

2.07 TECHNICAL STEAM PASTEURISING

Evaluation, Cover Sheet and Decision Form

Project:	Technical Steam Pasteurising		FOR: Approval
Applicant:	PARKERS Beverage Company Ltd		Pipedrive ID: Commercial
Application type:	Main PGF	(A) Total Project Value:	\$ Commercial Informat
Funding type:	Grant	(B) PGF Funding Sought:	\$ Commercial Information
Entity Type:	Company	(C) PGF Funding Recommended:	\$110,000 as a Grant
Region:	Hawkes Bay	(D) Applicant Contribution:	\$ Commercial Informat
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Comm %
Sector:	Food & Beverage		
Application summary:	<p>Parkers Beverage Company is seeking funding to procure and install a Steam Cabinet Pasteuriser to enable itself and a group of Comm other small food and beverage businesses to have their packaged product pasteurised locally as opposed to having to send it out of Hawkes Bay for treatment.</p> <p>The other companies would utilise the pasteuriser at Parkers Beverage on a contract basis. There are Comme letters of support from these companies and the Hawkes Bay Food Innovation Hub (FoodEast). Parkers Beverage has engaged with FoodEast to develop their principles of collaboration.</p> <p>The PDU is recommending that a Grant of \$110,000 be approved, Commercial Information on the basis that the pasteuriser will be made available to other businesses who want to use it at a rate that enables Parkers to ensure it can cover replacement and maintenance, but not directly profit from the Government investment. This is also in recognition of the immediate benefits of the additional jobs, the collaboration with the group of Comme small food and beverage businesses and the reduced risk for product development and innovation.</p> <p><i>[Please see full project description in the Application Description Section]</i></p>		

CAB-20-MIN-0197 Provincial Growth Fund: COVID-19 Response: Redeployment and Acceleration

Construction activity that will be underway within 6 months	Parkers Beverage intends to source the Steam Cabinet Pasteuriser from local machinery supplier Commercial Informat and installed within via local engineering company Commercial Information . The Steam Cabinet Pasteuriser can be ordered upon execution.	N/A 1 2 3 4 5
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A high degree of visibility to the community to give the public confidence that renewed economic activity is underway	The project is the purchase and installation of a specific piece of equipment; as such the project itself would not be visible. However the impact of the project would be noticeable through the partnerships with the six other small food and beverage businesses and FoodEast.	N/A 1 2 3 4 5
Immediate job creation and income growth	The Steam Cabinet Pasteuriser can be ordered upon execution. MPI has advised that Parkers Beverage Company is seeking to hire additional staff immediately and intends to 'approach those who have recently lost their jobs'. Parkers will hire <input type="text"/> new employees.	N/A 1 2 3 4 5

The PDU recommends that the SROs

Agree to approve an up to \$110,000 grant from the PGF towards the Technical Steam Pasteurising project

1. because:
 - a) The collaboration between Parkers Beverage and the Food Innovation Hub
 - b) This project will create new jobs within Parkers Beverage
 - c) There are substantial cost and time benefits for other small Hawkes Bay food and beverage businesses
 - d) This project can begin immediately.

2. subject to:
 - a) Receipt of the contract and use arrangements with other user companies that will ensure that the Pasteuriser will be made available to other businesses who want to use it at a 'pass through' rate (i.e a rate that enables Parkers to ensure it can cover replacement and maintenance, but not directly profit from the Government investment).
 - b) The applicant continuing maintaining alignment to FoodEast.
 - c) The applicant providing a written statement that provides an assurance that the applicant will not manage access to the pasteuriser in a way that might adversely affect other firms.
 - d) That the applicant provides its FY20 accounts.
 - e) Co-funding being confirmed.

3. note:
 - a) The PDU is recommending that a Grant of \$110,000 be approved, Commercial Information
 - b) The applicant's market for its products are predominantly domestic.
 - c) MPI is supportive of the project
 - d) MFAT have no material concerns about a grant from a trade policy perspective

Due diligence on applicant – Summary of findings	Requested
Due diligence has been requested	
Conflicts of Interest	No
No conflicts of interest have been identified.	
Terms and Conditions	Yes
The applicant has correctly completed the T&C's	

Application description

The Project

The project is the purchase of a specific piece of equipment, a Steam Cabinet Pasteuriser, by Parkers Beverage to enable a collective of ^{Commercial Inf} food and beverage businesses (including Parkers) to have their finished product sterilised and packed locally vs having to send their products out of Hawkes Bay. The model of pasteuriser has a capacity of ^{Commercial Informa} per day and the ability to do product runs as small as 500L. The current minimum volume expectation for out of town treatment is 10,000-15,000L. It is estimated that each partner company will experience about a \$^{Commercial Inform} benefit in the first year.

Commercial Information

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Affordability of and access to equipment are significant risks when developing new products and is a hurdle for business innovation. The new Parkers Beverage Company equipment and guaranteed access will reduce the business and development risk for product development and innovation.

Collective arrangements

The partner companies have committed to using the technical steam pasteuriser on a contract basis. Each company will have its own arrangement, with two options:

- Commercial Information

- Commercial Information

Collaboration with the Food Innovation Hub

The PDU and MPI saw this application as a good opportunity to further foster co-operation and collaboration in the Hawkes Bay food and beverages industry, with FoodEast as the engagement hub. At our suggestion, Parkers Beverage has engaged with FoodEast and has provided us with the following principles of collaboration.

Commercialisation of Ideas;

- FoodEast will provide food and beverage companies with the opportunity to innovate, test and take to market.*
- Parkers Beverage Company can bring to this experience in a range of beverage products, taking product to market and access to equipment that can support small batch production.*

Collaboration

- FoodEast will provide food and beverage companies with support and an opportunity to collaborate from the ground up.*

- Parkers Beverage Company has indicated openness to co-packing and supporting other Hawke's Bay food and beverage companies to get a product to market. Managing Director Doug Speedy has also indicated he is happy to allocate some time to be present at FoodEast to advise new companies on processing products.

Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount \$
Parkers Beverage Company Ltd	Pledged	\$ <small>Commercial Information</small>
Total		\$ <small>Commercial Information</small>

Project Ownership (Structure and Key Personnel)

The project will be managed by Parkers Beverage Company, with the CEO and Operations Manager having the main input.

The Directors of Parkers Beverage are;

- Douglas Speedy - CEO
- Campbell Johnstone
- Joseph McAleese
- Gerald Walsh

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**

Does the Application have a Te Ara Mahi (TAM) component? **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?	<p>This project would create <small>Com</small> jobs. This is a significant amount of employment given the size of the project.</p> <p><small>Commercial Information</small></p> <p>The installation of the equipment will require engineering capability that is available in the Hawkes Bay.</p>	N/A 1 2 3 4 5
➤ deliver community benefits?	<p>This project would create substantial benefits for the partner companies, and to the wider business community through the collaboration with FoodEast by the reduced risk for product development and innovation.</p>	N/A 1 2 3 4 5

➤ increase utilisation of and returns on Maori assets?	Not evident.	N/A 1 2 3 4 5
➤ enhance the sustainability of natural assets?	This project would increase the post processing capability in Hawkes Bay. As such this project will create additional revenue streams for local businesses.	N/A 1 2 3 4 5
➤ mitigate climate change effects, or assist with the lowering of emissions?	There will be a lower CO ² footprint as raw materials do not need to be transported out of town and then back to the Hawkes Bay.	N/A 1 2 3 4 5
Additionality		
Would the project:		
➤ add value by building on what is already there, without duplicating effort?	This project will provide new processing capacity in the region.	N/A 1 2 3 4 5
➤ be a catalyst for productivity potential in the region?	There is a combination of freight savings, time savings and reduced costs, all of which will improve the productivity of Commercial Inf companies, and perhaps more in the future.	N/A 1 2 3 4 5
Connected to regional stakeholders and frameworks		
Does the project:		
➤ align with regional priorities, such as frameworks, or regional plans?	This project is strongly aligned to Matariki, the Hawkes Bay's regional economic development strategy, objective ' <i>to leverage the region's natural advantages to optimise the export value of agribusiness and food and beverage manufacturing, further enhancing the premium positioning and value-add of Hawke's Bay produce</i> '.	N/A 1 2 3 4 5
➤ have the support of local governance groups (councils, iwi and hapu)?	<p>This project is supported by FoodEast, which has advised that Parkers Beverage Company is aligned with its vision of stimulating food and beverage product development and innovation to create employment and add to the region's Gross Domestic Product.</p> <p>FoodEast is developing a database of processors which will create an opportunity for the food processing businesses to build a relationship with innovative business that can lead to production volumes of scale in a collaborative manner.</p>	N/A 1 2 3 4 5

Governance, risk and project execution

Does the application show:

➤ robust project management and governance systems?	The applicant and partner companies are experienced operators. Technical expertise for machinery installation and testing will be outsourced.	N/A 1 2 3 4 5
➤ plans for future ownership and operational management?	Once the project is completed Parkers will use the assets as part of its normal business.	N/A 1 2 3 4 5
➤ how the project will be delivered and managed?	The machines will be sourced from Europe through local machinery supplier ^{Commercial Information} , shipped into Napier Port and installed by local company ^{Commercial Information} , with electrical support via local companies such as ^{Commercial Information} .	N/A 1 2 3 4 5

Section C: Risk Management Evaluation

Does this application demonstrate consideration of the following risks?			Yes
Type of risk	Risk description	Mitigations	Risk Rating
<input checked="" type="checkbox"/> Project risk	Is the project feasible? Can it be delivered on time, on budget and to specification?	The applicant is experienced and will monitor pricing. The applicant assumes that cost over runs will be covered by Parkers.	L w /Medium/High
<input checked="" type="checkbox"/> Operational risk	Will the project or asset operate to specification, to budget, and achieve the forecast revenue?	Operational risk is mitigated by the wider buy-in for this initiative	L w /Medium/High

Section D: Funding and financial analysis

Please highlight number below

Does the application show:

➤ How strong is the financial position of the applicant organisation?	<p>The applicant is a small established business with moderate expansion plans.</p> <p>For the FY19 Parkers Beverage had;</p> <p>Commercial Information</p>	N/A 1 2 3 4 5
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	<p>Commercial Information</p> <p>Parkers have informed the PDU that the FY20 accounts will show Commercial Information</p> <p>The PDU will request the FY20 accounts as a conditions precedent to confirm this.</p> <p>Commercial Information</p>	
➤ How does the scale of the project compare to their overall business?	This is a modest expansion of Parkers business and in line with its expansion model.	N/A 1 2 3 4 5
➤ Why is Crown funding being sought rather than commercially-available funding?	Parkers Beverage does not have the capital available right now to pay full cost.	N/A 1 2 3 4 5
➤ What does the independent financial analysis/ business case indicate?	<p>The applicant has consulted with FoodEast. That did not include a financial analysis.</p> <p>The applicant's forecasts have been developed in conjunction with a third party private accountant, <small>Privacy of natural persons</small></p>	N/A 1 2 3 4 5
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	<p>Commercial Information, the PDU is recommending the Parkers Beverage be funded through a grant given the immediate benefits of the additional jobs, the collaboration with the group of <small>Comme</small> small food and beverage businesses and the reduced risk for product development and innovation. The recommendation is on the basis that it will be made available to other businesses who want to use it at a rate that enables Parkers to ensure it can cover replacement and maintenance, but not directly profit from the Government investment.</p>	N/A 1 2 3 4 5
➤ Has the applicant provided evidence of market pull for this project?	The applicant has provided evidence of the demand from local businesses to utilise the pasteuriser through letters of support from these businesses.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence that their supply chain is secure?	The PDU has secured confidence in the applicant supply chain through discussions with the applicant.	N/A 1 2 3 4 5
Summary of funding and financial analysis:	Parkers Beverage is a small company in an expansion phase. The expansion plan is of a scale appropriate with the size of the company.	N/A 1 2 3 4 5

	The project is consistent with PGF timeframes.	
Funding arrangements		
<p>The grant funding should be drawn down against evidence of co-funding.</p> <p>The PDU is recommending a Grant Commercial Information</p>		
Consultation from partner agencies undertaken or implications		
<p>MPI has provided the following feedback;</p> <ul style="list-style-type: none"> • Clear collaborative approach to proposal has been demonstrated by letters of support from all companies • Good opportunities for linkage with the HB Food Innovation Hub • Good post Covid-19 project with ability to provide additional skilled jobs in region imminently • MPI Policy & Trade view as a low risk project, Commercial Information • MPI is supportive of this proposal and recommend that receipt of the contract use arrangements by The Collective is a condition of any approved PGF funding. <p>MFAT has stated that there are no concerns with a grant.</p>		
Is there any further information from the applicant?	Yes - Comments below	
<p>Following initial assessment, additional information was sought from the applicant:</p> <ul style="list-style-type: none"> • Financial reports for FY18 and FY19 were provided • A one pager on collaboration between Foodeast and Parkers was provided. 		
Summary statement of Application Review undertaken		
<p>All of the following have occurred as part of this application assessment and recommendation:</p> <ul style="list-style-type: none"> ➤ Discussions between the Regions Team and the Investment Team; and ➤ Consultation with relevant partner agencies allowing the provision of technical advice; their verbatim feedback is included above; and ➤ Full and comprehensive review by an Investment Director; and ➤ Review by the Head of Investment; and ➤ Review by the PDU Leadership Team. <p>These have occurred to the satisfaction of the reviewer and the reviewer concurs with the recommendation.</p>		
Review has been completed	Yes	
Supporting proposal:	Yes	
Appendices:	Yes – Applications and supporting letters are as annexes Supporting letters withheld - Commercial Information	

Author of paper:

SC, Investment Analyst, AM, Investment Director, PDU Investment Team