> <p>Region: Tairāwhiti</p> <p>Aotearoa Social Enterprise Trust (ASET) seeks \$^{Commercial Information} from the PGF to construct a food processing facility, and to support the employment and training aspects of the ASET programme.</p> <p>ASET currently helps Tairāwhiti's harder to place workforce members through training and support services. ASET are seeking PGF funding to significantly scale up their food processing facility that is used to provide employment and training opportunities for people in their programme. PGF funding will act as an enabler and catalyst for ASET. It will increase the Trust's ability via capacity to employ and offer services to more of Tairāwhiti's hardest to place workforce.</p> <p>ASET's model has elements of social enterprise, seeking commercial outcomes while incorporating social benefits (training people and pastoral care). This mix of Trust goals makes it difficult to access commercial funding.</p> <p>This project was approved for funding on 5 November 2018 by RED Ministers, but without a specific funding amount. ^{Commercial Information}</p>	<p>The PDU recommends that you approve ASET's application for \$2 million, subject to:</p> <ul style="list-style-type: none"> Confirmation that all consents required to establish the facility have been secured Establishing a mechanism that limits Trustees' fees The facility being owned for the community (by an independent party) to enable an alternative provider to use it should ASET cease operation Work being done to ensure the capital expenditure being spent is appropriate Confirmation ASET has sufficient operating expenditure The PDU receiving a copy of ECT's procurement process and working with ECT to ensure procurement is undertaken in accordance with this process. <p>The grant/loan mix will be determined by the PDU following approval. The PDU will consult with MPI/MFAT on the activities which would be funded by grant/loan to minimise the risks to our international obligations and existing trade policy settings.</p> <p>Commercial Information </p>	\$ ^{Commercial Information}	<p>PGF funding sought by applicant: \$^{Commercial Information} (grant/loan mix)</p> <p>PDU PGF funding recommendation: \$2,000,000</p>	Conditional Approve	Approve

Ref	Project name	Project	Comment	Total cost of project	Proposed PGF investment	IAP recommendation	PDU recommendation
		<p>Commercial Information</p> <p>[REDACTED]</p> <p>The PDU is seeking support for its recommendations in relation to:</p> <ul style="list-style-type: none"> - The amount; and - Mechanism to fund ASET. 	<p>The PDU also recommends a construction plan milestone-based funding agreement, based on a [REDACTED] per cent initial payment on signing of the agreement followed by three payments across the construction period, holding back \$ [REDACTED] for the final report.</p> <p>The PDU further recommends a [REDACTED] loan tied to revenue generation (to be developed with the applicant). This acknowledges ASET provides strong social services to the community and is not likely to hit commercial revenue levels in the short to medium term.</p> <p>ASET have gained a reputation for good results and has a MSD work place contract to provide social services. ASET has also received funding from HPR (\$ [REDACTED]).</p> <p>MFAT understands this funding is to construct a food processing facility, with other sources being used to support the employment and training aspects of the application. As the funding mix will include a grant and [REDACTED] loan, this is a subsidy under the SCM. If the subsidy is contingent on expanding exports, then there is a risk of it being a prohibited export subsidy.</p> <p>Since the funding is to be used for building a food processing facility, the disciplines of the Agreement on Agriculture also apply. As a direct payment to a factor of production (capital), there is a high risk of this falling into the Amber Box, contrary to our existing trade policy settings.</p> <p>This risk is mitigated somewhat by the scale of the proposal and its community-based themes, including supplying domestic retailers with produce.</p> <p>To reduce risks further, MFAT recommends:</p> <ul style="list-style-type: none"> • Providing funding for capital expenditure on a commercial basis (in which no subsidy would arise). • If a commercial loan is not possible, seek to re-shape the application to focus output on domestic sales rather than exports. • Ensure any communications plan reduces the emphasis on exports. <p>TPK considers this project would provide a positive contribution to Māori particularly</p>				

Ref	Project name	Project	Comment	Total cost of project	Proposed PGF investment	IAP recommendation	PDU recommendation
			<p>regarding the upskilling and employment of whānau Māori. Tairāwhiti has a high number of unemployment and a high number of NEETS. This initiative would support filling this gap and will contribute to the decrease of these numbers.</p> <p>TPK has not been directly involved in this application to PGF, however based on their previous track record and results, TPK has provided and supported previous funding to ASET to increase their capability and capacity to help unemployed Māori into career pathways.</p>				
5	<p>Commercial Information - Declined Application</p> <p style="text-align: center; color: red; opacity: 0.5; font-size: 2em;">PROACTIVELY RELEASED</p>						

Ref	Project name	Project	Comment	Total cost of project	Proposed PGF investment	IAP recommendation	PDU recommendation
		Commercial Information - Declined Application					
HAWKE'S BAY WATER PACKAGE							
6	<p>Project 1: Regional Freshwater Assessment</p> <p>Project 2: SkyTEM Aquifer Mapping (SkyTEM)</p>	<p>Applicant: Hawke's Bay Regional Council</p> <p>Region: Hawke's Bay</p> <p>Hawke's Bay Regional Council (HBRC) is seeking a \$2,604,000 grant from the PGF towards two projects:</p> <ul style="list-style-type: none"> Regional Freshwater Assessment (\$450,000): A study across the Hawke's Bay updating and building on previous work to consider where and how to future-proof the reliability of freshwater resources. SkyTEM (\$2,154,000): Aquifer mapping project delivering spatially dense, 3D maps of entire aquifer systems, for high resolution identification of aquifer properties to depths of at least 300 metres. <p>This application forms part of the HBRC Water Security Package, and should be considered in conjunction with the project Hawke's Bay Water – Tukituki and Heretaunga projects.</p> <p>While the other two Hawke's Bay Water Security Package projects are focussed on short term infrastructure solutions, the objective of this project is to provide a platform for the Hawke's Bay in respect of water management for the next 30 to 50 years.</p> <p>The Hawke's Bay Community have rated water related issues as the most important environmental and economic challenge though HBRC's catchment based freshwater plan change processes in Tukituki and Heretaunga. SkyTEM will improve the information and</p>	<p>The PDU recommends that you approve the \$2,604,000 grant, comprising of two projects \$ (Regional Freshwater Assessment) and \$ (SkyTEM), subject to agreement on scope and contractors.</p> <p>MFAT advises that if this funding is for technical research and assessments, it poses no risks for New Zealand's international obligations. Should future funding be requested for capital expenditure (e.g. an irrigation scheme), MFAT will work with PDU on its alignment with our international obligations and trade policy settings.</p> <p>Free and frank opinions</p>	<p>\$ (Commercial Information)</p>	<p>Regional Freshwater Assessment: \$450,000</p> <p>SkyTEM: \$2,154,000</p> <p>Total: \$2,604,000</p>	Conditional Approve	Approve

Ref	Project name	Project	Comment	Total cost of project	Proposed PGF investment	IAP recommendation	PDU recommendation
		<p>evidence base available to enhance the understanding of environmental opportunities and limits in the Hawke's Bay Region, specifically in the Heretaunga Plains, Ruataniwha Plains and the Otane and Poukawa Basins. In addition, this data will be the basis for models that monitor and report on trends in the environment.</p> <p>The Regional Freshwater Assessment does not unlock potential within the region per se, however, the solutions and investment opportunities it will facilitate will. With more secure water, the Hawke's Bay regional economy can further transition to high-value less animal intensive, lower nutrient producing activities. This is demonstrated by current use on the Heretaunga Plains and can be replicated in other areas within the region, particularly the southern and northern catchments (Central Hawke's Bay and Wairoa, subject to land suitability).</p>	<p>Free and frank opinions</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>				

PROACTIVELY RELEASED

7

Commercial Information



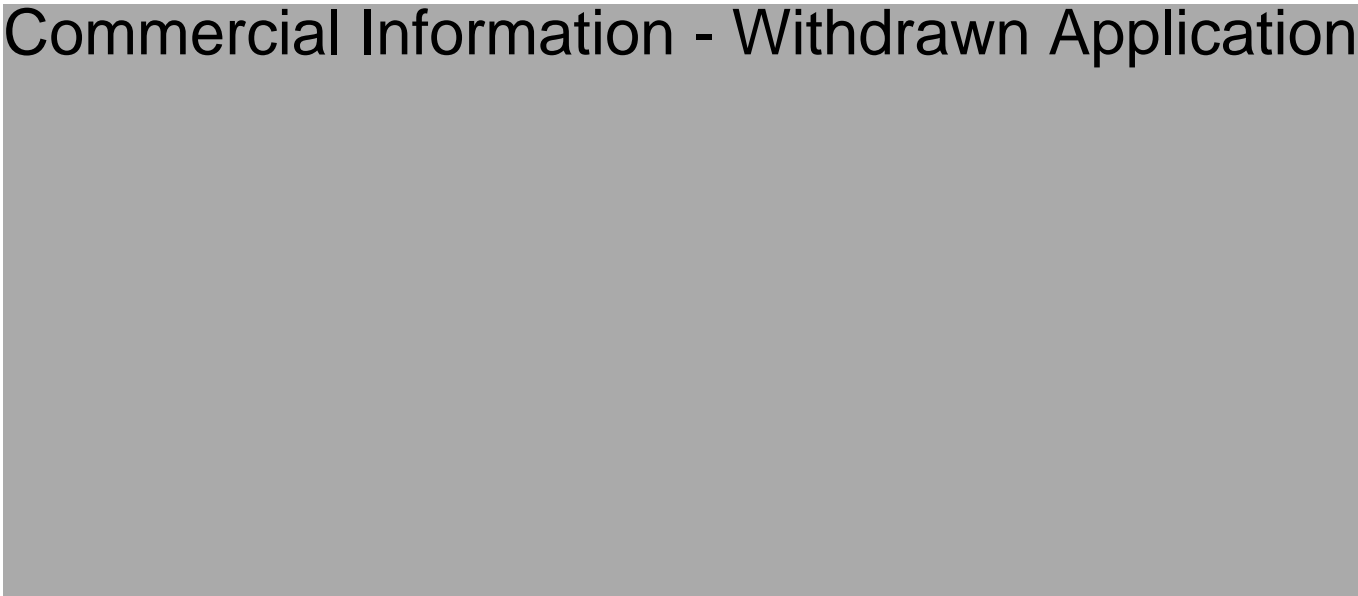
The Provincial Development Unit recommends that you:

Omeo Technology Limited (Otaki, Kāpiti Coast)

1. **Note** that Omeo Technology Limited has applied for a \$^{Commercial Information} two-year loan from the Provincial Growth Fund to assist with the company's growth strategy to meet anticipated sales demand.
Noted
2. **Note** that the Provincial Development Unit recommends that you approve Omeo Technology Limited's application for funding from the Provincial Growth Fund in the form of a \$2.5 million loan only.
Noted
3. **Agree** to approve Omeo Technology Limited's application as a \$2.5 million loan from the Provincial Growth Fund, subject to:
 - a. Securing suitable premises in Otaki, with an acceptable Lease executed.
 - b. Satisfactory evidence of signed supply agreement and contracts with ^{Commercial Information}
 - c. Confirmation of advice from Ministry of Foreign Affairs and Trade regarding New Zealand's obligations relating to the loan
 - d. Funding to be provided in tranches in line with project financing principles
 - e. The ability to have the loan repaid if there is a material change of control
 - f. Discussions are to be had with Omeo's current financiers to ensure Omeo has sufficient working capital
 - g. Existing management staying involved with the business.

Agree / Disagree

Commercial Information - Withdrawn Application





PROVINCIAL
DEVELOPMENT
UNIT

Commercial Information - Withdrawn Application

Commercial Information - Declined Application

Aotearoa Social Enterprise Trust (Tairāwhiti)

- Note** that Aotearoa Social Enterprise Trust has applied for \$ Commercial Information from the Provincial Growth Fund to scale up a food processing facility used to provide employment and training opportunities.



Noted

14. **Note** that Regional Economic Development Ministers approved this project for funding on 5 November 2018 in conjunction with the Leaderbrand project, without a specific funding amount.

Noted

15. **Note** that the Provincial Development Unit recommends that you approve Aotearoa Social Enterprise Trust's application for funding from the Provincial Growth Fund for \$2 million only, as a grant/loan mix.

Noted

16. **Agree** to approve Aotearoa Social Enterprise Trust's application as a \$2 million grant/loan mix from the Provincial Growth Fund subject to:

- a. Confirmation that all consents required to establish the facility have been secured
- b. Establishing a mechanism that limits Trustees' fees
- c. The facility being owned for the community (by an independent party) to enable an alternative provider to use it should ASET cease operation
- d. Work being done to ensure the capital expenditure being spent is appropriate
- e. Confirmation ASET has sufficient operating expenditure
- f. The PDU receiving a copy of ECT's procurement process and working with ECT to ensure procurement is undertaken in accordance with this process.

Agree / Disagree

Commercial Information - Declined Application



Hawke's Bay Water – Regional Freshwater Assessment and SkyTEM (Hawke's Bay)

20. **Note** that the Hawke's Bay Regional Council has applied to the Provincial Growth Fund for funding for \$450,000 for a regional freshwater assessment, and \$2,154,000 for an aquifer mapping project.

Noted

21. **Note** that the Provincial Development Unit recommends that you approve Hawke's Bay Regional Council's application for funding from the Provincial Growth Fund in the form of a \$2,604,000 grant.

Noted

22. **Agree** to approve Hawke's Bay Regional Council's application for a \$2,604,000 grant from the Provincial Growth Fund on subject to agreement on scope and contractors.

Agree / Disagree

Commercial Information

PROACTIVELY RELEASED



Commercial Information

International obligations

29

Commercial Information

Noted

30. **Note** Commercial Information, the Ministry of Foreign Affairs and Trade will work with the Provincial Development Unit on the implications for meeting New Zealand's international obligations and compliance with trade policy settings; and advises Ministers as appropriate.

Noted

Proactive release

31. **Note** that the Provincial Development Unit is taking a proactive approach to releasing information related to decisions on Provincial Growth Fund applications.

Noted

32. **Note** that the Provincial Development Unit and Provincial Growth Fund agencies will consult with the Regional Economic Development Ministers on proposals in the May suite of papers before they are proactively released.

Noted



33. **Note** that advice will only be released where proposals have been approved, announced and contracted.

Noted

David van der Zouwe
Acting Head of Investment Management
Ministry of Business, Innovation and Employment
..... / /

Hon Grant Robertson
Minister of Finance
..... / /

Hon Shane Jones
Minister for Regional Economic Development
..... / /

Hon Phil Twyford
Minister for Transport
..... / /

Hon David Parker
Minister for Economic Development
..... / /

PROACTIVELY RELEASED