

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

# Annual Report

July 2007 – June 2008

MOTU

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

Patrons:



# Introduction

Motu Economic and Public Policy Research is New Zealand's leading non-profit economic and public policy research institute. We are a fully independent non-profit organisation, which never advocates an expressed ideology or political position.

We undertake research on a range of economic and public policy issues that affect New Zealanders today. Our research over the last twelve months can be divided into four broad categories: environmental regulation, labour and population economics, infrastructure, and macroeconomics and economic performance.

Each piece of research is led by one or more of our seven senior researchers, all of whom have considerable research and public policy experience. All obtained their PhDs from top international universities, and most have worked in policy-related positions.

Since Motu was founded in September 2000, our objectives have remained the same. We strive to produce high quality research and make this research freely available to all; promote well-informed and reasoned debate on public policy issues; and explore New Zealand solutions for issues affecting New Zealanders today. In doing so, we aim to enhance the economic research and policy environment in New Zealand.

We don't only do this by producing excellent, non-partisan research. Our researchers teach courses at various universities and institutions, and we provide full training for junior research staff, offer scholarships to promising post-graduate students, facilitate networks of researchers, host foreign researchers, and organise small conferences and dialogue groups.

We believe that it is necessary to create an environment in which objective research and analysis can thrive because they are critical foundations for making informed policy decisions.

# Director's Report

Motu fundamentally believes that good public policy is based on strong analysis and, where possible, rigorous empirical evidence. We advocate for independent analysis that attempts to objectively seek new knowledge to inform policy processes.

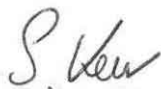
This year Arthur Grimes' work on infrastructure showed, using an innovative methodology, that the value of the Northern Motorway extension was significantly higher than conventional cost-benefit analysis predicted. Dave Maré and Steve Stillman challenged the assumption that immigrants are pushing up house prices; they were unable to find any effect of international migrants on local prices but did find evidence that repatriating kiwis may raise local house prices. Several of our current and planned work streams similarly challenge conventional wisdom – Does becoming a homeowner make someone a better citizen? Do New Zealanders save enough? Is the housing bubble primarily responsible for difficulties facing first-home buyers? Are New Zealand living standards in the bottom half of the OECD and falling? We don't know the answers to these questions but, given their importance in driving policy, we think it is important that debates on these issues are based on the best available international and local evidence rather than potentially misleading simple statistics and opinion.

Motu first began ten years ago (we became a charity in 2000) with a website and two research contracts. We have now achieved many of our initial goals. We set out to create an institute that produces top quality economic research, helps others build their own capacity for strong policy analysis and communicates knowledge to key decision makers. We now have seven senior researchers (one of whom, Dean Hyslop, won the prestigious international Frisch Medal) and five research analysts, an annual budget of around two million dollars, and the Motu Research and Education Foundation which increasingly provides long-term security. We are an unusual organisation in that while remaining heavily academically focused (with twenty-five refereed publications this year) and fiercely independent we have strong links with government agencies and increasingly with key private sector actors.

The last year has been a year of rapid change within Motu. We moved to larger offices on Cuba Street and our long-term office manager Pauline Hornblow departed to run a polytechnic in Bahrain. Bruce McKevitt began as office manager and Nicole Russell as finance and contracts manager. Our team administrator Ashley Armstrong returned to the United States and was replaced by Rhyllie Alexander, and Marianna Kennedy began as Research Communicator, replacing Jessica Bell who returned to university.

We were proud to farewell research analysts Melanie Morton to PhD study at Yale University. Jo Hendy has taken her considerable skills to the Parliamentary Commissioner for the Environment. Izi Sin, former Motu research analyst, won a prize for her second year research paper at Stanford, and Melanie won the A R Bergstrom Prize for Excellence in Econometrics. We are pleased to welcome two new research analysts, Cleo Ren and Wei Zhang.

It is time for fresh leadership. This will be my last annual report as director – we are currently recruiting a new director. I will be returning to Motu to focus on my environmental economics research programmes after a year teaching at Stanford University. I would like to thank the uncountable people who have made it possible to achieve our dream. In particular I am deeply indebted to Grant Scobie who taught me all I know about leadership and governance, and to Dave Maré whose vision, hard work and trust through uncertain times has been critical to Motu's success.



**Suzi Kerr**

# Chairman's Report

Motu has once again been in the thick of events this year. With emissions trading having arguably the single biggest impact on New Zealand's economy over the long term, Motu has produced a series of reports on trading, especially in the agriculture and forestry sectors. But it doesn't stop there. Motu has also worked on Lake Rotorua nutrient loadings, the value of water, communities and structural reform, housing markets, land values and exchange rates.

Motu is a small organisation of under 20 staff but which carries out economic analysis of the highest class. It currently holds three Foundation for Research Science and Technology (FRST) grants and three Marsden Fund research grants – an achievement envied by research organisations ten times its size. Nevertheless, Motu has grown moderately since its inception in 2000, preferring quality over quantity. It retains the freedom to pick and choose the topics that it regards as important.

This year we welcome three new members to the board: John Hay, CEO of ESR; Neil Green of Senate Communications; and Tom Lambie of Timaru. I will be rotating off the board this year, after seven years of seeing Motu go from strength to strength. As its research effort grows, the board has worked to keep its governance structures in line with the expectations of its funders, while remaining appropriate to an organisation of Motu's size.

One task facing the board over the coming months will be to find a successor for Motu's director, Suzi Kerr. Suzi co-founded Motu and has stewarded it to its current position. She has now signalled that she wishes to step down as director, while remaining with Motu as a senior researcher. Suzi has been a tower of strength over the years, and we can rejoice in the knowledge that her talents will remain with Motu.

Once again this year, we would like to acknowledge with gratitude the support of our patrons: ANZ National Bank, Aotearoa Fisheries Limited, Department of Building and Housing, Department of Labour, Fletcher Building, Mighty River Power, Ministry for the Environment, Ministry of Economic Development and Telecom. As well as our patrons, the Motu Research and Education Foundation, chaired by Colin James, offers a vehicle for those who value Motu's independence to help maintain and strengthen it. This year it has been singularly successful in attracting support for Motu.

Motu's staff continue to surpass all expectations in their dedication, commitment to excellence, and collegiality. Motu's senior fellows depend on the careful work of research analysts and on all those who keep Motu and its daily affairs running. It is a pleasure for all of us to work among such outstanding people.



**Steve Thompson**



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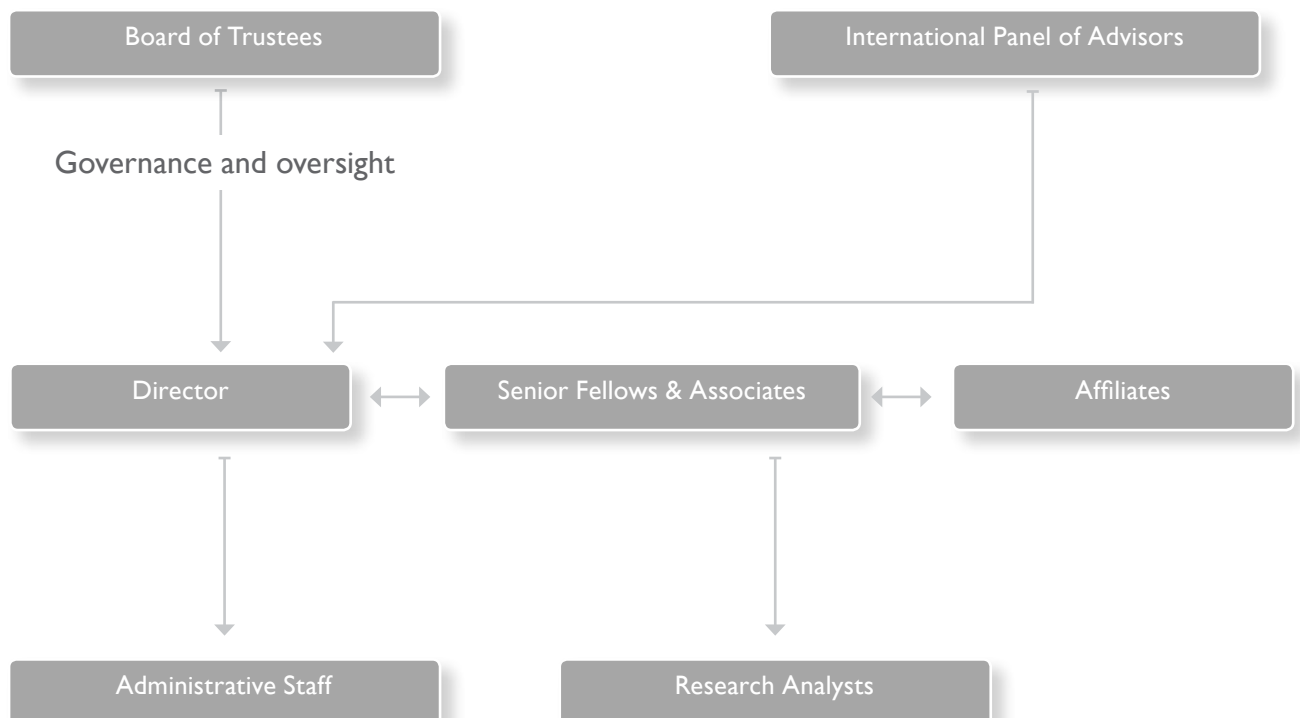
# Motu Purposes and Structure

Motu Economic and Public Policy Research was set up 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 during the 2007/08 financial year.

## Motu Structure







# 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 very strong desire to prove the academic quality of our work through publication, including in international journals. The audiences 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 environmental research focuses on the use and design of market-based instruments to address environmental issues. In 2007/08 this was primarily funded by two major grants from the Foundation for Research, Science and Technology: **Integrated Research on the Economics of Climate Change Impacts, Adaptation and Mitigation and Markets** and **Water Quality: Integrated Assessment for Policy Design**.

### Climate Change

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Motu's climate activities in 2007/08 focused on using our research to inform the development of the New Zealand Emissions Trading System. This work brought together researchers, policy makers and those with practical private sector knowledge of emissions trading and its effects in New Zealand. As a result, it also contributes to our *Building Capacity* objective (page 17).

Motu's climate programme centres on a collaborative group of climate scientists and economists called EcoClimate, coordinated by Motu. The researchers at Motu and our EcoClimate partners were the major contributors of research to the emissions trading policy process in 2007/08. We ran a climate policy dialogue with the private sector; Suzi Kerr provided one of two official peer reviews of the system; two of our members (Suzi Kerr and David Wratt from NIWA) are on the government-appointed Climate Change Leadership Forum and we are running a key subgroup of that forum; Adolf Stroombergen was the primary source of general equilibrium modelling of the effects of the system; several researchers contributed to the Institute of Policy Studies roundtable process run by Jonathan Boston who also contributes to our programme; EcoClimate partners (Motu, Landcare Research and AgResearch with others) successfully tendered to run the secretariat for the technical advisory group helping design the agricultural component of the Emissions Trading System; and EcoClimate members and participants in our climate dialogue played key roles in the Stationary Energy and Industrial Processes Technical Advisory Group (SEIP TAG). EcoClimate and other collaborations listed here are described in more detail under *Building Capacity*.

Motu's climate research also contributed to Australian climate policy through peer review work on auction design and a commissioned report to the Garnaut Climate Change Review.

### Water Quality

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Motu's water quality research applies the principles of emissions trading to the problem of water pollution in Lake Rotorua. The research addresses legal issues, nutrient reporting, property rights, market design and governance issues affecting a prototype nutrient trading system for the Lake Rotorua catchment.

The research process involved a set of ten meetings with local and regional government, iwi, farmers, environmental groups and staff from the Ministry for Environment and the Ministry of Agriculture and Forestry. In each of the meetings we presented key issues for the system design, responded to discussion at previous meetings and gradually worked through issues. Glen Lauder of CommonGround facilitated the sessions and provided continuity for the dialogue between sessions. NIWA, GNS-Science and Chapman Tripp also contributed expertise.

This process was co-funded by Environment Bay of Plenty with some support from the Ministry for the Environment and the Ministry of Agriculture and Forestry.

### Refereed

Funk, Jason and Suzi Kerr. 2007. "Restoring Forests Through Carbon Farming on Maori Land in New Zealand/Aotearoa," *Mountain Research and Development*, 27:3, pp. 202–205.

Pfaff, Alexander; Suzi Kerr, Leslie Lipper, Romina Cavatassi, Benjamin Davis, Joanna Hendy and Arturo Sanchez. 2007. "Will Buying Tropical Forest Carbon Benefit the Poor? Evidence from Costa Rica," *Land Use Policy*, 24, pp. 600–610.

Pfaff, Alexander; Suzi Kerr, Romina Cavatassi, Benjamin Davis, Leslie Lipper, Arturo Sanchez and Jason Timmins. 2008. 'Effects of Poverty on Deforestation: Distinguishing Behaviour from Location' in *Economics of Poverty, the Environment and Natural Resource Use*, Rob B. Dellink and Arjan Ruijs, Eds. Wageningen University: Environmental Economics and Natural Resources Group, pp. 101–116.

### Non-refereed

Greenhalgh, Suzie; Jim Sinner and Suzi Kerr. 2007. "Emissions Trading in New Zealand: Options for Addressing Trade Exposure and Emissions Leakage," paper prepared for *New Zealand Climate Change Policy Dialogue*, 21 September.

Hendy, Joanna and Suzi Kerr. 2007. "Impacts on the Pastoral Sector from Emissions Charges on Agriculture Gases: Analysis from the Model Land Use in Rural New Zealand Version 1: Climate," Motu manuscript.

Kerr, Suzi. 2007. "Climate Change Leadership Forum: Cluster B - Meetings 2 and 3," Climate Change Leadership Forum, Auckland, December. Available online at <http://www.climatechange.govt.nz/nz-solutions/climate-change-leaders-forum/cluster-b-leadership-forum.shtml>.

Kerr, Suzi. 2007. "Emissions Trading in New Zealand: Managing Economic Risk in the New Zealand Emissions Trading System," paper prepared for *New Zealand Climate Change Policy Dialogue*, 25 September.

Kerr, Suzi. 2007. "Review of Proposed New Zealand Emissions Trading Scheme," report commissioned by the Emissions Trading Group.

Kerr, Suzi and Murray Ward. 2007. "Emissions Trading in New Zealand: Introduction and Context," paper prepared for *New Zealand Climate Change Policy Dialogue*, 20 September.

Kerr, Suzi and Ralph Chapman. 2007. "Emissions Trading in New Zealand: Transition and Evolution," paper prepared for *New Zealand Climate Change Policy Dialogue*, 25 September.

Kerr, Suzi; Kit Rutherford and Kelly Lock. 2007. "Nutrient Trading in Lake Rotorua: Goals and Trading Caps," *Motu Working Paper* 07-08.

Kerr, Suzi. 2008. 'Cluster B Meeting Minutes from 22 May and Associated Papers,' Climate Change Leadership Forum, Wellington. Available online at <http://www.climatechange.govt.nz/nz-solutions/climate-change-leaders-forum/cluster-b-report-2008-06.shtml>.

Kerr, Suzi and Andrew Coleman. 2008. 'Economic Regrets,' Motu manuscript written for Cluster B of the Climate Change Leadership Forum, 22 May.

Kerr, Suzi and Kit Rutherford. 2008. 'Nutrient Trading in Lake Rotorua: Determining Net Nutrient Inputs,' *Motu Working Paper* 08-03.

Kerr, Suzi and Andrew Sweet. 2008. 'Inclusion of Agriculture and Forestry in a Domestic Emissions Trading System: New Zealand's Experience to Date,' *Motu Working Paper* 08-04.

Lock, Kelly and Suzi Kerr. 2008. 'Nutrient Trading in Lake Rotorua: Overview of a Prototype System,' *Motu Working Paper* 08-02.

Lock, Kelly and Suzi Kerr. 2008. 'Nutrient Trading in Lake Rotorua: Choosing the Scope of a Nutrient Trading System,' *Motu Working Paper* 08-05.

Lock, Kelly and Suzi Kerr. 2008. "Nutrient Trading in Lake Rotorua: Social, Cultural, Economic and Environmental Issues around a Nutrient Trading System," Motu manuscript.

Small, John and Suzi Kerr. 2007. "Emissions Trading in New Zealand: Points of Obligation," paper prepared for *New Zealand Climate Change Policy Dialogue*, 24 September.

Wratt, David; Brett Mullan, Andrew Tait, Ross Woods, Troy Baisden, Donna Giltrap, Kelly Lock, Joanna Hendy, Suzi Kerr, Adolf Stroombergen and Alek Stojanovik. 2008. "Costs and Benefits of Climate Change and Adaptation to Climate Change in New Zealand Agriculture: What Do We Know so Far?" Contract report by EcoClimate Consortium: Integrated Research on the Economics of Climate Change Impacts Adaptation and Mitigation, Wellington, Ministry of Agriculture and Forestry.

### *Presentations*

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Kerr, Suzi and Ralph Chapman. 2007. 'Transition into and Evolution of a New Zealand Emissions Trading system,' paper presented at the Climate Change Policy Dialogue, Wellington, 31 July.

Kerr, Suzi. 2007. 'Key Messages from Papers,' paper presented at the Climate Change Policy Dialogue Group, Wellington, July.

Kerr, Suzi. 2007. 'The Economics of Deforestation,' paper presented as invited speaker at the International Economics Association Roundtable, Beijing, July.

Kerr, Suzi. 2007. 'Including Agriculture and Forestry in a Domestic Emissions Trading System: A New Zealand Perspective,' paper presented as invited speaker at the Garnaut Climate Change Review Public Forum, Melbourne, August.

Kerr, Suzi. 2007. 'Key Issues in the Design of an Emissions Trading System for New Zealand' Motu Public Policy Seminar Series, Wellington, September.

Kerr, Suzi. 2007. 'Emissions Trading – the Real Oil,' paper presented as invited speaker at the New Zealand Labour Party conference – workshop and panel, Auckland, November.

Kerr, Suzi. 2007. 'Emissions Trading in New Zealand: Report from Cluster B,' paper presented at the Climate Change Leadership Forum, Auckland, November.

Kerr, Suzi. 2007. 'Water Quality Management and Nutrient Trading,' paper presented as invited speaker at the Hydrological Society, Rotorua, 22 November and at the New Zealand Waste Water Management Association Conference, Rotorua, 19 September.

Kerr, Suzi. 2007. 'Free Allocation of NZ Units: Report from Cluster B,' paper presented to the Climate Change Leadership Forum, Auckland, December.

Kerr, Suzi. 2008. 'Cost Sharing and Allowance Allocation,' paper presented to the Nutrient Trading Study Group, Lake Okataina, 29 January.

Kerr, Suzi. 2008. 'Governance: What is it and what are our Concerns?' paper presented to the Nutrient Trading Study Group, Lake Okataina, 29 January.

Kerr, Suzi. 2008. 'Key Issues in the Design of an Emissions Trading System for New Zealand,' paper presented at the Otago University Law School, Dunedin, and Victoria University of Wellington, January.

- Kerr, Suzi. 2008. 'Agriculture and Greenhouse Gases: Designing and Simulating Mitigation Policies in New Zealand,' paper presented at the Australian Association of Agricultural and Resource Economics Conference, Canberra, 5–8 February.
- Kerr, Suzi. 2008. 'Setting Targets in a Nutrient Trading System for Lake Rotorua,' paper presented at the Australian Association of Agricultural and Resource Economics Conference, Canberra, 5–8 February.
- Kerr, Suzi. 2008. 'NZU Allocation within Agriculture,' presentation to the Agricultural Technical Advisory Group, 25 February.
- Kerr, Suzi. 2008. 'The Likely Impacts of Climate Change Policy,' paper presented at the Ministry of Social Development workshop on the social impacts of climate change, Wellington, February.
- Kerr, Suzi. 2008. 'Governance: What Sort of System do we Want?' paper presented to the Nutrient Trading Study Group, Rotorua, March.
- Kerr, Suzi. 2008. 'Integrating Science and Economics to Inform the Design of Climate Change Policy,' paper presented at the Carbon Workshop: Global Cycle to Regional Budget, New Zealand Committee of the International Geosphere Biosphere Programme, Wellington, April.
- Kerr, Suzi. 2008. 'A Prototype Nutrient Trading System for Lake Rotorua,' Rotorua, 26 May.
- Kerr, Suzi. 2008. 'Report from Cluster B,' paper presented to the Climate Change Leadership Forum, Auckland, May.
- Kerr, Suzi. 2008. 'Free Allocation in the AG ETS,' presentation to the Agricultural Technical Advisory Group, Wellington, June.
- Lock, Kelly and Suzi Kerr. 2007. 'Choosing the Scope of a Nutrient Trading System,' paper presented to the Nutrient Trading Study Group, Rotorua, 10 July.
- Lock, Kelly and Suzi Kerr. 2008. 'Scope of the Nutrient Trading System,' paper presented to the Nutrient Trading Study Group, Lake Okataina, 29 January.
- Lock, Kelly. 2007. 'Nutrient Trading Game: Summary of Year 2008,' paper presented to the Nutrient Trading Study Group, Rotorua, 18 October.
- Lock, Kelly. 2007. 'Trading Rules in the Quota Management System,' paper presented to the Nutrient Trading Study Group, Rotorua, 18 October.
- Lock, Kelly. 2007. 'Nutrient Trading Game: Summary of Year 2009,' paper presented to the Nutrient Trading Study Group, Rotorua, 28 November.
- Lock, Kelly. 2008. 'Science Updating in the Quota Management System,' paper presented to the Nutrient Trading Study Group, Rotorua, 5 March.
- Lock, Kelly. 2008. 'Funding the Administration of Trading Systems,' paper presented to the Nutrient Trading Study Group, Rotorua, 5 March.
- Lock, Kelly. 2008. 'Nutrient Trading Game Summary,' paper presented to the Nutrient Trading Study Group, Rotorua, 5 March.
- Lock, Kelly. 2008. 'Nutrient Trading in Lake Rotorua,' paper presented to the Water Policy Team, Ministry of Agriculture and Forestry, Wellington.



## Labour and Population Economics

Motu's labour and population economics research focused on two key fields in 2007/08: immigration and labour markets. This research is funded by a range of sources. The migration research continues to benefit from a 2005 Marsden Fund grant titled **Wealth and Health Effects of Migration**, along with ongoing funding from the Department of Labour as part of their **Economic Impacts of Immigration** work programme.

The labour research draws on Department of Labour funding for research using the **Linked Employer-Employee Database**, and both research areas benefit from a Marsden Fund grant titled

### **The Impact of Immigration on the Labour Market Opportunities of New Zealanders.**

Three new grants were awarded in this area in 2007/08. Motu is in the early stages of two Marsden funded programmes: **The Impact of Economic Shocks on the Wellbeing of New Zealanders** and **Homeownership and Neighbourhood Wellbeing**. We have also begun work on a Families Commission grant looking at **The Intergenerational Transmission of Human Capital in New Zealand**.

### *Migration*

Motu's immigration research is the first to examine the effect of immigration on New Zealanders using microeconomic techniques. In a series of working papers, we examined the effect of immigration on New Zealanders' geographic mobility, labour market outcomes and housing costs. In each of these papers, we found very little evidence to indicate that immigration has negative implications at a local level. Immigrants do not encourage established residents to move elsewhere, do not reduce wages for the employed and do not increase house prices. New immigrants do, however, appear to reduce wages for earlier immigrants. The house price research also revealed an interesting association: house price increases do appear to be associated with New Zealanders returning from overseas.

### *Labour Markets*

Motu's labour market research in 2007/08 made use of a Statistics New Zealand data set, the Linked Employer-Employee Database (LEED). LEED contains longitudinal data collected via tax records for workers and firms in all sectors of the economy. This year's research explored whether labour intensity – similar to whether a worker is full time or part time – has an effect on their relative earnings, and whether this effect is primarily linked to workers or firms. It also looked at the relationship between overall employment growth in New Zealand and wage increases between 1999 and 2007. The latter study found that an increase in low-skilled workers led to lower earnings growth than would have occurred had New Zealand's workforce skill-composition remained constant.

### *Publications*

#### **Refereed**

Dixon, Sylvia & David C. Maré. 2007. "Understanding Changes in Maori Incomes and Income Inequality 1997-2003," *Journal of Population Economics*, 20, pp. 571–598.

Gibson, John and Bonggeun Kim. 2007. "Measurement Error in Recall Surveys and the Relationship between Household Size and Food Demand," *American Journal of Agricultural Economics*, 89:2, pp. 473–489.

Gibson, John and David McKenzie. 2007. "Using Global Positioning Systems in Household Surveys for Better Economics and Better Policy," *World Bank Research Observer*, 22:2, pp. 217–241.

Gibson, John and Steven Stillman. 2008. "Why Do Big Firms Pay Higher Wages? Evidence from an International Database," *Review of Economics and Statistics*, forthcoming.

Gibson, John. 2007. "Is Remoteness a Cause of Slow Growth in the Pacific? A Spatial-Econometric Analysis," *Pacific Economic Bulletin*, 22:1, pp. 83–101.

Gibson, John. 2008. "Public Sector Pay Premium and Compensating Differentials in the New Zealand Labour Market," *New Zealand Journal of Employment Relations*, 32:3, pp. 56–68.

Gibson, John; Sandra Barns, Michael Cameron, Steven Lim, Frank Scrimgeour and John Tressler. 2007. "The value of statistical life and the economics of landmine clearance in developing countries," *World Development*, 35:3, pp. 512–531.

Gibson, John; Steven Stillman and Trinh Le. 2008. "CPI Bias and Real Living Standards in Russia During the Transition," *Journal of Development Economics*, 87:1, pp. 140–60.

Gibson, John; Trinh Le and Steven Stillman. 2007. "What Explains the Wealth Gap Between Immigrants and the New Zealand Born?" *New Zealand Economic Papers*, 41:2, pp. 131–162.

Grimes, Arthur; David C. Maré and Melanie Morten. "Defining Areas: Linking Geographic Data in New Zealand," *Population, Space and Place*, forthcoming.

Johnson, Robin; Weshah A. Razzak and Steven Stillman. 2007. "Has New Zealand Benefited from Its Investments in Research and Development?" *Applied Economics*, 39:19, pp. 2425–2440.

Lock, Kelly and John Gibson. 2008. "Explaining Maori Under-achievement in Standardised Reading Tests: The Role of Social and Individual Characteristics," *Kotuitui: NZ Journal of Social Sciences Online*, 3, pp. 1–13.

Maré, David C.; Melanie Morten and Steven Stillman. 2007. "Settlement Patterns and the Geographic Mobility of Recent Migrants to New Zealand," *New Zealand Economic Papers*, 41:2, pp. 163–196.

McKenzie, David; John Gibson and Steven Stillman. 2007. 'Moving to Opportunity, Leaving Behind What? Evaluating the Initial Effects of a Migration Policy on Incomes and Poverty in Source Areas,' *New Zealand Economic Papers*, 41:2, pp. 197–223.

Olivia, Susan and John Gibson. 2008. "Household Energy Demand and the Equity and Efficiency Aspects of Subsidy Reform in Indonesia," *The Energy Journal*, 29:1, pp. 21–39.

Stillman, Steven and Duncan Thomas. 2008. "Nutritional Status During an Economic Crisis: Evidence from Russia," *Economic Journal*, 118, pp. 1385–1417.

### **Non-refereed**

Gibson, John; Trinh Le and Steven Stillman. 2007. "What Explains the Wealth Gap Between Immigrants and the New Zealand Born?" *Motu Working Paper* 07-12.

Grimes, Arthur; David C. Maré and Melanie Morten. 2007. "Adjustment in Local Labour and Housing Markets," *Motu Working Paper* 07-10.

Maré, David C. and Dean Hyslop. 2007. "Job Employment Intensity, Matching, and Earnings 1999–2005," *LEED Research Report*, Statistics New Zealand, Wellington.

Maré, David C.; Steven Stillman and Melanie Morten. 2007. "Settlement Patterns and the Geographic Mobility of Recent Migrants to New Zealand," *Motu Working Paper* 07-11.

Maré, David C. and Dean Hyslop. 2008. "Cyclical Earnings Variation and the Composition of Employment," *LEED Research Report*, Statistics New Zealand, Wellington.

Stillman, Steven and David C. Maré. 2008. "Housing Markets and Migration: Evidence from New Zealand," *Motu Working Paper* 08-06.

Stillman, Steven; Malathi Velamuri and Andrew Aitken. 2008. "The Long-run Impact of New Zealand's Structural Reform on Local Communities," *Motu Working Paper* 08-11.

## *Presentations*

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Maré, David C. 2007. “Immigrant Resettlement,” paper presented at the Population Association of New Zealand, Wellington, July.

Maré, David C. 2007. “Innovation and Local Workforce Composition,” presentation to the New Zealand Treasury, Wellington, August.

Maré, David C. 2007. “Worker Firm Heterogeneity and Composition Change,” paper presented at the Australasian Labour Economics Workshop, Wellington, August.

Maré, David C. 2007. “Local Impacts of Immigration,” presentation to the Department of Labour Immigration Steering Group, Wellington, September.

Maré, David C. 2007. “Impacts of Immigration,” Motu Public Policy Seminar, Wellington, October.

Maré, David C. 2007. “Innovation and Local Workforce Composition,” paper presented at the Statistics New Zealand IBULDD Meeting, Wellington, December.

Maré, David C. 2008. “Panel Data,” paper presented at the University of Otago Wellington School of Medicine Summer School (SoFIE Workshop), Wellington, February.

Maré, David C. 2008. “Immigration and Housing,” paper presented at Pathways, Circuits and Crossroads, Wellington, May.

Maré, David C. 2008. “Immigration and Housing,” paper presented at the Department of Labour, Wellington, May.

Maré, David C. 2008. “Labour Productivity of Auckland Firms,” paper presented to the Ministry of Economic Development, Auckland, May.

Maré, David C. 2008. “Labour Productivity of Auckland Firms,” paper presented at the Statistics New Zealand Productivity Workshop, Wellington, June.

Stillman, Steven. 2007. “Moving to Opportunity, Leaving Behind What? Evaluating Poverty and Inequality Effects of a Migration-Development Policy,” paper presented at the Population Association of New Zealand Annual Conference, Wellington.

Stillman, Steven. 2007. “Longitudinal Evidence on the Impact of Incarceration on Labour Market Outcomes and General Well-Being,” paper presented at the Household, Income and Labour Dynamics in Australia Survey Research Conference, Melbourne, Australia.

Stillman, Steven. 2008. “Housing Markets and Migration: Evidence from New Zealand,” paper presented at Pathways, Circuits and Crossroads, Wellington.

Stillman, Steven. 2008. “Immigration and Housing Markets: Evidence from New Zealand,” presentation at University of Canterbury, Department of Economics, Christchurch.

Stillman, Steven. 2008. “Immigration and Housing Markets: Evidence from New Zealand,” presentation at University of California-Irvine, Department of Economics, Irvine, CA.

Stillman, Steven. 2008. “Longitudinal Evidence on the Impact of Victimization on Labour Market Outcomes and General Well-Being,” paper presented at the Society of Labor Economists Annual Conference, New York, NY.

Stillman, Steven. 2008. “The Impacts of International Migration on Remaining Household Members: Omnibus Results from a Migration Lottery Program,” paper presented as invited speaker at the New Techniques in Development Economics Workshop, Canberra, Australia.



# Infrastructure

Motu's infrastructure research in 2007/08 formed part of a major project funded by the Foundation for Research, Science and Technology titled **Physical, Technological and Social Infrastructure: Maximising Contributions of Infrastructure Investments to New Zealand's Sustainable Economic Development**. This research programme aims to provide rigorous analyses of the benefits of New Zealand's physical, technological and social infrastructure. It is hoped that these analyses will support future decision-making in this key government spending area.

Motu's researchers have so far completed three major research topics in the infrastructure programme. We have published papers looking at the effects of Auckland's Metropolitan Urban Limit, Auckland's Northern Motorway extensions and of irrigation in the Mackenzie District (Canterbury). Each of these projects uses a methodology known as 'revealed preference', which uses changes in land values as a proxy to reveal the value of improvements in services and amenities. We have also completed one minor research topic, comparing public transport provision across major Australasian cities.

This research will continue into 2011. We have made progress on three further research areas: the impact of broadband on New Zealand firm outcomes, considerations around infrastructure location for time-sensitive services (including emergency services) and the effects of infrastructure on firms' productivity. Planning is also underway to investigate the effects of infrastructure changes on the shape, size and nature of labour market areas and the impacts of Auckland's passenger rail upgrades.



## Publications

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### Refereed

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

### Non-refereed

Grimes, Arthur and Andrew Aitken. 2008. "Water, Water Somewhere: The Value of Water in a Drought-Prone Farming Region," *Motu Working Paper* 08-10.

Grimes, Arthur and Yun Liang. 2007. "Spatial Determinants of Land Prices in Auckland: Does the Metropolitan Urban Limit Have an Effect?" *Motu Working Paper* 07-09.

Grimes, Arthur and Yun Liang. 2008. "Bridge to Somewhere: The Value of Auckland's Northern Motorway Extensions," *Motu Working Paper* 08-07.

## Presentations

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Grimes, Arthur. 2007. "Impacts of Land Availability, Housing Supply and Planning Infrastructure on New Zealand House Prices," paper presented at the Business Cycle, Housing and the Role of Policy workshop, Treasury and Reserve Bank of New Zealand, Wellington, 10–11 December.

Grimes, Arthur. 2007. "Transformative Transport: Transport and Economic Transformation," paper presented at the Transport – The Next 50 Years conference, Christchurch, July.

Grimes, Arthur and Yun Liang. 2007. "Spatial Determinants of Land Prices in Auckland: Does the Metropolitan Urban Limit Have an Effect?" presentation at the University of Canterbury, Department of Economics, Christchurch, August.

Grimes, Arthur and Yun Liang. 2007. "The Cost of Land and the Auckland Metropolitan Urban Limit," presentation to seminar hosted by Glaister Ennor, Auckland, August.



## Macroeconomics and Economic Performance

Motu researchers have continued research into macroeconomics and topics in money and banking, in part stemming from a prior Marsden-funded programme **Is New Zealand an Economic State of Australia?** Research has also flowed from the Reserve Bank of New Zealand's earlier commissioning of a history of the bank, and from work with PhD students and staff at the University of Waikato. Our work on economic performance has benefitted from work conducted within the Ministry of Economic Development, Statistics New Zealand and the Reserve Bank of New Zealand, utilising Statistics New Zealand's prototype Longitudinal Business Database.

### *Publications*

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#### **Refereed**

Fabling, Richard and Arthur Grimes. 2007. 'Practice Makes Profit: Business Practices and Firm Success', *Small Business Economics*, 29:4, 383–399.

Grimes, Arthur. 2007. "Trans-Tasman Shocks: A Mediating Role for the NZDAUD," *New Zealand Economic Papers*, 41:2, pp. 237–250.

Hess, Kurt; Arthur Grimes and Mark Holmes. 2008. "An Exploration of Measures to Assess a Bank's Credit Loss Experience," *Journal of International Finance and Economics*, 8:1, 1–13.

Holmes, Mark and Arthur Grimes. 2008. "Is there Long-Run Convergence Among Regional House Prices in the UK?" *Urban Studies*, 45(8), 1531–1544.

Singleton, John; Arthur Grimes, Gary Hawke and Frank Holmes. "Reforming a Small Central Bank: The Reserve Bank of New Zealand," *Chung-Hsing Journal of History* (in Mandarin), forthcoming.

#### **Non-refereed**

Fabling, Richard and Arthur Grimes. 2008. "Do Exporters Cut the Hedge? Who Hedges, When and Why," *MED Occasional Paper 08-02*, Ministry of Economic Development, Wellington.

Fabling, Richard; Arthur Grimes and Philip Stevens. 2008. "A Comparison of Qualitative and Quantitative Firm Performance Measures," *MED Occasional Paper 08-04*, Ministry of Economic Development, Wellington.

Fabling, Richard; Arthur Grimes, Lynda Sanderson and Philip Stevens. 2008. "Some Rise by Sin, and Some by Virtue Fall: Firm Dynamics, Market Structure and Performance," *MED Occasional Paper 08-01*, Ministry of Economic Development, Wellington.

Hess, Kurt; Arthur Grimes and Mark Holmes. 2008. "Credit Losses in Australasian Banking," *Working Paper 08/10*, Department of Economics, University of Waikato.

The background of the page features a microscopic view of biological cells, likely plant tissue, with thin, radiating structures and numerous circular cells. A vertical green bar is on the left side, and a white horizontal bar separates the top image from the text below.

# Building Capacity

Motu works to build economic and public policy research capacity in New Zealand. We run economics-related conferences and workshops, make data accessible to researchers, offer junior research roles and internships and maintain linkages with universities in New Zealand and overseas. Through the Motu Research and Education Foundation, we fund scholarships for young economists.

## *Research Analysts*

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Motu employs smart graduates as research analysts to assist with all parts of the research process. Research analysts are encouraged to continue studying while at Motu, and frequently move to high-level PhD and policy positions. In 2007/08 Melanie Morten began PhD study at Yale University and Joanna Hendy moved to a research role at the Parliamentary Commissioner for the Environment. Yun Liang has enrolled in a masters programme at Waikato University and will work at Motu part time.

Andrew Aitken, Kate Chambers, Kelly Lock, Cleo Ren and Wei Zhang also worked as research analysts during 2007/08.

## *Teaching and University Affiliations*

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Motu has particularly strong links with Victoria University of Wellington and the University of Waikato. Suzi Kerr and Research Analyst Cleo Ren gave a lecture and tutorial on 'Domestic Policy Responses to Global Climate Change' in an undergraduate Victoria University course 'Climate Change and New Zealand's Future'. Suzi gave a similar lecture at the University of Otago Law School. She is co-supervising a PhD student at Stanford University and was external examiner of a PhD thesis from the University of Melbourne.

Arthur Grimes is an Adjunct Professor and John Gibson a Professor in the Department of Economics, University of Waikato. Dave Maré taught a module titled 'Econometrics Approaches to Panel Data' as part of the University of Otago Wellington School of Medicine Summer School (SoFIE workshop).

Steve Stillman is an affiliated Research Fellow at the Institute for the Study of Labor (IZA), Bonn, Germany; Centre for Research and Analysis of Migration (CReAM), University College London; and at the William Davidson Institute, University of Michigan. He also provided informal supervision to Fiona Gunasekara, a PhD student at the University of Otago Wellington School of Medicine and Dale Warburton, who completed his MA in geography at Victoria University of Wellington.

## *Teaching Materials*

As part of our Nutrient Trading and Water Quality research, Motu developed a series of learning games designed to give hands-on experience in trading within our proposed system. The trading game is also very useful to develop a more nuanced understanding of the impacts of particular decisions on participants and the environment. We have run a simple version of the game with several other groups and are developing it as a teaching tool for general use.

## *Interns and Scholarships*

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### *Summer Interns*

Simon Ngawhika (Te Arawa) was our summer intern in 2008. He has an honours degree in geography from Auckland University and worked on our water quality project.

### *Motu Thesis Scholarship*

George Gray (Ngaiterangi, Ngāti Ranginui) received the Motu Thesis Scholarship in 2008. He is studying the costs and benefits of specific cardiology interventions for Māori patients.

### *Motu Doctoral Scholarship*

Former Research Analyst Andrew Aitken was awarded the Motu Doctoral Scholarship to assist with his studies at University College, London.

## *Data and Official Statistics*

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Arthur Grimes is a member of Statistics New Zealand's Advisory Committee on Economic Statistics (ACES) and the Housing Statistics User Group (HSUG).

Dave Maré is a researcher at the Linked Employer-Employee Database Project at Statistics New Zealand. He also took part in Statistics New Zealand discussion groups on Microdata Access protocols and Census 2011 content, participated in the LEED Research Forum, and is a member of the IBULDD and SoFIE users' groups.

Steve Stillman is a researcher at the Linked Employer-Employee Database Project, participated in a discussion group on unweighted counts and is part of the SoFIE users' group, all at Statistics New Zealand.

## *International Visitors*

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Motu hosted visits from Mick Coelli (University of Melbourne; with Victoria University of Wellington), Joachim Frick (Deutsches Institut für Wirtschaftsforschung/German Institute for Economic Research; with Statistics New Zealand), Christian Dustmann (University College London; with Department of Labour), Neil Gunningham (Australian National University) and Victor Lavy (Hebrew University of Jerusalem).

## *Workshops, Conferences and Dialogue Groups*

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### *Australasian Labour Economics Workshop*

Motu hosted the 10th annual Australasian Labour Econometric Workshop in Wellington on the 10–11 August. Funding for this free workshop was generously provided by SPEaR, BRCSS and VUW-Economics. The workshop is hosted by a different university or research institute each year.

### *Nutrient Trading Study Group*

As part of our Nutrient Trading and Water Quality programme, funded by Environment Bay of Plenty, the Ministry of Agriculture and Forestry and the Ministry for the Environment, we were involved in six meetings with stakeholders to discuss a potential nutrient trading system to improve water quality in Lake Rotorua.

### *Climate Change Policy Dialogue*

Motu started a Climate Change Policy Dialogue Group (CCPD) in June 2007. CCPD members have a range of technical, sectoral and social perspectives and join the group as individuals rather than as representatives of their organisations. The immediate purpose of the CCPD was to collaboratively develop and review an emissions trading system design. The group had four meetings in the second half of 2007, culminating in six short papers for non-economists on the issues surrounding New Zealand's Emissions Trading System. More information and copies of the papers are available at <http://www.ecoclimate.org.nz/CCPD>.

### *EcoClimate*

Six organisations, — NIWA, Motu, Landcare Research/New Zealand Centre for Ecological Economics, Infometrics, AgResearch and GNS Science — have formed a collaborative alliance, EcoClimate, to understand and model the economics of climate change impacts, adaptation and mitigation for New Zealand. This team brings together top-level experience in fields such as climatology, ecology, agriculture and economics. More information is available at <http://www.ecoclimate.org.nz>.

### *Climate Change Leadership Forum – Cluster B*

Suzi Kerr chairs a subgroup of the government’s Climate Change Leadership Forum. Cluster B is responsible for reporting to the larger group on economic impacts, technical issues and managing the transition to an emissions trading system. In addition to Suzi’s voluntary role as chair, Motu provides administration and report writing support for the subgroup.

### *Government Subsidies Dialogue Group*

Motu hosted a dialogue group to coincide with a visit from British health policy expert Nicholas Mays. The dialogue group brought together a range of people with an interest in research and policy on government subsidy of private service providers.

An aerial photograph of a coastline, likely New Zealand, with a teal overlay. The image shows a rugged coastline with a bay and a smaller inlet. The teal color is semi-transparent, allowing the underlying landscape to be visible. A solid green vertical bar is on the left side of the image.

# Communication

Motu retains the right to disseminate all our research to ensure our findings are freely available. Our communications are designed to increase our profile and build trust in our research, independence and charitable status. We also provide communicative tools for others' research relevant to New Zealand public policy. Motu's primary audiences are the New Zealand public service, private sector organisations with interests in our research areas, Māori organisations and non-profit organisations, with some information tailored for the wider public.

## Research Communicator

Motu employs Marianna Kennedy in the role of Research Communicator. Marianna has responsibility for the communications activities set out in this section of the report. She also produces tailored materials for a range of audiences with interests in Motu's research.



[www.motu.org.nz](http://www.motu.org.nz)

The Motu website has had a significant overhaul in the last twelve months. All material has been transferred to a new web design system using PHP scripting. This maintains visual and structural consistency across the site. All Motu publications are now managed using an online document database.

## Motu Working Papers

Nine New Zealand libraries subscribe to receive print copies of Motu working papers. Copies are also lodged with the National Library of New Zealand (ISSN 1176-2667) and all working papers are available for download from our website.

To assist with international access, the working paper series is now available through a RePEc archive and on the SSRN online database. RePEc is a decentralised database of economics working papers, journal articles and software components. Motu maintains its own RePEc archive on our server and receives regular updates to track page views and downloads. We are ranked second for downloads among economic research organisations in New Zealand.

Fifteen working papers were published in 2007/08:

Kerr, Suzi; Kit Rutherford and Kelly Lock. 2007. "Nutrient Trading in Lake Rotorua: Goals and Trading Caps," *Motu Working Paper 07-08*.

Grimes, Arthur and Yun Liang. 2007. "Spatial Determinants of Land Prices in Auckland: Does the Metropolitan Urban Limit have an Effect?" *Motu Working Paper 07-09*.

Grimes, Arthur; David C. Maré and Melanie Morten. 2007. "Adjustment in Local Labour and Housing Markets," *Motu Working Paper 07-10*.

Maré, David C.; Steven Stillman and Melanie Morten. 2007. "Settlement Patterns and the Geographic Mobility of Recent Migrants to New Zealand," *Motu Working Paper 07-11*.

Gibson, John; Trinh Le and Steven Stillman. 2007. "What Explains the Wealth Gap Between Immigrants and the New Zealand Born?" *Motu Working Paper 07-12*.

Hall, Viv and John McDermott. 2007. "A Quarterly Post-World War II Real GDP Series for New Zealand" *Motu Working Paper 07-13*.

Stroombergen, Adolf. 2008. "ESSAM General Equilibrium Model: Estimation of 2005/06 Input-Output Tables," *Motu Working Paper 08-01*.

Lock, Kelly and Suzi Kerr. 2008. "Nutrient Trading in Lake Rotorua: Overview of a Prototype System," *Motu Working Paper 08-02*.

Kerr, Suzi and Kit Rutherford. 2008. "Nutrient Trading in Lake Rotorua: Determining Net Nutrient Inputs," *Motu Working Paper 08-03*.

Kerr, Suzi and Andrew Sweet. 2008. "Inclusion of Agriculture and Forestry in a Domestic Emissions Trading System: New Zealand's Experience to Date," *Motu Working Paper 08-04*.

Lock, Kelly and Suzi Kerr. 2008. "Nutrient Trading in Lake Rotorua: Choosing the Scope of a Nutrient Trading System," *Motu Working Paper 08-05*.



Stillman, Steven and David C. Maré. 2008. "Housing Markets and Migration: Evidence from New Zealand," *Motu Working Paper* 08-06.

Grimes, Arthur and Yun Liang. 2008. "Bridge to Somewhere: The Value of Auckland's Northern Motorway Extensions," *Motu Working Paper* 08-07.

Coleman, Andrew and Özer Karagedikli. 2008. "The Relative Size of New Zealand Exchange Rate and Interest Rate Responses to News," *Motu Working Paper* 08-08.

Coleman, Andrew. 2008. "Inflation and the Measurement of Saving and Housing Affordability," *Motu Working Paper* 08-09.

Grimes, Arthur and Andrew Aitken. 2008. "Water, Water Somewhere: The Value of Water in a Drought-Prone Farming Region," *Motu Working Paper* 08-10.



### *Motu Research Update*

The *Motu Research Update* is published biannually in December and June. Issue 13 (December 2007) and 14 (June 2008) were the first to be published using our new design template.

The Update is posted to around 200 people and institutions and emailed widely. Articles are short and topical, and written so that they are accessible to as large an audience as possible.

### *Motu Public Policy Seminar Series*

The Motu Public Policy Seminar Series is designed to communicate the results of our research and make existing knowledge more accessible for policy debate in New Zealand. Seminar presenters are Motu staff, affiliates, and other leading New Zealand and international researchers. The seminar series is designed to be accessible to people not deeply involved in research (such as policy analysts) who want to keep up with research developments in specific areas, and to the wider public who may be interested in a particular issue.

Our seminar series has five sponsors: Social Policy Evaluation and Research Committee (SPEaR), Ministry of Agriculture and Forestry, Ministry of Fisheries, Statistics New Zealand and the New Zealand Treasury. 600 people have subscribed to the seminar series email list.

The Motu Public Policy Seminar Series included the following presentations in 2007/08:

Oxley, Les. 2007. "What is a Knowledge Economy/Society and Does it Live up to its Hype?" Motu Public Policy Seminar, July.

McKenzie, David. 2007. "Returns to Capital in Microenterprises: A Pathway out of Poverty?" Motu Public Policy Seminar, August.

Grimes, Arthur. 2007. "The Cost of Land and the Auckland Metropolitan Urban Limit (MUL)," Motu Public Policy Seminar, August.

Kerr, Suzi. 2007. "Key Issues in the Design of an Emissions Trading System for New Zealand," Motu Public Policy Seminar, September.

Maré, David C. 2007. "Local Impacts of Immigration," Motu Public Policy Seminar, October.

Poot, Jacques. 2007. "Twenty Years of Econometric Research on Trans-Tasman Migration," Motu Public Policy Seminar, November.

Fabling, Richard. 2007. "The Performance of New Zealand Exporters: Some Firm-level Evidence," Motu Public Policy Seminar, December.

Gunningham, Neil. 2007. "Innovative governance and smart regulation: Institutional and regulatory regimes for a water-constrained world," Motu/Landcare Research seminar, December.

Lavy, Victor. 2008. "Monetary Incentives for Students and Teachers in Schools: Experimental Evidence and Policy Implications," Motu Public Policy Seminar, January.

Mays, Nicholas. 2008. "Did New Labour 'Save' the English National Health Service: A Ten-year Retrospective, 1997–2007," Motu Public Policy Seminar, April.

Gemmell, Norman. 2008. "Taxes and Economic Growth: What is all the Fuss About?" Motu Public Policy Seminar, May.

Hyslop, Dean. 2008. "Does Cyclical Employment Growth Lower Wages?" Motu Public Policy Seminar, June.

## Media Coverage

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Sharing our findings through print media and radio are secondary aims, although we welcome opportunities as they arise.

The following media items were published in 2007/08:

9 July 2007, *NZ Herald*, "Auckland land shortage 'critical', study finds," by Brian Fallow.

12 July 2007, *NZ Herald*, "Saving enough for a super time," by Brian Fallow.

14 July 2007, *NZ Herald*, "Funding our futures," by Simon Collins.

September 2007, *Dairying Today*, "Drastic changes needed to save water quality," by Hamish Carnachan.

September 2007, *Harcourts Mail*, "Land scarcity a factor in price rises," by Frank Newman.

27 October 2007, *NZ Herald*, "The vanishing dream of homeownership," by Geoff Cumming.

22 November 2007, *National Radio*, Suzi Kerr was interviewed as part of a story about the newly announced New Zealand Emissions Trading System.

2 November 2007, *Dominion Post*, "Grimes floats tax regime rejig," by James Weir.

7 December 2007, *National Business Review*, "Hot air swirls over vested interests in climate change."

16 December 2007, *NZ Herald*, "Is home ownership all it's hyped up to be?" by Chris Daniels.

18 April 2008, *National Business Review*, "Pay the mortgage and save a fortune," by Andrew Coleman

14 May 2008, *The Independent*, "Currency hedgings a mug's game," by Nick Smith.

27 May 2008, *NZ Herald*, "Climate change to benefit farmers."

7 June 2008, *Stuff.co.nz*, "Homebound Kiwis push up house prices."

26 June 2008, *NZ Herald*, 'Migration and house prices' by Brian Fallow.

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

# Motu People

## Senior Fellows and Associates



### **Suzi Kerr (Director)**

Suzi graduated from Harvard University in 1995 with a PhD in Economics and was an assistant professor at the University of Maryland between 1995 and 1998. 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.



### **Andrew Coleman**

Andrew began at Motu in March 2008, coming from a position as senior adviser at the Reserve Bank of New Zealand. He earlier taught economic development and international finance at the University of Michigan. In 2004, he took a six-month sabbatical at Motu. Andrew's work at Motu contributes to research programmes on emissions trading, macroeconomics, 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.



### **John Gibson**

John is a 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, and he has also taught in the Economics Department and Center for Development Economics at Williams College in the United States. He received his PhD from the Food Research Institute of Stanford University. His research focuses on poverty and the behaviour 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**

Dean is a researcher at the Department of Labour and Statistics New Zealand, and was until recently a principal advisor in the State Sector Performance Group of the Treasury. Before joining the Treasury, he was an assistant professor at the University of California, Los Angeles (UCLA), and has been a visiting research fellow in the Center for Labor Economics at UC Berkeley, and at the University of Melbourne. Dean's research interests are in labour markets and applied econometrics. His recent papers include estimating the impact of cyclical change in employment growth on measure wage increases, estimating the dynamic treatment effect of an earnings subsidy to long-term welfare

recipients, understanding recent changes in New Zealand's income distribution, estimating the effect of inflation on nominal wage rigidity, and measuring the impact of arbitration provisions on wage levels. He is currently working on Linked Employer-Employee Database research at Statistics New Zealand. Dean has a PhD from Princeton University.



### **Arthur Grimes**

Arthur has a BSocSc (Hons) from the University of Waikato, and completed his PhD in economics at the London School of Economics in 1987. He received a number of academic prizes and awards, including the Ely Devons Prize for Best Student in MSc (Econ), the Robert McKenzie Prize for Outstanding Performance in MA, MSc, MPhil, or PhD degrees, and the Sayers Prize for Distinguished Thesis in Monetary Economics. 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 NZIER Economics Award. He is currently Chair of the Board of the Reserve Bank, Chair of the Hugo Strategy Sessions and Adjunct Professor of Economics at the University of Waikato. He also performs in his jazz-band (Percolator) and coaches Onslow College's 1st XI football team.



### **David C. Maré**

Dave has been a senior fellow at Motu since 2000. Prior to that, 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.



### **Steve Stillman**

Steve 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's research focuses on empirical labour economics, specialising in the behaviour of individuals and households. In recent research, he has examined the impact of immigration on the geographic mobility and labour market outcomes of New Zealanders, the impact of migration to New Zealand on the income and health of Pacific Islanders, retirement behaviour among older Australians, and the effect of economic shocks in Russia on nutrition and overall living standards. Steve is broadly interested in research on migration, health, nutrition, education, household decision-making and inequality.

## Board of Trustees



**Steve Thompson** *Trustee since 2002 and Chairperson since 2006*

Steve Thompson is currently science and innovation promoter with the British High Commission in Wellington. He was born and educated in the United Kingdom and has an academic background in agriculture, economics and business and extensive experience in science management. He has an Honours degree in Agricultural Science from the United Kingdom, a Masters degree in Economics from Canada and a PhD in Agriculture from the United Kingdom. He is also a graduate of Canada's National Defence College and the Queen's University Programme for Public Executives. Steve has experience in the fields of environmental and economic management, policy formulation, conflict resolution and scientific, economic and environmental analysis. Living in Canada for several years, he held director-general positions with the federal government. He was also a senior fellow in Canada's Round Table on the Environment and the Economy, and professor of sustainable development at the University of New Brunswick. In New Zealand since 1997, Steve served as CEO of the Foundation for Research, Science and Technology and of the Royal Society of New Zealand. In addition to his work with Motu, he is chair of AIESEC, an international young professionals organisation.



**Colin James** *Trustee since 2004*

Colin James is a political journalist of more than thirty-five years experience. He has correctly forecast which party would be or would lead the government after twelve of the past thirteen elections. Colin writes a weekly column in the *NZ Herald* and a monthly column in *Management Magazine* and is New Zealand correspondent for *Oxford Analytica*. He is a senior associate of the Institute of Policy Studies at Victoria University of Wellington and managing director of The Hugo Group, a forecasting panel with a membership of around ninety medium-to-large corporates, and also makes presentations on the strategic environment to companies, industry associations, government departments and other groups. He has written six books and several editions of a guide to journalists covering elections. Colin has contributed many papers to seminars, conferences and symposiums in New Zealand, Australia, Japan, the United Kingdom and the United States and has held several university fellowships, including JD Stout Research Fellow at Victoria University of Wellington in 1991 and 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 of Wellington in 2008, is a fellow of the Institute of Public Administration and a life member of the Parliamentary Press Gallery and the Engineering, Printing and Manufacturing Union.



**Linda Tuhiwai Smith** *Trustee since 2007*

Linda Tuhiwai Smith is the Pro Vice-Chancellor Māori at the University of Waikato. Before this, she taught at University of Auckland. She is from Ngāti Awa and Ngāti Porou iwi. Her professional background is in Māori and indigenous education. She was a teacher in primary and secondary schools between 1974 and 1985. She has also spent some time as a school counsellor and began her career as a researcher in the field of asthma research. Her research interests include young people and their participation in society and the economy, Māori social justice issues, Māori education policy and practice, and oral histories. She has a deep interest in indigenous methodologies and ways of knowing.



**Richie Poulton** *Trustee since 2007*

After completing his postgraduate diploma in clinical psychology and masters degree in science from the University of Otago, Richie was awarded a PhD in psychology from the University of New South Wales. 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. 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 well over a hundred peer-reviewed scientific papers, with many appearing in leading international journals, and he maintains numerous international research collaborations. In 2006 he was made research professor and awarded a Personal Chair by the University of Otago. 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.

## Affiliates



### **Deborah Cobb-Clark**

Deborah is professor of economics at the Research School of Social Sciences at the Australian National University and a visiting research fellow at the Institute for the Study of Labor (IZA) in Bonn. She has extensive experience evaluating the effects of health, labour market, income support and immigration policy both within Australia and internationally. In addition to reports for government agencies, she has published extensively on the subject of immigration, sexual harassment, health, old-age support and promotion in international journals, including the *American Economic Review*, the *Journal of Labor Economics*, the

*Journal of Human Resources*, and the *Journal of Population Economics*. Deborah is also an associate editor for the *Journal of Population Economics*.



### **Lew Evans**

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 from the University of Wisconsin and is a distinguished fellow of the New Zealand Association of Economists.



### **Richard Fabling**

Richard is a senior adviser in the research team at the Reserve Bank of New Zealand. Prior to this, he was a Chief Adviser 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**

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 United States.



### **Sholeh Maani**

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, Māori education, health and housing, intergenerational economic effects, and the 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.

She 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, 1997). Her current research is on the economic consequences of skilled immigration and labour market outcomes of increased education. 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**

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. Tim 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. He 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*.



### **John McDermott**

John is the Assistant Governor/Head of Economics at the Reserve Bank of New Zealand. 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.



### **Philip McCann**

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* (Oxford University Press, 2001) 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.



### **Richard Newell**

Richard G. Newell is the Gendell Associate Professor of Energy and Environmental Economics at the Nicholas School of the Environment, Duke University. He is a research associate of the National Bureau of Economic Research and a university fellow of Resources for the Future, where he was previously a senior fellow. Professor Newell's research centres on the economics of markets and policies for the environment, 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, Master in Public Affairs from Princeton's Woodrow Wilson School of Public and International Affairs, and a BS and BA from Rutgers University.



### **Les Oxley**

Les Oxley FRSNZ, FMSSANZ, FIEMSS is professor in economics at the University of Canterbury. He is also adjunct professor at the University of Western Australia's School of Economics and School of Mathematics and Statistics, 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 and early twentieth centuries; measures and effects of innovation on the New Zealand economy;

non-parametric methods applied to forecasting electricity prices; and non-linear cointegration. 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**

Jacques Poot 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, a member

of the Spinoza Commission, which awards annually the highest scientific prize across all disciplines in The Netherlands. Jacques' 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**

James is an associate 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 RFF. 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 bioeconomic modelling, invasive species management, environmental policy, and land-use and biodiversity conservation. His methodological approaches include econometric analysis, spatial and intertemporal modelling and simulation analysis. He is currently a member of the Science Advisory Board for the National Oceanographic and Atmospheric Administration in the Department of Commerce and is on the editorial councils for the *Journal of Environmental Economics and Management* and the *Journal of Agricultural and Resource Economics*. He has served on a United States National Academy of Science panel and is a past associate editor of *Marine Resource Economics*. James received a PhD in agriculture and resource economics from the University of California at Davis in 1998.



### **Grant Scobie**

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 latterly 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 Centro Internacional de Agricultura Tropical in Colombia. Grant received the New Zealand Institute of Economic Research Economics Award for 2004, joining a small but select group who have received this prestigious award. Grant is currently principal advisor in Policy Coordination and Development at 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 2000–2006.



### **Adolf Stroombergen**

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 twenty-five 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**

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, 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.

## International Advisory Panel



### **Wallace (Wally) Oates**

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.



### **Denny Ellerman**

Denny Ellerman is 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), and co-editor of *Allocation in the European CO<sub>2</sub> Emissions Trading Scheme: Rights, Rents, and Fairness* (Cambridge University Press, 2007). 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.



### **Stephen Jenkins**

Stephen Jenkins is a professor at and director of the Institute for Social and Economic Research (ISER), University of Essex. His research interests are in applied microeconomics with particular reference to the distribution of income and its redistribution through taxation, social security and the labour market. He is particularly interested in inequality and poverty measurement, income mobility and poverty dynamics, modelling labour supply and social security benefit spell durations and survival analysis. Stephen did his undergraduate degree at the University of Otago and received a DPhil from the University of York in 1983.



### **Edward Glaeser**

Edward L. Glaeser is co-director of the Taubman Center for State and Local Government, co-faculty director of the Rappaport Institute for Greater Boston, and professor of economics in the Faculty of Arts and Sciences at Harvard University. He teaches urban and social economics and microeconomic theory. He has published dozens of papers on cities, economic growth, and law and economics. In particular, his work focuses on the determinants of city growth and the role cities as centres of idea transmission. He is writing a book on economics and the history of American cities. He is co-editor (with John R. Meyer) of *Chile: Political Economy of Urban Development* (John F. Kennedy School of Government, 2001), and also edits the *Quarterly Journal of Economics*. Ed received his PhD from the University of Chicago in 1992.

# Financial Information

The primary source of Motu's funding is research grants and contracts. We also receive funding from five sponsors for our Public Policy Seminar Series (see page 23), and small annual contributions from Motu Friends.

The Motu Research and Education Foundation (see page 67) receives annual funding from patrons and occasional contributions from donors.

## Grants

**The following is a full list of grants and funding sources (greater than \$30,000) active during 2007/08:**

Department of Labour, 'Economic Impacts of Immigration,' 2006–2008, \$50,000.

Department of Labour, 'Impact of Immigration on Innovation and Firm Performance,' 2007–2008, \$56,250.

Department of Labour, funded by Ministry of Research, Science and Technology through the Contestable Departmental Research Pool, 'LEED Research Programme,' 2007–2008, \$140,000 (time and materials only).

Environment Bay of Plenty, Ministry of Agriculture and Forestry and Ministry for the Environment, 'Nutrient Trading Study Group,' 2007–2008, \$140,000.

Families Commission Research Fund, 'The Intergeneration Transmission of Human Capital in New Zealand,' 2008–2009, \$83,700.

Health Research Council of New Zealand, 'Improving Health through Primary Care Reform: An Economic Analysis,' 2005–2008, \$139,570.

Ministry of Agriculture and Forestry, 'Policy Options for the Agricultural Component of the New Zealand Emissions Trading System,' 2008, \$281,250.

Ministry of Economic Development, 'Labour Productivity in Auckland Firms,' 2007, \$56,250.

New Zealand Foundation for Research, Science and Technology, 'Physical, Technological and Social Infrastructure,' 2006–2010, \$1,600,000.

New Zealand Foundation for Research, Science and Technology, 'Markets and Water Quality: Integrated Assessment for Policy Design,' 2007–2009, \$1,000,000.

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

The Royal Society of New Zealand Marsden Fund, 'The Impact of Immigration on the Labour Market Opportunities of New Zealanders,' 2006–2008, \$140,000.

The Royal Society of New Zealand Marsden Fund, 'Wealth and Health Effects of Migration,' 2006–2008, \$44,280 (Motu component).

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

The Royal Society of New Zealand Marsden Fund, 'The Impact of Economic Shocks on the Wellbeing of New Zealanders,' 2008–2011, \$600,000.

Tindall Foundation, Meridian Energy, Fletcher Building, Morgan Family Charitable Foundation and New Zealand Foundation for Research, Science and Technology, 'Climate Change Policy Dialogue Group: Stage 1,' 2007, \$100,000.

## Banking, accounting, legal, and insurance

Bank: National Bank of New Zealand

Accountant: Martin Jarvie PKF

Auditor: BDO Spicers (Wellington)

Legal Advisors: Andrew Blair (Employment Law), Chapman Tripp (Governance), AJ Park (Intellectual Property).

Insurance Agent: Crombie Lockwood

Thank you to Chapman Tripp for their pro bono support

## Insurance Cover (at 30 June 2007)

Type of Cover	Total Cover
Commercial Business Assets and Interruption	\$ 300,000
Public Liability	\$2,000,000
Association Liability (joint with Motu Foundation)	\$1,000,000
Professional Indemnity	\$1,000,000
Employers Liability	\$1,000,000
Statutory Liability	\$1,000,000

## Financial Highlights (all figures in NZ\$000s)

2007-08			2006-07		
Revenues	New Zealand Sources	2,005	Revenues	New Zealand Sources	1,629
Net Surplus		80	Net Surplus		263
Net Equity		700	Net Equity		620

# Motu Economic and Public Policy Research Trust

*Financial Reports for the Year Ended 30 June 2008*

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## **AUDIT REPORT**

To the readers of the financial report of Motu Economic & Public Policy Research Trust.

We have audited the attached financial report on pages 41 to 46. The financial report provides information about the past financial performance of Motu Economic & Public Policy Research Trust and its financial position as at 30 June 2008. This information is stated in accordance with the accounting policies as attached.

## **MANAGEMENT'S RESPONSIBILITIES**

Management of Motu Economic & Public Policy Research Trust 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 as at 30 June 2008, and of the results of their operations for the year ended 30 June 2008.

## **AUDITORS' 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 in the preparation of the financial statements, and
- whether the accounting policies are appropriate to Motu Economic & Public Policy Research Trust'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.

**UNQUALIFIED OPINION**

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

In our opinion:

- proper accounting records have been kept by Motu Economic & Public Policy Research Trust as far as appears from our examination of those records; and
- the attached financial report on pages 41 to 46:
  - complies with generally accepted accounting practice in New Zealand;
  - gives a true and fair view of the financial position of Motu Economic & Public Policy Research Trust as at 30 June 2008, and the results of its operations for the year ended on that date.

Our audit was completed on 30 October 2008 and our unqualified opinion is expressed as at that date.



**BDO SPICERS WELLINGTON**  
Chartered Accountants  
**WELLINGTON**

# Motu Economic and Public Policy Research Trust

## Statement of Financial Performance for the Year Ended 30 June 2008

	Note	2008	2007
INCOME		\$	\$
Research Grants		1,920,334	1,495,283
Interest Received		60,395	41,991
Patrons		2,385	70,000
Other Income		22,230	21,445
Total Income		2,005,344	1,628,719
LESS EXPENSES			
Personnel		880,031	788,376
Research Project Costs		722,699	275,179
Dissemination Expenses		11,211	23,999
Audit Fees		10,840	4,535
Depreciation	6	49,157	33,555
Foreign Exchange Loss		255	2,802
Loss on Sale		(387)	1,526
Rent & Outgoings		40,626	31,223
Other Operating Expenses		157,442	143,567
Total Operating Expenses		1,871,874	1,304,762
OTHER EXPENSES			
Contributions to Motu Research and Education Foundation		53,678	61,054
TOTAL EXPENSES		1,925,552	1,365,816
NET SURPLUS/(DEFICIT)		79,792	262,903
Transfer from/(to) Motu Endowment Fund		0	1,046
NET SURPLUS/(DEFICIT) TRANSFERRED TO ACCUMULATED FUNDS		\$79,792	\$263,949



# Motu Economic and Public Policy Research Trust

## Statement of Movements in Equity for the Year Ended 30 June 2008

	2008	2007
	\$	\$
Net Surplus/(Deficit)	79,792	263,949
Motu Endowment Fund	0	(1,046)
Total Recognised Revenues and Expenses	<u>79,792</u>	<u>262,903</u>
EQUITY AT START OF YEAR	620,678	357,775
EQUITY AT END OF YEAR	<u><u>\$700,470</u></u>	<u><u>\$620,678</u></u>



# Motu Economic and Public Policy Research Trust

Statement of Financial Position as at 30 June 2008

	Note	2008	2007
		\$	\$
<b>CURRENT ASSETS</b>			
Bank and Cash	4	959,635	659,476
Accounts Receivable		224,426	281,622
Accrued Income		0	24,439
Prepayments		0	7,901
Work in Progress		53,764	53,787
<b>Total Current Assets</b>		<b>1,237,825</b>	<b>1,027,225</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable		300,338	79,869
Accrued Expenses		64,014	75,755
Income Received in Advance		278,377	328,852
<b>Total Current Liabilities</b>		<b>642,730</b>	<b>484,476</b>
<b>WORKING CAPITAL</b>		<b>595,095</b>	<b>542,749</b>
<b>NON-CURRENT ASSETS</b>			
Plant, Property and Equipment	5	105,375	77,929
<b>Total Non-current Assets</b>		<b>105,375</b>	<b>77,929</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>\$700,470</b>	<b>\$620,678</b>
Represented by:			
Accumulated Funds		700,470	620,678
Motu Endowment Fund		-	-
<b>EQUITY</b>		<b>\$700,470</b>	<b>\$620,678</b>
On behalf of board;			
Director:			
<i>S. Kew</i>			
Trustee:			
<i>B. Thompson</i>			
Date:			
<i>30 October 2008</i>			



# Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2008

## I. 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	11.4–60%
Office Equipment	26–60%

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 1994.

#### **(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 2008

## (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 (2007:\$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

	2008	2007
	\$	\$
National Bank - 00	176,180	58,332
National Bank - 025	102,143	300,910
National Bank - 1000	-	-
National Bank - US\$	1	28
Petty Cash	73	206
National Bank Term Deposit	681,238	300,000
<b>Total Bank and Cash</b>	<b>\$959,635</b>	<b>\$659,476</b>

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 12.45%. This overdraft facility is secured by way of a guarantee limited to \$110,000 from Norman L. Meehan.

## 5. FIXED ASSETS

	2008	2007
	\$	\$
Furniture and Fittings		
At cost	39,390	35,209
Less Accumulated Depreciation	17,359	13,616
	22,031	21,593
Office Equipment		
At cost	266,644	196,593
Less Accumulated Depreciation	183,300	140,257
	83,344	56,335
<b>Total Fixed Assets</b>	<b>\$105,375</b>	<b>\$77,929</b>



# Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2008

## 6. DEPRECIATION EXPENSE

	2008	2007
	\$	\$
Furniture and Fittings		
At cost	3,742	3,833
Less Accumulated Depreciation	45,414	29,722
	\$49,157	\$33,555

## 7. OPERATING LEASE COMMITMENTS

	2008	2007
	\$	\$
<b>Lease of premises at level 1, 97 Cuba Street, Wellington</b>		
Within 1 Year	85,000	32,000
1–2 Years	85,000	32,000
2–5 Years	255,000	18,667
Over 5 Years	85,000	0
	\$510,000	\$82,667

	2008	2007
	\$	\$
<b>Photocopier Lease</b>		
Within 1 Year	4,590	4,080
1–2 Years	4,590	4,080
2–5 Years	13,770	12,240
	\$22,950	\$20,400

## 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. The Trust has also made contributions to the Foundation and has a payable owing to the Foundation of \$67,500 at year end.





# Motu Research and Education Foundation

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## **AUDIT REPORT**

To the readers of the financial report of Motu Research and Education Foundation.

We have audited the attached financial report on pages 51 to 55. The financial report provides information about the past financial performance of Motu Research and Education Foundation and its financial position as at 30 June 2008. This information is stated in accordance with the accounting policies as attached.

## **MANAGEMENT'S RESPONSIBILITIES**

Management 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 2008, and of the results of their operations for the year ended 30 June 2008.

## **AUDITORS' 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:

- proper accounting records have been kept by Motu Research and Education Foundation as far as appears from our examination of those records; and
- the attached financial report on pages 51 to 55:
  - complies with generally accepted accounting practice in New Zealand;
  - gives a true and fair view of the financial position of Motu Research and Education Foundation as at 30 June 2008, and the results of its operations for the year ended on that date.

Our audit was completed on 30 October 2008 and our unqualified opinion is expressed as at that date.



**BDO SPICERS WELLINGTON**  
Chartered Accountants  
**WELLINGTON**

# Motu Research and Education Foundation

*Trust Directory as at 30 June 2008*

Settlor	Dr Roderick Sheldon Deane
Nature of Business	Charitable Trust
Trustees	Dr Stephen Charles Thompson Colin Charles James Dr Susan Clare Kerr Dr Roderick Marshall Carr Dr Keith Sharman Turner
Date of Formation	8 September 2006
Auditors	BDO Spicers 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 2008

	2008	2007
INCOME	\$	\$
Motu Economic and Public Policy Research – Contributions	53,678	61,054
Interest Received	4,493	1
Patron Contributions	70,000	0
Donations Received	100,000	10,000
Total Income	228,171	71,055
LESS EXPENSES		
Dissemination Expenses	1,010	169
Other Operating Expenses	9,662	2,872
TOTAL EXPENSES	10,672	3,041
NET SURPLUS/(DEFICIT)	217,499	68,014
NET SURPLUS/(DEFICIT) TRANSFERRED TO ACCUMULATED FUNDS	\$217,499	\$68,014



# Motu Research and Education Foundation

## Statement of Movements in Equity for the Year Ended 30 June 2008

	2008	2007
	\$	\$
Net Surplus/(Deficit)	217,499	68,015
Total Recognised Revenue and Expenses	217,499	68,015
EQUITY AT START OF YEAR	68,015	0
EQUITY AT END OF YEAR	<u>\$285,514</u>	<u>\$68,015</u>



# Motu Research and Education Foundation

Statement of Financial Position as at 30 June 2008

	Note	2008	2007
		\$	\$
<b>CURRENT ASSETS</b>			
Bank and Cash	3	239,351	61,055
Accounts Receivable		67,500	30,000
Total Current Assets		<u>306,851</u>	<u>91,055</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable		11,337	3,040
Income Received in Advance		10,000	20,000
Total Current Liabilities		<u>21,337</u>	<u>23,040</u>
<b>WORKING CAPITAL</b>		285,514	68,015
<b>NET ASSETS/(LIABILITIES)</b>		<u>\$285,514</u>	<u>\$68,015</u>
Represented by:			
Accumulated Funds		285,514	68,015
Motu Endowment Fund		-	-
<b>EQUITY</b>		<u>\$285,514</u>	<u>\$68,015</u>
On behalf of board;			
Director:			
<i>S. Kew</i>			
Trustee:			
<i>B. Thompson</i>			
Date:			
<i>30 October 2008</i>			



# Motu Research and Education Foundation

*Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2008*

## I. STATEMENT OF ACCOUNTING POLICIES

Motu Research and Education Foundation 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 Research and Education Foundation qualifies for 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.

### **Changes in Accounting Policies**

The GST policy has changed from a GST inclusive basis to a GST exclusive basis. All other policies have been applied on bases consistent with those of the previous year.





# Motu Research and Education Foundation

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2008

## 2. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2007:\$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

	2008	2007
	\$	\$
National Bank - 00	34,659	60,000
National Bank - 02	204,691	1,055
<b>Total Bank and Cash</b>	<b>\$239,350</b>	<b>\$61,055</b>

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

## 4. 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. The Trust has also made contributions to the Foundation and has a payable owing to the Foundation of \$67,500 at year end.



# Motu Economic and Public Policy Research Trust Group

*Financial Reports for the Year Ended 30 June 2008*

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## **AUDIT REPORT**

To the readers of the financial report of Motu Economic & Public Policy Research Trust Group.

We have audited the attached financial report on pages 59 to 65. 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 2008. This information is stated in accordance with the accounting policies as attached.

## **MANAGEMENT'S RESPONSIBILITIES**

Management 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 2008, and of the results of their operations for the year ended 30 June 2008.

## **AUDITORS' 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.

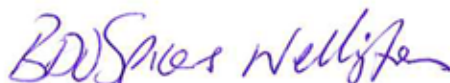
### UNQUALIFIED OPINION

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

In our opinion:

- proper accounting records have been kept by Motu Economic & Public Policy Research Trust Group as far as appears from our examination of those records; and
- the attached financial report on pages 59 to 65:
  - complies with generally accepted accounting practice in New Zealand;
  - gives a true and fair view of the financial position of Motu Economic & Public Policy Research Trust Group as at 30 June 2008, and the results of its operations for the year ended on that date.

Our audit was completed on 31 October 2008 and our unqualified opinion is expressed as at that date.



BDO SPICERS WELLINGTON  
Chartered Accountants  
WELLINGTON

# Motu Economic and Public Policy Research Trust Group

Statement of Financial Performance for the Year Ended 30 June 2008

	2008	2008	2007	2007
	Group	Parent	Group	Parent
	\$	\$	\$	\$
<b>INCOME</b>				
Research Grants	1,920,334	1,920,334	1,492,243	1,495,283
Interest Received	64,887	60,395	41,993	41,991
Patron Income and Donations	172,385	2,385	80,000	70,000
Other Income	22,230	22,230	21,445	21,445
<b>Total Income</b>	<u>2,179,837</u>	<u>2,005,344</u>	<u>1,635,681</u>	<u>1,628,719</u>
<b>LESS EXPENSES</b>				
Personnel	880,031	880,031	788,376	788,376
Research Project Costs	722,699	722,699	275,179	275,179
Dissemination Expenses	12,221	11,211	23,999	23,999
Audit Fees	10,840	10,840	4,535	4,535
Depreciation	49,157	49,157	33,555	33,555
Foreign Exchange Loss	255	255	2,802	2,802
Loss on Sale	(387)	(387)	1,526	1,526
Rent and Outgoings	40,626	40,626	31,223	31,223
Other Operating Expenses	167,104	157,442	143,568	143,567
<b>Total Operating Expenses</b>	<u>1,882,546</u>	<u>1,871,874</u>	<u>1,304,763</u>	<u>1,304,762</u>
<b>TOTAL EXPENSES</b>	<u>1,882,546</u>	<u>1,871,874</u>	<u>1,304,763</u>	<u>1,365,816</u>
<b>NET SURPLUS/(DEFICIT)</b>	<u>297,291</u>	<u>133,470</u>	<u>330,918</u>	<u>262,903</u>
Transfer from/(to) Motu Endowment Fund	0	0	1,046	1,046
<b>NET SURPLUS/(DEFICIT) TRANSFERRED TO ACCUMULATED FUNDS</b>	<u>\$297,291</u>	<u>\$133,470</u>	<u>\$331,964</u>	<u>\$263,949</u>



# Motu Economic and Public Policy Research Trust Group

## Statement of Movements in Equity for the Year Ended 30 June 2008

	2008 Group \$	2008 Parent \$	2007 Group \$	2007 Parent \$
Net Surplus/(Deficit)	297,291	133,470	331,964	263,949
Motu Endowment Fund	0	0	(1,046)	(1,046)
Total Recognised Revenues and Expenses	<u>297,291</u>	<u>133,470</u>	<u>330,918</u>	<u>262,903</u>
EQUITY AT START OF YEAR	688,693	620,678	357,775	357,775
EQUITY AT END OF YEAR	<u><u>\$985,984</u></u>	<u><u>\$754,148</u></u>	<u><u>\$688,693</u></u>	<u><u>\$620,678</u></u>



# Motu Economic and Public Policy Research Trust Group

Statement of Financial Position as at 30 June 2008

	Note	2008 Group	2008 Parent	2007 Group	2007 Parent
<b>CURRENT ASSETS</b>		\$	\$	\$	\$
Bank and Cash	4	1,198,986	959,635	720,531	659,476
Accounts Receivable		224,426	224,426	278,582	281,622
Accrued Income		0	0	24,439	24,439
Prepayments		0	0	7,901	7,901
Work in Progress		53,764	53,764	53,787	53,787
<b>Total Current Assets</b>		<u>1,477,175</u>	<u>1,237,825</u>	<u>1,085,240</u>	<u>1,027,225</u>
<b>CURRENT LIABILITIES</b>					
Accounts Payable		244,175	300,338	49,869	79,869
Accrued Expenses		64,014	64,014	75,755	75,755
Income Received in Advance		288,377	278,377	348,852	328,852
<b>Total Current Liabilities</b>		<u>596,567</u>	<u>642,730</u>	<u>474,476</u>	<u>484,476</u>
<b>WORKING CAPITAL</b>		880,609	595,095	610,764	542,749
<b>NON-CURRENT ASSETS</b>					
Plant, Property and Equipment	5	105,375	105,375	77,929	77,929
<b>Total Non-current Assets</b>		<u>105,375</u>	<u>105,375</u>	<u>77,929</u>	<u>77,929</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>\$985,984</u>	<u>\$700,470</u>	<u>\$688,693</u>	<u>\$620,678</u>
Represented by:					
Accumulated Funds		985,984	700,470	688,693	620,678
Motu Endowment Fund		-	-	-	-
<b>EQUITY</b>		<u>\$985,984</u>	<u>\$700,470</u>	<u>\$688,693</u>	<u>\$620,678</u>

On behalf of board;

Director:

*S. Kew*

Trustee:

*S. Thompson*

Date:

30 October 2008



# Motu Economic and Public Policy Research Trust Group

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2008

## I. 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.

### **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 8 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 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	11.4–60%
Office Equipment	26–60%

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 1994.





# Motu Economic and Public Policy Research Trust Group

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2008

## **(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 (2007:\$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 2008

## 4. BANK AND CASH

	2008	2008	2007	2007
	Group	Parent	Group	Parent
	\$	\$	\$	\$
National Bank – 00	176,180	176,180	58,332	58,332
National Bank – 025	102,143	102,143	300,910	300,910
National Bank – 1000	-	-	0	-
National Bank – US \$	1	1	28	28
National Bank – 00	34,659	-	60,000	-
National Bank – 025	204,691	-	1,055	-
Petty Cash	73	73	206	206
National Bank Term Deposit	681,238	681,238	300,000	300,000
<b>Total Bank and Cash</b>	<b>\$1,198,986</b>	<b>\$959,635</b>	<b>\$720,531</b>	<b>\$659,476</b>

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 12.45%. This overdraft facility is secured by way of a guarantee limited to \$110,000 from Norman L. Meehan.

## 5. FIXED ASSETS

	2008	2008	2007	2007
	Group	Parent	Group	Parent
	\$	\$	\$	\$
Furniture and Fittings				
At cost	39,390	39,390	35,209	35,209
Less Accumulated Depreciation	17,359	17,359	13,616	13,616
	<b>22,031</b>	<b>22,031</b>	<b>21,593</b>	<b>21,593</b>
Office Equipment				
At cost	266,644	266,644	196,593	196,593
Less Accumulated Depreciation	183,300	183,300	140,257	140,257
	<b>83,344</b>	<b>83,344</b>	<b>56,336</b>	<b>56,336</b>
<b>Total Fixed Assets</b>	<b>\$105,375</b>	<b>\$105,375</b>	<b>\$77,929</b>	<b>\$77,929</b>

## 6. DEPRECIATION EXPENSE

	2008	2008	2007	2007
	Group	Parent	Group	Parent
	\$	\$	\$	\$
Furniture and Fittings	3,742	3,742	3,833	3,833
Office Equipment	45,414	45,414	29,722	29,722
<b>Total Fixed Assets</b>	<b>\$49,157</b>	<b>\$49,157</b>	<b>\$33,555</b>	<b>\$33,555</b>



# Motu Economic and Public Policy Research Trust Group

Notes to and Forming Part of the Financial Statements for the Year Ended  
30 June 2008

## 7. OPERATING LEASE COMMITMENTS

	2008	2008	2007	2007
	Group	Parent	Group	Parent
	\$	\$	\$	\$
<b>Lease of premises at level 1, 97 Cuba Street, Wellington</b>				
Within 1 Year	85,000	85,000	32,000	32,000
1–2 Years	85,000	85,000	32,000	32,000
2–5 Years	255,000	255,000	18,667	18,667
Over 5 Years	85,000	85,000	0	0
	<b>\$510,000</b>	<b>\$510,000</b>	<b>\$82,667</b>	<b>\$82,667</b>

	2008	2008	2007	2007
	Group	Parent	Group	Parent
	\$	\$	\$	\$
<b>Photocopier Lease</b>				
Within 1 Year	4,590	4,590	4,080	4,080
1–2 Years	4,590	4,590	4,080	4,080
2–5 Years	13,770	13,770	12,240	12,240
	<b>\$22,950</b>	<b>\$22,950</b>	<b>\$20,400</b>	<b>\$20,400</b>

## 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. The Trust has also made contributions to the Foundation and has a payable owing to the Foundation of \$67,500 at year end.





# Foundation

The Motu Research and Education Foundation is an independent trust set up in 2006 to further Motu's "public good" role of contributing to public knowledge and debate on a range of public policy issues. The Foundation seeks support from government and private sector organisations as patrons and donors. These funds strengthen our work to build understanding and capacity for economic and public policy research in New Zealand.

# Motu Research and Education Foundation

## Purposes

### **The Foundation's purposes are to:**

- Commission, carry out or facilitate empirical and theoretical research into and in respect of public policy issues of importance and relevance to New Zealand, such research being of a quality which meets international academic standards and is suitable for publication in reputable academic journals;
- Commission summaries and critical reviews of existing published work on public policy issues so as to make existing knowledge, information and research concerning issues of New Zealand public policy more accessible in New Zealand;
- Make available the results of the Trust's work and knowledge through publication (particularly in refereed publications), the internet, conferences, seminars, workshops, dialogue groups and teaching;
- Improve the capacity and ability of individuals, groups and institutions to carry out empirical and theoretical research on New Zealand public policy by such means as training, collaboration, sponsorship of students or researchers, and development of relevant databases;
- Maintain close links with international experts working on topics related to the Trust's purpose and collaborating with such experts;
- Advance the Trust's work and purpose by facilitating the visits of relevant international visitors; and
- Create funding pools to support specific programmes of research.

## Patrons and Donors

The Foundation had nine patrons in 2007/08:

- Mighty River Power
- Department of Labour
- Department of Building and Housing
- Fletcher Building
- Ministry for the Environment
- Ministry of Economic Development
- ANZ National Bank
- Aotearoa Fisheries
- Telecom

The Foundation also received a generous donation from the Tindall Foundation.

# Motu Foundation Financial Information

## Banking, Accounting, Legal, and Insurance

Bank: National Bank of New Zealand

Accountant: Martin Jarvie PKF

Auditor: BDO Spicers (Wellington)

Legal Advisors: Chapman Tripp (Governance)

Insurance Agent: Crombie Lockwood

Thank you to Chapman Tripp for their pro bono support

## Insurance Cover (at 30 June 2008)

<b>Type of Cover</b>	<b>Total Cover</b>
Association Liability (joint with Motu)	\$1,000,000

## Financial Highlights (all figures in NZ\$000s)

<b>2007-08</b>			<b>2006-07</b>		
Revenues	New Zealand Sources	228	Revenues	New Zealand Sources	71
Net Surplus		217	Net Surplus		68
Net Equity		285	Net Equity		68

## 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:*



### **Colin James (Chair)**

Colin James is a political journalist of more than thirty-five years experience. He has correctly forecast which party would be or would lead the government after twelve of the past thirteen elections. Colin writes a weekly column in the *NZ Herald* and a monthly column in *Management Magazine* and is New Zealand correspondent for *Oxford Analytica*. He is a senior associate of the Institute of Policy Studies at Victoria University of Wellington and managing director of The Hugo Group, a forecasting panel with a membership of around ninety medium-to-large corporates, and also makes presentations on the strategic environment to companies, industry associations, government departments and other groups. He has written six books and several editions of a guide to journalists covering elections. Colin has contributed many papers to seminars, conferences and symposiums in New Zealand, Australia, Japan, the United Kingdom and the United States and has held several university fellowships, including JD Stout Research Fellow at Victoria University of Wellington in 1991 and 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 of Wellington in 2008, is a fellow of the Institute of Public Administration and a life member of the Parliamentary Press Gallery and the Engineering, Printing and Manufacturing Union.



### **Roderick Carr**

Rod Carr is managing director of Jade Software Corporation and a former Deputy Governor of the Reserve Bank of New Zealand. He has a PhD in insurance and risk management from the Wharton School, University of Pennsylvania. He is a director of both Lyttleton Port Company Ltd and Taranaki Investment Management Ltd; on the advisory board of the University of Canterbury's College of Business and Economics; and a director of Canterbury Employers' Chamber of Commerce. He is fellow of the New Zealand Institute of Management and in 2006 was named NZ Hi-Tech Company Leader of the Year. Dr Carr became a trustee of the Motu Foundation in 2007.





### **Keith Turner**

Keith Turner was until recently chief executive of Meridian Energy. In his 35-year career, he has held a range of senior engineering and executive roles for the major electricity providers, including the Electricity Corporation and its predecessor, the Electricity Department. He was a member of the Transpower Establishment Department Board, a Founding Director of M-Co, a member of the Contact Energy Establishment Team and a member of the Market Surveillance Committee. Dr Turner has been a trustee of the Motu Foundation since 2007.



### **Steve Thompson**

Steve Thompson is currently science and innovation promoter with the British High Commission in Wellington. He was born and educated in the United Kingdom and has an academic background in agriculture, economics and business and extensive experience in science management. He has an Honours degree in Agricultural Science from the United Kingdom, a Masters degree in Economics from Canada and a PhD in Agriculture from the United Kingdom. He is also a graduate of Canada's National Defence College and the Queen's University Programme for Public Executives. Steve has experience in the fields of environmental and economic management, policy formulation, conflict resolution and scientific, economic and environmental analysis. Living in Canada for several years, he held director-general positions with the federal government. He was also a senior fellow in Canada's Round Table on the Environment and the Economy, and professor of sustainable development at the University of New Brunswick. In New Zealand since 1997, Steve served as CEO of the Foundation for Research, Science and Technology and of the Royal Society of New Zealand. In addition to his work with Motu, he is chair of AIESEC, an international young professionals organisation.

*Motu director Suzi Kerr is also a member of the Foundation Board.*

MOTU

**EXPLORING**  
NEW ZEALAND SOLUTIONS  
TO NEW ZEALAND ISSUES

**MOTU ECONOMIC AND PUBLIC POLICY RESEARCH**

Level 1, 97 Cuba Street, PO Box 24390, Wellington

Ph: 64 4 939 4250 Fax: 64 4 939 4251

email: [info@motu.org.nz](mailto:info@motu.org.nz)

[www.motu.org.nz](http://www.motu.org.nz)