

MOTU ECONOMIC AND PUBLIC POLICY RESEARCH  
AND MOTU RESEARCH AND EDUCATION FOUNDATION

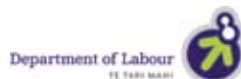
# Annual Report

July 2009 – June 2010

MOTU

PRODUCING  
**HIGH QUALITY RESEARCH**  
PROMOTING  
**REASONED DEBATE**  
DISSEMINATING  
**TOPICAL ECONOMIC  
AND PUBLIC POLICY RESEARCH**

Patrons:



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# Introduction

Motu Economic and Public Policy Research is a leading not-for-profit research institute. Since its inception in 2000, Motu has been recognised nationally and internationally for the high quality and relevance of its research. Motu is fully independent and its reputation is based on its work not being compromised by any expressed ideology or political position. Motu is funded through research grants, sponsorship for our Public Policy Seminar Series, and occasional donations.

Motu's strength comes from its people. The seven senior researchers and associates at Motu all have PhDs from top international universities and extensive public policy-related work experience. Motu is also affiliated with many internationally renowned experts, and these networks are vital to its success.

The Motu trust was established to promote well-informed and reasoned debate on public policy issues relevant to New Zealand decision-making. To this end we are committed to three broad goals: high-quality research, building capability, and free dissemination.

Motu's success is centred on high quality research. Motu's research is strongly relevant to long-term public policy issues. This is seen in recent research relating to infrastructure, labour market productivity, climate change, housing, the Auckland economy, and the intergenerational impacts of tax and retirement policies.

Motu works to build capability in economic and public policy research in New Zealand. As a part of this, Motu researchers teach university courses and supervise thesis students in economics. Motu also offers junior research roles, and provides opportunities for staff to further their training.

Motu is also committed to freely disseminating its research findings and making them accessible to a wider audience. It runs free public policy seminars in Wellington and Auckland. Motu also holds conferences, dialogue groups and workshops, and looks for more innovative ways to disseminate our high quality research. Motu's primary audiences are New Zealand public services, private sector organisations interested in policy, academics, Māori and non-profit organisations.

Motu Economic and Public Policy Research is also closely affiliated with the Motu Research and Education Foundation, which helps Motu further its public good role.

# Director's Report

If New Zealand is to succeed economically and socially, it needs high-quality public policy that has been informed by well-reasoned debate. World class research and sound evaluation are central to informing such debates, and to building good policy making capabilities in New Zealand.

The 2009/10 year has seen the Motu Research Trust continue to build New Zealand's knowledge base and understandings in areas that are important to New Zealand's development and to good policy.

David Maré's and Arthur Grimes' work on agglomeration suggests that location does matter, and that New Zealand's distance from, and relationships with, major cities in other countries is important in terms of productivity, the supply of trained workers, and economic growth. Their work suggests that more account needs to be given to the strength of relationships and connections between different New Zealand cities and regions, and between New Zealand cities and other major cities worldwide.

Infrastructure has been another important area for focus where Arthur has been completing a major FRST-funded project. This work has highlighted the importance of considering investments in infrastructure not simply in terms of the comparative economics of specific projects but also in terms of how the overall performance of, say, transport systems is improved, and the potential future possibilities that investment in infrastructure can create.

Steven Stillman and David Maré continue to work on a series of migration projects that assess the impacts of immigration on labour market and settlement outcomes. They have also collaborated with John Gibson in a Marsden-funded grant, assessing how economic shocks and associated job losses impact on the health and well-being of individuals and households.

Andrew Coleman's research relating to aspects of welfare from an ageing population is raising interesting intergenerational issues. For example, to what extent the combination of an ageing population and the associated costs of funding retirement incomes and health care is making home ownership more difficult for younger people. Also related to housing, Arthur's work on home ownership funded through a Marsden fund is continuing. Current housing policies reflect strong presumptions in favour of home ownership. Arthur's project with Steven is developing an evidence base to assist policy makers in assessing whether such presumptions are justified.

Suzi Kerr returned to Motu in June from her year as visiting professor at Stanford University in California. Her research into the impacts of emissions trading continues to provide important insights for policy relating to climate change and land-use patterns. Suzi's research on nutrient trading in Lake Rotorua highlights a complex range of issues that will need to be considered if a trading system is to be successfully developed.

The research effort has been reflected in a high level of output during the year, with Motu researchers releasing thirteen working papers and contributing a number of papers to academic journals and conferences in New Zealand and internationally.

It was great to see three Motu staff recognised for their research achievements in 2009/10. In particular, Suzi Kerr was awarded the prestigious NZIER Economics Award for her outstanding long-term contribution to economic issues of direct relevance to New Zealand. Steven Stillman and Motu affiliate Jacques Poot were awarded the inaugural Statistics New Zealand Prize for their innovative approach to researching the immigrant education–occupation mismatch in New Zealand. Research Assistant Hugh McDonald was the winner of the Sophie Kate Elliott Memorial Prize for 2009 for achieving the highest grades in honours level Economics at the University of Otago.

Motu has strengthened its commitment to making research more accessible to a wider audience through Motu Notes and the Wellington and Auckland Public Policy Seminar Series.

Motu's focus on building capability has been evidenced in the number and quality of research assistants and interns who have worked at Motu during the year. It has been great to be see young researchers from New Zealand, France, Hungary and the United States working here. They all have enormous future potential and they contribute very positively to the intellectual buzz and environment at Motu.

I would like to acknowledge the substantial support that the Motu Research and Education Foundation provides us, and the importance of the Patrons who support this organisation. They make it possible to strengthen our ability to employ interns, to provide scholarships, to bring some world class visitors to New Zealand and to disseminate research findings.

We are also fortunate to have a strong board of trustees led by Colin James, who provide in no small measure both challenge and support.

Finally, I would like to acknowledge the work of all Motu staff. Their enthusiasm and commitment to Motu's wider goals makes this a great place to work.



**Howard Fancy**

# Chair's Report

Motu continues in sound shape, both in its research activities and its finances.

Howard Fancy, now in his second year as director, has professionalised the administration and extended Motu's reach and range of contacts in the government and elsewhere. Howard has preserved the cooperative ethos established by the senior fellows while sharpening Motu's strategic planning.

Dr Suzi Kerr, the founding director, returned in June after a year's teaching and research at Stanford University, bringing the senior fellows' ranks back to full strength. Suzi's exceptional standing among economists was recognised in August in the New Zealand Institute for Economic Research's Economics Award for 2010.

Dr Steven Stillman won the inaugural Statistics New Zealand Prize, presented at the annual Association of Economists conference, along with Jacques Poot of The University of Waikato.

Suzi's Stanford link underlines the importance Motu places on connections with universities in New Zealand and abroad through adjunct professorships, supervision of doctoral candidates, lecturing, affiliations and joint research. In November Motu will enter into a formal research association with the University of Waikato in the formation of the National Institute of Demographic and Economic Analysis.

Motu also works with a number of Crown Research Institutes, notably National Institute of Water and Atmospheric Research (NIWA) and GNS Science.

Motu senior fellows have served or are serving on several government advisory groups. Dr Arthur Grimes was a member of the Tax Working Group and the National Infrastructure Advisory Board and also of the Infrastructure Technical Advisory Group on improvements to the Resource Management Act. Dr Andrew Coleman is a member of the Savings Working Group.

Attesting to the regard for the quality of Motu's research is the fact that in 2010 it has held three Marsden Fund grants administered by the Royal Society of New Zealand. These grants are highly sought after and very difficult to win.

The trust is setting aside modest funds for senior fellows to pursue otherwise unfunded research, in New Zealand or abroad, to supplement their funding from grants and contracts.

Behind the senior fellows are research assistants and interns who are expected to reach Motu's high standards, as evidenced in a recent prize to Hugh McDonald.

Motu continues to make public all its research and to sponsor, in association with public sector and other organisations, free public seminars on its research and that of affiliates and other leading international and New Zealand economists. Since 2009 these have been run in Auckland as well as Wellington.

The financial position is sound and continues to strengthen. The government's reorientation of the research, science and technology budget may make some funding less directly available, but Motu's resilience and quality well equip it to manage this transition.

Two new appointments to the board are planned for late this year. This coming twelve months are my last on the board. It has been a great privilege.



**Colin James**

# Motu Purposes

Motu Economic and Public Policy Research was established in 2000 with the following purposes:

1. Carrying out and facilitating empirical and theoretical research on public policy issues relevant to New Zealand: the quality of the research will meet international academic standards, and be suitable for acceptance in reputable academic journals.
2. Making existing knowledge more accessible for policy debates in New Zealand: this may be done by summarising and critically reviewing existing work on public policy issues, or by contributing to and facilitating policy discussions through seminars, workshops, and dialogue groups.
3. Disseminating the results of our work and knowledge through publication (particularly in refereed publications), the internet, conferences, seminars, workshops, dialogue groups, and teaching.
4. Building New Zealand capacity to carry out empirical and theoretical research on New Zealand public policy. This will be done through means such as training, collaboration, sponsorship of students or researchers, and development of New Zealand databases.
5. Maintaining close links with international experts working on topics related to our purpose through communication and collaboration.
6. Advancing our work and purpose within New Zealand by facilitating the visits of relevant international visitors.

This annual report is a record of these activities at Motu in the financial year July 2009 to June 2010.



# Research

Motu's success as an organisation is built on our ability to produce high-quality, topical economic and public policy research. We have a strong desire to prove the academic quality of our work through publication, including in international journals. The audience we most wish to impress are top international academics and New Zealand and international policy-makers and private sector leaders who are keen to understand and apply our results. We involve end-users at all stages of the research process to ensure our research is relevant and valuable.



## Environmental Regulation

Motu's programme of environmental research focuses broadly on environmental markets, and the development and use of environmental models to inform public policy. In 2009/10 this work has been primarily funded by two major grants from the Foundation for Research Science and Technology (FRST): Markets and Water Quality: Integrated Assessment for Policy Design, and Integrated Research on the Economics of Climate Change Impacts, Adaptation and Mitigation.

### Climate Change

Motu's climate change research in the past year has focused on emissions trading and model development. Suzi Kerr is leading two research projects related to environmental markets, both funded through major FRST grants. 'The integrated economics of climate change' project, carried out by the EcoClimate collaboration ([www.ecoclimate.org.nz](http://www.ecoclimate.org.nz)), combines practical policy design with longer term integrated model development. This year the project has an emphasis on design and simulation of emissions trading for agriculture and simulation and early evaluation of the emissions trading system in forestry, and on the allocation of New Zealand Units in the emissions trading system as well as some work on the effects of climate change in the agricultural and electricity sectors.

Motu is in the second year of a project funded by the Ministry of Agriculture and Forestry (MAF) and FRST and led by Andrew Coleman, to investigate non-mandatory approaches to climate change mitigation and adaptation in agriculture. The programme focuses on policies that induce cooperation or alter the mix of technologies that producers use to solve externality problems in the agricultural sector. This programme is also developing a dialogue group on agricultural emissions mitigation and developing teaching tools for agricultural emissions trading. Andrew is also assisting GNS Science develop an economic model of the way climate change may affect water use in the Waimea plains.

### Land Use

Motu's Land Use in Rural New Zealand (LURNZ) modeling effort now involves researchers from seven institutions and MAF are setting it up as one of their in-house models. LURNZ also contributes to 'Markets and water quality', a joint project with NIWA, GNS Science and others, in which researchers design and simulate a nutrient trading market for the Lake Rotorua catchment and work with a group of local stakeholders to develop practical policy. The project combines economics, law, hydrology and other disciplines in an attempt to explore these challenging regulatory design problems from all disciplinary angles.

### Nutrient Trading and Water Quality

This Motu programme explores how market-based instruments can be applied to the problem of water pollution from agriculture that has no single identifiable source. The programme continues to consider contamination problems in Lake Taupo (with Environment Waikato) and Lake Rotorua. Motu researchers have identified the key economic, natural science, and policy development process issues that must be addressed to effectively design and assess the potential value of a trading system in such a complex, contentious area. The research has two key components; developing an integrated model for nutrient trading, and investigating nutrient trading policies and regulation frameworks which are challenged by uncertainty.

### Deforestation

Suzi Kerr is also extending earlier research on avoiding deforestation in developing countries. In the past year, Suzi has been based at Stanford University, California, and spent much of her time studying how best to optimise deforestation policies, including global policies.

## Publications

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### Refereed Journal Articles

Betz, Regina; Stefan Seifert, Peter Cramton and Suzi Kerr. 2010. "Auctioning Greenhouse Gas Emissions Permits in Australia," *Australian Journal of Agricultural and Resource Economics*, 54, pp. 219–38.

### Book Chapters, Working Papers and Reports

Kerr, Suzi and Kelly Lock. 2010. "Improving Lake Water Quality through a Nutrient Trading System: The Case of New Zealand's Lake Rotorua," *Tax Reform in Open Economies: International and Country Perspectives*, eds. Iris Clause, Norman Gemmell, Michelle Harding, David White. Cheltenham: Edward Elgar Publishing Ltd, pp.241-64.

Kerr, Suzi and Kelly Lock. July 2009. "Nutrient Trading in Lake Rotorua: Cost Sharing and Allowance Allocation," *Motu Working Paper* 09-09.

Kerr, Suzi and Wei Zhang. December 2009. "Allocation of New Zealand Units within Agriculture in the New Zealand Emissions Trading System," *Motu Working Paper* 09-16.

Kerr, Suzi. November 2009. "Comments to Select Committee," *Invited Independent Specialist Advice on the Climate Change Response (Moderated Emissions Trading) Amendment Bill*.

Todd, Maribeth and Suzi Kerr. December 2009. "How Does Changing Land Cover and Land Use in New Zealand Relate to Land Use Capability and Slope?" *Motu Working Paper* 09-17.

## Presentations

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Kerr, Suzi. 2010. "Global Policies as a Framework for Effective Local Action to Reduce Deforestation: Insights from Costa Rica and Indonesia," Bay Area Tropical Forests Network, March.

Kerr, Suzi. 2010. "Emissions Trading for Forestry and Agriculture: Policy Design and Integrated Simulations in New Zealand," Stanford University Environmental Economics Brownbag Presentation, Stanford University, San Francisco, February; and UC Berkeley Agricultural and Resource Economics Seminar, California, February.

Kerr, Suzi. 2010. "Creating a Cost Effective Nutrient Trading System for Lake Rotorua," Natural Capital Project, Stanford University, California, January.

Ren, Cleo. 2009. "Drivers of Land Use Change in New Zealand: New Results," NZAE Conference – Looking Back, Moving Forward, Wellington, July.

Sinclair, Stewart; Suzi Kerr and Wei Zhang. 2009. "Estimating a Marginal Abatement Cost Curve of Greenhouse Gas Emissions Within the New Zealand Agriculture and Forestry Sector," NZAE Conference – Looking Back, Moving Forward, Wellington, July.

van Benthem, Arthur and Suzi Kerr. 2010. "The Complementarity between Equity and Efficiency in Climate Mitigation: Designing More Effective International Policy to Reduce Emissions from Deforestation and Degradation," Program on Energy and Sustainable Development, Stanford University, California, June.

van Benthem, Arthur and Suzi Kerr. 2010. "Effective International Policy to Reduce Emissions from Deforestation," paper presented at the Analysis, Integration and Modelling of Earth Systems Open Science Conference, Edinburgh, May.

Zhang, Wei. 2009. "Scrub Reversion Under Emissions Trading System in New Zealand," 27th IAAE Conference, Beijing, China, August.



## Housing

Over 2009/10, Motu has pursued a number of avenues of research into housing. Research continues under a Royal Society of New Zealand Marsden Fund grant 'Home ownership and Neighbourhood Wellbeing'. Research in this programme includes analysis of the links between home ownership and participation in school and local elections. Current research into housing is also plotting geographical changes in state housing over time with emphasis on sales and purchases of the state housing stock.

### Home Ownership

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In a Marsden-funded programme on home ownership headed by Arthur Grimes and Steven Stillman, Motu is examining whether home ownership leads to better individual and community outcomes. By analysing the direct and indirect effects of home ownership, Motu researchers aim to provide firmer empirical foundations for debates on the importance of home ownership. Current projects focus on the impact of home ownership on election participation and school outcomes and also on measuring trends in home ownership rates over time in a consistent manner. Arthur's related work with the University of Otago Finance staff examines the effects of different house selling mechanisms on a range of outcomes.

### Housing and Rental Markets

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Motu researchers have worked with the University of Waikato to examine the linkages between house price movements both across New Zealand, and between major cities in Australasia. Steven and Arthur are working on a project that looks at the relationships between the location of state-owned housing, the quality of local amenities, and local house prices. Arthur Grimes is leading a collaborative research effort to evaluate the effectiveness of the Government's New Zealand Insulation Fund (NZIF) with regards to improvements in health outcomes and reduction in household energy use. For this project, Motu researchers are collaborating with the University of Otago Wellington School of Medicine, Covec, and Victoria University of Wellington. Andrew Coleman has also studied the effects of an ageing population in the demand for housing. Motu has also extended prior work between Mark Holmes (University of Waikato) and Arthur Grimes examining the extent of housing market convergence across Australasia. This work, conducted with Nick Tarrant (an intern from University of Otago), indicates that New Zealand housing markets are influenced strongly by broader Australasian influences.

## *Publications*

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### **Refereed Journal Articles**

Grimes, Arthur and Andrew Aitken. 2010. “Housing Supply, Land Costs and Price Adjustment”, *Real Estate Economics*, 38(2), pp.325--53.

Maré, David C; Grimes, A and Morten, M (2009) “Adjustment in Local Labour and Housing Markets,” *Australasian Journal of Regional Studies*. 15(2) pp. 229-48.

### **Book Chapters, Working Papers and Reports**

Coleman, Andrew. March 2010. “Squeezing In and Squeezing Out: The Effects of Population Ageing on the Demand for Housing,” *Motu Working Paper* 10-01.

Coleman, Andrew and Arthur Grimes. September 2009. “Fiscal, Distributional and Efficiency Impacts of Land and Property Taxes,” *Motu Working Paper* 09-14.

Coleman, Andrew and Grant Scobie. 2009. “A Simple Model of Housing Rental and Ownership with Policy Simulations,” *Treasury Working Paper* 09-05.

Grimes, Arthur and Chris Young. September 2009. “Pacific People’s Home Ownership in New Zealand,” *Motu Note* #3.

## *Presentations*

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Stillman, Steven. 2010. “Home Ownership, Social Capital and Parental Voice in Schooling,” Ski-Labor Economics Workshop. Engelberg, Switzerland, January.

Coleman, Andrew. 2009. “Squeezing In and Squeezing Out: The Effects of Population Ageing on the Demand for Housing,” Housing Studies Conference, Sydney, August; and Office of the Retirement Commission, Wellington, September.



## Economic Geography

Motu's Economic Geography programme in 2009/10 has largely focused on infrastructure, concluding the four-year programme of research funded by the Foundation for Research Science and Technology (FRST): 'Physical, Technological and Social Infrastructure: Maximising Contributions of Infrastructure Investments to New Zealand's Economic Development'. Three other major grants funded this work in 2009/10: Auckland Policy Office (formerly GUEDO), 'Determinants of firm and Population Location in Auckland,' New Zealand Centre for Advanced Engineering (CAENZ), 'Economic Implications of Infrastructure

Investment,' and Auckland Policy Office, 'Auckland Skills'.

### Infrastructure

Motu has finished the fourth year of a FRST-funded programme of research on infrastructure. This research has analysed the impacts of a range of infrastructure types including roads, rail, irrigation, rural processing, broadband, social facilities, local authority facilities, and ports. It has examined the relationship of infrastructure investment to agglomeration patterns, planning rules and taxation. Under a research grant received from CAENZ, Arthur Grimes examined the relationship of infrastructure investment decisions with cost benefit analysis. The infrastructure projects were summarised in a workshop jointly hosted with Victoria University of Wellington's Institute of Policy Studies (IPS), the proceedings of which are to appear later in 2010 in the IPS's *Policy Quarterly*.

### Cities and Agglomeration

Motu's work on cities and agglomeration examines how cities function within New Zealand, with a particular focus on Auckland as New Zealand's largest city. This year has seen David and Andrew, together with Philip McCann study what determines the location of business and population within Auckland. This work is being undertaken for the Auckland Policy Office. The study will provide hedonic estimates of the value that firms and people place on different local amenities, and will also estimate the impacts of local amenities and industry structure on firm productivity using Statistics New Zealand's prototype Longitudinal Business Database, Census tables, and various data sources. This study builds on work that David has been doing over recent years on agglomeration and productivity. In related work, David is working with Jacques Poot from the University of Waikato to examine residential location patterns of immigrants in Auckland. On a more global scale, Arthur has also been funded by the Auckland Policy Office to write a short piece comparing Auckland's performance with regard to shares of knowledge-intensive industries and high-skilled occupations within its economy relative to other cities in New Zealand, Australia and Europe.

### Publications

#### Refereed Journal Articles

Coleman, Andrew. 2009. "A Model of Spatial Arbitrage with Transport Capacity Constraints and Endogenous Transport Prices," *American Journal of Agricultural Economics*, 91:1, pp. 42–56.

Grimes, Arthur; David C. Maré and Melanie Morten. 2010. "Defining Areas and Linking Geographical Data: an Example from New Zealand," *Population, Space and Place*, 16, pp. 165–70.

Grimes, Arthur and Yun Liang. 2010. "Spatial Determinants of Land Prices: Does Auckland's Metropolitan Urban Limit Have an Effect?" *Applied Spatial Analysis and Policy*, 2, pp. 23–45.

Howell, Bronwyn and Arthur Grimes. 2010. "Productivity Questions for Public Sector Fast Fibre Network Financiers," *Communications and Strategies*, 78(2), pp. 127–45.

Maré, David C and Steven Stillman (2010) "Agglomeration Elasticities and Firm Heterogeneity," SERC Discussion Paper 43, London: London School of Economics.

### **Book Chapters, Working Papers and Reports**

Coleman, Andrew. 2009. "The Effect of Transport Infrastructure on Home Production Activity: Evidence from Rural New York, 1825–1845," Motu Manuscript, Wellington: Motu Economic and Public Policy Research.

Fabling, Richard, Arthur Grimes and Lynda Sanderson. 2009. "Whatever Next? Export Market Choices of New Zealand Firms," *Reserve Bank of New Zealand Discussion Paper* DP2009/19.

Grimes, Arthur. 2010. "Is Fibre Good for Us?" *Competition and Regulation Times*, Issue 31, March, pp. 6–7, Institute for the Study of Competition and Regulation, Wellington.

Grimes, Arthur. 2010. "The Economics of Infrastructure Investment: Beyond Simple Cost Benefit Analysis," *Motu Working Paper* 10-05.

Grimes, Arthur; Cleo Ren and Philip Stevens. 2009. "The Need for Speed: Impacts of Internet Connectivity on Firm Productivity," *Motu Working Paper* 09-15.

Grimes, Arthur and Chris Young. 2009. "Spatial Effects of 'Mill' Closure: Does Distance Matter?" *Motu Working Paper* 09-12.

Roskrige, Matthew, Arthur Grimes, Philip McCann and Jacques Poot. 2010. "Social Capital and Regional Social Infrastructure Investment: Evidence from New Zealand," *Motu Working Paper* 10-03.

### *Presentations*

Coleman, Andrew. 2010. "Transport Infrastructure, 'Lock-out' and Urban Form," IPS/Motu Infrastructure Workshop, July.

Maré, David C. 2009. "Firm Performance and Workforce Composition," Determinants and Effects of Interregional Mobility Workshop, Alghero, Sardinia, October.

Maré, David C. and Daniel J Graham. 2009. "Agglomeration Elasticities in New Zealand," NZAE Conference – Looking Back, Moving Forward, Wellington, July.

Young, Chris and Arthur Grimes. 2009. "Spatial Effects of 'Mill' Closures: Does Distance Matter?" NZAE Conference – Looking Back, Moving Forward, Wellington, July.



## Labour and Population Economics

In 2009/10, the labour and population economics research programme focused on migration, labour markets, health and crime, and economic shocks. This work was funded through five major grants: Health Research Council New Zealand (HRCNZ), 'Improving Health System Performance: An Economic Analysis of Primary Health Care Reform,' Official Statistics Research Fund, 'Income, Expenditure and Living Standards in New Zealand,' Royal Society of New Zealand Marsden Fund, 'Health and Wealth Effects of Migration,' and 'The Impact of Economic Shocks on the Wellbeing of New Zealanders,' and the

Health Research Council New Zealand, 'Improving Health Systems Performance: Enhancing Hospital Outcomes'. Work in this area was also funded by two research contracts: Department of Labour, 'Trans Tasman Migration,' and Statistics New Zealand, 'Linked Employer-Employee Data (LEED) Research Programme'.

### Migration

Migration has been a major focus in 2009/10. David Maré and Steven Stillman have worked on a series of immigration-related projects funded by the Marsden Fund and the Department of Labour's Economic Impacts of Immigration research programme. These have included studies of the impact of immigration on the housing market, and on the mobility and labour market outcomes of non-immigrants, as well as a study of immigrant assimilation and post-arrival mobility. They are currently looking at the impact that immigration has on firm innovation. Steven and Motu affiliate Jacques Poot are also working on a project looking at under and over-skilling among migrants in New Zealand. Steven is also working on a project with John Gibson and David McKenzie (The World Bank) based on the Pacific Island New Zealand Migrant Survey (PINZMS) and the Samoa Labour Mobility Survey (SLMS). These are comprehensive cross-country household surveys designed to measure multiple aspects of the migration process and allow comparisons between successful and unsuccessful ballot participants. They also completed a paper examining migrant selectivity and the impact of emigration on incomes and poverty in sending countries.

Steven has been involved with another migration project along with Malathi Velamuri and Deborah Cobb-Clark, focused on self-selection among international and trans-Tasman migrants. This work examined new migrants' decisions to settle in New Zealand versus Australia, and the location decisions of both New Zealanders and Australians. This current research is examining the extent to which returns to human capital differ in New Zealand and Australia for otherwise similar workers.

### Labour Dynamics and Labour Force Participation

In 2009/10, David Maré and Dean Hyslop examined the link between firm productivity and the skill composition of firms' workforces. This work used Statistics New Zealand's Linked Employer-Employee Database, and is part of the Department of Labour-led LEED Research Programme. Steven Stillman and David Maré have also supported Dale Warburton from the Ministry of Women's Affairs who is examining female labour force participation patterns.



## Consumption

Steven, David, Trinh Le, Dean Hyslop, John Gibson, and Grant Scobie have collaborated on a project funded by the Statistics New Zealand Official Statistics Research Programme, investigating the relationship between household income and expenditure using data from the Household Economic Survey (HES). By using expenditure data to supplement income information, this analysis provides new information on the level of, and changes over time in, poverty and inequality in New Zealand.

## Economic Shocks

In a Marsden-funded programme on the impact of economic shocks, Steven, David, and John are using data from Statistics New Zealand's longitudinal Survey of Family, Income and Employment (SoFIE), and the Household, Income, Labour Dynamics in Australia (HILDA) survey to examine how events such as job loss and the onset of health problems impact on individual and household wellbeing. Steve, John, and Trinh Le have also examined how individual and household wealth has changed over the first three years of the survey and how this relates to household characteristics. They are also working with Motu Research Analyst Eina Wong to look at the prevalence of economics shocks in both New Zealand and Australia.

## Health and Crime

This year, Steve has worked on a project with Jackie Cumming evaluating the impacts of the Primary Health Care Strategy (PHCS) on the fees patients pay when they visit the GP, access to and utilisation of primary health care services, use of secondary care services, and health status. Current research examines the extent to which the PHCS altered the fees that different individuals pay for health services in New Zealand. Steven also worked with Malathi Velamuri on a project examining the impact of crime victimisation and incarceration on labour-market outcomes and other measures of wellbeing, using longitudinal data from the HILDA survey.

## Publications

### Refereed Journal Articles

Hyslop, Dean and David C. Maré. 2009. "Skill Upgrading in New Zealand, 1986–2001," *Australian Economic Review*, 42:4, pp. 422–34.

Maré, David C. 2009. "Adjustment in Local Labour and Housing Markets," *Australasian Journal of Regional Studies*, 15(2), pp. 229–48.

Maré, David C. 2010. "The Impact of Immigration on the Geographic Mobility of New Zealanders," *Economic Record*, Vol 16, Issue 2, March/April, pp. 165–70.

### Book Chapters, Working Papers and Reports

Cobb-Clark, Deborah and Steven Stillman. November 2009. "The Retirement Expectations of Middle-aged Individuals," *IZA Discussion Paper* No. 2449.

Dixon, Sylvia and Steven Stillman. August 2009. "The Impact of Firm Closure on Workers' Future Employment and Earnings," *Statistics New Zealand LEED Research Report*. Available online <http://www.stats.govt.nz/publications/workknowledgeandskills/the-impact-of-firm-closure-on-workers-future-labour-market-outcomes.aspx>.

- Fabling, Richard and Arthur Grimes. 2009. "The 'Suite' Smell of Success: Complementary Personnel Practices and Firm Performance," *Reserve Bank of New Zealand Discussion Paper* DP2009/13.
- Gibson, John; David McKenzie and Steven Stillman. April 2010. "Accounting for Selectivity and Duration-Dependent Heterogeneity When Estimating the Impact of Emigration on Incomes and Poverty in Sending Areas." *World Bank Policy Research Working Paper* 5268.
- Maré, David C. and Steven Stillman. February 2010. "Passing It On: The Intergenerational Transmission of Human Capital in New Zealand Families". *Families Commission Research Fund Report* 3/10.
- Maré, David C. and Steven Stillman. July 2009. "The Impact of Immigration on the Labour Market Outcomes of New Zealanders," *Motu Working Paper* 09-11.
- Stillman, Steven and David C. Maré. July 2009. "The Labour Market Adjustment of Immigrants in New Zealand," *Motu Working Paper* 09-10.
- Velamuri, Malathi and Steven Stillman. 2009. "The Impact of Crime Victimization on Individual Well-Being: Evidence from Australia," in Philip S. Morrison (ed.) *Proceedings of the 2008 Joint Labour, Employment and Work and Australian Labour Market Research Workshop Conference*. Wellington: Victoria University of Wellington, pp.583–95.

### *Presentations*

- Cobb-Clark, Deborah and Steven Stillman. 2010. "Emigration and the Age Profile of Retirement among Immigrants," Research Seminar, Korea Institute of Public Finance, Seoul, Korea, June.
- Gibson, John; David McKenzie, Steven Stillman and Halahingano Rohorua. 2010. "Natural Experiment Evidence on the Effect of Migration on Blood Pressure and Hypertension," European Society for Population Economics Annual Conference, Essen, Germany, June.
- Gibson, John; David McKenzie and Steven Stillman. 2010. "Miserable Migrants? Natural Experiment Evidence on International Migration and Subjective Well-Being," Annual Bank Conference on Development Economics, Stockholm, Sweden, May.
- Gibson, John; David McKenzie and Steven Stillman. 2010. "Accounting for Selectivity and Duration-Dependent Heterogeneity when Estimating the Impact of Emigration on Incomes and Poverty in Sending Areas," American Economic Association Annual Meetings, Atlanta, January.
- Gibson, John and David McKenzie. 2010. "Preliminary Impacts of a New Seasonal Work Program on Rural Household Incomes in the Pacific," American Economic Association Annual Meeting, San Francisco, January; and Western Economic Association International Annual Conference, Vancouver, July.
- Gibson, John; David McKenzie and Steven Stillman. 2009. "The Importance of Selectivity and Duration-Dependent Heterogeneity When Estimating the Impact of Emigration on Incomes and Poverty in Sending Areas: Evidence from the Samoan Quota Migration Lottery," Queensland University of Technology, Economics Department Seminar, Brisbane, Australia, December.
- Gibson, John; David McKenzie and Steven Stillman. 2009. "Selectivity and the Estimated Impact of Emigration on Incomes and Poverty in Sending Areas: Evidence from the Samoan Quota Migration Lottery," The University of Otago, Economics Department Seminar Dunedin, October; and World Bank Migration and Development Conference, Washington, DC, September.
- Gibson, John; Susan Olivia; Scott Rozelle; Jikun Huang and Xiangzheng Deng. 2009. "Mapping Poverty in Rural China: How Much Does the Environment Matter?," XXVII International Conference of Agricultural Economists, Beijing, August.

- Hyslop, Dean and David C. Maré. 2009. "Job Mobility and Wage Dynamics," NZAE Conference – Looking Back, Moving Forward, Wellington, July.
- Maré, David C. 2009. "Immigration and Innovation," Pathways Conference, Wellington, November.
- Maré, David C. 2009. "Economic Impact of Immigration," New Zealand Diversity Forum, Wellington, August.
- Maré, David C. 2009. "The Labour Market Adjustment of Immigrants in New Zealand," NZAE Conference – Looking Back, Moving Forward, Wellington, July.
- McKenzie, David; John Gibson and Steven Stillman. 2010. "A Land of Milk and Honey with Streets Paved with Gold: Do Emigrants Have Over-Optimistic Expectations about Incomes Abroad?," Insights on Immigration and Development Workshop, Barcelona, Spain, June.
- Stillman, Steven. 2010. "Which Tongans Move to New Zealand via the Pacific Assess Category Quota, and How Does it Change their Lives?" Wellington Public Policy Seminar, May.
- Stillman, Steven. 2010. "Longitudinal Evidence on the Impact of Crime Victimization on Individual Wellbeing," Panel and Longitudinal Data: Methods and Applications Workshop, University of Melbourne and Melbourne Institute, Melbourne, April.
- Stillman, Steven and Malathi Velamuri. 2010. "Immigrant Selection and the Returns to Human Capital in New Zealand and Australia," Department of Labour, Informal Seminar. Wellington, March.
- Stillman, Steve. 2010. "Home ownership, Social Capital and Parental Voice in Schooling," Invited Speaker, Ski-Labor Economics Workshop, Engelberg, January.
- Stillman, Steve. 2009. "Changes in the Distribution of Wealth in New Zealand Between 2004 and 2006," Saving and Wealth Accumulation by Immigrant and Native Households Workshop, Monash University, Melbourne, December.



## Macroeconomics, Monetary Economic and Economic Performance

Motu carries out macroeconomic, monetary economic and economic performance research in a range of areas. In the 2009/10 year, this programme has focussed on exporting, superannuation schemes and taxation.

### *Publications*

#### **Refereed Journal Articles**

Coleman, Andrew and Arthur Grimes. 2010. "Fiscal, Distributional and Efficiency Impacts of Land and Property Taxes," *New Zealand Economic Papers*, 44(2), pp. 179–199.

Fabling, Richard and Arthur Grimes. 2010. "HR Practices and New Zealand Firm Performance: What Matters and Who Does It?," *International Journal of Human Resource Management*, 21(4), pp. 488–508.

Fabling, Richard and Arthur Grimes. 2010. "Cutting the Hedge: Exporters' Dynamic Currency Hedging Behaviour," *Pacific Basin Finance Journal*, 18(3), pp. 241–253.

Gibson, John; Chris Hector and Trinh Le. 2009. "The Distributional Impact of KiwiSaver Incentives," *Social Policy Journal of New Zealand*, 3:61, pp. 111–129.

Grimes, Arthur. 2010. "Capital Intensity and Welfare: Traded and Non-Traded Sector Determinants," *New Zealand Economic Papers*, 43(1), pp. 21–39.

Hess, Kurt, Arthur Grimes and Mark Holmes. 2009. "Credit Losses in Australasian Banking," *Economic Record*, 85, pp. 331–343.

#### **Book Chapters, Working Papers and Reports**

Coleman, Andrew. May 2010. "Uncovering Uncovered Interest Parity During the Classical Gold Standard Era, 1888–1905," *Motu Working Paper* 10-02.

Coleman, Andrew and Arthur Grimes. September 2009. "Fiscal, Distributional and Efficiency Impacts of Land and Property Taxes," *Motu Working Paper* 09-14.

Coleman, Andrew. August 2009. "The Long term Effects of Capital Gains Taxes in New Zealand," *Motu Working Paper* 09-13.

Fabling, Richard; Arthur Grimes and Lynda Sanderson. 2009. "Whatever Next? Export Market Choices of New Zealand Firms," *Reserve Bank of New Zealand Discussion Paper* DP2009/19.

Hess, Kurt and Arthur Grimes. 2009. "Commercial Bank Loan Recoveries," *University of Waikato Working Paper in Economics* 09/09.

## *Presentations*

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Coleman, Andrew. 2010. "Uncovering Uncovered Interest Parity During the Classical Gold Standard Era, 1888-1905," Asia Pacific Economic and Business History Conference, Wellington, February.

Coleman, Andrew. 2009. "The Effect of Australian Macroeconomic News on the New Zealand Dollar," Paper Presented at the Reserve Bank of Australia, Sydney, September.

Coleman, Andrew. 2009. "The Long Term Effects of a Capital Gains Tax on New Zealand's Housing Markets," NZAE Conference – Looking Back, Moving Forward, Wellington, July.

Grimes, Arthur. 2009. "Distributional and other Implications of Land/Property Taxes," NZAE Conference – Looking Back, Moving Forward, Wellington, July.





# Building Capability

Motu works to build capability in two ways. We help to improve the New Zealand public sector through informed debate, access to high-quality economic research, and policy evaluation. Motu also seeks to build capability of economic research. We do this by holding economics-related conferences and workshops, making data more accessible to researchers, offering junior research roles and internships, forming and taking part in research networks, as well as maintaining links with universities in New Zealand and overseas. Through the Motu Research and Education Foundation we also fund scholarships for young economists.

## Research Analysts

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Motu employs promising economics graduates as research analysts to assist the senior fellows with all parts of the research process. Research analysts are supported to continue studying while at Motu, and have often gone on to complete PhDs and moved to high-level policy positions. In 2009/10 Motu's research analysts were: Chris Young, Hugh McDonald, Marianna Kennedy, Wei Zhang, and Yun Liang. Levente Timar also works half-time at Motu as a research economist.

## Internships

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Motu hires interns with an undergraduate degree in economics or statistics who plan to do post-graduate study. Internships assist young researchers to build their skill base, while strengthening New Zealand's empirical research capability. Motu enjoyed the company of four interns over the summer of 2009/10. Ruth Pinkerton from The University of Waikato worked with David Maré, researching the nature and extent of residential sorting patterns in Auckland. Darian Woods from the University of Canterbury worked with Suzi Kerr and Andrew Coleman to explore whether New Zealand agricultural exporters could offset the costs of an emissions trading system by rearranging trading patterns. Alex Olssen worked with Steven Stillman on a Marsden-funded home ownership project to look at changes in state housing stock and sales since the 1990s, and to explore how an area's demographic characteristics affect the type and proportion of sales in that area. Nick Tarrant worked with Arthur Grimes and explored correlations between the Australian and New Zealand housing markets.

Motu also hosted an intern from France. From April 2010 Marie-Laure Nauleau contributed to Motu's nutrient trading programme, and worked with modelers at NIWA on N-trader, a model designed to simulate nutrient trading in the Lake Rotorua catchment. Marie is part way through a Masters in Economics and Applied Mathematics at ENSAE ParisTech, a graduate school in Paris specialising in statistics, economics and finance. All of the interns completed outstanding work, and made genuine contributions to ongoing research projects at Motu. We look forward to following their progress.

## Data sets

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Developing common databases that can be used by a wide range of researchers is an essential component of building an effective New Zealand research community. Motu's objective of enhancing research infrastructure includes developing and documenting data sets that can be made available to other researchers, and we are developing a standard approach to documentation. We are currently compiling detailed information on key data sets held by Motu. More information is on our website: <http://www.motu.org.nz/building-capacity/datasets>.

## Teaching materials

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### *Environmental Trading Game*

Motu's environmental trading game was developed to give hands-on experience of environmental trading. It includes scenarios for emission trading and nutrient trading. In 2009/10 we have developed an extension to the game which demonstrates the effects of different ways of allocating allowances in environmental trading systems. The game is freely available from our website: [http://www.motu.org.nz/building-capacity/detail/environmental\\_trading\\_game](http://www.motu.org.nz/building-capacity/detail/environmental_trading_game).

## University Teaching and Affiliations

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Motu's senior fellows build research capability through their work with universities. Motu has particularly strong links with Victoria University of Wellington and The University of Waikato.



In 2009/10, all seven senior fellows and researchers have taught at various universities:

Suzi Kerr taught undergraduate and graduate Environmental Economics and ran informal graduate research seminars at Stanford University.

Andrew Coleman has taught two courses at Victoria University of Wellington: Honours-level International Economics, and under-graduate Macroeconomics.

Arthur Grimes is an Adjunct Professor of Economics in the School of Management Studies at The University of Waikato, where he supervises a number of PhD students. Arthur also conducts joint research with academics at the University of Waikato, University of Otago, and Victoria University of Wellington.

David Maré is an Adjunct Professor of Economics at the University of Waikato.

Steven Stillman is an Adjunct Professor at the University of Waikato and provides supervision to a PhD student at the University of Otago Wellington School of Medicine and Health Science. Steven is also currently teaching Honours-level Labour Economics at Victoria University of Wellington.

Research Associate John Gibson is Professor of Economics, University of Waikato and Visiting Fellow at the Center for Global Development, Washington DC.

Research Associate Dean Hyslop is a Professor at Victoria University of Wellington, and currently teaches graduate and undergraduate Econometrics.

Motu has also subcontracted work to academics at Victoria University of Wellington, University of Canterbury Forestry School, and the Management School at the University of Waikato.

## Networks, Collaboration and Dialogue Groups

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In addition to university affiliations, Motu collaborates with numerous organisations and research communities, and maintains strong links with internationally renowned experts. Motu also takes a leadership role, convening collaborations and forming dialogue groups to explore issues in greater depth with a wide range of participants.

### *NIDEA – National Institute of Demographic and Economic Analysis*

As part of their Adjunct Professor roles at the University of Waikato, David Maré and Steven Stillman are involved in the establishment of this new institute. As part of this we have participated in workshops and we have gained access to the Kiwi Advanced Research and Education Network (KAREN) grid which allows easy video-conferencing with universities and Crown Research Institutes.

### *EcoClimate*

EcoClimate is a research collaboration involving researchers from Motu (coordinator), NIWA, Landcare Research, New Zealand Centre for Ecological Economics, Infometrics, AgResearch and GNS Science. It brings together top-level experience in fields such as climatology, ecology, agriculture, and economics to understand the economics of climate change impacts, adaptation, and mitigation for New Zealand. More information is available at [www.ecoclimate.org.nz](http://www.ecoclimate.org.nz).

### *Crown Research Institutes*

Motu has a significant subcontract to NIWA who is a key collaborator in our Markets and Water Quality project. We also work closely with GNS Science and have subcontracted researchers from Scion and AgResearch. We made progress with GNS Science to employ an economist to work on hazards, water or climate issues (starting work in the following year). We have worked on subcontracted work for both Scion and Landcare Research.

### *Nutrient Trading Study Group (NTSG)*

The NTSG is a group of researchers, land-owners, iwi members, and representatives from industry and local and central government. It involves a professional facilitator, Glen Lauder (CommonGround). Discussions draw on research from within this programme and elsewhere, and on members' expertise.

### *Other Networks and Professional Affiliations*

Arthur Grimes is a member of Statistics New Zealand's Advisory Committee on Economics Statistics (ACES) and the Housing Statistics User Group (HSUG). He is a member of the Economics and Human and Behavioural Sciences Panel for the Royal Society of New Zealand Marsden Fund, the National Infrastructure Advisory Board, and the Urban Technical Advisory Group (UTAG) to the Minister for the Environment. During 2009, he was a member of the Tax Working Group. Arthur is leading a collaborative research project evaluating the New Zealand insulation fund with the University of Otago, Covic and Victoria University of Wellington.

Suzi Kerr is a founding trustee of the Hikurangi Foundation and a member of He Waka Tangata, a social science leadership group established by the Ministry of Research, Science and Technology.

Steve Stillman is a member of Statistics New Zealand user group for Survey of Family, Income and Employment (SoFIE). Steven is working with researchers from several institutions including Peter Davis from the University of Auckland and the New Zealand Social Science Data Service (NZSSDS) on health issues. Steven is also an affiliated Research Fellow at the Institute for the Study of Labor (IZA), Bonn, Germany; Centre for Research and Analysis of Migration, University College, London, United Kingdom, and at the William Davidson Institute, University of Michigan.

David Maré is a member of Statistics New Zealand user groups for LEED, SoFIE and IBULDD. He is a member of Department of Labour's International Migration, Settlement and Employment Dynamics (IMSED) Governance Group.

### **International Visitors**

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Motu hosted visits from five international visitors in 2009/10: Guido Friebel (Goethe University, Frankfurt); Rainer Winkelmann (University of Zurich); Philip McCann (University of Groningen and University of Waikato); Professor E. Somanathan (Indian Statistical Institute); and Felix Ritchie (Office for National Statistics, UK).



# Communication

As a part of its public good objective, Motu retains intellectual property for all research to ensure that our findings are freely available. We continually look for better ways to disseminate our research, and make it available to a wide ranging audience; from researchers to policy analysts and the general public. This increases Motu's profile and helps to build trust in our research, independence, and charitable status.

## Motu Website

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You can freely download our research from our website, [www.motu.org.nz](http://www.motu.org.nz). The site has a searchable database to keep track of publications. There is also a signup page that allows people to subscribe to seminar invites, newsletters, and publications on topics of interest. We also have pages for Motu events and news, so people can keep up with the latest at Motu.

## Motu Research Update

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Our newsletter, “Motu Research Update” is published in December and June each year. It is emailed to over 3000 people and institutions and posted to around 500 people. Articles are short and topical, and written so that they are accessible to a wide audience. Copies are also lodged with the National Library of New Zealand (ISSN 1176-0206).

Issue 18 of the Motu Research Update was published in June 2010. This issue featured the health and wellbeing of migrants to New Zealand, Emissions Trading in the forestry and agriculture sectors, Auckland as a knowledge economy, and Suzi Kerr’s time at Stanford University.

## Motu Working Papers

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Six New Zealand libraries subscribe to print copies of Motu working papers. Copies are also lodged with the National Library of New Zealand (ISSN 1176-2667). All working papers are also available for download from our website. To assist with international access, the working paper series is available through the Research Papers in Economics (RePEc) archive and on the Social Science Research Network (SSRN) online database. Motu maintains its own RePEc archive on its server and receives regular updates to track abstract views and downloads. A ranking of the top items in the Motu working paper series can be viewed at: <http://logec.repec.org/scripts/seritemstat.pl?h=RePEc:mtu:wpaper>. Eleven Motu staff, associates and affiliates currently feature in the top 25 percent of New Zealand authors on RePEc, and Motu is currently ranked fifth equal of New Zealand institutions. These rankings can be viewed at <http://ideas.repec.org/top/top.newzealand.html>.

Thirteen Motu working papers were published in 2009/10:

Roskruge, Matthew; Arthur Grimes; Philip McCann and Jacques Poot. May 2010. “Social Capital and Regional Social Infrastructure Investment: Evidence from New Zealand,” *Motu Working Paper* 10-03.

Coleman, Andrew. March 2010. “Uncovering Uncovered Interest Parity during the Classical Gold Standard Era, 1888–1905,” *Motu Working Paper* 10-02.

Coleman, Andrew. March 2010. “Squeezing in and Squeezing Out: The Effects of Population Ageing on the Demand for Housing,” *Motu Working Paper* 10-01.

Todd, Maribeth and Suzi Kerr. December 2009. “How Does Changing Land Cover and Land Use in New Zealand Relate to Land Use Capability and Slope?” *Motu Working Paper* 09-17.

Kerr, Suzi and Wei Zhang. December 2009. “Allocation of New Zealand Units Within Agriculture in the New Zealand Emissions Trading System,” *Motu Working Paper* 09-16.

Grimes, Arthur; Cleo Ren and Philip Stevens. October 2009. “The Need for Speed: Impacts of Internet Connectivity on Firm Productivity,” *Motu Working Paper* 09-15.

Coleman, Andrew and Arthur Grimes. September 2009. “Fiscal, Distributional and Efficiency Impacts of Land and Property Taxes,” *Motu Working Paper* 09-14.

Coleman, Andrew. August 2009. “The Long Term Effects of Capital Gains Taxes in New Zealand,” *Motu Working Paper* 09-13.

Grimes, Arthur and Chris Young. July 2009. "Spatial Effects of 'Mill' Closure: Does Distance Matter?" *Motu Working Paper* 09-12.

Maré, David C. and Steven Stillman. July 2009. "The Impact of Immigration on the Labour Market Outcomes of New Zealanders," *Motu Working Paper* 09-11.

Stillman, Steven and David C. Maré. July 2009. "The Labour Market Adjustment of Immigrants in New Zealand," *Motu Working Paper* 09-10.

Kerr, Suzi and Kelly Lock. July 2009. "Nutrient Trading in Lake Rotorua: Cost Sharing and Allowance Allocation," *Motu Working Paper* 09-09.

Coleman, Andrew and Grant M. Scobie. July 2009. "A Simple Model of Housing Rental and Ownership with Policy Simulations," *Motu Working Paper* 09-08.

## Motu Notes

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Motu Notes are less technical than our working papers and are designed to appeal to a general or policy audience. They are based on findings from our working papers.

Motu Notes published this year include:

Grimes, Arthur and Chris Young. 2009. "Pacific Peoples' Home ownership in New Zealand," Motu Note #3.

## Motu Public Policy Seminar Series

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Motu's two Public Policy Seminar Series make current research more accessible to a wider audience. They are aimed primarily at communicating the results of Motu's research, but presenters also include other leading local and international researchers. The seminars have been very successful and contribute towards Motu's four broad objectives: producing high-quality research, promoting reasoned debate, building capability of research and the public sector, and free dissemination. The seminars cater to a broad audience including policy analysts and the wider public interested in particular economic and policy issues.

### *Wellington*

Motu started the Wellington Public Policy Seminar Series in October 2003. They run on average once a month, and focus on a wide range of topics. Currently, approximately 850 people subscribe to the series email list. In 2009/10 the Wellington series was sponsored by Statistics New Zealand, Social Policy Evaluation and Research (SPEaR), and the New Zealand Treasury. When available, related papers and seminar slides are made available on our website for free download.

### **Wellington Public Policy Seminars 2009/10:**

Stillman, Steven. 2010. "Which Tongans move to New Zealand via the Pacific Assess Category Quota, and How Does it Change their Lives?" Wellington Public Policy Seminar, May.

Ritchie, Felix. 2010. "Microdata for Policy Research: Lessons from the UK Experience," Motu Public Policy Seminar, March.

Somanathan, E. 2010. "The "Tragedy" of the Commons," Motu Public Policy Seminar, March.

McCann, Philip. 2009. "Economic Geography, Globalisation and New Zealand's Productivity Paradox," Motu Public Policy Seminar, December.

Maré, David C. 2009. "Labour Productivity in Auckland Firms: There's Something about the City," Motu Public Policy Seminar, October.

Grimes, Arthur. 2009. "The Need for Speed: Impacts of Internet Connectivity on Firm Productivity," Motu Public Policy Seminar, October.

Coffey, Shaun. 2009. "Investing in High-Tech," Motu Public Policy Seminar, September.

Oxley, Les. 2009. "China's Energy Economy: Substitution Possibilities, Market Integration and Some Possible Environmental Implications," Motu Public Policy Seminar, August.

### *Auckland*

Based on the success of the Wellington Public Policy Seminar Series, Motu introduced an Auckland series in 2009. Most of the Auckland seminars are hosted in conjunction with the University of Auckland Master of Public Policy programme. Approximately 566 people subscribe to the email invite list for these seminars. In 2009/10 the focus of these seminars has been primarily on public policy issues of key importance to the Auckland region. During 2009/10, the series was sponsored by the Auckland Policy Office (formerly GUEDO), Auckland Regional Council, the Tindall Foundation, and the Social Policy Evaluation and Research Committee (SPEaR). When available, related papers and seminar slides are made available on our website for free download.

#### **Auckland Public Policy Seminars 2009/10:**

Hensher, David. 2010. "Informed Thinking on Frequent, Connected and Visible Metropolitan-Wide Public Transport," Auckland Public Policy Seminar, June.

Grimes, Arthur. 2010. "Is Auckland a Knowledge Economy?," Auckland Public Policy Seminar, May.

Coleman, Andrew. 2010. "Why Grandma is my Landlord: Population Ageing, Taxes, and Their Implications for the Housing Market," Auckland Public Policy Seminar, May.

McCann, Philip. 2009. "Economic Geography, Globalisation and New Zealand's Productivity Paradox," Auckland Public Policy Seminar, October.

Mintrom, Michael; John Hattie and Lynda Reid. 2009. "Big Issues in the Future of Schooling in New Zealand," Auckland Public Policy Seminar, October.

Vaithianathan, Rhema; Jane Kelsey and Rod Oram. 2009. "The Future of the Global Economy," Auckland Public Policy Seminar, October.

Mintrom, Michael; Lester Levy and Ann Poulsen. 2009. "Opportunities Created by the Super City," Auckland Public Policy Seminar, September.

Vaithianathan, Rhema; Basil Sharp and Peter Neilson. 2009. "The Future of Energy," Auckland Public Policy Seminar, August.

Curtin, Jennifer; Raymond Miller and Michelle Boag. 2009. "The Future of Electoral Politics in New Zealand," Auckland Public Policy Seminar, August.

MacCulloch, Robert. 2009. "Happiness, Contentment and Other Emotions: Implications for Economic Policy," Auckland Public Policy Seminar, July.

Maré, David C. 2009. "Productivity in Auckland Firms: There's Something About the City," Auckland Public Policy Seminar, July.

## Media Coverage

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Sharing our findings through the media is a secondary aim, although we welcome opportunities as they arise.

2009/10 media coverage for Motu includes the following:

Knowledge Transfer – *Family Voice* (Families Commission), March 2010.

Time to Tackle Taxes and Inflation – *The Dominion Post*, 8 March 2010.

Taxes Tipped to be Among Taskforce’s Topics – *The New Zealand Herald*, 12 December 2009.

Motu’s Arthur Grimes and Deloitte’s Mike Shaw Detail Pros and Cons of Land Tax – *interest.co.nz*, 2 December 2009.

Motu’s Grimes says Auckland Urban Limits Driving Land Prices Up, Stifling Development – *interest.co.nz*, 27 November 2009.

Opinion: An Alternative to a Capital Gains Tax Which Will Remove Housing Market Distortions – *interest.co.nz*, 11 November 2009.

A Taxing Policy Question as Consumption Ills Linger – *The Dominion Post*, 20 August 2009

*Our thanks go to Senate Communications for their pro-bono communications advice.*





# People

Motu's success is based on its people. We have five senior fellows and two research associates, all of whom have had extensive research and public policy experience. They are assisted by research analysts who have economics qualifications and bring to Motu an array of skills and interests. We also have a team of administration staff who look after our accounts, library, communications, human resources, and information technology. Motu is also affiliated with a large number of researchers who work on issues related to our research programmes, and we often collaborate with them on our projects. The Motu international panel act as advisors to the director on occasion, and we are governed by a board of trustees chaired by Colin James.

# Motu People

## Senior Fellows and Associates



### **Howard Fancy** *Director*

Howard has an extensive background in leadership and public policy including senior roles in the New Zealand Treasury, CEO for the then Ministry of Commerce, CEO for the Ministry of Education, and Acting CEO for the Ministry for the Environment. As well as being Motu's Director, Howard currently undertakes a number of governance roles in the public and private sectors including being a director of Cognition Education Limited, Arts Access Aotearoa, and an external member of the the Department of Corrections, Department of Labour and State Services Commissions' Risk and Audit Committees. He is a member of the Advisory Board of the National Centre of Adult Literacy and Numeracy and a member of the Education Committee of the Royal Society. He recently chaired the governance group overseeing the establishment of the new Ministry of Science and Innovation.



### **Suzi Kerr** *Senior Fellow*

Suzi graduated from Harvard University in 1995 with a PhD in Economics, was an Assistant Professor at the University of Maryland between 1995 and 1998 and a Visiting Professor at Stanford in 2009/10. She has been a visiting scholar at the Massachusetts Institute of Technology and at Resources for the Future. Suzi's research work empirically and theoretically investigates domestic and international emissions trading issues with special emphasis on climate change regulation, emissions and sequestration related to land use in New Zealand and the tropics. Her recent work has applied these tools to the problem of water quality in Lake Rotorua and the design of the New Zealand Emissions Trading System.



### **Arthur Grimes** *Senior Fellow*

Arthur has a BSocSc(Hons) from University of Waikato, and completed his PhD in Economics at the London School of Economics in 1987. Before joining Motu, Arthur was Director of the Institute of Policy Studies, Victoria University of Wellington, and had prominent roles at the Reserve Bank of New Zealand and National Bank of New Zealand. He has published papers on macroeconomics, banking and finance, housing and infrastructure topics in international academic journals, and has authored or edited five books. In 2005, Arthur was awarded the prestigious New Zealand Institute of Economic Research (NZIER) Economics Award. He is currently Chair of the Board of the Reserve Bank, Chair of the Hugo Group and Adjunct Professor of Economics at the University of Waikato.



### **Steven Stillman** *Senior Fellow*

Steven received a PhD in Economics from the University of Washington in 2000 and is an affiliated research fellow at the Institute for the Study of Labor (IZA), the Centre for Research and Analysis of Migration (CReAM), and the William Davidson Institute. Before joining Motu, Steve worked as a senior research economist at the New Zealand Department of Labour and was a postdoctoral fellow at the RAND Corporation. Steve was a Visiting Professor at the Chair for Statistics and Empirical Economic Research, University of Zurich from August 2008 – July 2009. Steve's research focuses on empirical labour economics, specialising in the behaviour of individuals and households.



**Andrew Coleman** *Senior Fellow*

Andrew began at Motu in February 2008, coming from a position as Senior Advisor at the Reserve Bank. He earlier worked as an Assistant Professor of Economics at the University of Michigan, where he taught economic development and international finance. He has also worked at the New Zealand Treasury and the United Building Society. In 2004, he took a 6-month sabbatical at Motu. Andrew's work at Motu contributes to research programmes on emissions trading and climate change, transport and housing. The Motu programmes have much in common with his main research interest, the way that storage and transport networks affect the prices of natural resources. Andrew has a PhD in Economics from Princeton University.



**David C. Maré** *Senior Fellow*

Dave has been a Senior Fellow at Motu since 2000 and, from 2009, is an Adjunct Professor of Economics at the University of Waikato. Prior to joining Motu, he was a researcher at the New Zealand Department of Labour. Dave gained his PhD in Economics at Harvard University in 1995, specialising in labour economics and urban economics. His current research interests include the economics of immigration, the economic performance of cities, and patterns of labour market adjustment – for individuals and in aggregate.



**John Gibson** *Research Associate*

John is Professor in the Department of Economics, University of Waikato where he teaches the microeconomics of development and econometrics. He was previously Professor and Chairperson of the Department of Economics at the University of Canterbury, New Zealand. He has also taught in the Economics Department and Center for Development Economics at Williams College in the United States. John received his PhD from the Food Research Institute of Stanford University. His research focuses on poverty and the behavior of households in low-income settings. His research also studies the effect that different data collection methods can have on measurement error in surveys of living standards.



**Dean Hyslop** *Research Associate*

Dean Hyslop is Professor of Econometrics at Victoria University of Wellington and a Senior Research Associate at Motu. He has previously held positions at UCLA, the New Zealand Treasury, the Department of Labour and the Reserve Bank, and visiting research positions at UC Berkeley and the University of Melbourne. His distinctions include being the co-recipient of the Econometric Society's 2008 Frisch medal given biennially to an applied paper published in *Econometrica* in the previous 5 years. He did his undergraduate study in Mathematics and Economics at Victoria University of Wellington, and has a PhD from Princeton University. His research interests lie in labour economics and applied econometrics, and his current research is mainly focused on Statistics New Zealand's Linked Employer-Employee Database (LEED).

## Board of Trustees



### **Colin James** *Chair*

Colin James is a political journalist of more than 35 years experience. He writes columns for the *Dominion Post*, *the Press*, *the Otago Daily Times* and *New Zealand Management*. He is a senior associate of the Institute of Policy Studies (IPS) and managing director of The Hugo Group, a forecasting panel focused on the strategic environment in which business must operate, with a membership of around 100 medium to large corporates and he makes presentations on the strategic environment to companies, industry associations, government departments and other groups. He has written six books and many chapters and has written or edited six books or monographs for the IPS. He has contributed many papers to seminars, conferences and symposiums in several countries and has held several university fellowships, including JD Stout Research Fellow at Victoria University of Wellington in 1991, and was the inaugural New Zealand Fellow at the Centre for Comparative Constitutional Studies at Melbourne University in 1993. He was awarded an honorary doctorate by Victoria University in 2008. He is a fellow of the Institute of Public Administration and a life member of both the Parliamentary Press Gallery and the Engineering, Printing and manufacturing Union.



### **Neil Green**

Neil is CEO of the trans-Tasman communications group, Senate SHJ. His work focuses on reputation management and corporate communications, assisting public and private sector organisations prepare to manage crises, issues management and corporate advocacy programmes. He has specific expertise in energy, transport and finance, government and pharmaceutical sectors. Neil is a well-known and respected figure in New Zealand business, with a 23-year career that has seen him operate in New Zealand, Australia and New York. Past roles include him being the CEO of Porter Novelli Australia and New Zealand and a being member of the Porter Novelli International Board.



### **Phillipa (Pip) Dunphy**

Pip works as an independent director. Her work experience and knowledge include the areas of capital markets, banking, finance and investment management. With this background, she has a particular interest in finance, risk management and investment management. Her governance experience includes being a Earthquake Commission board member for eight years. More recent appointments include the Accident Compensation, Mint Asset Management, AUT Council, NZ Post, and the Crown Health Financing Agency. Pip has been a member of the selection committee for the Guardians of the New Zealand Super Fund between 2005 and 2009, and in July 2009 she commenced the role of Monetary Policy Advisor to the Governor of the Reserve Bank. Pip was recently appointed a member of the Code Committee set up under the Investment Advisers Act, and during 2010 will be an advisor to the Retirement Commissioner on a review of Retirement Policy. Pip has a Bachelor of Horticulture Science from Lincoln College and is qualified as a CFA (Chartered Financial Analyst), from the Association of Investment Management and Research (AIMR) United States.



### **Dr John Hay**

John is currently the CEO of the Institute of Environmental Science and Research (ESR), a position he has held since January 2000. Prior to this, he held positions within AgResearch's Grasslands Division, and in the late 1990s was General Manager, Plant Improvement. In 2006 he was awarded the Royal Society of New Zealand's Thomson Medal for outstanding and inspirational leadership in the management of science. He is also a Director of International Accreditation New Zealand.



### **Tom Lambie**

Tom Lambie farms a 415ha organic dairy farm at Pleasant Point in South Canterbury. In May 2010, Tom was appointed as one of seven Environment Canterbury commissioners. He is also the Chancellor of Lincoln University, Chairman of the Opuha Water Partnership (Opuha Dam), and a former National President of Federated Farmers of New Zealand. Tom has a B.Agr.Com from Lincoln University and was a Kellogg Rural Leadership Scholar in 1995.



### **Professor Richie Poulton**

After completing his Postgraduate Diploma in Clinical Psychology and Master's Degree in Science at the University of Otago, Richie was awarded a PhD in Psychology from the University of New South Wales, Sydney, Australia. Since 2000, he has been Director of the University of Otago's Dunedin Multidisciplinary Health and Development Research Unit which conducts the Dunedin longitudinal study, one of the most detailed studies of human health and development ever undertaken. In 2006, he was made Research Professor and awarded a Personal Chair by the University of Otago. In 2007, he established and became a co-director of the National Centre for Lifecourse Research, a research centre based at the University of Otago in Dunedin, but with partners located at universities across New Zealand and internationally. His major areas of interest and research are developmental psychopathology, gene X environment prediction of complex disorders, and psychosocial determinants of chronic physical disease. He has published over 150 peer-reviewed scientific papers, with many appearing in leading international journals, and he maintains numerous international research collaborations. He is a current board member of the New Zealand Health Research Council, and serves on many other governmental and academic statutory bodies. In 2004, he was awarded the New Zealand Association of Scientist's Research Medal and the Health Research Council of New Zealand's (inaugural) Liley Medal for Excellence in Health Research.



### **Dean Stebbing (Ngāti tūwharetoa)**

Dean is currently at Contact Energy, in the role Kaawai Rautaki (Strategic Partnerships). Dean is responsible for helping Contact build strategic partnerships with iwi and other related parties. Dean remains involved in many other strategic roles, and until recently he was on the executive board of Ngati Tuwharetoa Fisheries.

*Motu Director Howard Fancy, and Motu Senior Fellow Arthur Grimes are also members of the Board of Trustees.*

## Affiliates



### **Grant Scobie** *New Zealand Treasury*

Grant received his undergraduate degree from Massey University in Palmerston North. After completing a Master's degree in Australia, he was awarded a PhD in Economics from North Carolina State University. His major areas of interest and research have been in the economics of research and development, agricultural research, international trade, and more recently in household savings, wealth, retirement income and housing. As well as holding research positions in the Australian and New Zealand governments, Grant has been an Associate Professor of Economics in the United States, and was Professor of Economics and Chair of the department at the University of Waikato. From 1995 to 1999 he was the Director General of CIAT (Centro Internacional de Agricultura Tropical) in Colombia. Grant received the New Zealand Institute of Economic Research Economics Award for 2004. He joins a small but select group who have received this prestigious award. After nine years on the Council and three as president, he was recently made a life member of the New Zealand Association of Economists. Grant is currently Principal Advisor in Policy Coordination and Development in the New Zealand Treasury. He is a former National Board Member for Save the Children, having served as Chair of their Overseas Programme Committee and Audit and Risk Committee. Grant was a Motu Trustee and the Founding Chairperson from September 2000 through October 2006.



### **Deborah Cobb-Clark** *The Australian National University*

Deborah Cobb-Clark is a Professor of Economics in the Research School of Social Sciences, ANU and is a former co-editor of the *Journal of Population Economics*. She earned a PhD in economics from the University of Michigan (1990) and has held positions at the United States Department of Labor and Illinois State University. Professor Cobb-Clark is the founding director of The Social Policy Evaluation, Analysis and Research (SPEAR) Centre and has been Associate Director of the Research School of Social Sciences at the ANU. Her research agenda centres on the effect of social policy on labour market outcomes and she has published more than four dozen academic articles on immigration, sexual and racial harassment, health, old-age support, and youth outcomes in journals such as *American Economic Review*, *Journal of Labor Economics*, *Journal of Human Resources*, *Journal of Economic Behavior and Organization*, *Industrial and Labor Relations Review*, and *Labour Economics*.



### **Lew Evans** *Victoria University of Wellington*

Lew is professor and chair of economics at Victoria University of Wellington. His current research includes the performance of contracts, firms and markets under different competition and regulatory structures. He is a lay member of the New Zealand High Court for matters of commerce, a member of the Market Surveillance Committee from 1996–2004, and was a member of the editorial board of the *Journal of Economic Literature*. Lew is the past director of the Institute for the Study of Competition and Regulation. He has a PhD in economics from the University of Wisconsin. He is a distinguished fellow of the New Zealand Association of Economists and a Fellow of the Law and Economics Association of New Zealand.



**Richard Fabling** *Ministry of Economic Development*

Richard is a senior advisor in the research team at the Reserve Bank of New Zealand. Prior to this, he was a Chief Advisor at the Ministry of Economic Development and before that worked for Tokyo–Mitsubishi International in London and for the New Zealand Treasury. His current research interest is in describing and understanding the performance of firms, and the application of this understanding to issues of public policy. Richard holds a doctorate from The University of Waikato in applied mathematics (magnetohydrodynamics), where his thesis entailed modelling solar flares



**Viv Hall** *Victoria University of Wellington*

Viv is a Professor at Victoria University of Wellington and has held the Macarthy Chair of Economics since July 1989. He was previously Associate Professor in the Department of Economics at The University of Sydney. Viv's research and teaching interests span macroeconomic theory, modelling, and policy, with particular focus on monetary policy, fiscal policy, and inflation. His current research involves: New Zealand and Australian business cycle analysis; and implications for New Zealand of an Australasian currency, or a common currency with the US dollar.



**Sholeh Maani** *University of Auckland*

Sholeh is an Associate Professor in Economics at the University of Auckland, and a specialist on the economics of the labour market. Her researched and published work include human capital and wage determination, participation in higher education, income distribution, Maori education, health and housing, intergenerational economic effects, and economic consequences of immigration. As a specialist in economics of education and labour markets, she is engaged in international research collaborations and serves as a research advisor on labour market research and policy in New Zealand and overseas. Sholeh has an ongoing interest in the economics of higher education, and is the author of *Investing in Minds: The Economics of Higher Education in New Zealand*' (Institute of Policy Studies). Her current research is on the economic consequences of skilled immigration; and labour market outcomes of increased education, and changes in labour market wage-setting institutions. She has served as a member of the Royal Society of New Zealand, Social Science Advisory Committee, and as the President of the New Zealand Association of Economists. Sholeh has a PhD from the University of Illinois.



**Tim Maloney** *University of Auckland*

Tim is an Associate Professor in the Economics Department at The University of Auckland. His fields of interest are labour economics, applied econometrics, and policy evaluation. He has also served as a researcher at the New Zealand Treasury, the Institute of Policy Studies and the Institute for Research on Poverty at the University of Wisconsin. Tim has published work on the labour supply of married women, job search, income inequality, the use of ability tests in employer screening, cognitive achievement and returns to education, economic reforms, intergenerational transmission of welfare dependence, and minimum wage effects. His recent publications have appeared in the journals *Economica*, *Labour Economics*, *Australian Economic Papers*, *International Journal of Manpower*, *Australian Journal of Labour Economics* and *New Zealand Economic Papers*.



**Philip McCann** *University of Groningen*

Philip is Professor of Economics at The University of Waikato. In 2002 he was given the Hewings Award for Outstanding Scholarship by the North American Regional Science Association, and Philip is the only non-North American to win the award. Professor McCann has published over ninety books, journal articles and book chapters in a range of economics, regional science, and engineering journals. His book *Urban and Regional Economics* (2001, Oxford University Press) is the world's best-selling book in the field, is used in over twenty countries, and has already been translated three times. In addition, two of Professor McCann's other books have been translated twice.



**John McDermott** *Reserve Bank of New Zealand*

John is the Head of Economics at the Reserve Bank. He has held posts at Victoria University of Wellington, the International Monetary Fund and National Bank of New Zealand. He has also spent time as a visiting scholar at the International Monetary Fund and taught at the World Bank Institute. He gained a BSc and MCom from the University of Auckland and a PhD from Yale University. His current research interests include monetary policy, business cycles, and commodity prices.



**Richard Newell** *Duke University*

Richard is the Gendell Associate Professor of Energy and Environmental Economics at the Nicholas School of the Environment and Earth Sciences, Duke University, United States. He is a university fellow and currently a visiting scholar at Resources for the Future. He recently served as the Senior Economist for energy and environment on the President's Council of Economic Advisers. Richard's research centres on the economics of markets and policies for energy and related technologies, particularly the cost and effectiveness of alternatives for reducing greenhouse gas emissions and achieving other environmental and energy goals. He holds a PhD from Harvard University.





**Les Oxley** *University of Canterbury*

Les Oxley FRSNZ, FMSSANZ, FIEMSS is Professor in Economics at the University of Canterbury. He is also Adjunct Professor at the School of Economics and Finance, Curtin University of Technology, Australia, and Adjunct Professor at Chiang Mai University, Thailand. His current research includes: defining and measuring the size, scale and effects of the ‘knowledge economy’ in New Zealand; the effects of land ownership and sales on the New Zealand economy in the late nineteenth – early twentieth century; measures and effects of innovation on the New Zealand economy; non-parametric methods applied to forecasting electricity prices; non-linear cointegration; China’s energy economy. Some of this work is funded with support from the Royal Society of New Zealand’s Marsden Fund and the Foundation for Research, Science and Technology.



**Jacques Poot** *University of Waikato*

Jacques is Professor of Population Economics at the University of Waikato. Jacques studied econometrics at the VU University Amsterdam and has a PhD from Victoria University of Wellington, where he held various academic positions between 1979 and 2003. He was also Foreign Professor at the University of Tsukuba in Japan (1994–97 and 2002). He is a Correspondent (Honorary Fellow) of the Royal Netherlands Academy of Arts and Sciences and an External Research Fellow of the Centre for Research and Analysis of Migration (CReAM) in London. Professor Poot is also, until 2010, member of the Spinoza Commission which awards annually the highest scientific prize across all disciplines in The Netherlands. His research interests include all aspects of the economics of population (such as migration, fertility, labour force, and ageing) and especially the geographical dimension of these topics.



**James Sanchirico** *Resources for the Future*

James is Professor in the Department of Environmental Science and Policy at the University of California at Davis and a University Fellow at Resources for the Future (RFF). Before joining the UC Davis Faculty in 2007, James was a Senior Fellow at Resources for the Future. His research focuses on economic analysis of fishery policy design, implementation, and performance with a particular interest in analysing the ecosystem impacts of policies such as landing taxes, individual transferable quotas, limited entry, and marine protected areas. His other research interests include issues related to invasive species management and land-use and biodiversity conservation. James is currently serving on the United States National Oceanographic and Atmospheric Administration’s Science Advisory Board and on the editorial council for the *Journal of Environmental Economics and Management*. James received a PhD in Agriculture and Resource Economics from the University of California at Davis in 1998.



**Adolf Stroombergen** *Infometrics*

Adolf is chief economist at Infometrics. Before that he was a partner in Business and Economic Research Ltd. He has a PhD in general equilibrium modelling and 25 years of experience in economic consulting, specialising in economic modelling, econometrics and public policy research in areas such as education, taxation, savings and retirement, energy and environment, trade and transport. His econometric work has included forecasting and estimating empirical relationships in the areas of corporate credit risk and organisational structure. He has developed microsimulation models of savings and the tertiary student loan scheme. Adolf has been a member of the Advisory Committee on Economic Statistics since 1996 and he was an Expert Reviewer for the IPCC Working Group II Fourth Assessment Report released in 2007.



**Malathi Velamuri** *Victoria University of Wellington*

Malathi is a Lecturer in the School of Economics and Finance at Victoria University of Wellington. She currently teaches Labour Economics at undergraduate and honours level. Her research interests include labour supply, internal labour markets, and the link between crime and employment and health issues. Malathi has a Master's degree from the University of Madras, India and a PhD from the University of Texas at Austin, United States.

## International Advisory Panel



**Denny Ellerman** *Massachusetts Institute of Technology*

Denny Ellerman recently retired as a senior lecturer at the Sloan School of Management at the Massachusetts Institute of Technology. He is an internationally recognized expert on energy and environmental economics with a particular focus on emissions trading. He is a co-author of the leading book on the US SO<sub>2</sub> Trading Program, *Markets for Clean Air* (Cambridge University Press, 2000), co-editor of *Allocation in the European CO<sub>2</sub> Emissions Trading Scheme: Rights, Rents, and Fairness* (Cambridge University Press, 2007), and co-author of *Pricing Carbon: The EU's Emissions Trading Scheme* (Cambridge University Press, forthcoming). Before his appointment at MIT in 1992, Dr Ellerman worked for Charles River Associates, the National Coal Association, and in the United States government at the Department of Energy and the Executive Office of the President. He is a past president of the International Association for Energy Economics and he earned a PhD in political economy and government from Harvard University.



**Edward Glaeser** *Harvard University*

Edward is a Professor of Economics in the Faculty of Arts and Sciences at Harvard University, where he has taught since 1992. He is Director of the Taubman Center for State and Local Government and Director of the Rappaport Institute of Greater Boston. He teaches urban and social economics and microeconomic theory. Edward has published dozens of papers on cities, economic growth, and law and economics. In particular, his work has focused on the determinants of city growth and the role of cities as centres of idea transmission. He received his PhD from the University of Chicago in 1992.



**Stephen Jenkins** *University of Essex*

Stephen Jenkins is a professor at the Institute for Social and Economic Research (ISER), University of Essex, and was its Director 04/2006-09/2009. He has wide-ranging substantive research interests in income distribution and labour market topics, and methodological research interests in microeconomic methods for longitudinal data. He is a member of the UK's National Equality Panel. Stephen did his undergraduate degree at the University of Otago and received a DPhil from the University of York in 1983.



**Wallace (Wally) Oates** *University of Maryland*

Wally Oates is professor of economics at the University of Maryland, College Park, and a university fellow at Resources for the Future. His primary research and teaching interests are in public finance, with a particular emphasis on fiscal federalism and state-local finance, and environmental economics. He has a PhD from Stanford University.



# Foundation

The Motu Research and Education Foundation is a related, but separate entity to the Motu Economic and Public Policy Research Trust. It was set up in 2006 to further Motu's objective of contributing to public knowledge and debate on a range of topical policy issues. To do this, the Foundation works alongside a range of organisations, particularly the Motu Economic and Public Policy Research Trust, with financial support from patrons and donors.

# Introduction

The Motu Research and Education Foundation was set up in September 2006 as a separate entity to Motu Economic and Public Policy Research Trust. The purpose of the Foundation is to fund and promote research into public policy issues affecting New Zealand, without advocating an ideological or political position.

The aim of the Foundation is to support and promote quality economic research that provides a stronger platform for better public policy decision making, and to ensure that this research is freely disseminated for widespread public use. In pursuing these objectives, the Foundation co-operates with a range of people and organisations, particularly the Motu Economic and Public Policy Research Trust.

The Foundation receives annual funding from patrons, and occasional contributions from donors. In the last twelve months, it has used this funding to provide seed funding for new areas of research, awarded scholarships and internships to promising young researchers, and sponsored overseas visitors. Currently the Foundation is concentrating on expanding its patron base to support this growth.

## Foundation Roles and Priorities

### *The Role of the Foundation*

Under our Trust Deed, the Foundation is able to meet the following purposes within New Zealand:

Commission, carry out, and facilitate empirical and theoretical research into public policy issues of importance and relevance to New Zealand. In all cases, research supported by the Foundation must meet international academic standards and be suitable for publication in reputable academic journals;

Ensuring existing knowledge, information and research about New Zealand public policy is readily accessible in New Zealand. This includes commissioning summaries and critical reviews of existing published work on public policy issues;

Promoting the results of the Motu Economic and Public Policy Research Trust's research and knowledge through various publication channels including the internet, conferences, seminars, workshops, dialogue groups and teaching;

Maintaining close links with international experts working on topics related to the Trust's purpose and collaborating with such experts;

Advancing the work and purpose of Motu Economic and Public Policy Research by facilitating visits of relevant international experts;

Promoting the charitable purposes of Motu Economic and Public Policy Research; and

Improving the capability and ability of individual groups and institutions to carry out empirical and theoretical research on New Zealand public policy through training and collaboration initiatives, sponsorship of students or researchers, and the development of relevant databases.

### *The Priorities of the Foundation*

To meet the objectives of the Foundation's Trust Deed, the Foundation has focussed on building the financial base of the Foundation. Our spending has looked to invest in and support the Motu Economic and Public Policy Research Trust to build its capability and disseminate its research. In this way, the Foundation has contributed to the Motu Economic and Public Policy Research Trust to become a centre of economic research excellence. We also look to invest in and support broader economic research initiatives, capability, and research dissemination in New Zealand. See the Motu Foundation Activities section for specific activities in the 2009/10 year.

### *Future Objectives of the Foundation*

Four areas have been identified as investment priorities:

#### *1. Research leadership*

Funding will be allocated to support research leadership in environmental research, economic geography, impact evaluation, labour market economics and/or community development. The Foundation's funding will most likely take the form of supporting international experts to come to New Zealand to take part in conferences, workshops, and public policy seminars.

#### *2. Research dissemination*

The Foundation will continue to support events and communication channels (print and online) to ensure that public policy research is readily accessible to those individuals, organisations and groups who can make use of its findings.

#### *3. Building research capability*

The Foundation will continue to invest in supporting young researchers. It will also support research infrastructure through investing in improved data sources.

#### *4. Supporting high-quality research*

The Foundation will be willing to provide some funding to support new research areas through seed funding. Where applications for external funding prove successful, the Foundation has some expectations of the seed funding being repaid. The Foundation does not envisage making significant investments in this area until it has built its capital base to above \$500,000.

## Patrons and Donors

The Motu Foundations activities are funded through generous support from patrons, and occasional donations. Our patrons are the backbone of the Motu Research and Education Foundation. Their commitment provides an ongoing level of financial support that makes the Foundation's work possible.

The Foundation had nine patrons in 2009/10:

- Telecom New Zealand Limited
- Solid Energy New Zealand Limited
- Mighty River Power Limited
- Fletcher Building Limited
- Beca Group Limited
- Ministry for the Environment
- Ministry of Economic Development
- Department of Building and Housing
- Department of Labour

The Foundation also continues to benefit from a generous donation from the Tindall Foundation in the 2007/08 year.

## Motu Foundation Activities

In 2009/10, the Motu Research and Education Foundation hosted Professor Phillip McCann (University of Groningen and The University of Waikato). The research that Professor McCann did while at Motu argues that changes in the world economy since 1989 have increased the importance of economic geography and promoted the growth of large urban agglomerates around the world. This has been to the disadvantage of small, peripheral countries like New Zealand, despite economic policies considered world-class by international organisations. The Foundation also hosted a forum for patrons and close friends at Motu's premises to revisit these issues and discuss further how New Zealand might progress.

## Motu Foundation Board of Trustees

The Motu Foundation is governed by a Board of Trustees, which consists of some of New Zealand's most distinguished business people and academics.

*Current board members are:*



### **Neil Green** *Chair*

Neil is CEO of the trans-Tasman communications group, Senate SHJ. His work focuses on reputation management and corporate communications, assisting public and private sector organisations prepare to manage crises, issues management and corporate advocacy programmes. He has specific expertise in energy, transport and finance, government and pharmaceutical sectors. Neil is a well-known and respected figure in New Zealand business, with a 23-year career that has seen him operate in New Zealand, Australia and New York. Past roles have included CEO of Porter Novelli Australia and New Zealand and a member of the Porter Novelli International Board.



### **John Roberts**

John is Managing director of Veda Advantage New Zealand & International. He joined the Veda Advantage group in 2006 with over 25 years of business and leadership experience. His career embraces the communications and marketing sectors, and most recently, the financial industry in New Zealand and internationally. He was a founding partner and Chairman of Rialto Advertising Limited, which during the 1990s, was one of New Zealand's most successful integrated communication companies. He was then CEO of with Saatchi & Saatchi in New Zealand, and CEO/Regional Director for Saatchi & Saatchi Asia Pacific, based in Singapore for a number of years. Prior to joining Veda Advantage, John was MasterCard International's Vice President for New Zealand, managing and developing MasterCard's relationships with major financial organisations in New Zealand. He has also held numerous independent directorships including the Chair of The Centre for Applied Cross Cultural Research which is an organisation mandated to understand the impact of cultural diversity in the New Zealand communities & business affiliated to Victoria University.



### **Dr Roderick Carr**

Dr Carr was appointed Vice-Chancellor at the University of Canterbury in February 2009. Previously he had been Managing Director of Jade Software Corporation Ltd. Roderick joined Jade in July 2003 after a distinguished career in the banking sector, most recently as Acting Governor of the Reserve Bank of New Zealand. During a five-year career at the Reserve Bank he played a key management role as a director and Deputy Governor, including five months as Acting Governor. Prior to this Roderick was a senior executive at the National Australia Bank (NAB) in Melbourne, Australia. During his eleven year career in commercial banking, he worked in senior executive and management roles spanning many aspects of the business. Roderick holds a PhD in Insurance and Risk Management from The Wharton School, University of Pennsylvania; an MBA in Finance; an MSc in Applied Economics; and undergraduate degrees in law and in economics. In 2005 he accepted an invitation to become a Fellow of the New Zealand Institute of Management, and in 2006 was named NZ Hi-Tech Company Leader of the Year. He is involved in several private and public companies as a director including Lyttelton Port Company Ltd and Taranaki Investment Management Ltd. Dr Carr is a director of the Canterbury Employers' Chamber of Commerce and a member of the Board of the New Zealand International Business Forum.





### **Colin James**

Colin James is a political journalist of more than 35 years experience. He writes columns for the *Dominion Post*, *the Press*, *the Otago Daily Times* and *New Zealand Management*. He is a senior associate of the Institute of Policy Studies (IPS) and managing director of The Hugo Group, a forecasting panel focused on the strategic environment in which business must operate, with a membership of around 100 medium to large corporates and he makes presentations on the strategic environment to companies, industry associations, government departments and other groups. He has written six books and many chapters and has written or edited six books or monographs for the IPS. He has contributed many papers to seminars, conferences and symposiums in several countries and has held several university fellowships, including JD Stout Research Fellow at Victoria University of Wellington in 1991, and was the inaugural New Zealand Fellow at the Centre for Comparative Constitutional Studies at Melbourne University in 1993. He was awarded an honorary doctorate by Victoria University in 2008. He is a fellow of the Institute of Public Administration and a life member of both the Parliamentary Press Gallery and the Engineering, Printing and manufacturing Union.



### **Howard Fancy** *Motu Director*

Howard has an extensive background in leadership and public policy including senior roles in the New Zealand Treasury, CEO for the then Ministry of Commerce, CEO for the Ministry of Education, and Acting CEO for the Ministry for the Environment. As well as being Motu's Director, Howard currently undertakes a number of governance roles in the public and private sectors including being a director of Cognition Education Limited, Arts Access Aotearoa, and an external member of the the Department of Corrections, Department of Labour and State Services Commissions' Risk and Audit Committees. He is a member of the Advisory Board of the National Centre of Adult Literacy and Numeracy and a member of the Education Committee of the Royal Society. He recently chaired the governance group overseeing the establishment of the new Ministry of Science and Innovation.



# Financial Information

# Financial Information

The Motu Economic and Public Policy Research Trust's work is funded through research grants and sponsorship for our Public Policy Seminar Series.

## List of Grants

**The following is a full list of grants and funding sources (of greater than \$30,000) active during the 2009/10 financial year:**

Department of Labour, "Trans-Tasman Migration," 2009–2011, \$100,000.

Department of Labour, funded by Ministry of Research Science and Technology through the Contestable Departmental Research Pool, "LEED Research Programme," 2008–2009, \$82,875.

Health Research Council of New Zealand, "Improving Health System Performance: An Economic Analysis of Primary Health Care Reform," 2009–2012, GA209, \$522,000.

Ministry of Economic Development, "Evaluation of the New Zealand Insulation Fund," 2010–2011, \$108,000.

Auckland Policy Office, "Determinants of Firm and Population Location in Auckland," 2009–2010, \$195,000.

Auckland Policy Office, "Auckland Skills," 2010–2010, \$30,744.

New Zealand Centre for Advanced Engineering (CAENZ). "Economic Implications of Infrastructure Investment," 2009–2010, \$30,000.

New Zealand Foundation for Research, Science and Technology (FRST), "Physical, Technological and Social Infrastructure: Maximising Contributions of Infrastructure Investments to New Zealand's Economics Development," 2006–2010, \$1,600,000.

New Zealand Foundation for Research Science and Technology (FRST), "Integrated Research on the Economics of Climate Change Impacts, Adaptation and Mitigation," 2007 – 2011, \$1,687,500.

New Zealand Foundation for Research Science and Technology, "Markets and Water Quality: Integrated Assessment for Policy Design," 2007–2011, \$1,000,000.

New Zealand Foundation for Research, Science and Technology, Sustainable Land Management Mitigation and Adaptation to Climate Change (SLMMACC), "Cooperation and Coordination," 2009–2012, \$750,000.

Official Statistics Research Fund, "Income, Expenditure and Living Standards in New Zealand," 2009–2010, \$89,190.

Royal Society of New Zealand Marsden Fund, "Home ownership and Neighbourhood Wellbeing," 2008–2011, \$600,000.

Royal Society of New Zealand Marsden Fund, "The Impact of Economic Shocks on the Wellbeing of New Zealanders," 2008–2011, \$60,000.

Royal Society of New Zealand Marsden Fund, "Wealth and Health Effects of Migration," 2009–2010, \$44,280.

University of Auckland, "Improving Health Systems Performance: Enhancing Hospital Outcomes" 2008–2011, \$35,137.

# Motu Economic and Public Policy Research Trust

Financial Reports for the Year Ended 30 June 2010

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# Motu Economic and Public Policy Research Trust

## Statement of Financial Performance for the Year Ended 30 June 2010

	Note	2010	2009
INCOME		\$	\$
Research Grants		2,075,897	2,000,062
Interest Received		51,816	60,230
Other Income		9,524	9,140
Total Income		2,137,238	2,069,432
LESS EXPENSES			
Personnel		911,381	1,091,442
Research Project Costs		757,116	503,226
Dissemination Expenses		0	14,000
Audit Fees		8,850	10,102
Depreciation		77,629	73,675
Loss on Sale	6	0	6,518
Rent & Outgoings		85,000	83,542
Other Operating Expenses		156,320	180,241
Total Operating Expenses		1,996,296	1,962,745
NET SURPLUS/(DEFICIT)		140,941	106,686
OTHER EXPENSES			
Senior Fellow Research Accounts	9	28,757	20,840
TOTAL EXPENSES		2,025,053	1,983,585
NET SURPLUS/(DEFICIT) TRANSFERRED TO ACCUMULATED FUNDS		\$112,185	\$85,847

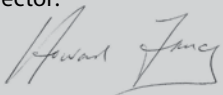

# Motu Economic and Public Policy Research Trust

## Statement of Movements In Equity for the Year Ended 30 June 2010

	2010	2009
	\$	\$
Net Surplus	112,185	85,847
Total Recognised Revenues & Expenses	<u>112,185</u>	<u>85,847</u>
EQUITY AT START OF YEAR	786,317	700,470
EQUITY AT END OF YEAR	<u><u>\$898,502</u></u>	<u><u>\$786,317</u></u>
SENIOR FELLOW RESEARCH RESERVE		
Opening Senior Fellow Research Reserve	50,560	0
Plus Transfers to Reserve	25,950	71,400
Less Movement Expensed	-28,757	-20,840
Closing Senior Fellow Research Reserve	<u><u>\$47,753</u></u>	<u><u>\$50,560</u></u>
ACCUMULATED FUNDS		
Opening Accumulated Funds	735,757	700,470
Net Surplus	112,185	85,847
Less Movements to Reserve	2,807	-50,560
TOTAL ACCUMULATED FUNDS	<u><u>\$850,749</u></u>	<u><u>\$735,757</u></u>

# Motu Economic and Public Policy Research Trust

## Statement of Financial Position as at 30 June 2010

	Note	2010 \$	2009 \$
<b>CURRENT ASSETS</b>			
Bank and Cash	4	1,753,288	1,132,022
Accounts Receivable		257,727	186,348
Work in Progress		101,636	46,343
<b>Total Current Assets</b>		<b>2,112,651</b>	<b>1,364,714</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable		241,579	205,067
Accrued Expenses		58,354	55,803
Income Received in Advance		1,016,349	474,933
<b>Total Current Liabilities</b>		<b>1,316,282</b>	<b>735,805</b>
<b>WORKING CAPITAL</b>		<b>796,369</b>	<b>628,911</b>
<b>NON-CURRENT ASSETS</b>			
Plant, Property and Equipment	5	102,133	157,406
<b>Total Non-current Assets</b>		<b>102,133</b>	<b>157,406</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>\$898,502</b>	<b>\$786,317</b>
<b>Represented by;</b>			
Accumulated Funds		850,749	735,757
Senior Fellow Research Reserve		47,753	50,560
<b>EQUITY</b>		<b>\$898,502</b>	<b>\$786,317</b>
On behalf of board;			
Director:			
			
Trustee:			
			
Date: October 28 2010			



# Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2010

## 1. STATEMENT OF ACCOUNTING POLICIES

Motu Economic and Public Policy Research Trust is a charitable trust registered under the Charitable Trusts Act 1957. These financial statements have been prepared in accordance with the Financial Reporting Act 1993.

### **Measurement Base**

The general accounting principles recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of profits and the financial position on a historical cost basis have been followed.

### **Specific Accounting Policies**

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

#### **(a) Differential Reporting**

Under Paragraph 4.23 of the Financial Reporting Act 1993, Motu Economic and Public Policy Research Trust qualifies for the differential reporting as it is not publicly accountable and it is small. Motu Economic and Public Policy Research Trust has taken advantage of all available differential reporting exemptions except GST, the statements are presented exclusive of GST.

#### **(b) Revenue Recognition Policy**

Income is recognised progressively as work is completed.

#### **(c) Fixed Assets and Depreciation**

The entity has the following classes of fixed assets;

Furniture and Fittings	11.4–48%
Office Equipment	40–60%

All fixed assets are recorded at cost less accumulated depreciation.

Depreciation of the assets has been calculated using up to the maximum rates permitted by the Income Tax Act 2007.

#### **(d) Foreign Currencies**

Transactions denominated in foreign currencies are converted at the exchange rate prevailing at the transaction date. Foreign currency receivables and payables are converted at exchange rates prevailing at balance date. Foreign exchange gains and losses are included as income or expenses respectively and accounts payable which include GST as applicable.

#### **(e) Goods and Services Tax**

These financial statements have been prepared on a GST exclusive basis except for accounts receivable and accounts payable which include GST as applicable.

#### **(f) Income Tax**

Motu Economic and Public Policy Research Trust has charitable status and therefore has been granted an income tax exemption.

# Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended 30th June 2010

## (g) Leased Assets

### Operating Leases

Operating leases are those where all the risks and benefits are substantially retained by the lessor. Lease payments are expensed in the period the amounts are payable.

## (h) Receivables

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

## Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

## 2. AUDIT

These financial statements have been subject to audit, please refer to Auditor's Report.

## 3. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2009:\$0). Motu Economic and Public Policy Research Trust has not granted any securities in respect of liabilities payable by any other party whatsoever.

## 4. BANK AND CASH

	2010	2009
	\$	\$
National Bank - 00	161,210	103,094
National Bank - 025	558,895	229,865
National Bank - US\$	28	38
Petty Cash	281	202
National Bank Term Deposit	1,032,874	798,822
<b>Total Bank and Cash</b>	<b>\$1,753,288</b>	<b>\$1,132,022</b>

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 7.25%. This overdraft facility is secured by way of a term deposit held at ANZ National Bank.

## 5. FIXED ASSETS

	2010	2009
	\$	\$
Furniture and Fittings		
At cost	72,203	74,134
Less Accumulated Depreciation	30,013	22,681
	42,190	51,453
Office Equipment		
At cost	379,213	354,926
Less Accumulated Depreciation	319,269	248,972
	59,944	105,954
<b>Total Fixed Assets</b>	<b>\$102,134</b>	<b>\$157,407</b>

# Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2010

## 6. DEPRECIATION EXPENSE

	2010	2009
	\$	\$
Furniture and Fittings	7,332	8,003
Office Equipment	70,297	65,672
	<hr/>	<hr/>
	\$77,629	\$73,675

## 7. OPERATING LEASE COMMITMENTS

	2010	2009
	\$	\$
<b>Lease of premises at level 1, 97 Cuba Street, Wellington</b>		
Within 1 Year	85,000	85,000
1–2 Years	85,000	85,000
2–5 Years	255,000	255,000
	<hr/>	<hr/>
	\$340,000	\$425,000

### **Photocopier Lease**

Within 1 Year	6,075	6,075
1–2 Years	6,075	6,075
2–5 Years	12,150	18,225
	<hr/>	<hr/>
	\$24,300	\$30,375

## 8. SUBSIDIARY ENTITY AND RELATED PARTY

The subsidiary of Motu Economic and Public Policy Research Trust (“Trust”) is Motu Research and Education Foundation (“Foundation”). The Foundation is a Charitable Trust settled on 8 September 2006. Under FRS37, the Foundation is deemed to be controlled by the Trust and therefore is consolidated with the Trust’s financial results.

The Trust periodically invoices the Foundation for its share of common overheads.

## 9. SENIOR FELLOW RESEARCH ACCOUNTS

Distributions to the Senior Fellow Research Accounts are made after the surplus for the year has been finalised. Senior Fellows can use funds at their own discretion and expenses are recognised when incurred. A Senior Fellow can use their reserve for research activity or any activity related to the achievement of Motu’s purposes such as Travel Costs, Conference Fees, to fund Research Analysts, Data Costs, Books and Materials, and Non-funded Senior Fellow time such as Sabbaticals.

Any remaining balances are retained by Motu, should a Senior Fellow leave Motu’s employ.

Reserves as at 30 June 2010 are made up as follows:

Andrew Coleman	5,836
Arthur Grimes	1,119
Dave Mare	14,839
Steve Stillman	12,268
Suzi Kerr	13,692
	<hr/>
	\$47,753



# Motu Research and Education Foundation

## Financial Reports for the Year Ended 30 June 2010

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## AUDIT REPORT

To the Trustees of Motu Research and Education Foundation.

We have audited the attached financial report on pages 64 to 68. The financial report provides information about the past financial performance of Motu Research and Education Foundation and its financial position as at 30 June 2010. This information is stated in accordance with the accounting policies set out on pages 67 to 68 of the financial statements.

This report is made solely to the Trustees of Motu Research and Education Foundation, as a body, in accordance with the requirements of Motu Research and Education Foundation's trust deed. Our audit has been undertaken so that we might state to the Motu Research and Education Foundation's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Motu Research and Education Foundation and the Motu Research and Education Foundation's Trustees as a body, for our audit work, for this report, or for the opinion we have formed.

### BOARD'S RESPONSIBILITIES

The Board of Motu Research and Education Foundation are responsible for the preparation of a financial report which gives a true and fair view of the financial position of Motu Research and Education Foundation as at 30 June 2010, and of the results of their operations for the year ended 30 June 2010.

### AUDITOR'S RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial report presented by management and report our opinion to you.

### BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by Motu Research and Education Foundation in the preparation of the financial statements, and
- whether the accounting policies are appropriate to Motu Research and Education Foundation's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than our capacity as auditors we have no relationship with or interests in Motu Research and Education Foundation.

### UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion the financial statements on pages 62 to 68 fairly reflect the financial position of the Foundation as at 30 June 2010 and the results of its operations for the year ended on that date.

Our audit was completed on 28 October 2010 and our unqualified opinion is expressed as at that date.



**BDO Wellington**  
**Chartered Accountants**  
**WELLINGTON**

This audit report relates to the Annual Report of the Motu Economic & Public Policy Research Trust Group ("the Group") for the year ended 30 June 2010 included in the Group's website. The Groups Manager is responsible for the maintenance and integrity of the Groups website. We have not been engaged to report on the integrity of the Group's website. We accept no responsibility for any changes that may have occurred to the Annual Report since it was initially presented on the website.

# Motu Research and Education Foundation

Trust Directory as at 30 June 2010

Settlor	Roderick Sheldon Deane
Nature of Business	Charitable Trust
Trustees	Neil Green (Foundation Chair) Howard Fancy (Director) Dr Roderick Marshall Carr Colin Charles James John Roberts
Date of Formation	08 September 2006
Auditors	BDO Wellington Level 1, Tower Building 50–64 Customhouse Quay Wellington

# Motu Research and Education Foundation

## Statement of Financial Performance for the Year Ended 30 June 2010

	2010	2009
INCOME	\$	\$
Interest Received	12,417	10,129
Other Income	3,000	3,040
Patron Contributions	80,000	20,000
Total Income	95,417	33,169
LESS EXPENSES		
Other Operating Expenses	33,976	52,644
TOTAL EXPENSES	33,976	52,644
NET SURPLUS	61,441	-19,476
NET SURPLUS TRANSFERRED TO ACCUMULATED FUNDS	\$61,441	-\$19,476
FUNDS		



# Motu Research and Education Foundation

## Statement of Movements In Equity for the Year Ended 30 June 2010

	2010	2009
	\$	\$
Net Surplus/(Deficit)	61,441	-19,476
Total Recognised Revenue and Expenses	61,441	-19,476
EQUITY AT START OF YEAR	266,038	285,514
EQUITY AT END OF YEAR	<u>\$327,479.19</u>	<u>\$266,038.23</u>

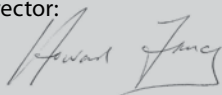
# Motu Research and Education Foundation

## Statement of Financial Position as at 30 June 2010

	Note	2010	2009
		\$	\$
<b>CURRENT ASSETS</b>			
Bank and Cash		348,450	308,531
	3		
Accounts Receivable		70,119	45,000
Total Current Assets		418,570	353,531
<b>CURRENT LIABILITIES</b>			
Accounts Payable		11,090	7,493
Income Received in Advance		80,000	80,000
Total Current Liabilities		91,090	87,493
<b>WORKING CAPITAL</b>		327,479	266,038
<b>NET ASSETS/(LIABILITIES)</b>		<u>\$327,479</u>	<u>\$266,038</u>
Represented by;			
Accumulated Funds		327,479	266,038
<b>EQUITY</b>		<u>\$327,479</u>	<u>\$266,038</u>

On behalf of board;

Director:



Trustee:



Date: October 28 2010

# Motu Research and Education Foundation

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2010

## 1. STATEMENT OF ACCOUNTING POLICIES

Motu Research and Education Foundation is a charitable trust registered under the Charitable Trusts Act 1957. The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

### **Measurement Base**

The general accounting principles recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of profits and the financial position on a historical cost basis have been followed.

### **Specific Accounting Policies**

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

#### **(a) Differential Reporting**

Under Paragraph 4.23 of the Financial Reporting Act 1993, Motu Research and Education Foundation qualifies for the differential reporting as it is not publicly accountable and it is small. Motu Research and Education Foundation has taken advantage of all available differential reporting exemptions.

#### **(b) Revenue Recognition Policy**

Income is recognised in the period it is earned.

#### **(c) Patron Income**

Patron income is recognised in the period of patronage.

#### **(d) Goods and Services Tax**

These financial statements have been prepared on a GST exclusive basis except for accounts receivable and accounts payable which include GST as applicable.

#### **(e) Income Tax**

Motu Research and Education Foundation has charitable status and therefore has been granted an income tax exemption.

#### **(f) Receivables**

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

# Motu Research and Education Foundation

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2010

## 2. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2009:\$0). Motu Research and Education Foundation has not granted any securities in respect of liabilities payable by any other party whatsoever.

## 3. BANK AND CASH

	2010	2009
	\$	\$
National Bank - 00	60,935	32,911
National Bank - 02	77,926	275,620
National Bank Term Deposit	209,590	0
<b>Total Bank and Cash</b>	<b>\$348,450</b>	<b>\$308,531</b>

There was no overdraft as at balance date nor was any facility arranged.

## 4. SUBSIDIARY ENTITY AND RELATED PARTY

Motu Research and Education Foundation ("Foundation") is the subsidiary of Motu Economic and Public Policy Research Trust ("Trust"). The Foundation is a Charitable Trust settled on 8 September 2006. Under FRS37, the Foundation is deemed to be controlled by the Trust and therefore is consolidated with the Trust's financial results.

The Trust periodically invoices the Foundation for its share of common overheads.

# Motu Economic and Public Policy Research Trust Group

Financial Reports for the Year Ended 30 June 2010

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## AUDIT REPORT

To the Trustees of Motu Economic & Public Policy Research Trust Group

We have audited the attached financial report on pages 71 to 76. The financial report provides information about the past financial performance of Motu Economic & Public Policy Research Trust Group and its financial position as at 30 June 2010. This information is stated in accordance with the accounting policies set out on pages 74 to 76 of the financial statements.

This report is made solely to the Trustees of Motu Economic & Public Policy Research Trust, as a body, in accordance with the requirements of Motu Economic & Public Policy Research Trust's trust deed. Our audit has been undertaken so that we might state to the Motu Economic & Public Policy Research Trust's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Motu Economic & Public Policy Research Trust and the Motu Economic & Public Policy Research Trust's Trustees as a body, for our audit work, for this report, or for the opinion we have formed.

### BOARD'S RESPONSIBILITIES

The Board of Motu Economic & Public Policy Research Trust Group are responsible for the preparation of a financial report which gives a true and fair view of the financial position of Motu Economic & Public Policy Research Trust Group as at 30 June 2010, and of the results of their operations for the year ended 30 June 2010.

### AUDITOR'S RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial report presented by management and report our opinion to you.

### BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by Motu Economic & Public Policy Research Trust Group in the preparation of the financial statements, and
- whether the accounting policies are appropriate to Motu Economic & Public Policy Research Trust Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than our capacity as auditors we have no relationship with or interests in Motu Economic & Public Policy Research Trust Group.

### UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion the financial statements on pages 71 to 76 fairly reflect the financial position of the Group as at 30 June 2010 and the results of its operations for the year ended on that date.

Our audit was completed on 28 October 2010 and our unqualified opinion is expressed as at that date.



**BDO Wellington**  
**Chartered Accountants**  
**WELLINGTON**

This audit report relates to the Annual Report of the Motu Economic & Public Policy Research Trust Group ("the Group") for the year ended 30 June 2010 included in the Group's website. The Groups Manager is responsible for the maintenance and integrity of the Groups website. We have not been engaged to report on the integrity of the Group's website. We accept no responsibility for any changes that may have occurred to the Annual Report since it was initially presented on the website.

# Motu Economic and Public Policy Research Trust Group

## Statement of Financial Performance for the Year Ended 30 June 2010

	Note	2010 Group	2010 Parent	2009 Group	2009 Parent
<b>INCOME</b>		\$	\$	\$	\$
Research Grants		2,075,897	2,075,897	2,000,062	2,000,062
Interest Received		64,233	51,816	70,358	60,230
Patron Income and Donations		80,000	0	20,000	0
Other Income		12,524	9,524	12,180	9,140
<b>Total Income</b>		<u>2,232,655</u>	<u>2,137,238</u>	<u>2,102,600</u>	<u>2,069,432</u>
<b>LESS EXPENSES</b>					
Personnel		911,381	911,381	1,091,442	1,091,442
Research Project Costs		757,116	757,116	503,226	503,226
Dissemination Expenses		0	0	14,000	14,000
Audit Fees		8,850	8,850	10,102	10,102
Depreciation	6	77,629	77,629	73,675	73,675
Loss on Sale		0	0	6,518	6,518
Rent & Outgoings		85,000	85,000	83,542	83,542
Other Operating Expenses		190,296	156,320	232,885	180,241
<b>Total Operating Expenses</b>		<u>2,030,273</u>	<u>1,996,296</u>	<u>2,015,389</u>	<u>1,962,745</u>
<b>NET SURPLUS/(DEFICIT)</b>		<u>202,382</u>	<u>140,941</u>	<u>87,211</u>	<u>106,686</u>
<b>OTHER EXPENSES</b>					
Senior Fellow Research Accounts	9	28,757	28,757	20,840	20,840
<b>TOTAL EXPENSES</b>		<u>2,059,029</u>	<u>2,025,053</u>	<u>2,036,229</u>	<u>1,983,585</u>
<b>NET SURPLUS TRANSFERRED TO ACCUMULATED FUNDS</b>		<u><u>\$173,626</u></u>	<u><u>\$112,185</u></u>	<u><u>\$66,371</u></u>	<u><u>\$85,847</u></u>

# Motu Economic and Public Policy Research Trust Group



## Statement of Movements in Equity for the Year Ended 30 June 2010

	2010 Group \$	2010 Parent \$	2009 Group \$	2009 Parent \$
Net Surplus/(Deficit)	173,626	112,185	66,371	85,847
Total Recognised Revenues and Expenses	<u>173,626</u>	<u>112,185</u>	<u>66,371</u>	<u>85,847</u>
EQUITY AT START OF YEAR	1,052,355	786,317	985,984	700,470
EQUITY AT END OF YEAR	<u><u>\$1,225,980</u></u>	<u><u>\$898,502</u></u>	<u><u>\$1,052,355</u></u>	<u><u>\$786,317</u></u>
<b>SENIOR FELLOW RESEARCH RESERVE</b>				
Opening Senior Fellow Research Reserve	50,560	50,560	0	0
Plus Transfers to Reserve	25,950	25,950	71,400	71,400
Less Movements Expensed	-28,757	-28,757	-20,840	-20,840
Closing Senior Fellow Research Reserve	<u><u>\$47,753</u></u>	<u><u>\$47,753</u></u>	<u><u>\$50,560</u></u>	<u><u>\$50,560</u></u>
<b>ACCUMULATED FUNDS</b>				
Opening Accumulated Funds	1,001,795	735,757	985,984	700,470
Net Surplus/(Deficit)	173,626	112,185	66,371	85,847
Less Movements to Reserve	2,807	2,807	-50,560	-50,560
TOTAL ACCUMULATED FUNDS	<u><u>\$1,178,227</u></u>	<u><u>\$850,749</u></u>	<u><u>\$1,001,795</u></u>	<u><u>\$735,757</u></u>



# Motu Economic and Public Policy Research Trust Group

## Statement of Financial Position as at 30 June 2010

	Note	2010 Group	2010 Parent	2009 Group	2009 Parent
<b>CURRENT ASSETS</b>		\$	\$	\$	\$
Bank and Cash	4	2,101,738	1,753,288	1,440,553	1,132,022
Accounts Receivable		327,846	257,727	231,348	186,348
Work in Progress		101,636	101,636	46,343	46,343
<b>Total Current Assets</b>		<b>2,531,221</b>	<b>2,112,651</b>	<b>1,718,245</b>	<b>1,364,714</b>
<b>CURRENT LIABILITIES</b>					
Accounts Payable		252,670	241,579	212,560	205,067
Accrued Expenses		58,354	58,354	55,803	55,803
Income Received in Advance		1,096,349	1,016,349	554,933	474,933
<b>Total Current Liabilities</b>		<b>1,407,373</b>	<b>1,316,282</b>	<b>823,296</b>	<b>735,803</b>
<b>WORKING CAPITAL</b>		<b>1,123,848</b>	<b>796,369</b>	<b>894,949</b>	<b>628,911</b>
<b>NON-CURRENT ASSETS</b>					
Plant, Property and Equipment	5	102,133	102,133	157,406	157,406
<b>Total Non-current Assets</b>		<b>102,133</b>	<b>102,133</b>	<b>157,406</b>	<b>157,406</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>\$1,225,981</b>	<b>\$898,502</b>	<b>\$1,052,355</b>	<b>\$786,317</b>
<b>Represented by;</b>					
Accumulated Funds		1,178,228	850,749	1,001,795	735,757
Senior Fellow Research Reserve		47,753	47,753	50,560	50,560
<b>EQUITY</b>		<b>\$1,225,981</b>	<b>\$898,502</b>	<b>\$1,052,355</b>	<b>\$786,317</b>
On behalf of board;					
Director:					
					
Trustee:					
					
Date: October 28 2010					

# Motu Economic and Public Policy Research Trust Group

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2010

## 1. STATEMENT OF ACCOUNTING POLICIES

Motu Economic and Public Policy Research Trust is a charitable trust registered under the Charitable Trusts Act 1957. The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

### **Consolidated Financial Statements**

The consolidated group financial statements comprise the following entities: Motu Economic and Public Policy Research Trust (“Trust”) and Motu Research and Education Foundation (“Foundation”). The purchase method of consolidation whereby all inter-entity transactions and balances are eliminated, is used. Motu Research and Education Foundation was incorporated on 08 September 2006 and commenced operation in May 2007. The Foundation is controlled by the Trust as defined by FRS37 and so has been consolidated in accordance with the financial reporting standard.

### **Measurement Base**

The general accounting principles recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of profits and the financial position on a historical cost basis have been followed.

### **Specific Accounting Policies**

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

#### **(a) Differential Reporting**

Under Paragraph 4.23 of the Financial Reporting Act 1993, Motu Economic and Public Policy Research Trust qualifies for the differential reporting as it is not publicly accountable and it is small. Motu Economic and Public Policy Research Trust has taken advantage of all available differential reporting exemptions except GST, the statements are presented exclusive of GST.

#### **(b) Revenue Recognition Policy**

Income is recognised progressively as work is completed.

#### **(c) Patron Income**

Patron income is recognised in the period of patronage.

#### **(d) Fixed Assets & Depreciation**

The entity has the following classes of fixed assets;

Furniture & Fittings	11.4–48%
Office Equipment	40–60%

All fixed assets are recorded at cost less accumulated depreciation.

Depreciation of the assets has been calculated using up to the maximum rates permitted by the Income Tax Act 2007.

# Motu Economic and Public Policy Research Trust Group

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2010

## **(e) Foreign Currencies**

Transactions denominated in foreign currencies are converted at the exchange rate prevailing at the transaction date. Foreign currency receivables and payables are converted at exchange rates prevailing at balance date. Foreign exchange gains and losses are included as income or expenses respectively in the Statement of Financial Performance.

## **(f) Goods and Services Tax**

These financial statements have been prepared on a GST exclusive basis except for accounts receivable and accounts payable which include GST as applicable.

## **(g) Income Tax**

Motu Economic and Public Policy Research Trust and Motu Research and Education Foundation have been granted charitable status and are therefore exempt from income tax.

## **(h) Leased Assets**

### **Operating Leases**

Operating leases are those where all the risks and benefits are substantially retained by the lessor. Lease payments are expensed in the period the amounts are payable.

## **(i) Receivables**

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

## **Changes in Accounting Policies**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

## **2. AUDIT**

These financial statements have been subject to audit, please refer to Auditor's Report.

## **3. CONTINGENT LIABILITIES**

At balance date there are no known contingent liabilities (2009:\$0). Motu Economic and Public Policy Research Trust has not granted any securities in respect of liabilities payable by any other party whatsoever.

# Motu Economic and Public Policy Research Trust Group

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2010

## 4. BANK AND CASH

	2010	2010	2009	2009
	Group	Parent	Group	Parent
	\$	\$	\$	\$
National Bank – 00	161,210	161,210	103,094	103,094
National Bank – 025	558,895	558,895	229,865	229,865
National Bank – US \$	28	28	38	38
National Bank – 00	60,935	-	32,911	-
National Bank – 02	77,926	-	275,620	-
Petty Cash	281	281	202	202
National Bank Term Deposit	1,242,464	1,032,874	798,822	798,822
<b>Total Bank and Cash</b>	<b>\$2,101,738</b>	<b>\$1,753,288</b>	<b>\$1,440,553</b>	<b>\$1,132,022</b>

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 7.25%. This overdraft facility is secured by way of a term deposit held at ANZ National Bank.

## 5. FIXED ASSETS

	2010	2009	2009	2009
	Group	Parent	Group	Parent
	\$	\$	\$	\$
Furniture and Fittings				
At cost	72,203	72,203	74,134	74,134
Less Accumulated Depreciation	30,013	30,013	22,681	22,681
	<b>42,190</b>	<b>42,190</b>	<b>51,453</b>	<b>51,453</b>
<b>Total Fixed Assets</b>	<b>\$102,134</b>	<b>\$102,134</b>	<b>\$157,407</b>	<b>\$157,407</b>

## 6. DEPRECIATION EXPENSE

	2010	2010	2009	2009
	Group	Parent	Group	Parent
	\$	\$	\$	\$
Furniture and Fittings	7,332	7,332	8,003	8,003
Office Equipment	70,297	70,297	65,672	65,672
<b>Total Fixed Assets</b>	<b>\$77,629</b>	<b>\$77,629</b>	<b>\$73,675</b>	<b>\$73,675</b>

# Motu Economic and Public Policy Research Trust Group

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2010

## 7. OPERATING LEASE COMMITMENTS

	2010 Group \$	2010 Parent \$	2009 Group \$	2009 Parent \$
<b>Lease of premises at level 1, 97 Cuba Street, Wellington</b>				
Within 1 Year	85,000	85,000	85,000	85,000
1–2 Years	85,000	85,000	85,000	85,000
2–5 Years	170,000	170,000	255,000	255,000
	<b>\$340,000</b>	<b>\$340,000</b>	<b>\$425,000</b>	<b>\$425,000</b>

	2010 Group \$	2010 Parent \$	2009 Group \$	2009 Parent \$
<b>Photocopier Lease</b>				
Within 1 Year	6,075	6,075	6,075	6,075
1–2 Years	6,075	6,075	6,075	6,075
2–5 Years	12,150	12,150	18,225	18,225
	<b>\$24,300</b>	<b>\$24,300</b>	<b>\$30,375</b>	<b>\$30,375</b>

## 8. SUBSIDIARY ENTITY AND RELATED PARTY

The subsidiary entity is Motu Research and Education Foundation. The Foundation is a Charitable Trust settled on 8 September 2006. Under FRS37, the Foundation is deemed to be controlled by the Trust and therefore is consolidated with the Trust's financial results. The Trust periodically invoices the Foundation for its share of common overheads.

## 9. SENIOR FELLOW RESEARCH ACCOUNTS

Distributions to the Senior Fellow Research Accounts are made after the surplus for the year has been finalised. Senior Fellows can use funds at their own discretion and expenses are recognised when incurred. A Senior Fellow can use their reserve for research activity or any activity related to the achievement of Motu's purposes such as Travel Costs, Conference Fees, to fund Research Analysts, Data Costs, Books and Materials, and Non funded Senior Fellow time such as Sabbaticals. Any remaining balances are retained by Motu, should a Senior Fellow leave Motu's employ.

Reserves as at 30 June 2010 are made up as follows:

Andrew Coleman	5,836
Arthur Grimes	1,119
Dave Mare	14,839
Steve Stillman	12,268
Suzi Kerr	13,692
	<b>\$47,753</b>

MOTU

EXPLORING  
NEW ZEALAND SOLUTIONS  
TO NEW ZEALAND ISSUES



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