

## 2.11 EB Engineering – Machinery

### Evaluation, Cover Sheet and Decision Form

<b>Project:</b>	EB Engineering – Machinery		<b>FOR:</b>	Approval
<b>Applicant:</b>	EB McDonald Limited		<b>Pipedrive ID:</b>	Commercial Information
<b>Application type:</b>	PGF	<b>(A) Total Project Value:</b>	\$ Commercial Information	
<b>Funding type:</b>	Grant	<b>(B) PGF Funding Sought:</b>	\$100,000	
<b>Entity Type:</b>	Company	<b>(C) PGF Funding Recommended:</b>	Up to \$100,000	
<b>Region:</b>	Otago	<b>(D) Applicant Contribution:</b>	\$ Commercial Information Commercial Information	
<b>Tier:</b>	2 - Sectors	<b>(D/A) Co-contribution Rate:</b>	Comm %	
<b>Sector:</b>	Manufacturing / Engineering			
<b>Application summary:</b>	<p>Established in 1946, E B McDonald Limited is a Dunedin based engineering company that was initially set up as a tractor and farm machinery repair shop. Since 1964, EB McDonald Ltd has designed, developed and built solutions for customers in the agriculture and horticulture industries for instance cherry grading machines. The applicant is also involved with Commercial Information in developing door automation on commuter carriages. Most of the work EB McDonald undertakes is domestically focussed, however the applicant is Commercial Information</p> <p>The applicant seeks grant funding from the PGF to enable the purchase of two pieces of equipment in order to accelerate components manufactured in-house accurately. The pieces of equipment required are:</p> <ol style="list-style-type: none"> <li>1. Computerised Numerical Control (CNC) Press Brake</li> <li>2. Guillotine</li> </ol>			

#### It is recommended that SROs:

**Agree** to approve up to \$100,000 for a grant from the PGF towards the purchase of two specific pieces of engineering equipment because

- The equipment will create productivity efficiencies through reduced lead times and reduce the amount of work that is currently outsourced. This aligns with the PGF objectives in regard to uplift in productivity, enhanced economic opportunities, more highly-skilled jobs (1 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

- The applicant providing a written statement that assures that the new equipment will not adversely affect other firms
- Satisfactory financial analysis.

**Note** this funding request is part of the agreed PGF allocation for the Southland and Otago Regional Engineering Collective, in which <sup>Comm</sup> 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 of establishing its products in-house. The two pieces of equipment the applicant require are:

Item	Cost (excluding GST)
135 Tonne Press Brake	\$ <sup>Commercial Informa</sup>
Guillotine	\$ <sup>Commercial Inform</sup>
<b>Total</b>	\$ <sup>Commercial Informa</sup> (of which PDU recommends funding <sup>Comme</sup> % - \$100,000)

PGF funding will enable the applicant to increase its productivity and meet customer demands in a timelier manner. The equipment sought not only contributes to the growth of the applicant, but the Otago engineering sector as a whole as well as those industries the applicant supports, services, and maintains.

Detail of the equipment and the benefits to the company are as follows:

#### 1. 135 Tonne Press Brake – <sup>Commercial Information</sup>

The <sup>Commercial Information</sup> uses CNC to automate the bending of sheet and plate metal material. The purchase of the 135 Tonne Press Brake will enable the applicant to increase the productivity of their workshop through improved accuracy and repeatability of the press brake. In particular, this will reduce lead times as this kind of work is currently outsourced by E B Engineering and can result in delays to workflow.

#### 2. Guillotine – <sup>Commercial Information</sup>

The guillotine is required to cut material to be used in the 135 Tonne Press Brake. Having the capability in-house to both shape and cut sheet and plate metal will significantly improve efficiencies.

The combined benefit of both items of machinery is that projects requiring these machines no longer need to be outsourced, significantly reducing lead times and increasing productivity. Employees will also develop new capabilities as they learn to use new machinery. Furthermore, business is diversified further as they are able to produce a wider range of products. This will mean that the applicant is more resilient to the impacts of any macroeconomic change.

**Co-Funding Table**

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount
E B Engineering Limited	Cash	\$ Commercial Information
<b>Total</b>		\$ Commercial Information

**Southland and Otago Regional Engineering Collective**

The engineering and manufacturing sector has been identified by the RFD 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 Information 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 low to high skilled employees and apprentices.

Please note that in August and September SRO's approved Commercial Information Southland and Otago projects as part of the engineering package and this coversheet should be read alongside the other related SOREC projects and the cover briefing.

**Overseas Investment Office**

➤ 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 around Commercial Information people working for them in Otago. Funding would enable Commercial Information new sustainable jobs to be created. The Commercial Information jobs created will be at the highly-skilled level. No additional jobs will be created in order to install the equipment.	Commercial Information
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➤ deliver community benefits?	Indirectly, the creation of new sustainable roles will have flow on effects to the local community.	Commercial Information
➤ increase utilisation of and returns on Maori assets?	Not evident.	Commercial Information
➤ enhance the sustainability of natural assets?	Not evident.	Commercial Information
➤ mitigate climate change effects, or assist with the lowering of emissions?	Not evident.	Commercial Information
<b>Additionality</b>		
<b>Would the project:</b>		
➤ add value by building on what is already there, without duplicating effort?	Engineering and manufacturing is a strong sector in Otago which has been constrained due to the inability for companies to meet the demands through the lack of efficient equipment.	Commercial Information
➤ be a catalyst for productivity potential in the region?	With the purchase of the new equipment, the applicant will be able to increase productivity and diversify their capability as it will have the equipment it needs to accelerate the production and output required to meet the demands of its customers.	Commercial Information
<b>Connected to regional stakeholders and frameworks</b>		
<b>Does the project:</b>		
➤ 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 and 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.	Commercial Information
➤ have the support of local governance groups (councils, iwi and hapu)?	The Dunedin City Council is heavily involved in Engineering Dunedin Inc and the SOREC objectives.	Commercial Information
<b>Governance, risk and project execution</b>		

Does the application show:		
➤ robust project management and governance systems?	The applicant will oversee the installation of the equipment and recruitment of the relevant staff to join the company. E B Engineering will <sup>Commercial</sup> of their current employees will be trained in the operation of the equipment who will in turn train the new operators.	Commercial Information
➤ plans for future ownership and operational management?	Existing arrangements.	Commercial Information
➤ how the project will be delivered and managed?	Appropriate plans and personnel are in place to deliver the project.	Commercial Information

Section C: Risk Management Evaluation			
Does this application demonstrate consideration of the following risks?			Yes
Type of risk	Risk description	Mitigations	Risk Rating
Duplication	PGF funding may lead to the applicant purchasing equipment that competes directly with another engineering firm.	The PDU has sought assurance the new equipment will not adversely affect other firms, at times checking with those other firms. We will also seek a written statement from the applicant where this confirmation wasn't explicit in the application.	Commercial
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.	Commercial
Timing	The lead time to purchase the new equipment ends up delaying the creation of	E B Engineering will utilise existing equipment to mitigate this risk as	Commercial

	new roles and means the increase in productivity is not achieved.	production will not be required to stop. Detail regarding timeframes for the delivery of the equipment will be sought from the supplier.	
Reduced demand	The demand for products or loss of current contracts impacts the increase in productivity sought through the purchase of the new machinery.	E B Engineering has spread contracts across a range of sectors and is continually looking for opportunities to develop new products and in new markets.	Commercial Information

**Section D: Funding and financial analysis** Please highlight number below

<b>Does the application show:</b>		
➤ How strong is the financial position of the applicant organisation?	The company is in an acceptable financial position. For further information please refer to Annex One of this coversheet. <small>Withheld - Commercial Information</small>	Commercial Information
➤ How does the scale of the project compare to their overall business?	The project is well within the scale of the applicant's business and the applicant has extensive experience of delivering projects of greater complexity.	Commercial Information
➤ Why is Crown funding being sought rather than commercially-available funding?	The applicant is focusing investment into providing staff and their families with secure futures and the expansion of their current workshop. The provision of Crown funding will accelerate growth for the applicant.	Commercial Information
➤ What does the independent financial analysis/ business case indicate?	N/A	Commercial Information
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	Due to the level of funding sought (\$100,000) the PDU recommends that a grant (with <sup>Comm</sup> % co-contribution) would be the most appropriate funding model for this Engineering/Manufacturing package. <small>Commercial Information</small>	Commercial Information

<p>➤ Has the applicant provided evidence of market pull for this project?</p>	<p>Funding would positively impact the applicant's ability to meet customer demand</p>	<p>Commercial Information</p>
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	<p>As above.</p>	<p>Commercial Information</p>
<p><b>Summary of funding and financial analysis:</b></p>	<p>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. Free and frank opinions</p>	<p>Commercial Information</p>

**Funding arrangements**

Suggest a grant of up to \$100,000 from the PGF fund towards the purchase of two specific pieces of engineering equipment.

Proposed deliverables for negotiation during contracting include:

#	Deliverable	Due Date	Associated Payment (ex-GST)
1	Funding Agreement executed and any pre-conditions are met or waived	Commercial Information	\$ <sup>com</sup>
2	Final selection of Press, Guillotine & Tooling	Commercial Information	\$ <sup>Commercial Inform</sup>
3	Press and Guillotine installed	Commercial Information	\$ <sup>Commercial Inform</sup>
4	Quarterly report 1 of 4 submitted	Commercial Information	\$ <sup>com</sup>
5	Press and Guillotine operational	Commercial Information	\$ <sup>Commercial Inform</sup>
6	Quarterly report 2 of 4 submitted	Commercial Information	\$ <sup>com</sup>
7	Quarterly report 3 of 4 submitted	Commercial Information	\$ <sup>com</sup>
8	Quarterly report 4 of 4 submitted	Commercial Information	\$ <sup>com</sup>
9	Final Report submitted	Commercial Information	\$ <sup>com</sup>
<b>Total</b>			<b>\$100,000</b>



**Consultation from partner agencies undertaken or implications**

Feedback from MFAT.  
 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.

**Conflicts of interest and T&Cs**

Due diligence has been undertaken and nothing of note was found

**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	Choose an item.
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<b>Supporting proposal:</b>	Yes
<b>Appendices:</b>	Yes – Annex One and application is attached <span style="color: red; font-size: small;">Withheld - Commercial Information</span>
<b>Author of paper:</b>	MN, Investment Analyst, PDU Investment Team PS, Investment Director, PDU Investment Team