

2.14 Nulook Windows and Doors - Machinery

Evaluation, Cover Sheet and Decision Form

Project:	Nulook Windows and Doors - Machinery	FOR:	Approval
Applicant:	Southland Windows and Door Centre Limited	PDU ID:	Commercial Information
Application type:	PGF	(A) Total Project Value:	\$ Commercial Informat
Funding type:	Grant	(B) PGF Funding Sought:	\$ Commercial Informat
Entity Type:	Company	(C) PGF Funding Recommended:	Up to \$ Commercial Informat
Region:	Southland	(D) Applicant Contribution:	\$ Commercial Informat (Cash)
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Comm %
Sector:	Manufacturing/ Engineering		
Application summary:	<p>Southland Windows and Doors Centre Limited is the Southland licensee of the Nulook franchise which specialises in the fabrication and installation of windows and doors, mainly for commercial customers. The applicant does not export; its focus area is Southland with some residential customers in Otago.</p> <p>The applicant seeks the financial support for two pieces of equipment to help remove blockages, increase productivity and meet the current demands on its business. The pieces of equipment required are:</p> <ol style="list-style-type: none"> 1. Computer Numerical Control (CNC) Twin Saw 2. Computer Numerical Control (CNC) Router 		

It is recommended that SROs:

Agree to approve up to \$140,000 for a grant from the PGF towards the purchase of two specific pieces of engineering equipment because

- The equipment will reduce the amount of work currently performed manually resulting in productivity efficiencies for the applicant. This aligns with the PGF objectives in regard to uplift in productivity, enhanced economic opportunities, more highly-skilled jobs (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 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 remove blockages, reduce lead times and accelerate productivity. The equipment the applicant requires are:

Item	Cost (excluding GST)
CNC Twin Saw	\$ Commercial Informat
CNC Router	\$ Commercial Informat
Total	\$ Commercial Informat (of which PDU recommends funding Comm % - \$140,000)

The equipment sought contributes to the growth of the applicant as it will allow the company to successfully tender for more commercial work. Currently work such as shopfront glass facades and showroom windows/doors have been given to companies outside of Southland as they can meet the demand sooner.

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

1. CNC Twin Saw – Commercial Information

This machine will automate a current manual cutting process which is slowing down productivity and can lead to human error.

2. CNC Router - Commercial Information

Computerised and precise this machine will also increase efficiencies in the fabrication process and limit manual errors which currently cost the applicant 10 days lead time for replacement metal.

Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount
Southland Windows and Doors Ltd	Cash	\$ Commercial Informat
Total		\$ Commercial Informat

Competitors

When discussing a possible application with the applicant the PDU asked about the firm's competitors (see duplication risk in the risk section.) Most of the applicant's competitors are based in Invercargill and include [redacted]; however their work is usually to service the Queenstown market.

Currently the applicant does not do a lot of collective tendering, but would be open to joint tender bidding in the future.

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] 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] 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

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|---|----|
| ➤ 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 [redacted] people working for them in Invercargill. Funding would enable [redacted] 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. The applicant also works with the [redacted]	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. This equipment will also allow staff to learn new skills on more modern automated machines.	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. Computerised machinery will also have a significant impact on rates of manual human error.	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.	Commercial Information

	Risks are identified and mitigated appropriately.	
➤ plans for future ownership and operational management?	Existing arrangements.	Commercial Information
➤ how the project will be delivered and managed?	The equipment has been recommended by the applicant's systems suppliers Commercial Information who create the latest door/window designs. They have specialised maintenance crew skilled in the equipment required.	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 partners.	The applicant will work closely with key partners to maintain relationships. The new equipment will provide a more compelling case when tendering for commercial work. Commercial Information	Commercial
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 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
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Section D: Funding and financial analysis

Please highlight number below

Does the application show:

➤ How strong is the financial position of the applicant organisation?	The applicant is in an acceptable financial position, displaying consistency Commercial Information For further information please refer to Annex One of this coversheet. Withheld - Commercial Information	Commercial Information
➤ How does the scale of the project compare to their overall business?	The scale of the project is at an appropriate level	Commercial Information
➤ Why is Crown funding being sought rather than commercially-available funding?	Commercial Information	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 (\$140,000) the PDU recommends that a grant (with ^{Comm} % co-contribution) would be the most appropriate funding model for this Engineering/Manufacturing package. Commercial Information	Commercial Information
➤ Has the applicant provided evidence of market pull for this project?	Commercial Information	Commercial Information
➤ Has the applicant provided evidence that their supply	The specific supplier of the machinery has been chosen by the applicant as it has a maintenance crew that specialises in servicing this type of machinery.	Commercial Information

chain is secure?		
Summary of funding and financial analysis:	<p>Free and frank opinions</p> <p>PGF investment will mean that productivity improvements and the associated additionalities will be realised much sooner.</p>	Commercial Information

Funding arrangements

Suggest a grant of up to \$140,000 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	\$ Commercial Inform
2	Equipment installed and operational	Commercial Information	\$ Commercial Infor
3	Quarterly report 1 of 4 submitted	Commercial Information	
5	Quarterly report 2 of 4 submitted	Commercial Information	
6	Quarterly report 3 of 4 submitted	Commercial Information	\$ Com
7	Quarterly report 4 of 4 submitted	Commercial Information	
8	Final Report submitted	Commercial Information	
Total			\$140,000

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:

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