

# Loan Guarantee enables scrap metal exporter to expand

**The Challenge:** Global Metal Solutions (GMS) sought a creative solution to help finance a multi-million dollar purchase of a custom metal shredder to boost its productivity and export sales.



**The Solution:** The experts at Kiwibank and New Zealand Export Credit (NZEC) structured a NZEC Loan Guarantee which provided additional security to Kiwibank, in order to fund this capital investment.

**The Benefit:** The deal has catapulted GMS into a new sphere, expanding its capacity to process an increasing supply of scrap metal and meet the demand of its growing export markets.

For nine years, Craig Tuhoro had been growing his family’s scrap metal export business with a clear vision. He knew that purchasing the ‘mega metal shredder’ was his next bold move.

The shredder would give GMS access to a wider range of scrap materials and an increased processing capacity, significantly expanding its export offering to its global markets.

But the shredder in Tuhoro’s mind would not come cheap. It required the purchase of multi-million dollar machinery, to be amalgamated and tailored into a custom set-up at a new 23,000m<sup>2</sup> yard in Papakura.

Tuhoro needed to borrow significant sums to buy the parts and set up the Papakura yard. GMS’ financials had showed solid growth from a start-up in Hamilton in 2011, through expansion into New Plymouth in 2018. The company’s bankers since 2016, Kiwibank, had supported several projects over the previous three years and turned their mind to an innovative solution to again support their loyal customer take the next step on their business journey.

“I wanted to stay with Kiwibank. As a Māori businessman, it’s important to me to stay local.”

Kiwibank had an idea to use the Treasury’s New Zealand Export Credit (NZEC) to support the shredder loan facility and Tuhoro was very receptive to the idea. He had worked with NZEC earlier in his career on smaller deals, so he understood the export credit agency might be able to help him get his machine and establish his new yard.

Sure enough, NZEC was able to offer Kiwibank a Loan Guarantee, and by mid-July 2020 the shredding machine was located at the new yard and was quickly ripping through the whiteware and cars, significantly increasing the company’s processing capability. Just one month later, the Papakura site was profitable.

“NZEK made it happen,” Tuhoro says. “They’ve been really good to work with.”

NZEK Senior Business Originator Phil Quinn says Kiwibank and GMS provided a detailed business case with clear risk assessments, and plans about how this deal would create significant gains for GMS and NZ Inc. “We were delighted to be able to help this family-owned business expand.”

Kiwibank’s Senior Relationship Manager Simon Whittington says the bank was pleased to find a solution to assist GMS with their bold plans.

“We’ve worked with GMS for four years and provided funding for several projects already. The timing of the shredder came on top of additional working capital funding for the business expansion, so it was great to have NZEK step in to help us support a loyal Kiwi owned business to grow faster, bearing in mind the additional export earnings are good for the country as well.”

Tuhoro says the deal has moved GMS “closer to a long-term sustainable business model.”

“Ultimately, in the next 6-8 months, we will double our capacity. So, it’s a big step towards the goal of creating a strong, sustainable, substantial Māori business capable of supporting my whanau, our wider work family, and our community for many years to come.”

Tuhoro and his whanau own 80 percent of GMS, and a private investor owns 20 percent. Tuhoro, a former CEO of CMA Corp NZ, works alongside three of his seven siblings, and many of his children, nieces, nephews and cousins. The workforce of 70 people, spread across the three sites, is 50 percent female and 85 percent Māori.

“We have a specific culture here – it’s about families. We have many generations of the same families here and that creates a really special whanau culture.”

GMS has made a commitment to helping Māori youth progress into the workforce through an innovative partnership with Auckland iwi Ngāti Tamaoho, mana whenua of Papakura. Following a hui, the iwi identified unemployed rangatahi and sent them to GMS where they were supported to make the most of the opportunity provided to them by GMS.

“Some of our kids have issues,” Tuhoro says. “We know that. We aren’t frightened of getting these kids over those hurdles. We want more work so we can employ more of our own people.”

Of the initial six recruits, five are still with GMS and one took his new work skills and went to work with his father. “They are lining up now. We are getting emails from siblings wanting in.”

<https://gmsgroup.nz/>

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