



Wilson Heavy Machinery Operator Training Centre

Project overview

Name of the project	Wilson Heavy Machinery Operator Training Centre
Region	Whangārei, Northland
Tier and type	Tier 1 – Regional Projects
Applicant	Wilson Earthmoving Group Limited
Total project value	Requested - \$ <small>Commercial Information</small> Revised - \$ <small>Commercial Information</small>
Amount of funding sought from the PGF	\$4,351,200
Financial instrument	Grant/loan mix
PDU recommendation	Approve in principle

77. Wilson Earthmoving Group Ltd (Wilson) are seeking \$4,351,200 in PGF funding in order to establish a heavy machinery training centre in Northland that will deliver fully funded and approved NZQA programmes.
78. The goal of this project is to set up a permanent training facility that will provide comprehensive competency based training aimed at addressing the forecast skill shortage in the use of heavy machinery in the logging and civil construction industries.
79. The current training model for heavy machinery operators places pressure on employers to fully train “theoretical operators” to be “actual operators”. This proposal brings together technical and practical components to develop the workforce in this space through one consolidated training programme.
80. This proposal has two key work streams for investment:
- i. **Stream one - The set-up of the training facility.** This will include the construction of permanent training buildings, building of quarry structures, aligning the quarry to health and safety requirements for quarry training, an annual lease, resource consenting and the purchasing of additional simulators.
 - ii. **Stream two - The implementation of the training programme.** This will include the appointment of the training team and manaaki tangata (pastoral care) team. The training programme for the year 2019 will include eight cohorts of ten students, targeting a 50 per cent Māori participation rate. Concurrent to this will be the completion of the Private Training Establishment (PTE) application and assessment.
81. Wilson and contributions from other parties have enabled a temporary training facility to be established at an old quarry site in Whangārei, where they have three simulators that are the first of their kind in New Zealand. The classrooms and simulators are located in Portacom-style buildings and the machinery in the disused quarry includes a



motor grader, three diggers and one roller. The site (being a former quarry) means trainees can easily progress from a simulated environment to a real environment.

82. Wilson expects all work to expand and reconfigure the current facilities into a permanent training centre to be completed by December 2019.

PDU recommendation

83. The PDU recommends that Wilson's application be approved in principle by way of a mix of grant and loan. The final amount will be determined in consultation with Wilson by further interrogation of financial forecasts and assessment of cost assumptions. The PDU wishes to ensure that the amount provided through the loan is maximised, while still ensuring that the facility is financially sustainable.
84. The PDU recommends the land purchase component be removed from the overall project scope so as to mitigate the perception risk that funding is being used to purchase the land the facility will be located on. This results in a new total project value of \$Commercial Information. Of this amount, the PGF Funding will be \$4,351,200.
85. As there is potential that Wilson could directly deliver some of the construction works as part of this proposal, the PDU also recommends an agreed tender/contract strategy for the planned civil and building works.

Local support

86. The proposal has strong regional support, including from Northland Inc and the Te Tai Tokerau Skills and Employment Steering Group, which has representation from a number of central government officials.
87. Wilson has considerable industry support, including from Fulton Hogan, Gough Group, Farmlands Fuel, Surefoot NZ, Gulf Oils, Rosewarne Cable Loggers, LC Hydraulics, Hancock Forest Management and Civil Contractors NZ.

Governance

88. The applicant will establish and maintain an effective advisory group, drawn from relevant industry and the community, with expertise to ensure programme alignment with its strategic direction and external market demands.

Benefits

89. If successful, the project may have the following benefits:
- i. Increased employment prospects for trainees
 - ii. A skilled regional workforce to meet potential skill shortages of heavy machinery operators in the forestry and civil construction industries.

Costs and funding sources

90. PGF funding will cover Comme per cent of the costs to set up the facility and establish the training programme. The key work stream costs to be funded by the PGF include:

Stream One – Facility Set-up	
<i>Construction of permanent training buildings, quarry structures and general infrastructure improvements.</i>	<small>\$Commercial Information</small>



Stream Two – Training Programme <i>Appointment of training team and completion of PTE accreditation process.</i>	
	<small>\$ Commercial Information</small>
TOTAL	\$4,351,200

91. A portion of Stream Two funding may be funded through Te Ara Mahi.
92. The PDU has used the financial forecasts provided by Wilson for its current assessment of the amount that will need to be made available by way of a loan/grant. The PDU will test these further before finalising the terms on which funding will be provided.

PDU assessment of the project

93. This section needs to provide an overview of PDU's assessment against the PGF eligibility and assessment criteria.

Assessment against PGF criteria

Criteria	Rating (1✓ to 5✓)	Comment
Sustainable regional economic development	✓✓✓	Increased social outcomes for the trainees that complete the training programme by developed their skills to improve employment prospects that will continue to enable their participation in the regional workforce.
Productivity and innovation	✓✓✓	Building a skilled workforce regionally to meet potential skill shortages of heavy machinery operators in the forestry and civil industries.
Increased employment, training or work readiness for the sectors workforce	✓✓✓	The proposal does not directly create a large number of permanent jobs. However, it does focus on the upskilling of the workforce through the delivery of the training programme. This project will be an enabler of better economic outcomes for the region, notably through increased employment prospects.
NZ's ability to meet climate change	N/A	



Criteria	Rating (1✓ to 5✓)	Comment
commitments		
Māori aspirations for utilising land and other resources and achieving cultural objectives		Not evident.
Additionality	✓✓✓	Working with MSD in relation to the potential client base, current support for three cohorts through the programme (30 participants targeting 50 per cent Māori participation rates). Also working with the Ministry of Education in regards to the education pathway and supporting smooth transitions for young people coming out of secondary school. This includes appropriate qualification levels, working with schools and ensuring that manaaki tangata (pastoral care) is sustainable and in place.
Connections and alignment with regional priorities	✓✓✓	The project aligns well with Northland's regional economic action plan under the section of Skills and Capability, including the focus on a skilled, fit for purpose, sustainable local workforce to enable Northland to take up investment and industry/business opportunities.
Environmental sustainability and/or productivity of natural assets	N/A	

Agency comments

Treasury

94. The programme intends to place trainees with employers at the end of the process; however, it is not clear how this will be done. Treasury has questioned that as the training organisation is owned by Wilson Earthmoving Group Ltd, whether the purpose of the training organisation is to provide the workers that the parent company requires. This would appear to be a conflict of interest.



MFAT

95. MFAT considers that this application does not appear to raise any issues under the Subsidies and Countervailing Measures (SCM) Agreement as the funding appears to be intended to support the provision of services rather than goods.

Risk assessment

96. The following risks have been identified:

Type of risk	Mitigation
Commercial Information	This will be managed through the establishment of an advisory group, with membership drawn from relevant industry and community stakeholders. The Advisory Group membership will include industry representatives from a range within the sector; Fulton Hogan, Local Iwi, CCTNZ, New Zealand Wood Council, Cough Group and Broadspectrum.
A further perception risk is that funding being provided may be used to purchase the land the facility will be located on.	The PDU has removed the cost of the land as part of the project being funded and instead, included the cost to lease the land for one year while Wilson raise the capital to complete the purchase.
Treasury states that if this is to be set up as a Private Training Establishment (PTE), there is criteria for Tertiary Education Commission (TEC) funding for PTEs, including financial viability requirements.	A large focus of the second work stream is becoming PTE provider accredited. The applicant has been working closely with TEC and the Ministry of Education to secure the status and access the funding in the projected budgets.

Recommendations and next steps

97. The PDU recommends that you approve in principle up to \$4,351,200 from the PGF towards Wilson Heavy Machinery Operator Training Centre subject to:
- i. Detailed work stream costs be agreed by the PDU to finalise the mixture of loan and grant amount
 - ii. PDU agreement of the tender/contract strategy for the planned civil and building works.