

## 2.9 Apex Engineering – Machinery

### Evaluation, Cover Sheet and Decision Form

<b>Project:</b>	Apex Engineering – Machinery		<b>FOR:</b> Approval
<b>Applicant:</b>	Apex Engineering Limited		<b>Pipedrive ID:</b> <span style="border: 1px solid black; padding: 2px;">Commercial Information</span>
<b>Application type:</b>	PGF	<b>(A) Total Project Value:</b>	\$ <span style="border: 1px solid black; padding: 2px;">Commercial Information</span>
<b>Funding type:</b>	Grant	<b>(B) PGF Funding Sought:</b>	\$147,000
<b>Entity Type:</b>	<b>Company</b>	<b>(C) PGF Funding Recommended:</b>	Up to \$147,000
<b>Region:</b>	Otago	<b>(D) Applicant Contribution:</b>	\$ <span style="border: 1px solid black; padding: 2px;">Commercial Information</span> (Cash)
<b>Tier:</b>	2 - Sectors	<b>(D/A) Co-contribution Rate:</b>	Comm % <span style="border: 1px solid black; padding: 2px;">Comm</span>
<b>Sector:</b>	<b>Manufacturing / Engineering</b>		
<b>Application summary:</b>	<p>Apex Engineering Ltd is an Oamaru based engineering company specialising in structural and sheet metal as well as providing machine and mechanical engineering services including workshops, dairy sheds, farm equipment repairs, and truck body parts. Established in 2007, Apex Engineering recently invested significantly in relocating premises and is seeking PGF funding to purchase machinery that will both reduce production times as well as diversifying the range of services they can provide clients. The applicant does not currently export and its main market is in the Otago region, customers include <span style="border: 1px solid black; padding: 2px;">Commercial Information</span></p> <p>The applicant seeks the financial support for three pieces of equipment to help increase productivity and meet the current demands on its business. The equipment required are:</p> <ol style="list-style-type: none"> <li>1. Computer Numerical Control (CNC) Lathe</li> <li>2. Milling Machine Centre</li> <li>3. Brake Press</li> </ol>		

#### It is recommended that SROs:

**Agree** to approve up to \$147,000 for a grant from the PGF towards the purchase of three specific pieces of engineering equipment because:

- The equipment will enable the applicant to diversify its service offering, achieve productivity efficiencies through reduced lead times and produce higher quality products. This aligns with the PGF objectives in regard to uplift in productivity, enhanced economic opportunities, more highly-skilled jobs (Comm 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
- The applicant providing additional financial information in regard to shareholder advance accounts.

**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 three pieces of equipment to help accelerate productivity, help meet the current demands on its business and bring some processes in-house. The three pieces of equipment the applicant requires are:

Item	Cost (excluding GST)
CNC Lathe	\$ <sup>Commercial Inform</sup>
Milling Machine Centre	\$ <sup>Commercial Inform</sup>
Brake Press	\$ <sup>Commercial Informat</sup>
<b>Total</b>	\$ <sup>Commercial Inform</sup> <b>(of which PDU recommends funding <sup>Comm</sup> % - \$147,000)</b>

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. CNC Lathe – <sup>Commercial Information</sup>

The purchase of the modern lathe will mean a lower skilled operator is able to operate the machine and will also create a pathway into engineering via apprenticeship training. This will also in-turn free up more skilled staff to assist with training and assist in satisfying demand for higher value projects. The new machine will also enable the

applicant to produce parts more efficiently.

## 2. Milling Machine Centre – [REDACTED] Commercial Information

The applicant notes it has previously been unable to price work requiring a high degree of accuracy and repeatability due to not having a high-quality milling machine with a digital read out. The purchase of this machine will allow Apex to tender for such work. Space has been set aside for the milling machine centre at Apex's new workshop but it has been forced to delay the purchase due to the costs associated with relocating to the new workshop.

## 3. Brake Press – [REDACTED] Commercial Information

This machine will enable the applicant to produce a wide range of folded panels more accurately than it can currently. The higher degree of accuracy from this machine will also enable the applicant to produce bespoke architectural designs, further diversifying Apex's service offering and ensuring continued growth. The applicant notes there is existing demand for this service already, for example truck body components for [REDACTED].

### Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount
Apex Engineering Limited	Commercial	\$ [REDACTED]
<b>Total</b>		\$ [REDACTED]

### Competitors

When discussing a possible application with the applicant the PDU asked about the firm's direct competitors (see duplication risk in the risk section). There is one competitor in Oamaru, the applicant has a close relationship with them and generally clients remain loyal to each company.

### 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

- |   |    |
|---|----|
| ➤ 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 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 <input type="text" value=""/> people working for it in Otago ( <input type="text" value=""/> part-time). Funding would enable <input type="text" value=""/> new sustainable jobs. <input type="text" value=""/> of the jobs created are at the highly-skilled level and the other is at a low-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 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****Does the project:**

➤ align with regional priorities, such as frameworks, or	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	Commercial Information
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regional plans?	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.	
➤ have the support of local governance groups (councils, iwi and hapu)?	The Otago Regional Economic Development Strategic Framework identifies the need to increase regional productivity as being a key objective. This project directly contributes to increasing regional productivity by increasing Apex's productivity as well as through the creation of <sup>Com</sup> new sustainable jobs.	Commercial Information
<b>Governance, risk and project execution</b>		
<b>Does the application show:</b>		
➤ robust project management and governance systems?	Current department managers of Apex Engineering will oversee the procurement and installation of the new machinery and manage any subsequent training required. The applicant has recently designed, built and relocated to new premises so has demonstrated a project of this size and complexity is well within the applicant's capabilities.  Risks have been 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?	As mentioned above, department managers will oversee the project. Key personnel are identified and updates on the project will be provided at bi-monthly governance meetings.	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.	Commercial
Resource	The ability for the company to find employees to fill the	While still in its infancy, SOREC will aim to work	Commercial

	roles may delay the productivity potential of the applicant.	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. In addition, Apex Engineering run an ongoing apprenticeship training programme and utilise mature seasonal workers to assist during its off-season, offering apprenticeships when feasible.	
Timing	The lead time to purchase the new equipment ends up delaying the creation of new roles and means the increase in productivity is not achieved.	Apex Engineering will utilise existing equipment to mitigate this risk as production will not be required to stop. Detail regarding timeframes for the delivery of the equipment will be sought from the supplier.	Commercial Information
Demand	A loss of a customer or decrease in demand for Apex Engineering's services.	Apex Engineering is a diversified business that is not totally reliant on any one customer. Commercial Information	Commercial Information

<b>Section D: Funding and financial analysis</b>		Please highlight number below
<b>Does the application show:</b>		
➤ How strong is the financial position of the applicant organisation?	Commercial Information the PDU is comfortable with supporting the proposal. Commercial Information For further information please refer to Annex One of this	Commercial Information

	coversheet. <span style="color: red;">Withheld - Commercial Information</span>	
➤ How does the scale of the project compare to their overall business?	The applicant has completed projects of greater scale and complexity and hence the PDU is confident that the applicant will complete the project successfully.	Commercial Information
➤ Why is Crown funding being sought rather than commercially-available funding?	The applicant has made significant investment in building and relocating to new premises. Provision of PGF funding will accelerate the purchase of machinery and allow for more immediate production efficiencies that will help meet customer demand.	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 (\$147,000) 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: grey;">Commercial Information</span>	Commercial Information
➤ Has the applicant provided evidence of market pull for this project?	Funding would positively impact on the applicant's ability to meet customer demand.	Commercial Information
➤ Has the applicant provided evidence that their supply chain is secure?	The machinery required has been identified following extensive enquiries into both the specified machinery and the support history of the supplying companies.	Commercial Information
<b>Summary of funding and financial analysis:</b>	<p style="text-align: center;">Free and frank opinions</p> <div style="background-color: grey; height: 100px; width: 100%;"></div> <p style="text-align: center;">Free and frank opinions</p> <div style="background-color: grey; height: 100px; width: 100%;"></div>	Commercial Information

Free and frank opinions

### Funding arrangements

Suggest a grant of up to \$147,000 from the PGF fund towards the purchase of three 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	CNC Lathe installed	Commercial Information	\$ Commercial Inform
3	CNC Lathe operational	Commercial Information	\$ Com
4	Milling Machine Centre installed	Commercial Information	\$ Commercial Inform
5	Milling Machine Centre operational	Commercial Information	\$ Com
6	Brake Press installed	Commercial Information	\$ Commercial Inform
7	Brake Press operational	Commercial Information	\$ Com
8	Quarterly report 1 of 4 submitted	Commercial Information	\$ Com
9	Quarterly report 2 of 4 submitted	Commercial Information	\$ Com
10	Quarterly report 3 of 4 submitted	Commercial Information	\$ Com
11	Quarterly report 4 of 4 submitted	Commercial Information	\$ Com
12	Final report submitted	Commercial Information	\$ Com
<b>Total</b>			<b>\$147,000</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