



**Motu**

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

# Annual Report

July 2011 – June 2012

MOTU

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

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

# Annual Report

July 2011 – June 2012



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# Introduction

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

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

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

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

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

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

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

# Director's Report

This year Motu has once more sustained both the high quality of its research and its commitment to disseminating the results of that research widely. Motu's work is independent and research based. It brings systematic thinking and quantitative analysis to a range of important long-term public policy questions facing New Zealand. I would like to highlight some of this work, and its contributions to informed public policy dialogue.

## Climate change

Climate change will have major consequences for New Zealand. Suzi Kerr's research has focused on how different schemes for managing agricultural greenhouse gas emissions, such as emissions trading schemes, can affect future agricultural land use. This research is informing decisions about how emissions can best be regulated and mitigated. It also provides insights into the design of effective institutional and regulatory settings, along with similar work around schemes to manage nutrient pollution in New Zealand lakes.

A key aspect of this work over the past two years has been the formation of a dialogue group. Comprised of a broad range of stakeholders from a range of disciplines and backgrounds, ranging from farmers and tangata whenua to representatives for local and central government and interested non-governmental agencies. This group has focused on how agricultural emissions could be most efficiently, robustly, and fairly managed and controlled. Discussions have included on-farm mitigation, emissions trading, policy options, technology change, non-regulatory options and complementary issues such as water regulation. This group has made a significant contribution to the future by identifying better policy options and clarifying trade-offs for its participants. It has also allowed the results of current research to be disseminated and discussed by the stakeholders. The work of this group will provide a more informed foundation for future decisions.

## Productivity

If New Zealand is to become a wealthier nation, our productivity must increase. Motu researchers Dave Maré, Arthur Grimes and Richard Fabling all provide insights into the factors that influence productivity. Work in this area has included the impacts of investments in infrastructure, the factors that make larger cities more productive than smaller ones, the factors that influence the location decisions of firms and households and the effects of labour demographics on firm performance.

Motu's work suggests that location does matter, and that New Zealand's distance from, and relationships to, major cities in other countries is important in terms of productivity, the supply of trained workers, and economic growth. This work suggests New Zealand would do well to pay more attention to the strength of relationships and connections between different New Zealand cities and regions, and between New Zealand cities and other major cities worldwide.

## Longevity

New Zealand's population is living longer and our population as a whole is ageing. Research largely undertaken by Andrew Coleman in this area over the last year has highlighted a number of key issues resulting for public policy. Clearly an ageing population has major implications for retirement incomes and health spending. But work in this area has also focused on the intergenerational consequences of the differences between pay-as-you-go and save-as-you-go superannuation schemes. Institutional arrangements such as a pay-as-you-go approach to retirement savings when combined with an ageing population has significant implications for younger people. With people living longer in their own homes the supply of housing available for young people is affected. Higher taxes likely to be faced by young people will make New Zealand a less attractive place to work relative to countries with save-as-you-go approaches to retirement income.

Across the year Motu sustained a strong commitment to the dissemination of research and the building of research capability in New Zealand. This is all evidenced by the number of papers produced, seminars held and conference presentations given. The top young graduates who work at Motu as research assistants and interns enliven the organisation and represent the face of future research



capabilities. Motu's work and influence also benefits enormously from a strong network of research associates, research affiliates, patrons and sponsors.

Finally I would like to acknowledge the enthusiasm and hard work of the administration team and two great boards for their leadership and support.



Howard Fancy

## Chair's Report

Motu is a small but very special and very important organisation within New Zealand's research system. Its research is consistently of a high international standard and is unique in its relevance to important long-term economic policy choices facing New Zealand in areas such as infrastructure, climate change, productivity, longevity and the performance of firms and cities.

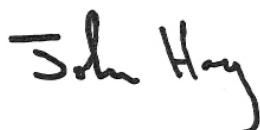
Motu's unrelenting commitment to high-quality research is a tribute to the vision of the founding Senior Fellows, Suzi Kerr and Dave Maré, and all the Senior Fellows who work, and have worked, at Motu. Also impressive is the commitment to building research and research-related capability in New Zealand through the employment of research analysts and interns – all of whom are talented young people – and the proactive undertaking to disseminate their research widely and freely through seminars and publications.

High-quality, research-based public policy will be crucial to achieving the Government's stated goals of improving economic, social and environmental outcomes for all New Zealanders, but I have yet to see a coherent cross-sectoral and long-term research programme underpinning future policy. There must be considerable potential for the public sector to work more effectively with research organisations such as Motu and its extensive network of New Zealand and international researchers to ensure that the issues that will inevitably be faced by the country over the next few decades are being progressively informed by a relevant research programme. Building such relationships is also vital to increasing the public sector's capability to effectively use insights from research and incorporate research into policy making in a consistent and coherent way.

Howard Fancy finishes his term as Director at Motu later this year. I would like to thank Howard for his leadership and the way he has worked to strengthen relationships between Motu and the public sector.

Howard will be replaced by Professor Adam Jaffe, currently Dean of Economics at the prestigious Brandeis University in Boston. Subject to immigration approvals Adam will start at Motu in May 2013. We are thrilled to attract Adam, who has a distinguished academic record in the economics of innovation and the environment. Adam has worked on climate change economics and has been a member of the President's Council of Economic Advisors. Adam will broaden Motu's international networks and will make extensive contributions to economic research and advice in New Zealand.

I would like to thank the Trust and Foundation boards for their commitment and hard work. All give their time freely and with a good will.



John Hay





# About Motu

Motu aims to promote informed, well-reasoned debate around public policy in New Zealand. To that end, Motu is committed to producing high-quality research, disseminating that research widely, and building research capacity in New Zealand. We invest in young researchers and help to develop collaborative research networks and relationships with universities within New Zealand and overseas. These activities also increase Motu's profile and help to build trust in our research, independence, and charitable status.

# About Motu

Motu Economic and Public Policy Research was established in 2000, with six core purposes:

1. To carry out empirical research of high quality, suitable for acceptance in reputable journals;
2. To make existing knowledge more accessible for policy debates in New Zealand;
3. To disseminate our work and our knowledge;
4. To build New Zealand's capability to carry out empirical and theoretical research;
5. To maintain close links with international experts working in our fields; and
6. To facilitate the visits of relevant international experts to New Zealand.

In 2011/12 Motu's Senior Fellows maintained the high standard of our research and their strong links with the New Zealand and international academic communities.

## Disseminating High-Quality Research

Motu publishes its research in an accessible and useful way. Our two publication series, the Motu Working Paper Series and Motu Notes, are both freely available from our website, [www.motu.org.nz](http://www.motu.org.nz). Motu Working Papers are technical papers designed to be read by working economists and academics, while Motu Notes are less technical and designed to appeal to a general or policy audience. Motu also maintains an online archive of our public datasets.

Motu releases a newsletter, the Motu Research Update, twice a year. Its articles are short, topical, and designed to be accessible to a wide audience. In 2011/12 articles featured work on patterns of population location in Auckland, designing nutrient trading schemes to protect water quality, changing rural land use, the creation of a forest profit dataset and the international spread of ideas.

## Teaching and Workshops

Motu's senior fellows work closely with universities, with four of Motu's senior fellows teaching at various New Zealand universities in the past year. Motu senior fellows have also been involved in the coordination of a number of research workshops. In February and April Dave Maré worked with the National Institute for Demographic and Economic Analysis to host two research workshops, the first examining the effects of population ageing and the second on the impacts of immigration and population diversity. In March, Suzi Kerr and the environment team hosted a two-day research workshop on climate economics, and in April they ran a well-attended public symposium on water quality and trading markets at the Museum of New Zealand Te Papa Tongarewa.

## Seminar Series

Motu promotes current research to a wider audience through the Motu Public Policy Seminar Series, held in Auckland and Wellington. Public Policy Seminars communicate the results of Motu's research and provide a venue for other leading local and international researchers to speak to a public audience. These seminars cater to a broad audience, including policy analysts and the wider public interested in particular economic and policy issues.

In 2011/12, Motu presented the following Public Policy Seminars:

Sanderson, Lynda. 2011. "International Engagement and Performance of New Zealand Firms," Wellington Public Policy Seminar, August.

Rapson, David. 2011. "The Smart Grid and Residential Electricity Use: What We Know, What We Don't, and the Case for Collaborating with Academic Researchers," Wellington and Auckland Public Policy Seminars, November and December.

Weitzman, Martin. 2011. "The Economics of Climate Change: Why Is it So Difficult and Controversial?," Wellington and Auckland Public Policy Seminars, co-hosted with NZIER and the Treasury, December.

Coleman, Andrew. 2012. "Saving a Super Scheme – The Economics of PAYGO and SAYGO Retirement Schemes in New Zealand," Wellington Public Policy Seminar, March.

Cullen, Ross, and Kathy Baylis. 2012. "Do Our Conservation Programmes Work? Economic Evaluation of Biodiversity Projects," Wellington Public Policy Seminar, March.

Sterner, Thomas. 2012. "Global and Local Fairness in Climate Policy," Wellington Public Policy Seminar, March.

- Kerr, Suzi. 2012. "Managing Water Quality Using Markets," Auckland Public Policy Seminar, April.
- Gemmell, Norman. 2012. "Taxpayers' Behavioural Responses and the 'Laffer Effect'," Wellington Public Policy Seminar, April.
- Howden-Chapman, Philippa, and Arthur Grimes. 2012. "Improving the Quality of Housing: How Public Policy Can Promote Multiple Benefits," Wellington and Auckland Public Policy Seminars, May.

Motu also runs an internal seminar series. This series, which is attended by Motu staff and local academics and researchers, aims to allow visiting local and international researchers the opportunity for feedback on work in progress, while simultaneously allowing Motu's research to remain up to date with current research methodology and topics. It builds internal capability as well as developing Motu's relationships with local and visiting researchers. In 2011/12, Motu ran internal seminars by Arthur Grimes, Adolf Stroombergen (Infometrics), David Rapson (UC Davis), Berk Özler (Development Research Group, World Bank), Robert Hutchens (Cornell University), Natalie Chun (Asian Development Bank), Valente Matlaba (University of Waikato), Helmut Mahringer (Austrian Institute of Economic Research), Shaun Hendy (Victoria University of Wellington), John Gibson (University of Waikato Management School) and Larry Kotlikoff (Boston University).

## Investing in Young Researchers

A key way in which Motu builds research capability in New Zealand is through its commitment to training and employing young people. Motu employs top graduates, chiefly economists, as research analysts to assist our senior fellows. They are supported in continuing their studies. Many have gone on to well-regarded international PhD programmes or moved into high-level policy positions.

Motu regularly hires interns with an undergraduate degree, usually in economics or statistics, who plan to do post-graduate study. Internships help young researchers to build their skill base, while strengthening New Zealand's empirical research capability. Motu enjoyed the company of two local interns over the summer of 2010/11. Oliver Browne worked with Suzi Kerr and the environment team, using modelling to explore interactions between water and climate change policy. Oliver is now pursuing his PhD at the University of Chicago. Zachary Dorner also worked with Suzi Kerr, exploring farm-level implications of different ways of treating methane emissions and working with the AgDialogue group. Zack has stayed on at Motu as a part-time research analyst while he continues his studies.

Motu also hosts interns from overseas, as a way of building our connections with the international community. In 2011/12 we hosted Madeline Duhon and Mohit Thukral of Stanford University. Madeline and Mohit came to Motu as part of the Stanford Energy and Environment Policy Analysis Center (SEEPAC) fellowship to New Zealand, which looks to increase international collaboration in environmental economics between young researchers from Stanford and researchers at Motu. Madeline worked on nutrient trading in Lake Taupo while Mohit examined lessons for emissions trading in India from New Zealand's experience with the Emissions Trading Scheme.

Motu also hosted Boon-Ling Yeo, a PhD candidate at UC Davis. Boon-Ling received the National Science Foundation's Pacific Rim Advanced Graduate Research Fellowship to travel to New Zealand. She was also supported by the Royal Society and works with Suzi Kerr and the environment team.

Along with GNS Science, Motu also supports and mentors a post-doctoral researcher, Levente Tímár. Levi divides his time between Motu and GNS and has been at Motu since 2009.

## International Visitors

Motu often hosts visiting researchers from overseas, as we develop our connections to the wider academic community. In 2011/12 we hosted Robert Hutchens of Cornell University and Helmut Mahringer of the Austrian Institute of Economic Research, both of whom spent sabbaticals at Motu over the New Zealand summer. We had shorter visits from Larry Kotlikoff of Boston University and David Rapson of UC Davis.

# Motu People

## Senior Fellows and Associates



**Howard Fancy** *Director*

Howard has been Motu's director since 2009. He has an extensive background in leadership and public policy, including senior roles in the New Zealand Treasury, CEO of the Ministry of Commerce, CEO of the Ministry of Education, and Acting CEO of the Ministry for the Environment. He also currently undertakes a number of governance roles in the public and private sectors.



**Andrew Coleman** *Senior Fellow*

Andrew began at Motu in February 2008, coming from a position as Senior Adviser at the Reserve Bank. He was an Assistant Professor of Economics at the University of Michigan, where he taught economic development and international finance, and also worked at the New Zealand Treasury and the United Building Society. In 2004, he took a six-month sabbatical at Motu. Andrew's work at Motu contributes to research programmes on emissions trading and climate change, transport and housing. Andrew has a PhD in Economics from Princeton University.



**Richard Fabling** *Senior Fellow*

Richard joined Motu as a senior fellow in October 2011, having previously held senior research positions at the Reserve Bank of New Zealand and the Ministry of Economic Development. He holds a doctorate from the University of Waikato in Applied Mathematics. Richard's current research focuses on the firm-level determinants of productivity growth, the behaviour and performance of internationally engaged businesses, and the effect of the Global Financial Crisis on workers and firms.



**Arthur Grimes** *Senior Fellow*

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



**Suzi Kerr** *Senior Fellow*

Suzi founded Motu with Dave Maré in 1998. She graduated from Harvard University in 1995 with a PhD in Economics, was an Assistant Professor at the University of Maryland between 1995 and 1998, and a Visiting Professor at Stanford in 2009/10. She has been a visiting scholar at the Massachusetts Institute of Technology and at Resources for the Future. In 2010 Suzi was awarded the NZIER Economics Award for her work in environmental regulation. Suzi's research empirically and theoretically investigates environmental markets with emphasis on climate change regulation, greenhouse gas emissions, and carbon 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, the design of the Emissions Trading System and the design of emissions trading and avoided deforestation policies in developing countries.



**David C. Maré** *Senior Fellow*

Dave has been a senior fellow at Motu since 2000 and an Adjunct Professor of Economics at the University of Waikato since 2009. Before founding Motu with Suzi Kerr, 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 regions, and patterns of labour market adjustment – for individuals and in aggregate.



**Isabelle Sin** *Fellow*

Isabelle returned to Motu as a fellow in 2012 after completing her PhD at Stanford University in 2011. Her research areas are applied microeconomics and economic history, particularly in the fields of the economics of knowledge and its international and domestic diffusion. In her dissertation she studied flows of books translations between countries to gain insight into the international flow of ideas codified in books. Isabelle graduated from the University of Canterbury in 2002 with an Honours degree in economics. She then worked at the Reserve Bank of New Zealand and Motu before leaving New Zealand to pursue her doctoral studies.



**Steven Stillman** *Senior Research Associate*

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), the Melbourne Institute of Applied Economic and Social Research 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. At the end of 2010/11 Steve left Motu for a professorship at the University of Otago, but remains in contact with Motu.



**John Gibson** *Senior Research Associate*

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. He has also taught in the Economics Department and Center for Development Economics at Williams College in the United States. John received his PhD from the Food Research Institute of Stanford University. His research focuses on poverty and the behaviour of households in low-income settings. He also studies the effect that different data collection methods can have on measurement error in surveys of living standards.



**Dean Hyslop** *Senior Research Associate*

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

## Affiliates



**Grant Scobie**  
*New Zealand Treasury*  
Principal Advisor in Policy  
Coordination and Development



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



**Deborah Cobb-Clark**  
*Australian National University*  
Professor of Economics in the  
Research School of Social Sciences



**Richard Newell**  
*Duke University*  
Gendell Associate Professor  
of Energy and Environmental  
Economics



**Lew Evans**  
*Victoria University of Wellington*  
Professor and Chair of Economics



**Les Oxley**  
*University of Canterbury*  
Professor in Economics and  
Finance



**Viv Hall**  
*Victoria University of Wellington*  
Professor and Macarthy Chair of  
Economics



**Jacques Poot**  
*University of Waikato*  
Professor of Population  
Economics



**Sholeh Maani**  
*University of Auckland*  
Associate Professor in Economics



**James Sanchirico**  
*Resources for the Future*  
Professor in the Department of  
Environmental Science and Policy;  
University Fellow at Resources for  
the Future



**Tim Maloney**  
*University of Auckland*  
Associate Professor of Economics



**Adolf Stroombergen**  
*Infometrics*  
Chief Economist



**Philip McCann**  
*University of Groningen*  
Professor of Economics



**Malathi Velamuri**  
*Victoria University of Wellington*  
Lecturer in the School of  
Economics and Finance

## Research Analysts

Over 2011/12, Motu's research analysts were Simon Anastasiadis, Zachary Dorner, Sean Hyland, Yun Liang, Hugh McDonald, Alex Olssen, Chris Young, and Wei Zhang. Levente Tímár also worked part time at Motu as a research economist.



## Board of Trustees



**Dr John Hay** *Chair*  
*Dr John Hay & Associates*  
John became board chair in November 2011.



**Philippa (Pip) Dunphy**  
Pip works as an independent director with a particular interest in finance and risk management.



**Leith Comer**  
*Tē Puni Kōkiri*  
Chief Executive



**Rob Fenwick**  
*Living Earth*  
Co-Founder



**Neil Green**  
*Senate SHJ*  
Chief Executive Officer



**Professor Richie Poulton**  
*University of Otago*  
Director, Multidisciplinary Health and Development Research Unit



**Tom Lambie**  
*Lincoln University*  
Chancellor and Environment Canterbury Commissioner



**Colin James** *Outgoing Chair*  
*The Hugo Group*  
Managing Director  
Colin left the board in October 2011.



**Dr Suzi Kerr**  
*Motu*  
Suzi is the Senior Fellow representative on the Board.



**Howard Fancy**  
*Motu*  
Director

## International Advisory Committee



**Denny Ellerman**  
Denny recently retired as Executive Director of the Center for Energy and Environmental Policy Economics, MIT.



**Edward Glaeser**  
*Harvard University*  
Professor of Economics



**Stephen Jenkins**  
*London School of Economics*  
Professor of Economic and Social Policy



**Wallace (Wally) Oates**  
*University of Maryland, College Park*  
Professor of Economics



# Research

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



## Environmental Regulation

Motu's programme of environmental research focuses broadly on environmental markets and on the development and use of simulation models to inform public policy. 2011/12 saw the completion of work under two major grants, the MPI-funded Coordination and Cooperation for Effective Climate Policy Design and Implementation project, and the MSI-funded Markets and Water Quality.

### Climate Change

2011/12 was the third and final year of a project, Coordination and Cooperation for Effective Climate Policy Design and Implementation, funded by MPI to provide empirical evidence and a clear conceptual framework to encourage cooperation, enabling mitigation policy to be applied effectively in agriculture, and to facilitate the coordination required for rapid uptake of new adaptation and mitigation technology. Motu is now synthesising the wide range of outputs from that project and presenting the results in many fora.

As part of this work, Motu, in collaboration with EcoClimate, ran a dialogue group on how to efficiently and effectively control agricultural emissions in the medium term. The group, made up of farmers, tangata whenua, and representatives from farm industry groups, NGOs, and the government, was informed by a wide range of climate change experts from numerous institutions, and met ten times, including three particularly productive weekend retreats. As a complement to this group Motu worked to enhance our emissions trading games, tools to facilitate lay people's understanding of how the ETS will affect agriculture.

Suzi Kerr's work leading the Integrated Economics of Climate Change project, funded through a major MSI grant and carried out by the EcoClimate collaboration, combines practical policy design with longer-term integrated model development. Over 2011/12 the project's emphasis has been on the impact of mitigation policies (including both the ETS and the Afforestation Grant Scheme and their potential successors) on agriculture and forestry emissions, building a decision framework for infrastructure, and exploring complementarities between carbon sequestration and water quality. In April Motu hosted a climate economics workshop, attended by researchers working in the field at CRIs, universities, independent research institutes and in the public sector.

Richard Fabling, working with Statistics New Zealand, has integrated the Agricultural Production Survey microdata into the Longitudinal Business Database. This integration will enable new research that will lead to a deeper understanding of farm productivity and the relationship between farm-level practices and environmental outcomes.

Motu is also leading an international project funded by the World Bank on the design of a potential emissions trading system for Chile, complementing ongoing work of a similar nature for Colombia.

### Nutrient Trading and Water Quality

This year Motu completed the Markets and Water Quality project, a four-year MSI-funded grant with NIWA, GNS and others that asked researchers to design and simulate different nutrient regulatory approaches for the Lake Rotorua catchment, and work with a group of local stakeholders to develop practical policy. The Suzi Kerr-led project combined economics, law, hydrology, and other disciplines in an attempt to explore regulatory design problems from all angles. Completed work included the production of a prototype trading system design, detail work on most aspects of water quality regulation design (including legal work, transaction costs and compliance, economic costs, mitigation potential, and monitoring systems), the construction of a simulation model to compare and explore the effects of several different options for regulating nutrients in the Rotorua catchment, and a short

film to convey landowner perspectives. The project culminated in a well-attended public water quality symposium, run jointly with NIWA and the Land and Water Forum, on 3 April 2012. Presentations from the symposium were made freely available online. Going forward, Motu is working to publish key findings in journals and disseminate the key policy conclusions from this project.

A series of simulation games related to water quality trading was developed with Landcare Research, Cawthron and Aqualinc. This was funded by a CDRP project led by MPI, with the intention of assessing the potential acceptability to farmers of trading systems. Finally Motu is working with Landcare Research to provide advice and modelling input to the Land and Water Forum and ECANZ.

## Land Use

Work continues on Motu's Land Use in Rural New Zealand (LURNZ) modelling effort, released in beta version in 2011. This year Levente Tímár has used LURNZ to model the effects of the ETS on landowners and rural communities. Dave Maré and Arthur Grimes have been working to understand how impacts on profitability are reflected in changes in rural equity. Current work on the project is on improving the spatial modelling of forestry sequestration and agricultural emissions, as well as enhancing LURNZ's robustness, enriching its results and updating documentation.

### Publications

#### Refereed Journal Articles

- Duncan C. Smeaton, Tim Cox, Robin Dynes and Suzi Kerr. 2011. "Relationships between Farm Productivity, Profitability, N Leaching and GHG Emissions: A Modelling Approach," *Proceedings of the New Zealand Grassland Association* 73, pp. 57–62.
- Lundquist, Carolyn J., Doug Ramsay, Rob Bell, Andrew Swales and Suzi Kerr. 2011. "Predicted Impacts of Climate Change on New Zealand's Biodiversity," *Pacific Conservation Biology*, 13:3, pp. 179–91
- McDonald, Hugh, and Suzi Kerr. 2012. "Why do New Zealanders Care about Agricultural Emissions?" *Policy Quarterly*, 8:2, pp. 29–36.

#### Book Chapters, Working Papers and Reports

- Anastasiadis, Simon, Jim Sinner and Andrew Fenemor. 2012. "Market-Based Instruments for Water Management: MBI Simulation Software and Future Potential". Appendix prepared for Ministry of Primary Industries.
- Anastasiadis, Simon, Marie-Laure Nauleau, Suzi Kerr, Tim Cox and Kit Rutherford. 2011. "Does Complex Hydrology Require Complex Water Quality Policy? NManager Simulations for Lake Rotorua," *Motu Working Paper* 11-14.
- Anastasiadis, Simon, and Suzi Kerr. 2011. "Designing Policy to Protect New Zealand's Water Quality," *Motu Research Update Issue* 21, pp. 4–5.
- Fenemor, Andrew, Jim Sinner, Simon Anastasiadis, Nick Cradock-Henry, Hana Crengle, Simon Harris, John Bright, Suzie Greenhalgh and Suzi Kerr. 2012. "Simulating Market-Based Instruments (MBIs) for Water Allocation and Quality in New Zealand". Report prepared for Ministry of Primary Industries.
- Kerr, Suzi, and Adam Millard-Ball. 2012. "Cooperation to Reduce Developing Country Emissions", *Motu Working Paper* 12-03, Motu Economic and Public Policy Research, Wellington.
- Kerr, Suzi, and Alex Olssen. 2012. "Gradual Land-Use Change in New Zealand: Results from a Dynamic Econometric Model", *Motu Working Paper* 12-06, Motu Economic and Public Policy Research, Wellington.
- Kerr, Suzi, and Alex Olssen. 2012. "Historical Land Use Patterns: Learning about Rural Land Use Change", *Motu Research Update Issue* 22, pp. 1–2.
- Kerr, Suzi, and Alex Olssen. 2012. "Creating a Forest Profit Dataset," *Motu Research Update Issue* 22, p. 8.
- Kerr, Suzi, Hugh McDonald and Kit Rutherford. 2012. "Nutrient Trading in Lake Rotorua: A Policy Prototype", *Motu Note* #10, Motu Economic and Public Policy Research, Wellington.
- McDonald, Hugh, and Suzi Kerr. 2011. "Trading Efficiency in Water Quality Trading Markets: An Assessment of Trade-Offs," *Motu Working Paper* 11-15.
- McDonald, Hugh, and Suzi Kerr. 2011. "Why do New Zealanders Care about Agricultural Emissions?" *Motu Note* #9, Motu Economic and Public Policy Research, Wellington.

- Olssen, Alex, Wei Zhang, David Evison and Suzi Kerr. 2012. "A Forest-Profit Expectations Dataset for New Zealand, 1990–2008," *Motu Working Paper* 12-07, Motu Economic and Public Policy Research, Wellington.
- Rive, Vernon. 2012. "Nutrient Trading in Lake Rotorua: Design, Implementation and Enforcement - Legal Issues," Advice to Motu Research, Vernon Rive Environmental Law, Auckland.
- Rive, Vernon. 2012. "Nutrient Trading Programme: Enforcement Issues," Advice to Motu Research, Vernon Rive Environmental Law, Auckland.
- Saunders, Caroline, Hugh McDonald and Tim Driver. 2011. "Enhancing Value for New Zealand Farmers by Improving the Value Chain," *Research Report No. 324*, Lincoln University, Christchurch.
- Tímár, Levente. 2011. "Modelling Rural Land Use Decisions in New Zealand," *Asymmetric Information: Newsletter of the New Zealand Association of Economists*, Issue 41, August 2011.
- Tímár, Levente. 2011. "Rural Land Use and Land Tenure in New Zealand," *Motu Working Paper* 11-13, Motu Economic and Public Policy Research, Wellington.

### Presentations

- Anastasiadis, Simon, and Suzi Kerr. 2011. "Managing Water Quality in Lake Rotorua: The Design of Regulation to Reflect Groundwater Nitrogen Lags," 15<sup>th</sup> International Water Association Conference, Diffuse Pollution Specialist Group, Rotorua, 22 September 2011.
- Anastasiadis, Simon, Marie-Laure Nauleau, Suzi Kerr, Tim Cox and Kit Rutherford. 2011. "Water Quality Management in Lake Rotorua: A Comparison of Regulatory Approaches using the NManager Model," New Zealand Agricultural and Resource Economics Society Annual Conference, Nelson, 25–6 August 2011.
- Anastasiadis, Simon. 2011. "Water Quality Management in Lake Rotorua: A Comparison of Regulatory Approaches Using the NManager Model," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.
- Anastasiadis, Simon. 2012. "The Cost of Ensuring Good Water Quality: Simulating Different Environmental Policies with NManager," Motu Water Quality Symposium, Wellington, 3 April 2012.
- Coleman, Andrew. 2011. "The Evolution of Institutions for Collective Action," Motu Agricultural Emissions Dialogue Group, Wellington, New Zealand, 31 August 2011.
- Doody, B.J., J.S. Becker and Levente Tímár. 2011. "What Should We Do about CO<sub>2</sub>? Initial Public Perceptions of Carbon Capture and Storage (CCS) in New Zealand." Poster presented at the Cooperative Research Centre for Greenhouse Gas Technologies Research Symposium, Adelaide, Australia.
- Dorner, Zack, Suzi Kerr and Hugh McDonald. 2012. "Methane Matters: From International Climate Change Policy to the New Zealand Farm," Motu Agricultural Emissions Dialogue Group, Otaki, New Zealand, 12 February 2012.
- Duhon, Madeline, Justine Young and Suzi Kerr. 2011. "Nitrogen Trading in Lake Taupo: An Analysis and Evaluation of an Innovative Water Management Strategy," New Zealand Agricultural and Resource Economics Society Annual Conference, Nelson, 25–6 August 2011.
- Kerr, Suzi, and Adam Millard-Ball. 2011. "Cooperation to Reduce Developing Country Emissions," *The Next Round of Climate Economics and Policy Research*, Stanford Institute for Economic Policy Research and Resources for the Future, Washington, D.C., October 2011; and Stanford University Department of Economics Brown Bag Seminar, November 2011.
- Kerr, Suzi. 2011. "Knowing and Telling about Our Emissions," Motu Agricultural Emissions Dialogue Group, Wellington, New Zealand, 6 October 2011.
- Kerr, Suzi. 2011. "Land Use Change and Options in New Zealand," Motu Agricultural Emissions Dialogue Group, Wellington, New Zealand, 31 August 2011.
- Kerr, Suzi. 2011. "Land Use and Climate Change in New Zealand," Australia–New Zealand Climate Change and Business Conference, Wellington, 1–2 August 2011.
- Kerr, Suzi. 2011. "Mitigation Options," Motu Agricultural Emissions Dialogue Group, Karekare, Auckland, New Zealand, 3 July 2011.
- Kerr, Suzi. 2011. "REDD and Cap and Trade: Why and How to Include Forestry on a Large Scale," International Congress of Conservation Biology, Auckland, December 2011.
- Kerr, Suzi. 2011. "The Economics of International Policy to Reduce Emissions from Deforestation and Degradation (REDD)," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.
- Kerr, Suzi. 2011. "Water Quality Trading in New Zealand," Invited presentation to the Workshop on Water Quality Trading, 15<sup>th</sup> International Water Association Conference, Diffuse Pollution Specialist Group, Rotorua, 22 September 2011.
- Kerr, Suzi. 2012. "A Climate for Change in Water Quality?" Australian Association of Agricultural and

- Resource Economics Conference, Perth, February 2012.
- Kerr, Suzi. 2012. "Addressing Agricultural GHGs 'Fairly,'" Motu Agricultural Emissions Dialogue Group, Huntly, New Zealand, 25 June 2012.
- Kerr, Suzi. 2012. "Key Concepts for Quality and Quantity Allocation Mechanisms," Land and Water Forum Allocation Working Group, Wellington, February 2012.
- Kerr, Suzi. 2012. "Preliminary Synthesis," Motu Agricultural Emissions Dialogue Group, Huntly, New Zealand, 24 June 2012.
- Kerr, Suzi. 2012. "Why and How We Can Act," Motu Agricultural Emissions Dialogue Group, Otaki, New Zealand, 12 February 2012.
- Kerr, Suzi. 2012. "Managing Water Quality Using Markets," Motu Public Policy Seminar, Auckland, April 2012.
- Kerr, Suzi. 2012. "New Market Mechanisms," Institute of Policy Studies Roundtable on Carbon Markets, Wellington, 28 June 2012.
- Kerr, Suzi. 2012. "Qué es la transacción de emisiones (ETS) y que son sus ventajas," Potencial para una sistema de transacción de emisiones en Colombia en el largo plazo, Bogotá, Colombia, 12 June 2012.
- Kerr, Suzi. 2012. "Managing Risks and Tradeoffs using Water Markets," OECD Expert Workshop on Water Security: Managing Risks and Tradeoffs in Selected River Basins, Paris, 1 June 2012.
- Kerr, Suzi. 2012. "Key Concepts for Allocating Costs of Water Quality Management" and "Markets and Water Quality: Integrated Assessment for Policy Design," Motu Water Quality Symposium, Wellington, 3 April 2012.
- Kerr, Suzi. 2012. "Cooperation to Reduce Developing Country Emissions," Motu Climate Change Workshop, Wellington, March 2012.
- Kerr, Suzi. 2012. "When and Why More Accurate Information on Groundwater Flows and Nitrate Attenuation are Valuable for the Design of Efficient Water Quality Management," Freshwater Nitrogen Management: Can Isotopes Help? Symposium at the National Isotope Centre, GNS-Science, Lower Hutt, 14 March 2012.
- McDonald, Hugh, and Suzi Kerr. 2011. "Nutrient Trading Efficiency: A Review of Trading Efficiency in Water Quality Markets," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.
- McDonald, Hugh, and Suzi Kerr. 2011. "Why Do New Zealanders Care about Agricultural Emissions?" New Zealand Agricultural and Resource Economics Society Annual Conference, Nelson, 25–6 August 2011.
- McDonald, Hugh, Suzi Kerr and Simon Anastasiadis. 2012. "How Should We Manage Diffuse Water Pollution? Insights from Recent NManager Simulations," New Zealand Association of Economists Annual Conference, Palmerston North, June 2012.
- McDonald, Hugh. 2012. "Nutrient Trading for Lake Rotorua: A Policy Prototype," Motu Water Quality Symposium, Wellington, 3 April 2012.
- Olssen, Alex, and Suzi Kerr. 2011. "Modelling Land Use in Rural New Zealand," New Zealand Agricultural and Resource Economics Society Annual Conference, Nelson, 25–6 August 2011.
- Olssen, Alex. 2011. "The Clean Streams Accord: Cooperation in Agriculture," Motu Agricultural Emissions Dialogue Group, Wellington, New Zealand, 31 August 2011.
- Sin, Isabelle, and Andrew Coleman. 2012. "The Adoption of Green Technologies in Agriculture," Motu Agricultural Emissions Dialogue Group, Wellington, New Zealand, 8 May 2012.
- Thukral, Mohit. 2011. "Upstream Point of Obligation for Emissions Trading in India: Lessons from New Zealand," New Zealand Agricultural and Resource Economics Society Annual Conference, Nelson, 25–6 August 2011.
- Tímár, Levente. 2011. "Māori Land and Rural Land Use in New Zealand," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.
- Tímár, Levente. 2011. "Socio-Economic Impacts of the Agricultural Emissions Trading Scheme: A Very Preliminary Analysis," New Zealand Agricultural and Resource Economics Society Annual Conference, Nelson, 25–6 August 2011.
- Tímár, Levente. 2012. "Whose Mitigation is it Anyway?" Motu Agricultural Emissions Dialogue Group, Wellington, New Zealand, 8 May 2012.
- Tímár, Levente. 2012. "Rural Land Use and Land Tenure in New Zealand." Paper presented at the annual conference of the European Association of Environmental and Resource Economists, Prague, Czech Republic, 27–30 June 2012.
- Woods, Darian, and Andrew Coleman. 2011. "Price, Quality, and International Agricultural Trade," Motu Agricultural Emissions Dialogue Group, Wellington, New Zealand, 31 August 2011.



## Labour and Population Economics

Motu's labour and population economics research had a broad focus this year, with work on firm performance and labour dynamics, changes in poverty and inequality, and refining econometric evaluation of the impacts of prisoner rehabilitation, education and training programmes.

### Firm Performance and Labour Dynamics

In 2011/12 Dave Maré and Richard Fabling continued to work extensively with the Longitudinal Business Database (LBD) and Linked Employer–Employee Data (LEED) on a range of labour and firm productivity studies. They worked with Dean Hyslop (Victoria University of Wellington, Motu Senior Research Associate) to complete a study examining the link between firm productivity and the skill composition within firms, and released a working paper examining the impacts of local area workforce composition on firm-level productivity. They are also continuing to work on improving the method for measuring firm-level productivity. Richard and Dave also used the LBD to analyse firm-level changes in employment hiring and separations, and in firm start-ups and closures. This project was one of a series of country case studies being coordinated by the OECD to examine differences in labour market adjustment following the Global Financial Crisis, funded by the OECD and the New Zealand Department of Labour. In related work on the impacts of job turnover, Dave worked with Sylvia Dixon (Ministry of Business, Innovation and Employment) to examine the employment and earnings impacts of involuntary job loss.

Richard, Dave and Arthur Grimes have used the demographic and wage data made available by the linking of the LBD to the LEED to examine the effect of human resource management changes on workers and test whether these effects differ by gender. This work was funded by the Ministry of Women's Affairs as part of their work programme on the gender–wage gap.

In early 2012 Motu, NIDEA and the University of Waikato held two workshops on labour force demographics, looking at population ageing in February and the economic impacts of immigration and population diversity in April. These workshops brought together international and local researchers to discuss research addressing a range of important empirical, analytical and policy questions; they were highly successful, with interesting and high-quality work being presented in a collegial atmosphere.

### Migration

Steve Stillman, who was involved with a range of Motu's migration research, left Motu for a full-time position at the University of Otago in 2011 but remains a senior research associate. Isabelle Sin is working with Steve on a project investigating the geographical mobility of Māori in New Zealand. In particular, they are interested in how Māori ties to the traditional lands of their iwi and their social ties to other iwi members affect their mobility between labour market areas.

### Income and Consumption

Dave, Steve Stillman, Trinh Le (Melbourne Institute), Dean Hyslop, John Gibson (University of Waikato, Motu Senior Research Associate), and Grant Scobie (Treasury) completed a project funded by the Statistics New Zealand Official Statistics Research Programme, investigating the relationship between household income and expenditure using data from the Household Economic Survey (HES). By using expenditure data to supplement income information, this analysis provides new information on the level of, and changes over time in, poverty and inequality in New Zealand.

Dave also worked with the Ministry of Women's Affairs to summarise gender differences in the employment rates and incomes of 18–45-year-olds with post-school qualifications. The work drew on Census data from 1996, 2001 and 2006, and analyses outcomes by field of study.



## Policy Evaluation

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Dave Maré worked with Dean Hyslop and the Department of Corrections to refine the application of econometric evaluation methods to assessing the impacts of prisoner rehabilitation, education, and training programmes. Dave has also been working with Sarah Crichton (MBIE) on an econometric evaluation of the impacts of wage subsidies. They have examined impacts on jobseeker employment, earnings, and benefit outcomes, as well as impacts on firm employment and earnings outcomes.

### Publications

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#### Refereed Journal Articles

Crichton, Sarah, Steven Stillman and Dean Hyslop. 2011. "Returning to Work from Injury: Longitudinal Evidence on Employment and Earnings," *Industrial and Labor Relations Review* 64(5) article 7. Available online at <http://digitalcommons.ilr.cornell.edu/ilrreview/vol64/iss4/7/>

Baum, Christopher F., Mark E. Schaffer and Steven Stillman. 2011. "Using Stata for Applied Research: Reviewing its Capabilities," *Journal of Economic Surveys* 25:2, pp. 380–94.

Gibson, John, David McKenzie and Steven Stillman. Forthcoming. "The Impacts of International Migration on Remaining Household Members: Omnibus Results from a Migration Lottery Program," *Review of Economics and Statistics*.

Stillman, Steven, Malathi Velamuri and Andrew Aitken. Forthcoming. "The Long-Run Impact of New Zealand's Structural Reform on Local Communities," *Journal of Comparative Economics*.

Stillman, Steven, John Gibson and David McKenzie. Forthcoming. "The Impact of Immigration on Child Health: Experimental Evidence From a Migration Lottery Program." *Economic Inquiry*.

#### Book Chapters, Working Papers and Reports

Stillman, Steve, Trinh Le, John Gibson, Dean Hyslop and David C. Maré. 2012. "The Relationship between Individual Labour Market Outcomes, Household Income and Expenditure, and Inequality and Poverty in New Zealand from 1983 to 2003," *Motu Working Paper* 12-02, Motu Economic and Public Policy Research, Wellington.

Abramitzky, Ran, and Isabelle Sin. 2012. "Book Translations as Idea Flows: The Effects of the Collapse of Communism on the Diffusion of Knowledge," *Motu Working Paper* 12-05, Motu Economic and Public Policy Research, Wellington.

Fabling, Richard, and David C. Maré. 2012. "Cyclical Labour Market Adjustment in New Zealand: The Response of Firms to the Global Financial Crisis and its Implications for Workers", *Motu Working Paper* 12-04, Motu Economic and Public Policy Research, Wellington.

Maré, David C. and Richard Fabling. Forthcoming. "Productivity and Local Workforce Composition," in *Geography, Institutions and Regional Economic Performance: Advances in Spatial Science Series*, Springer: Berlin and New York.

Stillman, Steven, Trinh Le, John Gibson, Dean Hyslop and David C. Maré. 2012. "The Relationship between Individual Labour Market Outcomes, Household Income and Expenditure, and Inequality and Poverty in New Zealand from 1983 to 2003". *Motu Working Paper* 12-02, Motu Economic and Public Policy Research, Wellington.

### Presentations

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Olssen, Alex. 2011. "The Short-Run Effects of Age-Based Youth Minimum Wages in Australia: A Regression Discontinuity Approach," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.

McDonald, Hugh, and Andrew Coleman. 2011. "No Country for Old Men: Trans-Tasman Income Patterns, 1981–2009," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.

Grangier, Juliette, and Rob Hodgson. 2011. "Does the SMC Predict the Labour Market Outcomes of Skilled Migrants," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.

Roskruege, Matthew, Arthur Grimes, Philip McCann and Jacques Poot. 2011. "Immigrant Integration and Social Capital Formation," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.

Fabling, Richard, and David C. Maré. 2012. "The Response of Firms to the 08-09 Crisis and its Implications for Workers," Presentations to OECD workshop, Paris, France, 12 October 2011, to the Department of Labour, Wellington, 20 February 2012, and at the 2012 CAED conference in Nuremberg, Germany, 26–8 April 2012.

Hyland, Sean, and Dean Hyslop. 2012. "An Analysis of Changes in the Australian Income Distribution, 2001–2009," paper presented at the New Zealand Association of Economists Annual Conference, Palmerston North, June 2012.

Sanderson, Lynda, and Richard Fabling. 2012. "Foreign Acquisition and the Performance of New Zealand Firms," paper presented at the New Zealand Association of Economists Annual Conference, Palmerston North, June 2012.

Sin, Isabelle. 2012. "Book Translations as Idea Flows: The Effects of the Collapse of Communism on the Diffusion of Knowledge," paper presented at New Zealand Econometric Study Group Meeting, Wellington, March 2012.

Sin, Isabelle. 2012. "The Gravity of Ideas: How Distance Affects Translations," paper presented at New Zealand Association of Economists Annual Conference, Palmerston North, June 2012.

Maré, David C. 2011. "Firm Location within Auckland", New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.

Maré, David C. 2011. "The Residential Location of Immigrants in Auckland", *Pathways, Circuits and Crossroads Workshop*, Wellington, December 2011.

Maré, David C. 2012 "Immigrant Segregation in Auckland, New Zealand", NIDEA workshop on economic impacts of immigration and population diversity, Hamilton, April 2012.

# Housing

Motu's 2011/12 work on housing included the completion of research on the effects of the New Zealand Insulation Fund (Warm Up New Zealand: Heat Smart), and two new housing-related research programmes.



## Housing and Policy

Over 2011 and 2012 Arthur Grimes led a collaborative research effort to evaluate the effectiveness of the Government's New Zealand Insulation Fund with regards to improvements in health outcomes and reductions in household energy use. The project, funded by MED, involved Motu, the University of Otago, Covec, and Victoria University of Wellington. Its results were released in May 2012 and suggested substantial improvements in health outcomes, particularly mortality. Extended funding has allowed Arthur to work with a PhD student (Nick Preval at the University of Otago) to assess health outcomes from the programme over a longer period.

## Housing Markets

Arthur is leading two newly funded housing-related programmes, working with Motu RA Sean Hyland. The first, funded by the Kelliher Foundation, is "How do Commodity Prices Affect Rural Community Outcomes?" This research uses housing markets to measure changing community outcomes following changing external commodity prices. Discussions with the Kelliher Foundation indicate that potential extensions of this research could examine the impacts of climate change and water quality policy on rural community outcomes. The first stage is due for completion late in 2012.

The second new programme is a \$108,000 contract, funded by the Department of Building and Housing, to build a New Zealand Regional Housing Model. This programme builds on earlier work by Arthur and former RA Andrew Aitken that modelled TLA-level house prices and new supply. The new model will use updated and better data, and will extend the analysis to model determinants of residential land prices (with Andrew Coleman) and residential rents. This research is also due for completion in the third quarter of 2012.

### Publications

#### Book Chapters, Working Papers and Reports

Denne, Tim, and Steven Bond-Smith. 2011. "Impacts of the NZ Insulation Fund on Industry and Employment," *Report to Ministry of Economic Development*, MED, Wellington.

Grimes, Arthur, Tim Denne, Philippa Howden-Chapman, Richard Arnold, Lucy Telfar-Barnard, Nicholas Preval and Chris Young. 2011. "Cost Benefit Analysis of the Warm Up New Zealand: Heat Smart Programme," *Report to Ministry of Economic Development*, MED, Wellington.

Grimes, Arthur, Steven Stillman and Chris Young. 2011. "Homeownership, Social Capital and Parental Voice in Schooling," *Motu Working Paper* 11-11.

Grimes, Arthur, Chris Young, Richard Arnold, Tim Denne, Philippa Howden-Chapman, Nicholas Preval and Lucy Telfar-Barnard. 2011. "Warming Up New Zealand: Impacts of the New Zealand Insulation Fund on Metered Household Energy Use," *Report to Ministry of Economic Development*, MED, Wellington.

Telfar-Barnard, Lucy, Nicholas Preval, Philippa Howden-Chapman, Richard Arnold, Chris Young, Arthur Grimes and Tim Denne. 2011. "The Impact of Retrofitted Insulation and New Heaters on Health Services Utilisation and Costs, Pharmaceutical Costs and Mortality. Evaluation of Warm Up New Zealand: Heat Smart," *Report to Ministry of Economic Development*, MED, Wellington.

### Presentations

Grimes, Arthur. 2011. "Warming Up New Zealand: Impacts of the New Zealand Insulation Fund on Household Energy Use," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.

Grimes, Arthur, and Philippa Howden-Chapman. 2012. "Improving the Quality of Housing: How Public Policy Can Promote Multiple Benefits," *Motu Public Policy Seminar*, Wellington and Auckland, May 2012.



## Economic Geography

Motu's economic geography work is concentrated in two areas, infrastructure and cities and agglomeration. In 2011/12 our infrastructure work focused on the role of real options considerations for major transport projects, while the cities and agglomeration work analysed residential location choices of migrants.

### Infrastructure

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Arthur Grimes leads Motu's infrastructure programme, which in 2011/12 centred around conceptual work on the role of real options considerations for major transport projects. In September 2011 Arthur presented an invited paper on this topic to the European Regional Science Association Congress. He was invited to extend this paper as a chapter, "Regional Growth and Infrastructure", for the forthcoming *Handbook of Regional Science*, edited by Peter Nijkamp and Manfred Fischer, to be published by Springer-Verlag in 2013.

### Cities and Agglomeration

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After completing a study of the determinants of firm and population location in Auckland, undertaken for the Auckland Policy Office, Dave Maré and Andrew Coleman spent time developing a theoretical model to analyse how the demand to use natural amenities such as beaches and constructed amenities such as swimming pools affects prices and location patterns in cities. The model aims to better understand the policy implications of several features of modern cities that cannot be satisfactorily explained by existing models, such as the extraordinary amount of within-city travel that takes place. The model is designed to reflect aspects of Auckland's price and residential location patterns that were uncovered in Andrew and Dave's empirical work.

In related work, Dave has worked with Motu affiliate Jacques Poot from the University of Waikato and former Motu intern Ruth Pinkerton to examine residential location patterns of immigrants in Auckland.

## Publications

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### Refereed Journal Articles

- Grimes, Arthur, and Chris Young. 2011. "Spatial Effects of 'Mill' Closures: Does Distance Matter?" *Australasian Journal of Regional Science* 17:2, pp. 262–97.
- Roskrige, Matthew, Arthur Grimes, Philip McCann and Jacques Poot. 2012. "Social Capital and Regional Social Infrastructure Investment: Evidence from New Zealand", *International Regional Science Review* 35:1, pp. 3–25.
- Fabling, Richard, Arthur Grimes & Lynda Sanderson. Forthcoming. "Any Port in a Storm: Impacts of New Port Infrastructure on Exporter Behaviour," *Transportation Research Part E*.
- Grimes, Arthur, Cleo Ren & Philip Stevens. 2012. "The Need for Speed: Impacts of Internet Connectivity on Firm Productivity," *Journal of Productivity Analysis* 37:2, pp. 187–201.

### Book Chapters, Working Papers and Reports

- Coleman, Andrew. 2012. "The Effect of Transport Infrastructure on Home Production Activity: Evidence from Rural New York, 1825–1845," *Motu Working Paper* 12-01.
- Grimes, Arthur, Jason Le Vaillant and Philip McCann. 2011. "Auckland's Knowledge Economy: Australasian and European Comparisons," *MED Occasional Paper* 11/02, Ministry of Economic Development, Wellington.
- Grimes, Arthur, Steven Stillman and Chris Young. 2011. "Homeownership, Social Capital and Parental Voice in Schooling," *Motu Working Paper* 11-11, Motu Economic and Public Policy Research, Wellington.
- Grimes, Arthur. 2011. "Building Bridges: Treating a New Transport Link as a Real Option," *Motu Working Paper* 11-12, Motu Economic and Public Policy Research, Wellington.
- Grimes, Arthur. 2011. "Making Multiple Places into a Place – Infrastructure, Governance and Planning in Auckland," in *Investing in Better Places: International Perspectives*, S. Chisholm Ed. St Andrews: The Smith Institute, pp. 69–78.
- Grimes, Arthur. Forthcoming. "Infrastructure and Regional Growth," in *Handbook of Regional Science*, M. Fischer and P. Nijkamp, Eds. Berlin: Springer Verlag.

### Presentations

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- Grimes, Arthur. 2011. "Building Bridges: Treating a New Transport Link as a Real Option," European Regional Science Association Congress, Barcelona, 30 August – 3 September 2011.
- Maré, David C., and Andrew Coleman. 2011. "The Determinants of Firm Location in Auckland," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.
- Maré, David C., and Andrew Coleman. 2011. "Patterns of Business Location in Auckland," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.
- Coleman, Andrew, and David C. Maré. 2011. "Preferences, Location Choices and the Residential Composition of Cities," New Zealand Association of Economists Annual Conference, Wellington, 29 June – 1 July 2011.



## Macroeconomics and Other Topics

Motu carries out work across a range of other topics. In 2011/12, this area included work with the Reserve Bank and the Treasury around exchange rates and pricing as well as new projects measuring national wellbeing and sustainability and the transfer of ideas across languages.

### Exchange Rates and Prices

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Andrew Coleman, together with Özer Karagedikli (RBNZ), completed a research note on the way financial surprises affect forward exchange rates. Together with Manu de Veirman (RBNZ), Andrew is also using an especially constructed Statistics New Zealand database to research the extent that temporary discounts have permanent effects on the price level and the inflation rate in New Zealand.

Richard Fabling is working with Lynda Sanderson (Treasury) to better understand the relationship between exchange rate volatility, export prices, and export performance. He also completed work for the Productivity Commission on import freight costs, which fed into their Inquiry findings.

### Indicators of Wellbeing and Sustainability

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In 2012 Arthur Grimes began a new research programme analysing the validity and robustness of national measures of wellbeing and sustainability. The initial programme, funded by a grant from the Morgan Foundation, brings together international data from many different sources, and tests whether international migration patterns solely reflect (measured) material inter-country differentials (such as GDP per capita) or are also affected by differentials in other measures such as happiness, life satisfaction, the Human Development Index, and several sustainability measures. In June this work was presented at both the International Wellbeing Conference in Wellington and New Zealand Association of Economists conference in Palmerston North.

### International Spread of Ideas

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Isabelle Sin is extending work from her doctoral dissertation, which proposes book translations as a new measure of the international flow of ideas, and uses this measure to study how factors such as institutions, physical distance, and cultural differences affect the spread of ideas between countries. Along with Ran Abramitzky, B. Douglas Bernheim, and Aprajit Mahajan (all of Stanford University), Isabelle is also working on developing a simple econometric method to make full use of the data when analysis is performed using information drawn from two sources, and not all individuals can be matched with certainty between the two data sets.

## Publications

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### Refereed Journal Articles

- Coleman, Andrew, and Özer Karagedikli. 2012. "The Relative Size of New Zealand's Exchange Rate and Interest Rate Responses to News," *North American Journal of Economics and Finance* 23:1, pp. 1–19.
- Coleman, Andrew. 2012. "Uncovering Uncovered Interest Parity during the Classical Gold Standard Era, 1888–1905," *North American Journal of Economics and Finance* 23:1, pp. 20–37.
- Fabling, Richard, Arthur Grimes and Lynda Sanderson. 2011. "Whatever Next? Export Market Choices of New Zealand Firms," *Papers in Regional Science*, 91(1), 137–60.
- Fabling, Richard, Arthur Grimes and Philip Stevens. 2012. "The Relatives Are Fine: Use of Qualitative Firm Data in Economic Analysis," *Applied Economics Letters*, 19:7, pp. 614–8.

### Book Chapters, Working Papers and Reports

- Abramitzky, Ran, and Isabelle Sin. 2012. "Book Translations as Idea Flows: The Effects of the Collapse of Communism on the Diffusion of Knowledge," *Motu Working Paper* 12-05, Motu Economic and Public Policy Research, Wellington.
- McLaughlin, Eoin, David Greasley, Nick Hanley, Les Oxley and Paul Warde. 2012. "Testing for a Long-run "Sustainability": Genuine Savings Estimates for Britain, 1760–2000," *Stirling Economics Discussion Paper* 2012-05, Stirling Management School, University of Stirling, UK. Available online from <http://www.stir.ac.uk/management/research/economics/working-papers/>.

## Presentations

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- Coleman, Andrew. 2011. "Property Prices, Wealth and the Intergenerational Consequences of Capital Gains Taxes," New Zealand Treasury, Wellington, 2 September 2011.
- Coleman, Andrew. 2011. "Saving, Private and Public: Do New Zealanders Need Rescuing from Financial Oblivion?" Presentation to National Council of Women (Otago Branch), Dunedin, 5 October 2011.
- Coleman, Andrew. 2011. "Uncovering Uncovered Interest Parity During the Classical Gold Standard Era, 1888–1905," Otago University, Dunedin, 16 September 2011.
- Coleman, Andrew. 2012. "Saving a Super Scheme: The Economics of PAYGO and SAYGO Retirement Schemes in New Zealand", *Motu Public Policy Seminar*, Wellington, 8 March 2012.
- Coleman, Andrew. 2012. "The Effect of New Zealand Superannuation on Intergenerational Wealth Distribution in New Zealand," paper presented at the New Zealand Association of Economists Annual Conference, Palmerston North, June 2012.
- Coleman, Andrew. 2012. "The Effects of Income Taxes and Capital Gains Taxes on Residential Land Markets in New Zealand," paper presented at the New Zealand Association of Economists Annual Conference, Palmerston North, June 2012.
- Grimes, Arthur, Robert MacCulloch, Les Oxley and Nicholas Tarrant. 2012. "Does Money Buy Me Love? Testing Alternative Measures of National Wellbeing," presented to *International Wellbeing Conference*, Wellington, June 2012, and *New Zealand Association of Economists Annual Conference*, Palmerston, June 2012.
- Sin, Isabelle. 2012. "Book Translations as Idea Flows: The Effects of the Collapse of Communism on the Diffusion of Knowledge," New Zealand Econometric Study Group Meeting, Wellington, 23–4 February 2012.





# Motu Foundation

The Motu Research and Education Foundation is a related but separate entity to the Motu Economic and Public Policy Research Trust. It was established in 2006 with the aim of building world-class economic research capability in New Zealand. To do this, the Foundation works alongside a range of organisations, particularly the Motu Economic and Public Policy Research Trust, with generous financial support from patrons and donors.

# The Motu Foundation

Established under its own Trust Deed in September 2006, the Motu Research and Education Foundation is a separate, but related, entity to the Motu Economic and Public Policy Research Trust (Motu Research). The Foundation's Trust Deed provides it with a broad mandate to help support economic research of international quality and to build strong economic capability within New Zealand.

The Motu Foundation has adopted as its primary aim a focus on building applied economic research capability in New Zealand. Such capability is vital to ensuring a stronger and sustainable platform exists to support higher quality public policy decision making over time.

High-quality public policy is critical to the future development of New Zealand. The Foundation's focus on building world-class applied economic research capability helps to ensure that public policy decisions can be well informed by thorough and non-partisan research.

The Foundation particularly collaborates with Motu Research. Through the Trust the Foundation works to build capability through freely disseminating research, providing internships and scholarships for young economists, providing grants for research leadership and research collaboration, and providing seed funding for new research ventures.

The Motu Foundation is dependent on the support of patrons and donors for its funding and thanks them for their generosity and support.

## Priorities and Activities

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Over the past year the Foundation has continued to provide grants through Motu Research.

One grant, which funds summer internships at Motu Research, creates opportunities for some of New Zealand's best graduates to gain first-hand research experience and be supervised by excellent researchers. It is exciting to see how past interns have proceeded to prestigious international PhD programmes and are embarking on their careers as researchers or working in important policy roles.

Another grant supports research leadership. This enables top New Zealand and often overseas researchers to meet, provide seminars and generally strengthen their relationships as researchers and as collaborators. The seminars also enable bridges to be built and strengthened between the research and policy communities.

Grants such as the Marsden grants hold a pre-eminent position in the New Zealand research funding system. Senior fellows at Motu have won several Marsden grants in the past and have been shortlisted for a number of others. The Foundation has provided seed funding to Motu researchers who have been shortlisted to support the development of the best possible proposals. By doing this we are also strengthening research leadership, building stronger economic research capability in new areas and contributing to the Motu Economic and Public Policy Research Trust continuing to be a strong centre of economic research excellence within New Zealand.

Our financial strength continues to grow and with this our ability to make a difference. Since the Foundation was established, our Investment Fund has built up to around \$520,000. Last year, through grants and through the dissemination and promotion of research findings, we committed around \$45,000.

In the 2011/12 year we have made grants in relation to the following priorities:

### *1. Building Research Leadership and Economic Research Capability*

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To support the growth of a world-class economic research capability in New Zealand, in 2011/12 the Foundation gave a \$10,000 grant to Motu Research to employ two top graduates, Oliver Browne (University of Auckland) and Zack Dorner (Victoria University of Wellington), to undertake summer internships. These interns were supervised by Dr Suzi Kerr at Motu Research. Over the summer Zack researched the implications of post-2012 international climate policy design for methane,

building on AgResearch work, while Oliver used modelling to explore interactions between water and climate change policy.

2011/12 sadly saw Sir Frank Holmes, one of New Zealand's most influential and decorated economists, pass away. However, the Motu Foundation has had the privilege of awarding a scholarship in his name, the Sir Frank Holmes Prize. This prize will be awarded to a top New Zealand final-year Economics undergraduate moving on to postgraduate studies in the area. It is currently funded by the Hugo Group.

We also provided a grant to Motu Research to sponsor top academics to visit New Zealand or to support seminars involving New Zealand economic researchers. In 2011/12 we helped make possible a visit from Dr David Rapson (University of California, Davis), who gave two successful seminars on the smart grid and residential electricity use. Working in conjunction with the Treasury, the New Zealand Institute of Economic Research and the University of Canterbury, this grant also supported a visit by the internationally renowned environmental economist Professor Martin Weitzman (Harvard University), who gave a very popular series of seminars and workshops on the economics of climate change.

Part of this grant was also used to bolster Motu Research's successful internal seminar series, aimed at increasing collaboration between affiliates and visiting academics with Motu and other local researchers. These seminars are based on work in progress and aim to increase collaboration in research in order to further understanding in economic analysis.

## *2. Research Dissemination*

We ensure that existing knowledge, information and research about New Zealand public policy is readily accessible in New Zealand. This includes promoting the work of Motu Economic and Public Policy Research through various publication channels including the internet, conferences, seminars, workshops, dialogue groups, and teaching.

The Foundation continued to support events and communication channels to ensure that public policy research is readily accessible to those individuals, organisations and groups who can best make use of its findings.

## *3. Supporting High-Quality Research*

In 2011/12, the Kelliher Trust provided a grant through the Foundation that enabled research into the economic outcomes of rural communities in New Zealand. This research was undertaken by Dr Arthur Grimes and Sean Hyland.

We also provided a grant to Motu Research to support the preparation of a bid towards the prestigious Marsden Grant fund, which succeeded in being shortlisted.

We invested effort in attracting greater investment in applied economic research. Much of this effort centred on the need for greater research into the areas of superannuation, savings, housing and taxation. There are some very important issues facing New Zealand in these areas. An ageing population does not simply affect the older generation; it affects the housing markets and future taxation. These can have profound effects on the choices available to young people in the future. The Foundation has identified a number of important intergenerational issues that will have an increasing impact on the future wealth of New Zealand and New Zealanders.

These issues require a stronger long-term focus. It is less about having one large funder and more about how the right mix of investors and researchers can be best brought together. The Foundation will encourage this to happen. This would require a slight broadening of focus for the Foundation, so that it can act as an independent and trusted facilitator of such research funding. This adds a layer of security and control for investors wanting to commission research.

## **Patrons and Donors**

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

The Foundation had ten patrons during 2011/12:

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

We continue to benefit from a generous donation from the Tindall Foundation in the 2007/08 year.

## Foundation Board of Trustees

The Motu Research and Education Foundation is governed by a Board of Trustees, which consists of distinguished people from New Zealand's business and community sectors.



**Neil Green** *Chair*  
*Senate SHJ*  
Chief Executive Officer



**Dr John Hay**  
*Dr John Hay & Associates*  
Managing Director



**Howard Fancy**  
*Motu*  
Director



**Kerry Prendergast (CNZM)**  
*Professional Director*



**John Roberts**  
*Veda Advantage New Zealand  
and International*  
Managing Director



# Financial Information

# Financial Information

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

## List of Grants

**The following is a full list of grants and funding sources (of greater than \$30,000) active during the 2011/12 financial year:**

Department of Building and Housing, "New Zealand Housing Market Model," 2012, \$108,000.

Department of Labour, "Cyclical Labour Market Adjustment Research," 2011–2012, \$50,000.

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

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

Kelliher Charitable Trust, "How Commodity Prices, Climate Change Policy and Water Quality Policy Affect Rural Commodity Outcomes," 2012, \$50,000

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

Morgan Foundation, "What are the Consequences of Omitting to Use Wider Measures of Wellbeing than GDP?" 2011–2012, \$33,600.

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

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

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

New Zealand Productivity Commission, "Freight Cost Study," 2011, \$48,600.

Parliamentary Commissioner for the Environment, "Nutrient Mapping Study," 2011, \$100,000.

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

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

The Treasury, "Advice on Tax, Housing, Savings and Distributional Analysis," 2011–2012, \$85,000.

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



# Motu Economic and Public Policy Research Trust

Financial Reports for the Year Ended 30 June 2012

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# Motu Economic and Public Policy Research Trust

## Statement of Financial Performance for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
<b>INCOME</b>			
Research Grants		2,145,743	2,485,895
Interest Received		93,405	82,774
Other Income		7,009	8,811
<b>Total Income</b>		<b>2,246,157</b>	<b>2,577,479</b>
<b>LESS EXPENSES</b>			
Personnel		1,190,113	1,092,478
Research Project Costs		574,474	921,363
Dissemination Expenses		3,000	7,000
Audit Fees		16,602	10,237
Depreciation	6	30,774	46,449
Loss on Sale of Assets		-	5,187
Rent & Outgoings		89,780	85,000
Other Operating Expenses		168,904	175,283
<b>Total Operating Expenses</b>		<b>2,073,647</b>	<b>2,342,997</b>
<b>SURPLUS</b>		<b>172,510</b>	<b>234,483</b>
<b>OTHER EXPENSES</b>			
Senior Fellow Research Accounts	9	43,759	7,599
Donation to Motu Research and Education Foundation		25,000	-
<b>TOTAL EXPENSES</b>		<b>2,142,406</b>	<b>2,350,596</b>
<b>NET SURPLUS</b>		<b>103,751</b>	<b>226,883</b>

This statement is to be read in conjunction with the Notes to the Financial Statements

# Motu Economic and Public Policy Research Trust

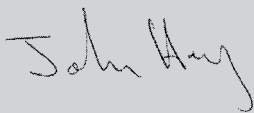
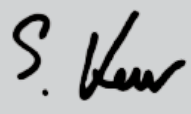
## Statement of Movements In Equity for the Year Ended 30 June 2012

	2012 \$	2011 \$
Net Surplus	103,751	226,883
Total recognised revenues & expenses	103,751	226,883
<b>EQUITY AT START OF YEAR</b>	<b>1,125,385</b>	<b>898,502</b>
<b>EQUITY AT END OF YEAR</b>	<b>1,229,136</b>	<b>1,125,385</b>
<b>SENIOR FELLOW RESEARCH RESERVE</b>		
Opening Senior Fellow Research Reserve	122,654	47,753
Plus: Transfers to Reserve	193,750	82,500
Less: Movement Expensed	-43,759	-7,599
Closing Senior Fellow Research Reserve	272,645	122,654
<b>ACCUMULATED FUNDS</b>		
Opening Accumulated Funds	1,002,731	850,749
Plus: Net Surplus	103,751	226,883
Less: Movements to Reserves	-149,991	-74,901
<b>CLOSING ACCUMULATED FUNDS</b>	<b>956,491</b>	<b>1,002,731</b>

This statement is to be read in conjunction with the Notes to the Financial Statements

# Motu Economic and Public Policy Research Trust

## Statement of Financial Position as at 30 June 2012

	Note	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and bank	4	188,830	275,188
Investments	4	1,016,108	683,539
Accounts Receivable		403,890	426,084
Work in Progress		43,487	9,774
<b>Total Current Assets</b>		<b>1,652,315</b>	<b>1,394,585</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable		224,727	243,268
Accrued Expenses		188,242	72,286
Income Received in Advance		520,625	1,005,263
<b>Total Current Liabilities</b>		<b>933,594</b>	<b>1,320,817</b>
<b>WORKING CAPITAL</b>		<b>718,721</b>	<b>73,768</b>
<b>NON-CURRENT ASSETS</b>			
Plant, Property & Equipment	5	55,415	71,617
Investments	4	455,000	980,000
<b>Total Non-Current Assets</b>		<b>510,415</b>	<b>1,051,617</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>1,229,136</b>	<b>1,125,385</b>
<b>Represented by:</b>			
Accumulated Funds		956,491	1,002,731
Senior Fellow Research Reserve	9	272,645	122,654
<b>EQUITY</b>		<b>1,229,136</b>	<b>1,125,385</b>
<b>On behalf of board:</b>			
Chair:			
			
Director:			
			
Date: 12 February 2013			

This statement is to be read in conjunction with the Notes to the Financial Statements

# Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2012

## 1. STATEMENT OF ACCOUNTING POLICIES

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

### **Measurement Base**

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

### **Specific Accounting Policies**

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

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

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

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

Income is recognised progressively as work is completed.

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

The entity has the following classes of fixed assets;

Furniture & Fittings	10–48%
Office Equipment	40–60%

All fixed assets are recorded at cost less accumulated depreciation.

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

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

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

#### **(e) Goods & 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.

#### **(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.

# Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2012

## (h) Receivables

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

## (i) Investments

Term deposits are classified as Investments where they have a maturity date greater than three months from acquisition. All term deposits are entered into with the intention of holding to maturity. Any term deposits with a maturity date greater than twelve months after balance date are therefore classified as non-current.

## 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 (2011:\$0). Motu Economic and Public Policy Research Trust has not granted any securities in respect of liabilities payable by any other party whatsoever.

## 4. CASH AND TERM DEPOSIT INVESTMENTS

	2012	2011
CASH	\$	\$
ANZ National Bank - Current Account	120,234	35,325
ANZ National Bank - Call Account	68,431	239,720
ANZ National Bank - US\$	-	25
Westpac Current Account	26	-
Petty Cash	138	118
	<hr/>	<hr/>
	188,830	275,188

## TERM DEPOSIT INVESTMENTS

### Westpac

<u>Investment Number</u>	<u>Maturity</u>	
#002	13/12/2012	162,161
#003	30/11/2012	125,000
#004	31/05/2013	125,000
#005	30/08/2013	120,000
#006	29/11/2013	120,000
#007	22/03/2013	64,473
#008	05/10/2012	125,000
#009	29/04/2013	64,473

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<u>ANZ National Bank</u>		
<u>Investment Number</u>	<u>Maturity</u>	
#1008	31/08/2012	150,000
#1010	28/02/2013	125,000
#1011	28/02/2014	107,500
#1012	12/05/2014	107,500
#1014	12/09/2012	75,000
		<hr/> 1,471,108
<u>Classified as:</u>		
Current		1,016,108
Non-Current		455,000
		<hr/> 1,471,108
		<hr/> <hr/>
<b>TOTAL CASH AND TERM DEPOSIT INVESTMENTS</b>	<b>1,659,937</b>	<b>1,753,288</b>

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 7.24%. This overdraft facility is secured by way of a term deposit held at ANZ National Bank.

#### 5. PROPERTY, PLANT & EQUIPMENT

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Furniture &amp; Fittings</b>		
At cost	73,447	71,966
Less Accumulated Depreciation	40,365	34,957
	<hr/> 33,082	<hr/> 37,009
<b>Office Equipment</b>		
At cost	256,265	243,175
Less Accumulated Depreciation	233,933	208,568
	<hr/> 22,333	<hr/> 34,607
<b>Total Fixed Assets</b>	<b>55,415</b>	<b>71,617</b>

#### 6. DEPRECIATION EXPENSE

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Furniture & Fittings	5,409	6,234
Office Equipment	25,365	40,215
	<hr/> 30,774	<hr/> 46,449

# Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2012

## 7. OPERATING LEASE COMMITMENTS

	2012	2011
	\$	\$
<b>Lease of premises at level 1, 97 Cuba Street, Wellington</b>		
Within 1 Year	85,000	85,000
1-2 Years	85,000	85,000
2-5 Years	-	85,000
	<b>170,000</b>	<b>255,000</b>
<b>Photocopier Lease</b>		
Within 1 Year	5,400	5,400
1-2 Years	5,400	5,400
2-5 Years	-	5,400
	<b>10,800</b>	<b>16,200</b>

## 8. SUBSIDIARY ENTITY & RELATED PARTY

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

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

## 9. SENIOR FELLOW RESEARCH ACCOUNTS

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

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

Reserves as at 30 June 2012 are made up as follows:

Andrew Coleman	40,263
Arthur Grimes	51,745
Dave Mare	61,894
Richard Fabling	430
Steve Stillman	47,137
Suzi Kerr	71,176
	<b>\$272,645</b>



# Motu Research and Education Foundation

Financial Reports for the Year Ended 30 June 2012

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Trustees of Motu Research and Education Foundation**

**Report on the Financial Statements**

We have audited the financial statements of Motu Research and Education Foundation on pages 52 to 56, which comprise the statement of financial position as at 30 June 2012, and the statement of changes in equity, and statement of financial performance for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

**Board of Trustees Responsibility for the Financial Statements**

The Board of Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

**Opinion**

In our opinion, the financial statements on pages 52 to 56, present fairly, in all material respects, the financial position of Motu Research and Education Foundation as at 30 June 2012, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



# Motu Research and Education Foundation

Trust Directory as at 30 June 2012

Settlor	Roderick Sheldon Deane
Nature of Business	Charitable Trust
Trustees	Neil Green (Foundation Chair) Howard Fancy (Director) Dr John Hay Kerry Prendergast John Roberts
Date of Formation	08 September 2006
Auditors	BDO Wellington Level 1, Tower Building 50-64 Customhouse Quay Wellington

# Motu Research and Education Foundation

## Statement of Financial Performance for the Year Ended 30 June 2012

	2012	2011
	\$	\$
<b>INCOME</b>		
Interest Received	21,857	17,600
Other Income	54,500	2,700
Donation income	25,000	-
Patron Contributions	85,000	100,000
Total Income	186,357	120,300
<b>LESS EXPENSES</b>		
Other Operating Expenses	73,173	44,693
<b>TOTAL EXPENSES</b>	73,173	44,693
<b>NET SURPLUS TRANSFERRED TO ACCUMULATED FUNDS</b>	113,185	75,607

This statement is to be read in conjunction with the Notes to the Financial Statements

# Motu Research and Education Foundation

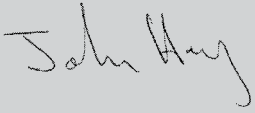
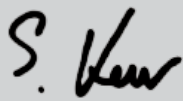
## Statement of Movements In Equity for the Year Ended 30 June 2012

	2012 \$	2011 \$
Net Surplus	113,185	75,607
Total recognised revenues & expenses	113,185	75,607
EQUITY AT START OF YEAR	403,086	327,479
EQUITY AT END OF YEAR	516,270	403,086

This statement is to be read in conjunction with the Notes to the Financial Statements

# Motu Research and Education Foundation

## Statement of Financial Position as at 30 June 2012

	Note	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and bank	3	79,780	224,420
Investments	3	461,916	110,000
Accounts Receivable		87,763	64,058
<b>Total Current Assets</b>		<b>629,459</b>	<b>398,478</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable		23,189	15,391
Income Received in Advance		90,000	90,000
<b>Total Current Liabilities</b>		<b>113,189</b>	<b>105,391</b>
<b>WORKING CAPITAL</b>		<b>516,270</b>	<b>293,086</b>
<b>NON-CURRENT ASSETS</b>			
Investments	3	-	110,000
<b>Total Non-Current Assets</b>		<b>-</b>	<b>110,000</b>
<b>NET ASSETS</b>		<b>516,270</b>	<b>403,086</b>
Represented by; Accumulated Funds		516,270	403,086
<b>EQUITY</b>		<b>516,270</b>	<b>403,086</b>
On behalf of board: Trustee:			
			
Director:			
			
Date: 12 February 2013			

This statement is to be read in conjunction with the Notes to the Financial Statements

# Motu Research and Education Foundation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2012

## 1. STATEMENT OF ACCOUNTING POLICIES

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

### Measurement Base

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

### Specific Accounting Policies

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

#### (a) Differential Reporting

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

#### (b) Revenue Recognition Policy

Income is recognised in the period it is earned.

#### (c) Patron Income

Patron income is recognised in the period of patronage

#### (d) Goods & 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.

#### (g) Investments

Term deposits are classified as Investments where they have a maturity date greater than three months from acquisition. All term deposits are entered into with the intention of holding to maturity. Any term deposits with a maturity date greater than twelve months after balance date are therefore classified as non-current.

## 2. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2011:\$0). Motu Research and Education Foundation has not granted any securities in respect of liabilities payable by any other party whatsoever.

# Motu Research and Education Foundation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2012

## 3. CASH AND TERM DEPOSIT INVESTMENTS

		<b>2012</b>	<b>2011</b>
<b>CASH</b>		<b>\$</b>	<b>\$</b>
ANZ National Bank - Current Account		62,236	4,607
ANZ National Bank - Call Account		17,544	219,813
		<hr/> 79,780	<hr/> 224,420
<b>TERM DEPOSIT INVESTMENTS</b>			
<u>Westpac</u>			
<u>Investment Number</u>	<u>Maturity</u>		
# 0001	2/28/2013	57,993	-
# 0002	28/12/2012	59,930	-
# 0003	28/09/2012	58,000	-
# 0004	31/12/2012	58,000	-
# 0005	30/04/2013	57,993	-
<u>ANZ National Bank</u>			
<u>Investment Number</u>	<u>Maturity</u>		
# 1001		-	110,000
# 1002	02/07/2012	110,000	110,000
# 1003	15/11/2012	60,000	-
		<hr/> 461,916	<hr/> 220,000
Classified as:			
Current		461,916	110,000
Non-Current		-	110,000
		<hr/>	<hr/>
<b>TOTAL CASH &amp; TERM DEPOSIT INVESTMENTS</b>		<b>541,696</b>	<b>444,420</b>

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

## 4. SUBSIDIARY ENTITY & RELATED PARTY

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

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



# Motu Economic and Public Policy Research Trust and Group

Financial Reports for the Year Ended 30 June 2012

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Trustees of Motu Economic and Public Policy Research Trust and Group**

**Report on the Financial Statements**

We have audited the financial statements of Motu Economic and Public Policy Research Trust and Group on pages 59 to 66, which comprise the statement of financial position as at 30 June 2012, and the statement of changes in equity, and statement of financial performance for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

**Board of Trustees Responsibility for the Financial Statements**

The Board of Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

**Opinion**

In our opinion, the financial statements on pages 59 to 66, present fairly, in all material respects, the financial position of Motu Economic and Public Policy Research Trust and Group as at 30 June 2012, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



# Motu Economic and Public Policy Research Trust and Group

## Statement of Financial Performance for the Year Ended 30 June 2012

	Note	2012 Group \$	2012 Parent \$	2011 Group \$	2011 Parent \$
<b>INCOME</b>					
Research Grants		2,129,404	2,145,743	2,485,895	2,485,895
Interest Received		115,263	93,405	100,374	82,774
Patron Income and Donations		85,000	-	100,000	-
Other Income		61,509	7,009	11,511	8,811
<b>Total Income</b>		<b>2,391,176</b>	<b>2,246,157</b>	<b>2,697,779</b>	<b>2,577,479</b>
<b>LESS EXPENSES</b>					
Personnel		1,190,113	1,190,113	1,092,478	1,092,478
Research Project Costs		574,474	574,474	921,363	921,363
Dissemination Expenses		3,000	3,000	7,000	7,000
Audit Fees		17,602	16,602	10,237	10,237
Depreciation	6	30,774	30,774	46,449	46,449
Loss on Sale		-	-	5,187	5,187
Rent & Outgoings		89,780	89,780	85,000	85,000
Other Operating Expenses		224,738	168,904	219,976	175,283
<b>Total Operating Expenses</b>		<b>2,130,481</b>	<b>2,073,647</b>	<b>2,387,690</b>	<b>2,342,997</b>
<b>SURPLUS</b>		<b>260,695</b>	<b>172,510</b>	<b>310,090</b>	<b>234,483</b>
<b>OTHER EXPENSES</b>					
Senior Fellow Research Accounts	9	43,759	43,759	7,599	7,599
Donation to Motu Research and Education Foundation		-	25,000	-	-
<b>TOTAL EXPENSES</b>		<b>2,174,240</b>	<b>2,142,406</b>	<b>2,395,289</b>	<b>2,350,596</b>
<b>NET SURPLUS</b>		<b>216,936</b>	<b>103,751</b>	<b>302,491</b>	<b>226,883</b>

This statement is to be read in conjunction with the Notes to the Financial Statements

# Motu Economic and Public Policy Research Trust and Group

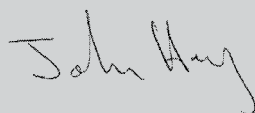
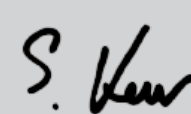
## Statement of Movements in Equity for the Year Ended 30 June 2012

	2012 Group \$	2012 Parent \$	2011 Group \$	2011 Parent \$
Net Surplus	216,936	103,751	302,491	226,883
Total recognised revenues & expenses	216,936	103,751	302,491	226,883
<b>EQUITY AT START OF YEAR</b>	1,528,471	1,125,385	1,225,980	898,502
<b>EQUITY AT END OF YEAR</b>	<b>1,745,407</b>	<b>1,229,136</b>	<b>1,528,471</b>	<b>1,125,385</b>
<b>SENIOR FELLOW RESEARCH RESERVE</b>				
Opening Senior Fellow Research Reserve	122,654	122,654	47,753	47,753
Plus Transfers from Accumulated Funds	193,750	193,750	82,500	82,500
Less Allocation spent	-43,759	-43,759	-7,599	-7,599
Closing Senior Fellow Research Reserve	272,645	272,645	122,654	122,654
<b>ACCUMULATED FUNDS</b>				
Opening Accumulated Funds	1,405,817	1,002,731	1,178,227	850,749
Net Surplus	216,936	103,751	302,491	226,883
Less: Allocation to Senior Fellow Research Reserve	-176,344	-176,344	-82,500	-82,500
Plus: Allocation spent	26,353	26,353	7,599	7,599
<b>CLOSING ACCUMULATED FUNDS</b>	<b>1,472,762</b>	<b>956,491</b>	<b>1,405,817</b>	<b>1,002,731</b>

This statement is to be read in conjunction with the Notes to the Financial Statements

# Motu Economic and Public Policy Research Trust and Group

Statement of Financial Position as at 30 June 2012

	Note	2012 Group \$	2012 Parent \$	2011 Group \$	2011 Parent \$
<b>CURRENT ASSETS</b>					
Cash and bank	4	268,611	188,830	499,608	275,188
Investments	4	1,478,024	1,016,108	793,539	683,539
Accounts Receivable		474,023	403,890	490,142	426,084
Work in Progress		43,487	43,487	9,774	9,774
<b>Total Current Assets</b>		<b>2,264,145</b>	<b>1,652,315</b>	<b>1,793,062</b>	<b>1,394,584</b>
<b>CURRENT LIABILITIES</b>					
Accounts Payable		230,286	224,727	258,657	243,266
Accrued Expenses		188,242	188,242	72,286	72,286
Income Received in Advance		610,625	520,625	1,095,263	1,005,263
<b>Total Current Liabilities</b>		<b>1,029,153</b>	<b>933,594</b>	<b>1,426,207</b>	<b>1,320,816</b>
<b>WORKING CAPITAL</b>		<b>1,234,992</b>	<b>718,721</b>	<b>366,855</b>	<b>73,768</b>
<b>NON-CURRENT ASSETS</b>					
Plant, Property & Equipment	5	55,416	55,415	71,617	71,617
Investments	4	455,000	455,000	1,090,000	980,000
<b>Total Non-Current Assets</b>		<b>510,416</b>	<b>510,415</b>	<b>1,161,617</b>	<b>1,051,617</b>
<b>NET ASSETS</b>		<b>1,745,407</b>	<b>1,229,136</b>	<b>1,528,471</b>	<b>1,125,385</b>
<b>Represented by;</b>					
Accumulated Funds		1,472,762	956,491	1,405,818	1,002,731
Senior Fellow Research Reserve	9	272,645	272,645	122,654	122,654
<b>EQUITY</b>		<b>1,745,407</b>	<b>1,229,136</b>	<b>1,528,471</b>	<b>1,125,385</b>
<b>On behalf of board:</b>					
<b>Trustee:</b>					
					
<b>Director:</b>					
					
Date: 12 February 2013					

This statement is to be read in conjunction with the Notes to the Financial Statements

# Motu Economic and Public Policy Research Trust and Group

## Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2012

### 1. STATEMENT OF ACCOUNTING POLICIES

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

#### **Consolidated Financial Statements**

The consolidated group financial statements comprise the following entities: Motu Economic and Public Policy Research Trust ("Trust") and Motu Research and Education Foundation ("Foundation"). The purchase method of consolidation whereby all inter-entity transactions and balances are eliminated, is used. Motu Research and Education Foundation was incorporated on 08 September 2006 and commenced operation in May 2007. The Foundation is controlled by the Trust as defined by FRS37 and so has been consolidated in accordance with the financial reporting standard. Refer to note 8.

#### **Measurement Base**

The generally accepted 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 and Group qualifies for the differential reporting as it is not publicly accountable and it is small. Motu Economic and Public Policy Research Trust and Group 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	10–48%
Office Equipment	40 015060%

All fixed assets are recorded at cost less accumulated depreciation.

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

##### **(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 & 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.

**(j) Investments**

Term deposits are classified as Investments where they have a maturity date greater than three months from acquisition. All term deposits are entered into with the intention of holding to maturity. Any term deposits with a maturity date greater than twelve months after balance date are therefore classified as non-current.

**Changes in Accounting Policies**

There has been no change 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 (2011:\$0). Motu Economic and Public Policy Research Trust and Group have not granted any securities in respect of liabilities payable by any other party whatsoever.

4. CASH AND TERM DEPOSIT INVESTMENTS

	2012 Group \$	2012 Parent \$	2011 Group \$	2011 Parent \$
<b>CASH</b>				
ANZ National Bank - Current Account	120,234	120,234	35,325	35,325
ANZ National Bank - Call Account	68,431	68,431	239,720	239,720
National Bank - US\$	-	-	25	25
ANZ National Bank - Current Account	62,236	-	4,607	-
ANZ National Bank - Call Account	17,544	-	219,813	-
Westpac Current Account	26	26	-	-
Petty Cash	138	138	118	118
	<hr/> 268,610	<hr/> 188,830	<hr/> 499,608	<hr/> 275,188

**Motu Economic and Public Policy Research Trust and Group**  
Notes to and Forming Part of the Financial Statements for the Year  
Ended 30 June 2012

		<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
		<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>TERM DEPOSIT INVESTMENTS</b>					
<u>Westpac</u>					
<u>Investment Number</u>	<u>Maturity</u>				
#002	13/12/2012	162,161	162,161		
#003	30/11/2012	125,000	125,000		
#004	31/05/2013	125,000	125,000		
#005	30/08/2013	120,000	120,000		
#006	29/11/2013	120,000	120,000		
#007	22/03/2013	64,473	64,473		
#008	05/10/2012	125,000	125,000		
#009	29/04/2013	64,473	64,473		
#0001	28/02/2013	57,993	-		
#0002	28/12/2012	59,930	-		
#0003	28/09/2012	58,000	-		
#0004	31/12/2012	58,000	-		
#0005	30/04/2013	57,993	-		
<u>ANZ National Bank</u>					
<u>Investment Number</u>	<u>Maturity</u>				
#1002	07/02/2012	110,000	-		
#1003	15/11/2012	60,000	-		
#1008	28/02/2012	150,000	150,000		
#1010	08/02/2013	125,000	125,000		
#1011	28/02/2014	107,500	107,500		
#1012	12/05/2014	107,500	107,500		
#1014	12/09/2012	75,000	75,000		
		<hr/>	<hr/>		
		1,933,023	1,471,107		
<u>Classified as:</u>					
Current		1,478,024	1,016,108		
Non-Current		455,000	455,000		
		<hr/>	<hr/>		
		1,933,024	1,471,108		
<b><u>TOTAL CASH AND TERM DEPOSIT INVESTMENTS</u></b>					
		<hr/>	<hr/>	<hr/>	<hr/>
		2,201,634	1,659,938	2,383,147	1,938,727

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 7.24%. This overdraft facility is secured by way of a term deposit held at ANZ National Bank.



## 5. PROPERTY, PLANT & EQUIPMENT

	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Furniture &amp; Fittings</b>				
At cost	73,447	73,447	71,966	71,966
Less Accumulated Depreciation	40,365	40,365	34,957	34,957
	<u>33,082</u>	<u>33,082</u>	<u>37,009</u>	<u>37,009</u>
	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Office Equipment</b>				
At cost	256,265	256,265	243,175	243,175
Less Accumulated Depreciation	233,933	233,933	208,568	208,568
	<u>22,333</u>	<u>22,333</u>	<u>34,607</u>	<u>34,607</u>
<b>Total Fixed Assets</b>	<b>55,415</b>	<b>55,415</b>	<b>71,617</b>	<b>71,617</b>

## 6. DEPRECIATION EXPENSE

	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Furniture & Fittings	5,409	5,409	6,234	6,234
Office Equipment	25,365	25,365	40,215	40,215
	<u>30,774</u>	<u>30,774</u>	<u>46,449</u>	<u>46,449</u>

## 7. OPERATING LEASE COMMITMENTS

	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Lease of premises at level 1, 93 Cuba Street, Wellington</b>				
Within 1 Year	85,000	85,000	85,000	85,000
1-2 Years	85,000	85,000	85,000	85,000
2-5 Years	0	0	85,000	85,000
	<u>170,000</u>	<u>170,000</u>	<u>255,000</u>	<u>255,000</u>
<b>Photocopier Lease</b>				
Within 1 Year	5,400	5,400	5,400	5,400
1-2 Years	5,400	5,400	5,400	5,400
2-5 Years	0	0	5,400	5,400
	<u>10,800</u>	<u>10,800</u>	<u>16,200</u>	<u>16,200</u>

## 8. SUBSIDIARY ENTITY & RELATED PARTY

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

## 9. SENIOR FELLOW RESEARCH ACCOUNTS

Distributions to the Senior Fellow Research Accounts are made after the surplus for the year has been finalised. Senior Fellows can use funds at their own discretion and expenses are recognised when incurred.

A Senior Fellow can use their reserve for research activity or any activity related to the achievement of Motu's purposes such as Travel Costs, Conference Fees, to fund Research Analysts, Data Costs, Books and Materials, and non-funded Senior Fellow time such as Sabbaticals. Any remaining balances are retained by Motu, should a Senior Fellow leave Motu's employ.

Reserves as at 30 June 2012 are made up as follows:

Andrew Coleman	40,263
Arthur Grimes	51,745
Dave Mare	61,894
Richard Fabling	430
Steve Stillman	47,137
Suzi Kerr	71,176
	<hr/>
	\$272,645

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