

20 March 2018

Honourable Shane Jones
Minister of Regional Economic Development
C/- Regional Economic Development Unit
Ministry of Business Innovation and Employment
PO Box 1473
Wellington 6140



Dear Shane

Subject: 1st PGF application for the Prime Wood Processing Centre of Excellence in Gisborne: Far East Saw Mill Activation

I have pleasure in attaching our first PGF application in support of our Prime Wood Processing Centre of Excellence. This application is **Commercial Information** refer overview below, which once successful will generate up to ^{Commercial} direct jobs.

PRIME
WOOD PROCESSING CENTRE OF EXCELLENCE
GISBORNE



PROVINCIAL GROWTH FUND

The reactivation of the Prime Saw Mill underpins our Regional Economic Action Plan of creating a diversified hub for wood processing. It has the single biggest impact in terms of job creation and is ready to go.

We would be happy to answer and further questions you may have.

Privacy of natural persons

Gavin Murphy
Chief Executive
Encl.: PGF Application: Far East Saw Mill Activation

Application for Funding (up to \$1m)



This application form will help the officials administering the Fund to make a decision on your proposal, so please provide as much detail as you are able to, as appropriate to the size and complexity of your proposal. If information required in this form is missing, officials will contact you to ask for that, which will add time to your application process.

Proposal Name	Far East Saw Mill Activation [part of the Gisborne Centre of Excellence for Wood Processing]
Applicants and contact details	Tony Coombe, Eastland Community Trust <small>Privacy of natural persons</small> Wade Glass, Far East Saw Mills <small>Privacy of natural persons</small>
Summary of project <i>Include an overview of:</i> <ul style="list-style-type: none"> • The proposal for which funding is sought • The amount of funding being sought • Details of all contributors to the proposal and engaged stakeholders • What the proposal is seeking to achieve • A summary of other sections of the business case 	<p>Task 1.1 of the Tairāwhiti Economic Action Plan is to secure a saw mill operator for the Prime site. In February 2018 ECT announced the sale of the Prime Saw Mill assets to Far East Saw Mills. Far East are currently recommissioning the mill and intend employing up-to C staff with a planned commencement date of April 2018.</p> <p>As part of recommissioning the site we are requesting \$500,000 plus GST for the following items:</p> <ol style="list-style-type: none"> 1. Remediation of the wood drying kilns and heat plant to make them more efficient, including the installation of supporting oxygen monitoring and boiler management software. 2. Replacement of the obsolete electronics in the green mill which are used to improve the operational efficiency of the head rig and associated saws. <p>These improvements assist in the making the saw mill more efficient and therefore more sustainable. The previous saw mill operator closed the mill in 2010 <small>Commercial Information</small></p> <p>The improvements to the heat plant are particularly important as the saw mill site now shares its heat with Commercial Information</p> <p>It is therefore crucial to that the heat plant and kilns are optimised through until Commercial Information.</p>

Costs and Benefits of the Project

What is the total cost of the project	Commercial Information plus GST	
What is your (the applicant's) financial contribution?	These improvements are part of a broader strategy where Commercial Information has been used to house the new operations of Commercial Information	
What Government funding is being sought	\$500,000 plus GST	
Breakdown of other funders <i>Specify contributor and contribution (including central government, regional, private trust etc)</i>	<i>Contributor</i>	<i>Amount (\$)</i>
	Commercial Information	Commercial Information
	Commercial Information	Commercial Information
	Provincial Growth Fund	\$500,000 plus GST
Benefits of the project <i>Identify and, if possible, quantify the economic benefits from the project. In particular, highlight public benefits (i.e. benefits other than increase profitability of the applicant)</i>	<p>In February 2018 the Juken mill in Gisborne announced the partial closure of its plant, with 100 associated job losses. Juken is a significant employer for the region, so these jobs losses will have a major adverse impact for the Gisborne community. The re-opening of the Far East Saw Mill at Prime allows the region to Commercial the impact of these direct job losses.</p> <p>The forestry industry is one of the largest contributors to the Tairāwhiti economy. Currently the Gisborne region exports over 3,000,000 tonnes of logs through its Port and it is reaching its maximum capacity. Raw logs have low margins. Processing logs into timber adds significantly more to regional GDP and jobs. A saw miller allows us to process these logs domestically (generating local employment) and reducing the volume of logs across the Gisborne Port.</p> <p>The region has well developed plans to create a Wood Processing Centre of Excellence in Gisborne, of which the saw miller will be a key enabler. Once the region has a steady supply of cut timber it can supply other wood processing in the region, including Commercial Information. These new wood processors will add a further Commercial direct jobs in the region.</p>	

<p>Does your proposal support any other proposals, including any that have recently been funded, are being considered for funding, or may soon apply for funding?</p> <p><i>Explain the relationship between this and other proposals</i></p>	<p>This application replaces the ^{Commercial Information} request for assistance dated ^{Commercial Information} that will support the creation of a ^{Commercial Information} Wood Processing Centre of Excellence in Gisborne.</p>
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Regional Connections

<p>What regions are covered by your proposal?</p> <p><i>Identify what region/s the proposal will benefit and how it will do this</i></p>	<p>Gisborne, Tairāwhiti East Coast Region through direct employment.</p>
<p>What local support does your proposal have?</p> <p><i>Have you discussed your proposal with local stakeholders (e.g. council, iwi/Māori groups, regional governance groups)?</i></p> <p><i>Did they support it? If not, why not?</i></p>	<p>Proposal is included within the Tairāwhiti Economic Action Plan which had widespread community consultation prior to its launch in February 2017.</p> <p>This application is supported by ECT Trustees, Activate Tairāwhiti, Gisborne District Council and the Regional Action Plan Steering Group.</p> <p>On 27 February 2018, Gisborne leaders meet with Minister Shane Jones in Wellington to discuss this and other regional initiatives.</p>
<p>Are you using local governance processes?</p> <p><i>i.e. existing local, regional and/or iwi/Māori governance processes</i></p>	<p>Existing governance process through ECT, Activate Tairāwhiti and the Regional Action Plan Steering Group.</p>

Governance and Management

<p>What are the key milestones and outputs for the project?</p>	<ol style="list-style-type: none"> 1. Test saw mill plant by running trial – Commercial Information 2. Document Kiln and Heat Plant condition - Commercial Information 3. Upgrade Control Software and 3D Laser Log Scanner – Commercial Information 4. Install Opacity and Oxygen Monitoring Sensors – Commercial Information 5. Kiln and Heat Plant Repairs – Commercial Information 6. Project close and reporting – Commercial Information
<p>How will the project be managed and governed?</p>	<ol style="list-style-type: none"> 1. Day to day management by Far East Saw Mills General Manager with oversight by ECT Commercial Manager. 2. Monthly reporting to Activate Tairawhiti Board and ECT Trustees. 3. Quarterly updates to the Regional Action Plan Steering Group.
<p>Outline the risks of this project <i>(Including mitigations)</i></p>	<ol style="list-style-type: none"> 1. Plant and equipment failure of underlying saw mill assets. Mitigation by continuation of preventive maintenance regime. The mill machinery has been regularly run up and tested since it was decommissioned in 2010. 2. Delay and or cost overrun in procuring electronics and repairs. Mitigation by obtaining supplier quotes, specifying time frames and early engagement of supporting trades people. The mill has been largely serviced by a long-standing set of suppliers who are familiar with the equipment and its application. 3. Inability to find competent staff. Mitigated by Far East Saw Mills looking to retrain all new hires during the month of March 2018. Engage WINZ to assist with finding suitable candidates.
<p>Outline the procurement process</p>	<ol style="list-style-type: none"> 1. Document requirements 2. Request quotes from relevant suppliers 3. Analyse supplier responses and award contract 4. Document contract <p>Note: Due to the need to quickly recommission the mill and the specialist nature of what is been acquired a full RFP process will not be undertaken. The Far East Saw Mills General Manager and ECT Commercial Manager will work closely to ensure the competitiveness and quality of supplier submissions.</p>
<p>If your proposal is funded, what happens once the funding is spent? <i>Is your proposal sustainable once funding from the Provincial Growth Fund ends?</i></p>	<p>A post implementation review will be contacted and reported to the Activate Tairawhiti Board.</p> <p>Once the proposal is completed the Saw Mill and Commercial will be able to work together collaboratively ensuring the optimal use of the Commercial Information.</p>

Project Operating Budget

Project: Far East Saw Mill Activation					
	Q1, 2018	Q2, 2018	Q3,2018	Q4, 2018	Total (excl. GST)
<u>Expenditure</u>					
<u>Capital expenditure</u>					
Opacity and Oxygen Monitoring					
Control Software and 3D Laser Log Scanner					
Dry Store Building					
TOTAL					
<u>Operating expenditure</u>					
Heat Plant Repairs					
Kiln Repairs					
Machinery Commissioning					
TOTAL					
<u>Co-funding secured, source</u>					
PGF Funding					
ECT Funding					
Far East Funding					
TOTAL					
Capital funding required					
Operating funding required					
Funding shortfall (if any)					

Commercial Information

