

2.13 Evaluation, Cover Sheet and Decision Form

Project:	Bluff Engineering and Welding Ltd - Machinery	FOR:	Approval
Applicant:	Bluff Engineering and Welding Co Limited	PDU ID:	Commercial Information
Application type:	PGF	(A) Total Project Value:	\$ Commercial Information
Funding type:	Grant	(B) PGF Funding Sought:	\$77,500
Entity Type:	Company	(C) PGF Funding Recommended:	Up to \$77,500
Region:	Southland	(D) Applicant Contribution:	\$ Commercial Information (Cash)
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Comm %
Sector:	Manufacturing/ Engineering		
Application summary:	<p>Bluff Engineering and Welding specialise in the maritime industry and also service the farming, transport, and construction industries. It recently built a barge for Commercial Information</p> <p>Commercial Information . The applicant has national and international clients such as Commercial Information . It does not export internationally but does have clients who use the company to service equipment while in the region. The applicant has strong local partnerships with neighbouring firms and will be forming an agreement to house two of the pieces of equipment at Commercial Information (profile rollers and drill).</p> <p>The applicant seeks the financial support for five pieces of equipment to help remove blockages, increase productivity, improve on health and safety requirements and meet the current demands on its business. The pieces of equipment required are:</p> <ol style="list-style-type: none"> 1. Overhead mobile crane 2. Lathe 3. Brake press 4. Profile rollers 5. Mill drill 		

It is recommended that SROs:

Note the PDU is supporting the low level of this funding request and inclusion of two very small pieces of equipment because this firm and Commercial Information, where two pieces of equipment will be located by arrangement, are relatively small firms who are key employers in Bluff and provide a critical service to multiple other companies in the Bluff area.

Agree to approve up to \$77,500 for a grant from the PGF towards the purchase of five specific pieces of engineering equipment because

- The equipment will enable the applicant to achieve productivity efficiencies through the replacement of aging and out-dated equipment and reducing 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 (Commercial 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
- Satisfactory financial analysis.

Note this funding request is part of the agreed PGF allocation for the Southland and Otago Regional Engineering Collective, in which Commercial 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 or social assets?	No
➤ three waters	No

Application description

The applicant seeks financial support for five pieces of equipment to help remove blockages, reduce lead times, and accelerate productivity. The equipment the applicant requires include:

Item	Cost (excluding GST)
Overhead Mobile Crane	\$ Commercial Inform
Lathe	\$ Commercial Inform
Press Brake	\$ Commercial Inform
Optimum Mill Drill	\$ Commercial Inf
Falcon Rollers	\$ Commercial Inf
Total	\$ Commercial Inform at (of which PDU recommends funding Commercial % - \$77,500)

The equipment sought contributes to the growth of the applicant as well as bringing in efficiencies. Detail of the equipment and the benefits to the company are as follows:

1. Overhead Crane

The applicant has looked into replacing its current overhead crane Commercial Information

building code. An overhead mobile crane would allow the machine to be used in multiple locations and would broaden the scope of works.

2. Lathe

This machine will replace two current lathes and will be more user-friendly and increase efficiencies.

3. Brake Press

Existing unit is old and the business generally outsource pressing. A new press would significantly decrease lead times as would [redacted] Commercial Information

4. Profile Roller

Currently roll pipe for handrails is outsourced leading to freight charges and loss of time. A roller would allow for increased work in the manufacturing of farm gates and fences.

5. [redacted] Commercial Information Mill Drill

This unit will replace aging equipment and will speed up production relating to repetitive drilling work and provides necessary safety equipment.

Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount
Bluff Engineering and Welding Co Ltd	Cash	\$ [redacted] Commercial Inform
Total		\$ [redacted] Commercial Inform

Competitors

When discussing a possible application with the applicant the PDU asked about the firm’s competitors (see duplication risk in the risk section). Competitors are mainly based out of Bluff, the applicant has long standing relationships with these companies and will utilise expertise and equipment from these companies when they do not have the capacity to meet demand. Two of the pieces of equipment will be housed at a neighbouring firm in Bluff and the applicant intends to share the use of the machines. Collaboration is strong within this community and currently collective tendering occurs often. For instance the applicant will utilise neighbouring labour when urgent repair work comes in from foreign ships.

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 [redacted] Commercial Informa 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 [redacted] Comme 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 |
|---|----|

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 10 people working for it in Invercargill. Funding would enable 10 new sustainable jobs. Jobs created are at the highly-skilled level.	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?	Not evident.	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 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		
Does the project:		
➤ 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 engineering/manufacturing sector	Commercial Information
Governance, risk and project execution		
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. The applicant has experience in the implementation of this type of project. The applicant will execute a separate agreement with the neighbouring firm (Commercial Information) for the housing of the two pieces of equipment. This firm will be required to report back on their usage. Risks are identified and mitigated appropriately.	Commercial Information
➤ plans for future ownership and operational management?	Existing arrangements.	Commercial Information
➤ how the project will be delivered and managed?	The equipment will be sourced from New Zealand companies and the process delivered by Commercial Information key directors.	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
Demand	The applicant loses contracts with key	The applicant will work closely with key partners to maintain	Commercial Information

	partners.	relationships. The applicant also has a well-diversified business.	
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.	Commercial Information
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 Information
Supplier delays	Delays in buying the equipment delays the creation of new jobs.	The applicant will get clarity from the supplier on expected timeframes and will utilise existing equipment until supplied.	Commercial Information

Section D: Funding and financial analysis

Please highlight number below

Does the application show:

➤ How strong is the financial position of the applicant organisation?	Free and frank opinions	Commercial Information
➤ How does the scale of the project compare to their overall business?	In line with current business.	Commercial Information
➤ Why is Crown funding being sought rather than commercially-available funding?	The applicant has been considering an upgrade of equipment for some time; recently it has been advised Commercial Information. The applicant has been putting significant investment into improving health and safety requirements. PGF investment would allow for safety and production benefits to be realised sooner.	Commercial Information

#	Deliverable	Due Date	Associated Payment (ex-GST)
1	Funding Agreement executed and any pre-conditions are met or waived	Commercial Information	\$ Commercial Inform
2	Profile roller and drill installed	Commercial Information	\$ Com
2	Profile roller and drill operational	Commercial Information	\$ Commercial Inform
3	Lathe installed	Commercial Information	\$ Com
4	Lathe operational	Commercial Information	\$ Commercial Inform
5	Brake press installed and operational	Commercial Information	\$ Commercial Inform
6	Mobile Crane installed	Commercial Information	\$ Commercial Inf
7	Mobile Crane operational	Commercial Information	\$
8	Quarterly report 1 of 4 submitted	Commercial Information	\$
9	Quarterly report 2 of 4 submitted	Commercial Information	\$ Com
10	Quarterly report 3 of 4 submitted	Commercial Information	\$
11	Quarterly report 4 of 4 and final report submitted	Commercial Information	\$
Total			\$77,500

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 PSE 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:

HW, Senior Investment Analyst, PDU Investment Team
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 PS, Investment Director, PDU Investment Team