



- 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 and due diligence.

**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. The two pieces of equipment the applicant require are:

Item	Cost (excluding GST)
Turret Press	\$ [Commercial Information]
Press Brake	\$ [Commercial Information]
<b>Total</b>	\$ [Commercial Information] (of which PDU recommends funding [Comm] % - \$250,000)

PGF funding will enable the applicant to increase its productivity and meet customer demands in a more timely manner. The equipment sought not only contributes to the growth of the applicant, but the Southland and 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:

#### Brake Press – [Commercial Information]

This machinery will allow Yunca to scale up its production as it has recently secured a contract to exclusively manufacture patented [Commercial Information]. The applicant notes that the [Commercial Information] have been touted as the best technology introduced to aluminium smelting in the last 130 years, reducing the way energy is consumed in the smelting process.

The new machinery will enable Yunca to create end-to-end solutions that specifically relate to each customer's

needs and at a significantly faster rate.

The Brake Press will be installed at Yunca's Dunedin premises and the Turret Press will be located at its Invercargill premises.

**Co-Funding Table**

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount
Yunca Holdings Limited	Cash	\$ Commercial Information
<b>Total</b>		\$ Commercial Information

**MBIE Science Endeavour Fund**

Research into the new Commercial Information has been supported by a \$ Commercial Information Endeavour Fund grant provided by MBIE. The Endeavour Fund is a contestable science fund that focuses on research excellence and creating broad ranging impacts.

**Competitors**

When discussing a possible application with the applicant the PDU asked about the firm's competitors (see duplication risk in the risk section.) There are various other heating manufacturers across New Zealand; however Yunca is focussing on the Commercial Information work in which it is the sole developer/ manufacturer.

The applicant is strongly collaborative especially with other Invercargill and Dunedin firms linked to SOREC Commercial Information).

**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 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 Eols 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 <sup>Comm</sup> people working for it in Southland and <sup>Comme</sup> people working for it in Otago. Funding would enable <sup>Comm</sup> new sustainable jobs, a high number relative to the funding sought. <sup>Com</sup> of the jobs generated will be at the highly-skilled level, <sup>Com</sup> Brake Press Machine Operators and <sup>Com</sup> Turret Operators. The additional <sup>Com</sup> jobs generated will be at a low-skill level. In addition to the <sup>Comme</sup> sustainable jobs that will be generated, <sup>Com</sup> jobs will be creating during the installation of the equipment.	Commercial Information
➤ 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?	No substantial impact, however the applicant notes the <sup>Commercial Inf</sup> will allow for greater integration of renewable energy into global power systems, reducing the overall impact of CO2 emissions.	Commercial Information

**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 and 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 as it will have the equipment it needs to accelerate the production and output required to meet the demands of its customers.	Commercial Information

Connected to regional stakeholders and frameworks		
<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)?	Southland District Council and Great South (Southland Regional Development Agency) are supportive of PGF's investment in the Southland manufacturing/engineering sector. Dunedin City Council are also supportive of the engineering package and are heavily involved with Engineering Dunedin Inc.	Commercial Information
Governance, risk and project execution		
<b>Does the application show:</b>		
➤ robust project management and governance systems?	The applicant will manage the sourcing and installation of the new machinery. The applicant plans to work with <small>Commercial Information</small> to source the machinery, as they have worked together previously and <small>Commercial Information</small> has over 40 years of expertise in sourcing engineering equipment. All project governance will be overseen by the Yunca Advisory Board. All key personnel have been identified.  Risks are identified and mitigated appropriately.	Commercial Information
➤ plans for future ownership and operational management?	The applicant will own the equipment.	Commercial Information
➤ how the project will be delivered and managed?	The applicant has identified key milestones and will be required to report quarterly to the PDU regarding progress of 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 PDU has sought	Low

	the applicant purchasing equipment that competes directly with another engineering firm.	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.	
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
Timing	The lead time to purchase new equipment ends up delaying the creation of new roles and means the increase in productivity is not achieved	Yunca will utilise existing equipment to mitigate this risk as production will not be required to stop. Detail regarding time frames for the delivery of the equipment will be sought from the supplier.	Low
Demand	Demand for the <small>Commercial Info</small> is not as expected or does not meet requirements of aluminium smelters	<small>Commercial Info</small> can be retro-fitted to 90% of the world's aluminium smelters at a cost effective rate. However Yunca also has a diversified business that caters to multiple different needs.	<small>Commercial</small>

**Section D: Funding and financial analysis**

Please highlight number below

**Does the application show:**

➤ How strong is the financial position of the applicant	Financial analysis shows that the applicant is in a strong financial position. For further information please refer to Annex One of this	<small>Commercial Information</small> <small>Withheld - Commercial Information</small>
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organisation?	coversheet. <span style="color: red;">Withheld - Commercial Information</span>	
➤ How does the scale of the project compare to their overall business?	Yunca has experience completing projects of this scale. Recently, the applicant <span style="background-color: #cccccc;">Commercial Information</span> at a cost of \$ <span style="background-color: #cccccc;">Commercial Informat</span> .	<span style="background-color: #cccccc;">Commercial Information</span>
➤ Why is Crown funding being sought rather than commercially-available funding?	Having invested \$ <span style="background-color: #cccccc;">Commercial Informat</span> into a <span style="background-color: #cccccc;">Commercial Information</span> and an additional \$ <span style="background-color: #cccccc;">Commercial Informat</span> on health and safety upgrades over the last 8 months, the provision of PGF funding will enable the applicant to accelerate the scale up of its business, improving productivity and meaning they are less likely to miss out on new work opportunities. Whilst it could be argued that the applicant could fund the machinery without the PGF, the investment would be significantly delayed. PGF funding will accelerate growth and improve productivity more immediately for Yunca.	<span style="background-color: #cccccc;">Commercial Information</span>
➤ What does the independent financial analysis/ business case indicate?	N/A	<span style="background-color: #cccccc;">Commercial Information</span>
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	Due to the level of funding sought (\$250,000) the PDU recommends that a grant (with <sup>Comm</sup> % co-contribution) would be the most appropriate funding model for this Engineering/Manufacturing package. <span style="background-color: #cccccc;">Commercial Information</span>	<span style="background-color: #cccccc;">Commercial Information</span>
➤ Has the applicant provided evidence of market pull for this project?	Funding would assist the applicant to meet growing demand, as illustrated by sales growth being reported across a number of years.	<span style="background-color: #cccccc;">Commercial Information</span>
➤ Has the applicant provided evidence that their supply chain is secure?	The applicant has identified a supplier of the machinery.	<span style="background-color: #cccccc;">Commercial Information</span>
<b>Summary of funding and financial analysis:</b>	<span style="background-color: #cccccc;">Free and frank opinions</span>	<span style="background-color: #cccccc;">Commercial Information</span>
<b>Funding arrangements</b>		
Suggest a grant of up to \$250,000 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	Break Press installed (Dunedin premises)	Commercial Information	\$ <sup>Commercial Informa</sup>
3	Quarterly report 1 of 4 submitted	Commercial Information	\$ <sup>Com</sup>
4	Turret installed (Invercargill)	Commercial Information	\$ <sup>Commercial Informa</sup>
5	Quarterly report 2 of 4 submitted	Commercial Information	\$ <sup>Com</sup>
6	Quarterly report 3 of 4 submitted	Commercial Information	\$ <sup>Com</sup>
7	Quarterly report 4 of 4 submitted	Commercial Information	\$ <sup>Com</sup>
<b>Total</b>			<b>\$250,000</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

Yes

**Supporting proposal:**

Yes

**Appendices:**

Yes - Annex One and application is attached

Withheld - Commercial Information

**Author of paper:**

MN, Investment Analyst, PDU Investment Team  
 PS, Investment Director, PDU Investment Team