

**PROVINCIAL
DEVELOPMENT
UNIT****PGF PROPOSALS FOR REVIEW**

Date:	6 September 2019	Priority:	Medium
Security classification:	In Confidence	Tracking number:	0679 19-20

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to the recommendations outlined in this briefing.	11 September 2019
Hon Phil Twyford Minister of Transport Minister for Economic Development		11 September 2019
Hon David Parker Minister for Trade and Export Growth		11 September 2019
Hon Shane Jones Minister for Regional Economic Development		11 September 2019
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing.	11 September 2019

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
David van der Zouwe	Head of Investment Management	Privacy of natural persons	✓
Hannah Lee	Policy Advisor	Privacy of natural persons	
Jessica Sandford	Policy Advisor	Privacy of natural persons	

Recommendations

Projects seeking approval from Regional Economic Development Ministers

Ref	Project name	Project description & benefits	Comment	Total cost of project	Requested PGF Investment	PDU Recommendation	IAP Recommendation
1.	Wood Engineering Technology – Acceleration of Manufacturing Capacity	<p>Applicant: WET Gisborne Ltd</p> <p>Region: Tairāwhiti</p> <p>WET Gisborne Ltd (WGL) has applied to the PGF for two projects:</p> <p>Modifications to the existing pilot plant (G1.1) to take it from a 3.5 days a week operation to a 24/7 operation.</p> <p>Total project value: \$^{Commercial Information}</p> <p>PGF: \$3,100,000</p> <p>The construction and commissioning of the first full-scale plant (G1.2) to sit next to the existing pilot plant.</p> <p>Total project value: \$^{Commercial Information}</p> <p>PGF: \$^{Commercial Information}</p> <p>This leads to a total requested cost of \$^{Commercial Information}</p> <p>^{Commercial Information}</p> <p>WET Gisborne Limited (WGL) is a JV between Wood Engineering Technology Ltd (WET) and Eastland Community Trust (ECT). WET has developed a technology process to turn logs into a structural engineered wood product called Optimised Engineered Lumber (OEL). The plant, located at Gisborne's Wood Cluster site, efficiently cuts raw logs into numerous small fillets ensuring that over 90% of the log is used. By understanding the strength characteristics of each part of a log and correctly aligning fillets from different parts of the cut log, a laminated end product is generated that has superior strength and is vastly more consistent to traditionally processed timber.</p>	<p>The PDU recommends that \$3.1 million of PGF funding be provided for the completion of the G1.1 only, leaving the market to fund further development.</p> <p>The PDU recommends that you approve WGL's application as a \$3.1 million loan from the PGF subject to the following conditions:</p> <ol style="list-style-type: none"> ^{Commercial Information} WGL supplying a detailed budget for the completion of G1.1 Joint Venture partner WET maintaining a controlling interest in the business and parent company for a period reflective of PGF investment Evidence that co-funding is secure. <p>Provided the funding's terms and conditions are equivalent to those available commercially to the recipient, MFAT has no material concerns.</p> <p>TPK note that iwi have been active participants in forming the TEAP. Te Rūnanganui o Ngāti Porou, Rongowhakaata, Te Rūnanga o Tūrangānui a Kiwa and Ngāi Tāmanuhiri have all signed off the economic action plan.</p> <p>PDU state the wider opportunity to establish processing lines in Tairāwhiti could aid the harvesting of more remote blocks, a number of which are Māori owned. However, this alignment is limited. The direct and indirect employment impact on Māori living in Te Tairāwhiti region has definite merit and benefit.</p> <p>^{Privacy of natural persons}</p> <p>MPI and Te Uru Rakau support the proposal subject to further information, specifically:</p> <ul style="list-style-type: none"> • Scale • Location relative to market • Market validation, including written support from NZ domestic building supply companies • Designer engagement plan • Promotional plans • Recruitment, training and development plans • Confirmation of shareholder capital • Consent requirements • Energy and water requirements and confirmation of supply 	\$ ^{Commercial Information}	\$3.1 million (loan)	Approve	Conditional Support
2.	^{Commercial Information - declined project}	^{Commercial Information - declined project}	^{Commercial Information - declined project}	^{Commercial Information - decline}	^{Commercial Information - declined project}	^{Commercial Inform}	^{Commercial Inform}

Ref	Project name	Project description & benefits	Comment	Total cost of project	Requested PGF Investment	PDU Recommendation	IAP Recommendation
		<p>Commercial Information - declined project</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>Commercial Information - declined project</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>				
3.	<p>Commercial Information - declined project</p> <p>[Redacted]</p>	<p>Commercial Information - declined project</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>Commercial Information - declined project</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>Commercial Information - dec</p> <p>[Redacted]</p>	<p>Commercial Information - declined project</p> <p>[Redacted]</p>	<p>Commercial Inform</p> <p>[Redacted]</p>	<p>Commercial Inform</p> <p>[Redacted]</p>

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4.	<p>Commercial Information - declined project</p> <p>[Redacted]</p>	<p>Commercial Information - declined project</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>Commercial Information - declined project</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>Commercial Information - decline</p>	<p>Commercial Information - declined project)</p>	<p>Commercial Inform</p>	<p>Commercial Inform</p>

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		<p data-bbox="557 302 1038 331">Commercial Information - declined project</p> <p data-bbox="557 331 1038 424">[Redacted]</p> <p data-bbox="557 424 1038 516">[Redacted]</p> <p data-bbox="557 516 1038 609">[Redacted]</p>	<p data-bbox="1104 302 1798 331">Commercial Information - declined project</p> <p data-bbox="1104 331 1798 403">[Redacted]</p> <p data-bbox="1104 403 1798 684">[Redacted]</p> <p data-bbox="1104 684 1798 1012">[Redacted]</p> <p data-bbox="1104 1012 1798 1083">[Redacted]</p> <p data-bbox="1104 1083 1798 1155">[Redacted]</p> <p data-bbox="1104 1155 1798 1226">[Redacted]</p> <p data-bbox="1104 1226 1798 1297">[Redacted]</p> <p data-bbox="1104 1297 1798 1369">[Redacted]</p> <p data-bbox="1104 1369 1798 1440">[Redacted]</p> <p data-bbox="1104 1440 1798 1512">[Redacted]</p> <p data-bbox="1104 1512 1798 1583">[Redacted]</p> <p data-bbox="1104 1583 1798 1654">[Redacted]</p>				

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5.	Commercial Information - declined project [REDACTED]	Commercial Information - declined project [REDACTED]	Commercial Information - declined project [REDACTED]	Commercial Information	Commercial Information - declin	Commercial Inform	Commercial Inform

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			Commercial Information - declined project [Redacted]				

The Provincial Development Unit recommends that you:

Wood Engineering Technology – Acceleration of Manufacturing Capacity (Tairāwhiti)

1. **Agree** to approve WET Gisborne Ltd’s application as a \$3.1 million loan from the Provincial Growth Fund towards the Wood Engineering Technology – Acceleration of Manufacturing Capacity project subject to:
 - a. The Provincial Development Unit negotiating commercial terms of the loan with a fair value write down of zero
 - b. WET Gisborne Ltd supplying a detailed budget for the completion of plant Gisborne 1.1
 - c. Joint Venture partner WET maintaining a controlling interest in the business and parent company for a period reflective of Provincial Growth Fund investment
 - d. Evidence that co-funding is secure.

Agree / Disagree

Commercial Information -
declined project

[Redacted]

Agree / Disagree

Commercial Information - declined project

[Redacted]

Agree / Disagree

c. Commercial Information - declined project .

Agree / Disagree

David van der Zouwe
Head of the Investment Management
Provincial Development Unit
..... / /

Hon Grant Robertson
Minister of Finance
..... / /

Hon Phil Twyford
Minister for Transport
Minister for Economic Development
..... / /

Hon David Parker
Minister for Trade and Export Growth
..... / /

Hon Shane Jones
Minister for Regional Economic Development
..... / /