

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

# Annual Report

July 2006 – June 2007

MOTU

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

Patrons:



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# Introducing Motu

Motu Economic and Public Policy Research is New Zealand's leading non-profit economic and public policy research institute.

We are a fully independent non-profit organisation, which never advocates an expressed ideology or political position.

We undertake research on a range of economic and public policy issues that affect New Zealanders today. Our research can be divided into four broad categories: population and labour economics; economic geography and local markets; environmental regulation; and macroeconomics.

Specific research programmes are described in the Research and Dissemination section of this report. Each programme is led by one of our five senior researchers, all of whom have considerable research and public policy experience. All obtained their PhDs from top international universities, and most have worked in policy-related positions.

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

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

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

# Director's Report

Coming back from a wonderful year of sabbatical leave in Chile, I have been struck by how much Motu has grown in profile and in the depth of our research programmes over the last few years. Thank you to Rob McLagan, Pauline Hornblow and the senior fellows for safely steering the Motu ship in my absence.

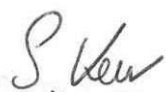
This last year our staff have produced 42 publications, of which 13 are in refereed journals. Nearly all are available on our website. We have given nearly 50 presentations to a wide range of audiences including several invited plenary talks. Arthur Grimes' work on housing received extensive media coverage, and we have achieved notable success in obtaining funding from both the Foundation for Research Science and Technology and the Royal Society Marsden Fund.

We are matching this strong development in our core research with significant new developments in two key areas, private sector engagement and communication. The establishment of the Motu Research and Education Foundation and extensive support from our trustees, particularly Colin James, Rod Deane, and Keith Turner, has helped us to expand our vision for Motu as an institute that has the resources to initiate research on fundamental issues for New Zealand's future, even if they do not mesh with current political and funding priorities. We are exploring new ways that we can benefit from private sector experience and learning how we can work more closely with the private sector to further the common causes of New Zealand as a whole.

Our Climate Change Policy Dialogue Group and Nutrient Trading Study Group are experiments in how we can communicate complex technical information (from both economics and natural sciences) to key, primarily non-governmental, stakeholders and incorporate their perspectives in fundamental policy design. Each group involves a small committed group of open-minded people working "under the radar" to make positive contributions to policy design. These processes, and the resultant pressure to cross the line between informing and advocating, have forced us to think ever more closely about our non-advocacy role and the need for our researchers to have independence in defining and carrying out research.

Growth in Motu's status as a research institute has led us to begin a significant effort to upgrade our communications. Jessica Bell was employed as our communications officer in March. She has upgraded all aspects of our image and has nearly completed an overhaul of our website to make it more attractive and user-friendly. We are now exploring new ways to be more proactive in disseminating our research to a wider audience.

We are proud that Melanie Morton has started a PhD programme at Yale and Izi Sin is doing well at Stanford. We enjoyed having Dale Warburton as our Maori intern/scholarship recipient over summer and are following his research with interest. Thanks to many people from various runanga and universities who helped us identify a strong pool of applicants. We are now looking forward to an exciting year of excellent research and significant growth in New Zealand's economic and public policy research capacity.



Dr Suzi Kerr

# Chairman's Report

There is a saying in the tailoring business: “Never mind the width, feel the quality”. I have often thought, during my six years of association with Motu, that it applies aptly to that organisation too. Never have its members compromised economic rigour and analysis with any search for “market share”. Never has Motu gone for growth at the expense of excellence.

This year, once again, we see a flow of high quality reports on questions to do with the environment, housing, labour mobility, productivity, and infrastructure. Motu staff and visitors continue to give stimulating and well-attended public policy talks, and its researchers have again been successful in winning major research funding.

Nevertheless, Motu continues to evolve. In this its seventh year, we have seen the return of Director and Senior Fellow Suzi Kerr to replace Acting Director Rob McLagan who did an outstanding job during her absence. Grant Scobie has retired from the Board after stewarding Motu through its critical early years. His vast experience as an outstanding economist himself, director of an international agricultural research agency, and a senior member of the New Zealand Treasury, has seen Motu grow surely and steadily in stature and recognition. I will have a tough act to follow in succeeding him as Chair.

We also farewell Apryll Parata and Rod Deane, both of whom brought inestimable depth and breadth of experience to the board. This year we are joined by Linda Tuhiwai Smith from Waikato and Ritchie Poulton from Otago. Rod Deane's lasting legacy to Motu was to help it set up the Motu Research and Education Foundation, which has as its purpose to assist with the funding of independent research into public policy issues impacting on New Zealand's economic and social well-being and development. We would like also to acknowledge with gratitude the support of our patrons this year: ANZ National Bank, Aotearoa Fisheries Limited, Department of Building and Housing, Department of Labour, Fletcher Building, Mighty River Power, Ministry for the Environment, Ministry of Economic Development, and Telecom. The Foundation, which now manages the Motu Patron Programme, offers a vehicle for those who value Motu's independence to help maintain and strengthen it.

That independence is built on the most important members of Motu—its staff. The brunt of its work is borne by its senior fellows, but they in turn depend on the careful work of research analysts and on those towers of strength who keep Motu and its daily affairs running. It is a pleasure for all of us, not only to work with them, but also to share with them the pleasure of working in a team of good companions!



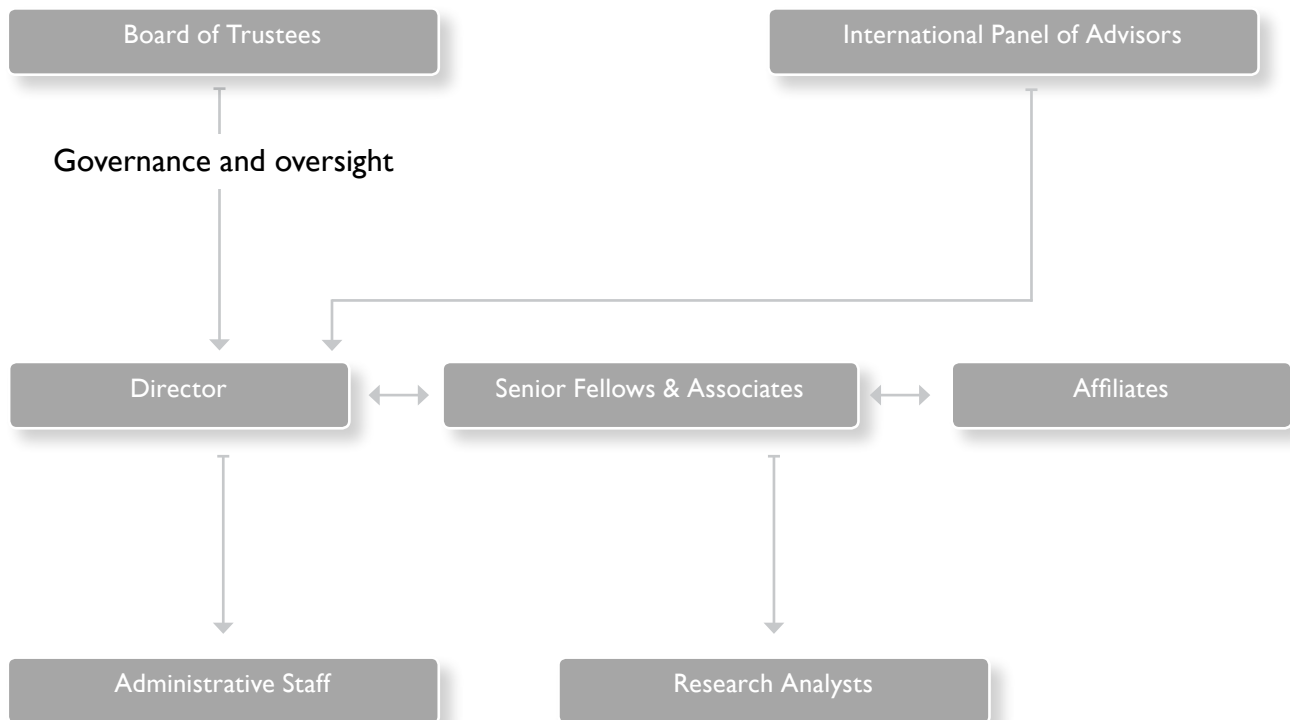
Dr Steve Thompson

# Motu Purposes and Structure

## Purposes

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

## Structure



# Board of Trustees



**Dr Steve Thompson**, Trustee and Chairperson

Steve has economics degrees from universities in Britain and Canada and holds a PhD in Agriculture. He is also a graduate of Canada's National Defence College and the Queen's University Programme for Public Executives. He was Chief Executive of the Foundation for Research, Science and Technology from 1997 to 2000 and Chief Executive of the Royal Society of New Zealand between 2000 and 2007. He is currently working with the British Government to develop commercially-oriented science links between the UK and New Zealand.



**Colin James**, Trustee since October 2004

Colin has been a political journalist for over 35 years and was named political columnist of the year in 2003. He writes a weekly political column in the *New Zealand Herald* and a monthly column in *Management Magazine*, is an occasional commentator on radio and television, and is the New Zealand correspondent for *Oxford Analytica*. He has written six books, has presented seminars and lectures on politics and has held several university fellowships, including the JD Stout Research Fellowship at Victoria University in 1991 and the inaugural New Zealand Fellowship at the Centre for Comparative Constitutional Studies at Melbourne University in 1993. He is also managing director of The Hugo Group, a forecasting group with around 90 corporate groups at CEO level.



**Professor Linda Tuhiwai Smith**, Trustee since 2007

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



# Board of Trustees



## *Professor Richie Poulton*, Trustee since 2007

After qualifying as a clinical psychologist at the University of Otago, Richie completed a PhD at the University of New South Wales, Sydney, Australia. Since 2000, he has been Director of the University of Otago's Dunedin Multidisciplinary Health and Development Research Unit, which conducts the Dunedin longitudinal study, one of the most detailed studies of human health and development ever undertaken. His major areas of research interest include developmental psychopathology, gene-environment interaction in the prediction of multifactorial disorders, and psychosocial determinants of chronic physical disease. He has published more than 120 peer-reviewed scientific papers, with many appearing in leading international journals, and he maintains numerous international research collaborations. In 2006, he was made Research Professor and awarded a Personal Chair by the University of Otago. He is a current board member of the New Zealand Health Research Council, and serves on many other governmental and academic statutory bodies. In 2004, he was awarded the New Zealand Association of Scientists' Research Medal and the Health Research Council of New Zealand's (inaugural) Liley Medal for Excellence in Health Research.

# Senior Fellows and Associates



*Suzi Kerr*, Director and Senior Fellow

Suzi graduated from Harvard University in 1995 with a PhD in Economics. Between 1995 and 1998, she was an assistant professor at the University of Maryland. She has also been a visiting scholar at the Massachusetts Institute of Technology (MIT) and at Resources for the Future (RFF). Her current research focuses on the design and integrated evaluation of market-based instruments for environmental protection with a special emphasis on greenhouse gas emissions trading (domestically and internationally with an emphasis on land-use related emissions); water quality (with a current project in the Lake Rotorua catchment); and the New Zealand Fisheries individual transferable quota (ITQ) system. She is the programme leader for Motu's Nutrient Trading and Water Quality research project (funded by the New Zealand Foundation for Research Science and Technology (FRST)), and the Integrated Economics of Climate Change, also funded by FRST.



*David C. Maré*, Senior Fellow

David completed his PhD in Economics at Harvard University in 1995, specialising in labour and public economics. His current research interests include issues of economic geography, particularly the role of agglomeration, and the ways that local markets adjust over time; the economics of migration; and the dynamics of labour market outcomes for workers, firms, and for the aggregate labour market. David is an applied econometrician with particular interests in panel data methods and approaches to causal inference. Prior to joining Motu, David held various positions in the New Zealand Department of Labour, including research manager and adviser, and policy analyst. He is the research leader of Motu's FRST-funded project Adjustment and Inequality.



*Steven Stillman*, Senior Fellow

Steven received a PhD in Economics from the University of Washington in 2000 and is an affiliated research fellow at the Institute for the Study of Labor (IZA), the Centre for Research and Analysis of Migration (CReAM), and the William Davidson Institute. Before joining Motu, Steven worked as a senior research economist at the New Zealand Department of Labour and was a postdoctoral fellow at the RAND Corporation. Steven's research focuses on empirical labour economics, specialising in the behaviour of individuals and households. In recent research, he has examined the impact of immigration on the geographic mobility and labour market outcomes of New Zealanders; the impact of migration to New Zealand on the income and health of Pacific Islanders; retirement behaviour among older Australians; and the effect of economic shocks in Russia on household consumption, individual nutrition, and overall living standards. Steven is broadly interested in research on migration, health, nutrition, education, household decision-making, and inequality.

# Senior Fellows and Associates



## *Arthur Grimes*, Senior Research Associate

Arthur completed his PhD in Economics at the London School of Economics in 1987. He received a number of academic prizes and awards, including the Ely Devons Prize for best student in MSc (Econ), the Robert McKenzie Prize for Outstanding Performance in MA, MSc, MPhil, and PhD degrees, and the Sayers Prize for Distinguished Thesis in Monetary Economics. Before joining Motu, Arthur was Director of the Institute of Policy Studies, Victoria University of Wellington, and had prominent roles at the Reserve Bank of New Zealand and National Bank of New Zealand. He has published papers on finance, banking, monetary, macroeconomic, and economic reform topics in international academic journals, and has contributed to many policy and practitioner journals. Arthur is chair of the board of the Reserve Bank of New Zealand and Adjunct Professor of Economics at the University of Waikato.



## *John Gibson*, Senior Research Associate

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

# International Advisory Panel



**A. Denny Ellerman**, Massachusetts Institute of Technology

Denny is a leading energy economist and is recognised internationally as an authority on emissions trading. He is a Senior Lecturer at MIT's Sloan School of Management and the former Executive Director of the MIT Joint Program on the Science and Policy of Global Change and the Center for Energy and Environmental Policy Research. His current research interests focus on the European Union's CO<sub>2</sub> Emissions Trading Scheme. Denny is co-author with Sloan School colleagues of *Markets for Clean Air: The US Acid Rain Program* and co-editor of the recently released *Allocation in the European Emissions Trading Scheme: Rights, Rents, and Fairness*. He has a PhD in Political Economy and Government from Harvard University.



**Edward Glaeser**, Harvard University

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



**Stephen Jenkins**, Institute for Social and Economic Research

Stephen is a Professor of Economics at the Institute for Social and Economic Research (ISER), University of Essex. His research interests are in applied economics from a longitudinal perspective, with particular reference to the distribution of income and its redistribution through taxation, social security, and the labour market. He is also interested in the measurement of inequality and poverty, modelling labour supply, and social security benefit spell durations. Stephen did his undergraduate degree at the University of Otago and received a PhD from York University in 1983.



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

Wally is a University Fellow in the Resources for the Future's Energy and Natural Resources division and a Professor of Economics at the University of Maryland, College Park. His primary research and teaching interests are in public finance, with a particular emphasis on fiscal federalism and state-local finance, and environmental economics. Currently his research efforts address the international dimensions of environmental policy and issues concerning fiscal decentralisation in both industrialised and developing countries. He has a PhD from Stanford University.

# Affiliates



**Andrew Coleman**, Reserve Bank of New Zealand

Andrew is a senior advisor at the Reserve Bank. Before taking up this position, he was Assistant Professor of Economics at the University of Michigan where he taught economic development and international finance. He has also worked at the New Zealand Treasury and the United Building Society. During 2004 he took a six-month sabbatical at Motu. He has a PhD in Economics from Princeton University.



**Deborah Cobb-Clark**, Australian National University

Deborah is Head of Department of the Economics Programme at the Research School of Social Sciences at the Australian National University. Deborah has extensive experience evaluating the effects of health, labour market, income-support and immigration policy both within Australia and internationally. In addition to reports for government agencies, she has published extensively on the subject of immigration, sexual harassment, health, old-age support and promotion in international journals, including the *American Economic Review*, the *Journal of Labor Economics*, the *Journal of Human Resources*, and the *Journal of Population Economics*. Deborah is an associate editor for the *Journal of Population Economics*.



**Richard Fabling**, Ministry of Economic Development

Richard joined the Ministry of Economic Development's Strategy Group in 2002. His job focuses on improving the Ministry's understanding of the economic growth process, and on developing the economic strategy of the organisation. His current research interest is in describing and understanding the performance of firms, and the application of this understanding to issues of public policy. Prior to working at the Ministry, Richard worked at Tokyo-Mitsubishi International in London and, before that, the New Zealand Treasury. Richard holds a doctorate from the University of Waikato in Applied Mathematics (Magnetohydrodynamics). He has published in both economics and astrophysics though not, as yet, simultaneously.



**Viv Hall**, Victoria University of Wellington

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

# Affiliates



## *Dean Hyslop*, The New Zealand Treasury

Dean is Principal Advisor in the State Sector Performance Group of the New Zealand Treasury. Before joining the Treasury, he was an Assistant Professor at the University of California, Los Angeles (UCLA), and has been a visiting research fellow in the Center for Labor Economics at UC Berkeley, and at the University of Melbourne. His research interests are in labour markets and applied econometrics. Dean's recent papers include estimating the dynamic treatment effect of an earnings subsidy to long-term welfare recipients, understanding recent changes in New Zealand's income distribution, estimating the effect of inflation on nominal wage rigidity, modelling the behaviour of public sector disputants under an arbitration system, and measuring the impact of arbitration provisions on wage levels. Dean is currently working on Linked Employer–Employee Database (LEED) research at Statistics New Zealand. He has a PhD from Princeton University.



## *Sholeh Maani*, University of Auckland

Sholeh is an Associate Professor of Economics at the University of Auckland. Her fields of interest are economics of the labour market, public policy, applied econometrics, and economic development. Her researched and published works include human capital and wage determination, participation in higher education, determinants of academic performance, student loans, Māori education and income distribution, health and housing, migration, compensation for risk, and intergenerational economic effects. As a specialist in economics of education and labour markets, she has served as a research advisor on labour market research and policy in New Zealand and overseas. She has an ongoing interest in the economics of higher education, and is the author of *Investing in Minds: The Economics of Higher Education in New Zealand* (Institute of Policy Studies, 1997). She has been a member of the Royal Society of New Zealand, Social Science Advisory Committee, 2001–2003, and has served as the president of the New Zealand Association of Economists. Sholeh has a PhD from the University of Illinois.



## *Tim Maloney*, University of Auckland

Tim is Associate Professor and Deputy Head of the Economics Department at the University of Auckland. Before joining the department in 1991, he held academic positions in the United States at the University of Missouri and Bowdon College. His fields of interest are labour economics, applied econometrics, and policy evaluation. Tim has also served as a researcher at the New Zealand Treasury and the Institute of Policy Studies. He has published work on the labour supply of married women, job search, income inequality, the use of ability tests in employer screening, cognitive achievement and returns to education, economic reforms, intergenerational transmission of welfare dependence, and minimum wage effects. His recent publications have appeared in the journals *Economica*, *Labour Economics*, *Australian Economic Papers*, *International Journal of Manpower* and *New Zealand Economic Papers*.

# Affiliates



**Philip McCann**, University of Waikato

Philip is Professor of Economics at the University of Waikato. In 2002 he was given the Hewings Award for outstanding scholarship by the North American Regional Science Association; he is the only non-North American to win this award. Philip has published over 70 books, journal articles and book chapters in a range of economics, regional science, and engineering journals. His book *Urban and Regional Economics* (2001, Oxford University Press) is the world's best-selling book in the field, used in over 20 countries, and has already been translated three times. In addition, two of Philip's other books have been translated twice.



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

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



**Richard Newell**, Duke University

Richard is the Gendell Associate Professor of Energy and Environmental Economics at the Nicholas School of the Environment and Earth Sciences, Duke University. He is a university fellow and currently a visiting scholar at Resources for the Future. He recently served as the Senior Economist for energy and environment on the President's Council of Economic Advisers. He is a member of the National Academy of Sciences (NAS) Committee on National Science Foundation Innovation Inducement Prizes, the NAS Committee on Energy R&D, the National Petroleum Council Global Oil and Gas Study Committee, the Advisory Board of the Automotive X-Prize, and the editorial board of the journal *Energy Economics*. He has served as an independent expert reviewer and advisor for governmental, non-governmental, international, and private institutions including the National Commission on Energy Policy and others. Richard's research centres on the economics of markets and policies for energy and related technologies, particularly the cost and effectiveness of alternatives for reducing greenhouse gas emissions and achieving other environmental and energy goals. He has published in major economics journals and has contributed articles for widely disseminated publications such as "Technological change and the environment" for the *Handbook of Environmental Economics* and "Economics of energy efficiency" for the *Encyclopedia of Energy*. He holds a PhD from Harvard University.

# Affiliates



## *Jacques Poot*, University of Waikato

Jacques is Professor of Population Economics at the University of Waikato. Jacques studied econometrics at the Free University Amsterdam and has a PhD from Victoria University of Wellington, where he held various academic positions between 1979 and 2003. He was also Foreign Professor at the University of Tsukuba in Japan (1994–97 and 2002). He is a correspondent (honorary fellow) of the Royal Netherlands Academy of Arts and Sciences, a member of the board of management of the Building Research Capability in the Social Sciences (BRCSS) network in New Zealand, and an external research fellow of the Centre for Research and Analysis of Migration (CRAM) in London. His research interests include all aspects of the economics of population (such as migration, fertility, labour force, and ageing) and especially the spatial dimension of these topics. He has also carried out research projects in various other areas, including meta-analysis, the geography of economic growth, the construction sector, transportation, housing, and forecasting. Jacques is a member of the editorial board of a number of international journals and from 1997 to 2006 was pacific editor of *Papers in Regional Science*.



## *James Sanchirico*, University of California at Davis

James is an Associate Professor in the Department of Environmental Science and Policy at the University of California at Davis and a university fellow at Resources for the Future (RFF). Before joining the UC Davis Faculty in 2007, James was a senior fellow at Resources for the Future. His research focuses on economic analysis of fishery policy design, implementation, and performance with a particular interest in analysing the ecosystem impacts of policies such as landing taxes, individual transferable quotas, limited entry, and marine protected areas. His other research interests include issues related to bioeconomic modelling, invasive species management, environmental policy, and land-use and biodiversity conservation. His methodological approaches include econometric analysis, spatial and intertemporal modelling, and simulation analysis. He is currently a member of the Science Advisory Board for the National Oceanographic and Atmospheric Administration in the Department of Commerce and is on the editorial councils for the *Journal of Environmental Economics and Management* and the *Journal of Agricultural and Resource Economics*. He has served on a US National Academy of Science panel and is a past associate editor of *Marine Resource Economics*. James received a PhD in Agriculture and Resource Economics from the University of California at Davis in 1998.



# Affiliates



## *Grant Scobie*, The New Zealand Treasury

Grant received his undergraduate degree from Massey University in Palmerston North. After completing a master's degree in Australia, he was awarded a PhD in Economics from North Carolina State University. His major areas of interest and research have been in the economics of research and development, agricultural research, international trade, and economic growth and development. As well as holding research positions in the Australian and New Zealand governments, Grant has been an associate professor of Economics in the United States, and was Professor of Economics and chair of the department at the University of Waikato. He served as a member of the Todd Commission on Funding Education and was a lay member of the High Court of New Zealand between 1993 and 1995. He has held a number of positions and consultancies with the Consultative Group for International Agricultural Research, and between 1995 and 1999 was Director-General of the International Centre for Tropical Agriculture in Colombia. Grant received the New Zealand Institute of Economic Research Economics Award for 2004. He joins a small but select group who have received this prestigious award. Grant is currently Principal Advisor in the Specialist Support Team in The New Zealand Treasury. He is a national board member for Save the Children and serves as chairman of their Audit and Risk Committee. Grant stepped down as a Motu trustee and chairperson in October 2006, positions he had held since September 2000.



## *Malathi Velamuri*, Victoria University of Wellington

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

# Research and Dissemination

*The following section reports on Motu's activities in its four major research areas:*

*Population and labour economics*

*Economic geography and local markets*

*Environmental regulation*

*Macroeconomics*

Information about our research programmes is available on our website: [www.motu.org.nz](http://www.motu.org.nz)

## *Population and labour economics*

Motu researchers continue to examine a range of topics in the field of population and labour economics. We have continued our work on labour market dynamics, education, income distribution, primary health care utilisation, retirement behaviour, and firm concentration. This year we have strengthened our work on immigration, which consists of two projects, the Pacific Island–New Zealand Migration Survey and the Impact of Immigration on New Zealanders, both of which have programme funding from the Royal Society of New Zealand Marsden Fund and additional funding from the Department of Labour.

## **Adjustment and inequality**

Our Adjustment and Inequality research programme forms the core of our population and labour economics research, and our research on local markets. It encompasses several of the research streams listed under separate headings below. This programme is designed to greatly expand general understanding of the determinants and dynamics of socio-economic outcomes. The three main objectives of work within this programme are to understand the way that geographic communities adjust to change; to identify the determinants of unequal opportunities and outcomes; and to enhance New Zealand research infrastructure to pursue these objectives.

To achieve these objectives, we are undertaking high-quality research on specific topics. We are also enhancing the value of existing research efforts by promoting our activities in coordination, communication, and infrastructure development. We are working to promote dialogue and share insights among researchers taking different approaches to related questions. This will strengthen the contribution of ongoing socio-economic research to understand what factors determine the well-being of individuals, families, and communities in Aotearoa New Zealand.

### *Researchers*

Motu: David Maré, Arthur Grimes, Steven Stillman, Sylvia Dixon, Andrew Aitken, Yun Liang, Melanie Morten

University of Auckland: Tim Maloney, Sholeh Maani

Victoria University of Wellington: Malathi Velamuri

### *Funder*

Foundation for Research Science and Technology (FRST)

### *Publication*

Maani, Sholeh A.; Rhema Vaithianathan and Barbara Wolfe. 2006. "Inequality and Health: Is Housing Crowding the Link?" *Motu Working Paper 06-09*, Motu Economic and Public Policy Research, Wellington, New Zealand.

## Individual and household behaviour and outcomes

### *Income distribution*

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Our work in this area has focused on income transitions and on wealth differences between particular groups. We have worked on three projects—one examining child poverty in New Zealand, and movements into and out of poverty; one dealing primarily with earnings transitions for working-age adults; and a third examining the wealth gap between immigrants and the New Zealand-born. Work on these is still under way. We have also published previous work on Maori incomes and income inequality.

#### *Researchers*

Motu: David Maré, Joanna Hendy, Steven Stillman, John Gibson

New Zealand Department of Labour: Sylvia Dixon

The New Zealand Treasury: Trinh Le, Ron Crawford

#### *Funders*

FRST (through Adjustment and Inequality programme)

#### *Publications*

Dixon, Sylvia and David C. Maré. 2006. “Understanding Changes on Māori Incomes and Income Inequality 1997–2003,” *Journal of Population Economics* 20:3, pp. 571-598.

#### *Presentation*

“What Explains the Wealth Gap between Immigrants and the New Zealand Born?” New Zealand Association of Economists Annual Conference, Christchurch, New Zealand, June 2007.

### *Education*

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This year we have examined recent changes in labour market outcomes for young people with post-school qualifications to identify the impact of the changing labour market for different fields of study. In addition, we have looked at how changes in the demand for and supply of different levels of qualification have affected the value of New Zealand’s human capital. We have contributed to the Ministry of Education’s planning for analysing data from the upcoming Adult Literacy and Life Skills Survey, and have completed work on trends in youth activity in New Zealand over the last 20 years.

#### *Researchers*

Motu: David Maré, Steven Stillman, Yun Liang

New Zealand Department of Labour: Sylvia Dixon

The New Zealand Treasury: Dean Hyslop

#### *Funders*

FRST (through Adjustment and Inequality programme), Ministry of Education, Department of Labour (Future of Work Contestable Fund and contract funding)

#### *Publications*

Maré, David C. and Yun Liang. 2006. “Labour Market Outcomes for Young Graduates. Part A: Main Report and Part B: Field of Study Profiles,” *Motu Working Paper 06-06*, Motu Economic and Public Policy Research, Wellington, New Zealand.

Stillman, Steven. 2006. “Trends in Youth Activity in New Zealand from 1985–2004,” Department of Labour Working Paper (July).

#### *Presentations*

“Labour Market Outcomes for Young Post School Graduates,” Department of Labour Seminar, Wellington, August 2006.

“Trends in Youth Activity in New Zealand from 1985–2004,” Department of Labour Informal Seminar, Wellington, July 2006.

## *The impact of crime*

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This research collaboration uses the Household, Income and Labour Dynamics in Australia (HILDA) data set to examine the characteristics of crime victims and individuals that have been incarcerated. We also consider the impact of these events on a variety of labour market outcomes, health measures, and general measures of happiness and satisfaction.

### *Researchers*

Motu: Steven Stillman

Victoria University of Wellington: Malathi Velamuri

### *Funder*

Ministry of Justice

### *Publication*

Velamuri, Malathi and Steven Stillman. 2006. "The Cost of Crime," Report to the New Zealand Ministry of Justice (July).

### *Presentation*

"Longitudinal Evidence on the Impact of Incarceration on Labour Market Outcomes and General Well-Being," Population Association of America Annual Conference, New York, March 2007.

## *Intrahousehold living arrangements*

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Our work so far in this area has examined the living arrangements of Pacific Islanders in the Pacific Islands Families Study jointly with researchers at the Families Commission.

### *Researcher*

Steven Stillman

### *Funder*

Families Commission

### *Publication*

Poland, Michelle; Janis Paterson, Sarnia Carter, Wanzhen Gao, Lana Perese and Steven Stillman. 2007. "Pacific Islands Families Study: Factors associated with living in extended families one year on from the birth of a child," *Kotuitui: New Zealand Journal of Social Sciences Online* 2:1 (June).

## *Retirement behaviour*

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This research collaboration uses the Household, Income and Labour Dynamics in Australia data set to examine the impact of health shocks, job loss, and changes in household composition on the expected age of retirement for older workers. Economic shocks can pose particular problems for workers nearing retirement as they may be left financially unprepared to retire as early as they had hoped. If we understand how workers plan for retirement, we can assess how much of the transition to retirement is voluntary or involuntary.

### *Researchers*

Motu: Steven Stillman

Australian National University: Deborah Cobb-Clark

### *Funder*

Department of Family and Community Services, Australia

### *Publication*

Cobb-Clark, Deborah and Steven Stillman. 2006. "The Retirement Expectations of Middle-Aged Individuals," *IZA Discussion Paper* 2449.

### *Presentation*

“The Retirement Expectations of Middle-Aged Individuals,” Australian Department of Families, Community Services and Indigenous Affairs Social Policy Research Workshop, Canberra, Australia, November 2006.

### *Primary health care utilisation*

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The Health Research Council is funding this research collaboration. It uses data from the 1996/97 and 2002/03 New Zealand Health Surveys to examine the impact of fees charged by primary health care providers on access to and use of primary and secondary health care, and on a variety of health outcomes. We use an economic model of the demand for health to derive an empirical model of the relationship between fees, primary and secondary care utilisation, and health outcomes. Regression analysis is then used to estimate this model, controlling for a range of socio-economic factors that may influence health decisions, in order to isolate the direct effect of fees on health care usage and health outcomes.

### *Researchers*

Motu: Steven Stillman, Yun Liang

Health Services Research Centre, Victoria University of Wellington: Jackie Cumming, Antony Raymont

Massey University: Amohia Boulton

University of Auckland: Gregor Coster

### *Funders*

Health Research Council of New Zealand, Ministry of Health

## **Migration**

### *Pacific Island–New Zealand Migration Survey*

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The Pacific Island–New Zealand Migration Survey (PINZMS) is a comprehensive cross-country household survey designed and implemented by Steven Stillman, John Gibson, David McKenzie, Halahingano Rohorua, and Azmat Gani to measure multiple aspects of the migration process. The topics covered by the survey include household demographics, labour supply, income, asset ownership, food consumption, subjective and objective measures of health status, remittance transfers, expectations of future income and of future remittance patterns, and other questions about links between migrants and their families. The unique feature of PINZMS is that it is based on a special immigration category called the Pacific Access Category (PAC), which allows annual quotas of Pacific Islanders to emigrate to New Zealand without going through the usual immigration categories used for other groups, such as skilled migrants. More than ten times as many applications are received as the quota allows, so ballots are used by the New Zealand Department of Labour Immigration Service to randomly select participants.

PINZMS collects data from five groups of households:

- migrant households in New Zealand who were successful participants in particular PAC ballots
- households who were successful participants from the same ballots but who had not yet migrated
- households who were unsuccessful participants from the same ballots
- households who had never entered the particular ballots and who were sampled from the same villages as the PAC applicants
- households who were family members of the immigrants in New Zealand.

Collecting data on these five groups allows us to:

- generate experimental estimates of the impact of migration by comparing outcomes for migrants with those for individuals who applied to migrate, but whose names were not drawn in the ballot, allowing for the fact that some people whose names were drawn did not end up migrating
- examine migrant self-selection by comparing characteristics of individuals who apply to migrate with non-applicants from the same villages
- examine the effect of emigration on the family members of the immigrants and on the communities in which these family members reside.

More information on this project is available at [www.pacificmigration.ac.nz](http://www.pacificmigration.ac.nz).

#### *Researchers*

Motu: Steven Stillman, John Gibson

World Bank: David McKenzie

University of Waikato: Halahingano Rohorua

University of the South Pacific: Azmat Gani

#### *Funders/contributors*

The Royal Society of New Zealand Marsden Fund

New Zealand Department of Labour

World Bank

University of Waikato

#### *Publications*

Gibson, John and David McKenzie. 2007. "How Does an Ex-Ante Job Requirement on Labor Mobility Work? The Tongan–New Zealand Experience," forthcoming in C. Özden and M. Schiff (eds), *International Migration and Host Country Policy: Impact on Migrants and Development*, The World Bank.

McKenzie, David; John Gibson, and Steven Stillman. 2007. "A Land of Milk and Honey with Streets Paved with Gold: Do Emigrants have Over-Optimistic Expectations about Incomes Abroad?" *IZA Discussion Paper* 2788 (May).

Gibson, John; David McKenzie and Halahingano Rohorua. 2006. "How Cost Elastic are Remittances? Evidence from Tongan Migrants in New Zealand," *Pacific Economic Bulletin* 21:1, pp. 112-28.

McKenzie, David; John Gibson and Steven Stillman. 2006. "How Important is Selection? Experimental vs Non-Experimental Measures of the Income Gains from Migration," *World Bank Policy Research Working Paper No. 3906* (May).

Stillman, Steven; David McKenzie and John Gibson. 2006. "Migration and Mental Health: Evidence from a Natural Experiment," *BREAD Working Paper No. 123* (June).

#### *Presentations*

"The Impact of Immigration on Child Health: Experimental Evidence from a Migration Lottery Program," Canberra, Australia (December 2006), Bonn, Germany (May 2007), New York, US (May 2007).

"A Land of Milk and Honey with Streets Paved with Gold: Do Emigrants have Over-Optimistic Expectations about Incomes Abroad?" An International Perspective on Immigration and Immigration Policy Conference, Canberra, Australia, December 2006.

"Experimental Evidence on the Impact of Migration to New Zealand on the Health and Wealth of Pacific Islanders," Motu Public Policy Seminar, Wellington, New Zealand, August 2006.

#### *The impact of immigration on New Zealanders*

Despite the importance of immigration for the New Zealand population, the impact of immigration on the labour market opportunities of New Zealanders has yet to be investigated using microeconomic techniques. Funded by the Marsden Fund and the Department of Labour,

this research programme consists of a number of complementary analyses which aim to fill this knowledge gap. This year, we have nearly completed two papers from the research programme. The first examines the impact of immigration on the labour market outcomes of New Zealanders. The second examines the settlement patterns and geographic mobility of recent migrants to New Zealand. We have also started work on two new projects, the first of which examines the impact of immigration and population change on local housing markets, and the second of which examines the impact of immigration on innovation by local firms and the profitability of these businesses. As part of the Adjustment and Inequality research programme, we have examined how immigration affects the geographical location and mobility of New Zealanders.

Future research projects will examine whether immigrants are more responsive to local differences in labour market opportunities than the New Zealand-born and will examine the relationship between human capital and occupational choices for immigrants and how these evolve over time.

#### *Researchers*

Motu: Steven Stillman, David Maré, Melanie Morten

#### *Funders*

The Royal Society of New Zealand Marsden Fund, New Zealand Department of Labour

#### *Publications*

Stillman, Steven and David C. Maré. 2007. "The Impact of Immigration on the Geographic Mobility of New Zealanders," *Motu Working Paper 07-05*, Motu Economic and Public Policy Research, Wellington, New Zealand.

#### *Presentations*

"The Impact of Immigration on the Labour Market Outcomes of New Zealanders," Canberra, Australia (December, 2006), Wellington, New Zealand (May 2007), Auckland, New Zealand (May 2007), Christchurch, New Zealand (June, 2007).

"Settlement Patterns and the Geographic Mobility of Recent Migrants to New Zealand," New Zealand Association of Economists Conference, Christchurch, New Zealand, June 2007.

## Labour market performance

### *Labour market dynamics*

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Our research on labour market dynamics includes a range of projects examining the way that labour market outcomes evolve over time for workers and for firms, and also how the aggregate labour market adjusts over time.

The main project this year was an initial investigation of patterns of matching between workers and firms, using the Statistics New Zealand Linked Employer–Employee Database (LEED). The LEED programme is an innovative data development led by Statistics New Zealand, which integrates existing employer and employee information to provide new insights into how the labour market operates, and its relationship to business performance. Our work this year has revealed that high-paying firms disproportionately attract workers who would earn more wherever they work. We also found that employment growth brings in workers with lower-than-average earning capacity—an issue that we will examine in more detail in the coming year.

Other projects on labour market dynamics include an examination of benefit-to-work transitions, also using LEED data, and the publication of a previous year's project on changes in the youth labour market in response to minimum wage reforms.

### *Researchers*

Motu: Steven Stillman, David Maré  
The New Zealand Treasury: Dean Hyslop

### *Funders*

FRST, Contestable Departmental Research Pool through Department of Labour and Statistics  
New Zealand

### *Publications*

Hyslop, Dean and Steven Stillman. 2007. "Youth Minimum Wage Reform and the Labour Market," *Labour Economics* 14:2 (April), pp. 201-30.

Maré, David C. and Dean R. Hyslop. 2006. "Worker-Firm Heterogeneity and Matching: An Analysis Using Worker and Firm Fixed Effects Estimated From LEED," *Statistics New Zealand LEED Research Report*, Wellington, New Zealand.

Maré, David C. 2006. "Constructing Consistent Work-Life Histories: A Guide for Users of the British Household Panel Survey," *ISER Working Paper* 2006-39, Institute for Social and Economic Research, Colchester, Essex.

Stillman, Steven and Dean Hyslop. 2006. "Examining Benefit-to-Work Transitions Using Statistics New Zealand's Linked Employer-Employee Data," *Statistics New Zealand LEED Research Report*, Wellington, New Zealand (November).

### *Presentations*

"Adjustment in Local Labour and Housing Markets," New Zealand Association of Economists Conference, Christchurch, New Zealand, June 2007.

"The Impact of Economic Liberalisation on Local Communities: Evidence from New Zealand's Structural Reform," Wellington, New Zealand (May 2007), Christchurch, New Zealand (June 2007).

"Settlement patterns and the geographic mobility of migrants in New Zealand," Pathways, Circuits and Crossroads: New Research on Population, Migration and Community Dynamics, Wellington, New Zealand, May 2007.

"Firm Heterogeneity and Matching," Christchurch, New Zealand (June 2006), Wellington, New Zealand (September and November 2006).

### *Firm performance*

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We are collaborating with the Ministry of Economic Development using unit record data on firm practices and performance. Our other work on firm performance has focused on geographic productivity variations, and is reported on in the next section, "Economic geography and local markets".

### *Researchers*

Motu: Steven Stillman, Arthur Grimes  
The New Zealand Treasury: Dean Hyslop, Ron Crawford  
New Zealand Ministry of Economic Development: Richard Fabling  
New Zealand Department of Labour: Weshah Razzak  
Nick Bonner, Robin Johnson

### *Funders*

Contestable Departmental Research Pool through Department of Labour and Statistics New Zealand,  
Ministry of Economic Development



### *Publications*

Crawford, Ron; Richard Fabling, Arthur Grimes and Nick Bonner. 2006. "Determinants of National R&D and Patenting: Application to a Small, Distant Country," *MED Occasional Paper* 06-02, Ministry of Economic Development, Wellington, New Zealand.

Fabling, Richard and Arthur Grimes. 2006. "Practice Makes Profit: Business Practices and Firm Success", *Small Business Economics*, forthcoming; earlier version available as *MED Occasional Paper* 6-01, Ministry of Economic Development, Wellington, New Zealand

Johnson, Robin; Weshah A. Razzak and Steven Stillman. 2006. "Has New Zealand Benefited from its Investments in Research and Development?" *Applied Economics*, forthcoming.

## **Economic development**

### *Russia during transition*

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Because of increased globalisation in recent decades, many less-developed countries have become more integrated into world markets. This integration has brought a higher risk of exposure to economic fluctuations and, in some cases, dramatic economic crises. The economies of the former Soviet bloc have been especially volatile since the transition to market-based economies which began in the early 1990s. This research programme examines the impact of this economic transition on the well-being of the Russian population along a number of dimensions, and the coping strategies used by individuals and households to manage economic uncertainty.

### *Researchers*

Motu: Steven Stillman, John Gibson  
University of Colorado-Boulder: Randall Kuhn  
UCLA: Duncan Thomas  
The New Zealand Treasury: Trinh Le

### *Funder*

None

### *Publication*

Gibson, John; Steven Stillman and Trinh Le. 2007. "CPI Bias and Real Living Standards in Russia During the Transition," *Journal of Development Economics*, forthcoming.

## Economic geography and local markets

Motu researchers continue to examine a range of issues related to the interactions of location and economic activity. We have continued our work on local housing and labour markets, and this year have strengthened our work on the impacts of local infrastructure, with programme funding from a multi-year research grant from FRST.

### Housing markets

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We have undertaken several major projects relating to regional housing markets in New Zealand.

“Affordable housing in Nelson, Tasman and Marlborough: taking action” was published as the final paper within a programme that addressed the causes of housing affordability problems in the Nelson, Marlborough, and Tasman regions. This research was conducted jointly with researchers Kay Saville-Smith, Ruth Fraser, Bev James, Ralph Lattimore, Ian Mitchell and Steve O’Malley. The paper concentrated on developing relevant solutions to issues of housing affordability for the three regions. The project (funded by CHRANZ, the Ministry of Economic Development, and the Ministry of Social Development) resulted in government appointing a housing coordinator in these regions to action some of the suggested solutions. All six papers relating to the project were released publicly by CHRANZ in August 2006, and are available from their website: [www.chranz.co.nz](http://www.chranz.co.nz). They can also be accessed at: [www.motu.org.nz/housing.htm](http://www.motu.org.nz/housing.htm).

A second major stream of work examines house price, land price, and housing supply behaviour at territorial local authority level. Prior research on this subject (published as *Motu Working Paper 06-01*) was revised and presented to the American Real Estate and Urban Economics Association (AREUEA) conference in Chicago, January 2007.

A related stream of work specifically analysed new housing supply in the Auckland region over 2000 to 2005. This work, undertaken jointly with Ian Mitchell and Vicky Smith, was funded by CHRANZ, the Department of Building and Housing, and Housing New Zealand Corporation. The study found that increases in demand for housing had, in recent years, outstripped new supply resulting in a major increase in land and house prices across Auckland. Major supply constraints include a limited supply of land (in part due to zoning restrictions) and difficulties in the consents process, particularly its time-consuming nature. The report was released publicly by CHRANZ in March 2007, receiving considerable media attention. It is available on the CHRANZ website: [www.chranz.co.nz](http://www.chranz.co.nz).

Another stream of work examines the relationship between rents, house prices, and socio-economic characteristics of communities at the area unit level across New Zealand. We have found that more deprived areas tend to have relatively high rental yields (i.e. high rents relative to local house prices). For the period for which we have data (through to 2004) we find no evidence of a housing market bubble. The results of this work were published in *Motu Working Paper 07-01*.

In addition to these streams of work, an international journal paper based on work from previous years has been published.

#### Researchers

Motu: Arthur Grimes, Andrew Aitken  
CRESA: Kay Saville-Smith, Ruth Fraser  
Public Policy and Research: Bev James  
DTZ: Ian Mitchell, Steve O’Malley, Vicky Smith  
Ralph Lattimore (consultant economist)

#### Funders

Centre for Housing Research Aotearoa New Zealand (CHRANZ), Housing New Zealand Corporation, Department of Building and Housing, FRST (under the Adjustment and Inequality programme), Ministry of Economic Development, Ministry of Social Development

### *Publications*

Grimes, Arthur; Andrew Aitken, Ian Mitchell and Vicki Smith. 2007. "Housing Supply in the Auckland Region: 2000-2005," *Centre for Housing Research*, Aotearoa New Zealand, Wellington, New Zealand.

Grimes, Arthur and Andrew Aitken. 2007. "House Prices and Rents: Socio-Economic Impacts and Prospects," *Motu Working Paper 07-01*. Motu Economic and Public Policy Research, Wellington, New Zealand.

McLuskey, William; Andrew Aitken, Arthur Grimes, Suzi Kerr and Jason Timmins. 2006. "Rating Systems in New Zealand: An Empirical Investigation into Local Choice," *Journal of Real Estate Literature* 14:3, pp. 381-97.

Motu Project Team. 2006. "Affordable Housing in Nelson, Tasman and Marlborough: Taking Action," A Report for the Research Programme: "Affordable Housing in the Nelson, Tasman and Marlborough Regions: A Solutions Study", *Centre for Housing Research Aotearoa New Zealand*, Wellington.

### *Presentations:*

"Housing Supply and Price Adjustment," Chicago (January 2007), Auckland, New Zealand (May 2007).

### *Physical, technological and social infrastructure*

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The intention of our infrastructure programme is to examine the net benefit of at least eight major regional infrastructure investments across New Zealand and across different types of infrastructure. It builds on work conducted last year at Motu ("Modelling infrastructure productivity in New Zealand").

We have just completed year one of this four-year FRST-funded project during which we have been trialing some of our methods and data. A key methodology used in our work is to examine the changes in land values induced by a discrete infrastructure project. In our grant proposal, we noted that zoning regulations (e.g. restricting land use to rural rather than commercial/industrial or residential use) would complicate our analysis since agents could not necessarily optimise their use of a new infrastructure investment when constrained by zoning rules. We therefore had to address this issue prior to analysing a specific infrastructure case.

The resulting work has produced two papers. First, we have compiled a comprehensive annual database (since 1990) of land values—at meshblock level—for the seven territorial local authorities (TAs) of the greater Auckland region. This compilation entailed a large amount of data cleansing and development of methods to compare values across TAs and across years. This work is published as *Motu Working Paper 07-04*. These data are available for all future work on Auckland infrastructure within the programme.

The second paper is an analysis of the impacts of a key Auckland zoning regulation, the Metropolitan Urban Limit (MUL), on land prices within a spatial model of Auckland land prices. This work, forthcoming as a Motu working paper, was presented to the New Zealand Association of Economists conference in June 2007. It showed a very sizeable zoning effect on land values, in turn indicating that the modeling of infrastructure effects has to take these impacts explicitly into account. The first explicit analysis of infrastructure effects in this region, now underway, is an analysis of the impact of the Auckland Northern Motorway upgrade and extension.

We have also begun a further project: analysis of the effects in Canterbury of irrigation – specifically, of the impact of various types of water right on irrigated areas within Canterbury. Considerable data work is underway to underpin this project combining regional council water consents data with QVNZ land value data. There are surprisingly few international studies determining the value of such water rights, and so we expect strong interest in the results of this study which is especially relevant to regions impacted by drought and climate change.

### *Researchers*

Motu: Arthur Grimes, David Maré, Steven Stillman, Andrew Aitken, Yun Liang  
University of Waikato: Jacques Poot, Philip McCann

### *Funders*

FRST (four-year grant under its programme “Sustaining New Zealand’s Economic and Technological Development”)

### *Publications*

Grimes, Arthur and Yun Liang. 2007. “An Auckland Land Value Annual Database,” *Motu Working Paper* 07-04, Motu Economic and Public Policy Research, Wellington, New Zealand.

### *Presentations:*

“Spatial determinants of land prices in Auckland: Does the MUL have an effect?” Wellington, New Zealand (May 2007), Christchurch, New Zealand (June 2007).

## *Local labour markets*

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We have looked at how labour market outcomes vary across regions in New Zealand, with a particular focus on Auckland, and also at how different local labour markets have responded to change over recent decades.

We have undertaken three projects examining the geographic concentration of economic activity. First, we have described how geographically concentrated jobs are in New Zealand, and found that there is a moderate to high degree of concentration. Second, we looked at whether geographic concentration has a positive effect on firm productivity, as would be expected in the presence of local spillovers. We have found evidence of modest positive effects. Third, we have started work on a project asking whether worker earnings are related to the sort of people who live in the same local labour market.

We are currently completing a study of how local labour and housing markets adjust to area-specific changes in the demand for labour and have found that mobility of workers is the single most important means of adjustment. In related work, we have released a paper on a method for linking data that are not available at the same level of aggregation.

### *Researchers*

Motu: Arthur Grimes, Steven Stillman, David Maré, Jason Timmins, Melanie Morten, Andrew Aitken  
Victoria University of Wellington: Malathi Velamuri

### *Publications*

Lewis, Geoff and Steven Stillman. 2007. “Regional Economic Performance in New Zealand: How Does Auckland Compare?” *New Zealand Economic Papers* 41:1 (May), pp. 29-68.

Maré, David C. and Jason Timmins. 2006. “Geographic Concentration and Firm Productivity,” *Motu Working Paper* 06-08, Motu Economic and Public Policy Research, Wellington, New Zealand.

Grimes, Arthur; David C. Maré and Melanie Morten. 2006. “Defining Areas: Linking Geographic Data in New Zealand,” *Motu Working Paper* 06-07, Motu Economic and Public Policy Research, Wellington, New Zealand.

### *Presentations*

“Adjustment in Local Labour and Housing Markets,” New Zealand Association of Economists Conference, Christchurch, New Zealand, June 2007.

“The Long-Run Impact of New Zealand’s Structural Reform on Local Communities,” Wellington, New Zealand (August 2006), Christchurch, New Zealand (June 2007).

“Firm Concentration and Productivity,” Waikato University Economics Department seminar, Hamilton, New Zealand, November 2006.

## *Environmental regulation*

Our research in this area all relates to market-based instruments for environmental protection from varying perspectives and for different issues. To coordinate our own and others' work in this area we are developing a multi-disciplinary research programme that covers measurement of environmental values; design and ex ante comparison of policies (including projected costs and benefits); governance regimes and processes for building consensus and cooperation; and evaluation of actual policies. The programme aims to design and operate market-based instruments that effectively address climate change mitigation, fisheries management, water allocation and quality management, and protection and enhancement of biodiversity.

### *Programme coordinator*

Suzi Kerr (Motu)

### *Research leaders*

Water quality and quantity: Clive Howard Williams (NIWA)

Climate change: David Wratt (NIWA)

Biodiversity: Susan Walker (Landcare Research)

Fisheries: Alistair Dunne (NIWA)

Targets: Frank Scrimgeour (University of Waikato)

Policy design: Suzi Kerr

Consensus/dialogue: David Fairman (Consensus Building Institute, Cambridge, MA)

Evaluation: Richard Newell (Resources for the Future)

### *Advisory group*

Stan Crothers (New Zealand Ministry of Fisheries)

Kevin Guerin (New Zealand Treasury)

Paul Reynolds (New Zealand Ministry of Agriculture and Forestry)

Stuart Calman (New Zealand Ministry of Economic Development)

Rob Stavins (Harvard University)

Bill Bayfield (Environment Bay of Plenty)

The sections that follow address specific Motu projects that fit within this overarching programme.

### *Land use, climate change and Kyoto: human dimensions research to guide New Zealand policy*

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This research programme aims to understand human-induced land-use change processes, understand their implications for the environment, and model possible management systems at a national policy level. Our team has strong research and policy connections internationally. Our work addresses a global gap in the understanding of land-use change processes, and the appropriate policies to address land-use and climate issues at national and international levels.

This research programme has two main components: the first is to build an integrated socio-economic/natural science land-use model; the second is to provide policy design and analysis, both by using this model and through additional qualitative research. This year we have complemented our analytical work with a Climate Change Policy Dialogue to communicate technical knowledge about emissions trading and to receive feedback from stakeholders.

As part of this project, we have formed a collaborative alliance—EcoClimate—with NIWA, Landcare Research/New Zealand Centre for Ecological Economics, Infometrics, AgResearch, and GNS Science to understand and model the economics of climate change impacts, adaptation, and mitigation for New Zealand. Our aim is to use modelling to better understand the implications of climate change for New Zealand's environment and economy, and how adaptation and mitigation will be affected by different policies and institutions.

### *Researchers*

Motu: Suzi Kerr, Joanna Hendy, Kelly Lock, Jason Funk, Yun Liang  
In collaboration with our EcoClimate partners: [www.ecoclimate.org.nz](http://www.ecoclimate.org.nz)

### *Funders*

New Zealand Ministry of Agriculture and Forestry, The Tindall Foundation, Meridian Energy, Fletcher Building, Morgan Family Charitable Foundation

### *Publications*

Hendy, Joanna and Kelly Lock. 2007. "LURNZv1 Model code and user guide" available at [http://www.motu.org.nz/land\\_use\\_nz.htm](http://www.motu.org.nz/land_use_nz.htm)

Hendy, Joanna; Suzi Kerr and Troy Baisden. 2007. "The Land Use in Rural New Zealand Model Version 1 (LURNZv1): Model Description," *Motu Working Paper 07-07*, Motu Economic and Public Policy Research, Wellington, New Zealand.

### *Presentations*

"Modelling Land Use in New Zealand: A Cautionary Tale," New Zealand Association of Economists Conference, Christchurch, New Zealand, June 2007.

"Creating a 'win-win' for carbon in forestry through tradeable credits and deforestation permits," New Zealand Association of Economists Conference, Christchurch, New Zealand, June 2007.

"Managing economic risk in a New Zealand Emissions Trading System," Climate Change Policy Dialogue, Auckland, New Zealand, June 2007.

"Estimating the Drivers of Rural Land Use Change in New Zealand," AARES Conference, Queenstown, New Zealand, February 2007.

"Econometric Land Use Modelling in New Zealand and for the Globe," Earth System Science Partnership Open Science Conference, Beijing, China, November 2006.

"Thoughts on Integrating Economic and Earth System Models," presented in the US (July 2006), Victoria, Canada (September 2006) and Beijing, China (November 2006).

"Sheep and Beef Production Costs Across New Zealand: Introducing the Spatial Dimension," Meat and Wool New Zealand, Nelson, July 2006 and NZARES Conference, August 2006.

### *Carbon sequestration through natural regeneration on Māori Land*

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This project is closely linked to our Land Use, Climate Change and Kyoto project. We are addressing the challenge of how to effectively and fairly provide incentives to enhance the regeneration of native forest in order to increase carbon storage and, hence, mitigate climate change. We are running and evaluating a pilot project involving payments for carbon sequestration through regenerating indigenous forest on private land. Through this pilot we hope to identify and overcome barriers to participation in a programme such as the Permanent Forest Sinks Initiative (PFSI). We are working with landowners whose primary concern is economic and who face realistic concerns.

The pilot study aims to demonstrate how landowners can leverage future funding for sustainable land use—an outcome that can then be extended to the broader community of Māori on the East Cape and elsewhere, as well as outside the Māori community. By identifying solutions to some of the problems that will inhibit effectiveness of the PFSI policy, we can expand its effectiveness, benefiting both landowners and New Zealand's environment.

As a result of this work, the owners of two Māori landblocks signed contracts with Motu in February this year, where they agree to protect regenerating native forest, thus promoting carbon sequestration in return for cash payments.

### *Researchers*

Motu: Suzi Kerr

Stanford University: Jason Funk

Landcare Research: Craig Trotter, Garth Harmsworth, Troy Baisden

### *Funders*

The Tindall Foundation, FRST (through the “Land Use, Climate Change and Kyoto” programme)

### *Publications*

Kerr, Suzi and Jason Funk with assistance from Chapman Tripp. 2007. “Contract 1” and “Contract 2” available at [http://www.motu.org.nz/carbon\\_sequestration.htm](http://www.motu.org.nz/carbon_sequestration.htm)

Funk, Jason; The Tindall Foundation and Tomorrow’s Forests Ltd. 2007. “PFSI Consultation on Regulation, Cost Recovery Methods and Forest Sink Covenant,” submission to the Ministry of Agriculture and Forestry (May).

Funk, Jason. 2006. “Maori Farmers Look to Environmental Markets in New Zealand,” *The Katoomba Group’s Ecosystem Marketplace*.

### *Presentations*

“Leveraging Carbon for Sustainable Land-Use Development on Maori Land,” AARES Conference, Queenstown, New Zealand February 2007.

“Implementing ‘Carbon Farming’ in New Zealand: A Pilot Project Investigating Barriers and Opportunities for Maori Landowners,” AARES Conference, Queenstown, New Zealand, February 2007.

## *Climate change and deforestation in Costa Rica*

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This project looks at the causes of deforestation and reforestation in Costa Rica. It synthesises evidence on the carbon content of these forests, combines this information to create a “carbon sequestration” supply curve and through sensitivity analysis investigates the importance of different aspects of accuracy in the measurement of carbon credits.

### *Researchers*

Motu: Suzi Kerr, Joanna Hendy

### *Publications*

Pfaff, Alexander S. P.; Suzi Kerr, Leslie Lipper, Romina Cavatassi, Benjamin David, Joanna Hendy and G Arturo Sanchez-Azofeifa. 2007. “Will buying tropical forest carbon benefit the poor? Evidence from Costa Rica,” *Land Use Policy* 24, pp. 600-610.

### *Presentations*

“Involving developing countries post-Kyoto: beyond CDM,” Invited Plenary, International Association of Energy Economics Conference, Wellington, New Zealand, February 2007.

“Tropical Forest Protection, Uncertainty, and the Environmental Integrity of Carbon Mitigation Policies,” University of British Columbia, Canada, September 2006.

## *Nutrient trading and water quality*

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The intensity of land use in New Zealand is growing rapidly and this has been accompanied by an increase in the use of fertiliser and the demand for water. New Zealand has experienced a strong agriculture-led growth in the last decade, but the ways in which this industry has used land and water may not be sustainable in the future. Accordingly, we have created a research project that examines ways in which water quality issues can be managed in the future while ensuring the continued success of industries like agriculture.

This year we have been regularly meeting with stakeholders in Rotorua in order to develop a prototype nutrient-trading programme that, if implemented, would achieve water quality goals for Lake Rotorua at the lowest possible cost.

We have identified the key economic, natural science, and policy development process issues. These issues needed to be addressed before a trading system could be effectively designed and its potential value assessed in this complex, contentious area.

#### *Researchers*

Motu: Suzi Kerr, Kelly Lock

NIWA: Kit Rutherford

Consensus Building Institute (Cambridge, MA): David Fairman

Common Ground: Glen Lauder

#### *Funders*

Environment Bay of Plenty, Ministry for the Environment, Ministry of Agriculture and Forestry

#### *Publications*

Lock, Kelly and Suzi Kerr. 2007. "Nutrient Trading in Lake Rotorua: Where are we now?" *Motu Working Paper 07-06*, Motu Economic and Public Policy Research, Wellington, New Zealand.

Kerr, Suzi; Glen Lauder and David Fairman. 2007. "Towards Design for a Nutrient Trading Programme to Improve Water Quality in Lake Rotorua," *Motu Working Paper 07-03*, Motu Economic and Public Policy Research, Wellington, New Zealand.

#### *Presentations*

"Creating a Cost Effective Nutrient Trading System for Lake Rotorua," New Zealand Association of Economists Conference, Christchurch, New Zealand, June 2007.

"Goals and Caps: Defining what we are limiting, when, where, and how much," Nutrient Trading Study Group, Rotorua, New Zealand, April 2007.

"Monitoring Net Nutrient Exports and Attenuation for a Nutrient Trading System," Nutrient Trading Study Group, Rotorua, New Zealand, April 2007.

"Nutrient Trading in Lake Rotorua: Where are we now?" Nutrient Trading Study Group, Rotorua, New Zealand, March 2007.

"Managing Water Quality: Economic Challenges in Designing Efficient Nutrient Trading Programmes," Invited Plenary, Australian Association of Resource Economics, Queenstown, New Zealand, February, 2007.

"Econometric Land Use Modelling in New Zealand and Integrated Modelling of Nutrient Trading," Universidad Austral de Chile, Valdivia, December 2006.

#### *Fisheries management*

In conjunction with Resources for the Future (Washington, DC), we have been undertaking economic research on fisheries management in New Zealand. We are examining the role and effectiveness of market-based instruments, focusing particularly on the individual transferable quota (ITQ) System as a fisheries management tool. This year, we have documented the regulatory history of the quota management system in New Zealand, thus providing an important document for anyone interested in fisheries management.



### *Researchers*

Motu: Suzi Kerr, Kelly Lock

Resources for the Future: Richard Newell, James Sanchirico

### *Funders*

New Zealand Ministry of Fisheries

### *Publications*

Lock, Kelly and Stefan Leslie. 2007. "New Zealand's Quota Management System: A History of the First 20 Years," *Motu Working Paper 07-02*, Motu Economic and Public Policy Research, Wellington, New Zealand.

# Macroeconomics

## *The New Zealand economy in an international context*

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We have published a number of papers dealing with New Zealand in a trans-Tasman and wider international context. These papers have arisen both as a result of prior research under a Marsden grant on “New Zealand as an economic state of Australasia” and from research conducted for the Ministry of Economic Development.

### *Researchers:*

Motu: Arthur Grimes,  
New Zealand Ministry of Economic Development: Richard Fabling

### *Funders:*

Royal Society of New Zealand Marsden Fund  
New Zealand Ministry of Economic Development

### *Publications:*

Grimes, Arthur. 2006. “Intra- and Inter-Regional Industry Shocks: A New Metric with Application to Australasian Currency Union,” *New Zealand Economic Papers* 40:1, pp. 23-44.

Grimes, Arthur. 2006. “A Smooth Ride: Terms of Trade, Volatility and GDP Growth,” *Journal of Asian Economics* 17:4, pp. 583-600.

Crawford, Ron; Richard Fabling, Arthur Grimes and Nick Bonner. 2007. “National R&D and Patenting: Is New Zealand an Outlier?” *New Zealand Economic Papers* 41:1, pp. 69-90.

Grimes, Arthur. 2007. “Capital Intensity and Welfare: National and International Determinants,” *MED Occasional Paper* 07-03.

# Building Capacity for New Zealand Economic and Public Policy Research

## Teaching and university affiliations

Motu continues to strengthen its working relationships with various New Zealand and international universities.

John Gibson is Professor of Economics and Arthur Grimes is Adjunct Professor of Economics and supervises two PhD students at the University of Waikato.

David Maré and Steven Stillman each taught parts of Victoria University of Wellington's honours labour economics sequence in the 2006 academic year. David was external examiner for two PhD dissertations at Victoria University while Steven was external examiner for one PhD dissertation and is jointly supervising a masters student. Melanie Morten gave a guest lecture for the postgraduate Development Economics class at Victoria University on AIDS and Africa in October 2006.

David Maré and Steven Stillman taught a course on economic evaluation methods for the Ministry of Justice.

Steven Stillman is an affiliated Research Fellow at the Institute for the Study of Labor (IZA), Bonn, Germany, Centre for Research and Analysis of Migration (CReAM), University College London, UK, and at the William Davidson Institute, University of Michigan, USA.

## Student internships

Together with Landcare Research, Motu continued to host Jason Funk, a PhD student from an interdisciplinary programme at Stanford University, who is working within the Land Use, Climate Change and Kyoto programme. His work focuses on the potential for carbon sequestration through native forest reversion on Māori land in the East Cape. Suzi Kerr is co-supervising his PhD thesis.

Dale Warburton worked as the Māori intern at Motu during the 2006/2007 summer period.

## Scholarships

### *Māori scholarship*

As part of our Adjustment and Inequality research programme, we created a one-year scholarship for honours or masters students of Māori descent who are writing theses on applied topics in economics or some other social science. This year's recipient was Dale Warburton who has affiliations with Te Āti Awa. Using qualitative data, Dale is examining the effect that unpaid work has on employment rates amongst young Māori and non-Māori females. Upon completion, Dale's thesis will be published as a Motu working paper. Through this scholarship, we hope to enhance Māori research capacity in New Zealand.

### *Motu doctoral scholarship*

Motu offers a doctoral scholarship to research analysts who enroll in a PhD programme. This scholarship is a one-off payment designed to assist with the purchase of resources such as books. Melanie Morten received the Motu doctoral scholarship this year. She is beginning a PhD at Yale University in August 2007.

## Data sets

In order to build an effective economic and public policy research community in New Zealand, it is essential that common databases be developed. Motu's objective of enhancing research infrastructure includes developing and documenting data sets that can be made available to other researchers and graduate students. We are developing a standard approach to documentation.

Detailed information on data sets held by Motu is available on our website: [www.motu.org.nz/dataset.htm](http://www.motu.org.nz/dataset.htm).

This year we have significantly developed and enhanced the following data sets:

### *Population Census Unit Record data set*

The New Zealand Population Census is a key source of information for many of our research projects, including our work on variation and changes in income distribution, geographic mobility, local labour market adjustment, and the impact of education.

As part of our Adjustment and Inequality work programme, we have assembled documentation and background information on the census data sets used in the Statistics New Zealand data laboratory. While we do not hold any unit record data, we have put this information into an easily accessible form that will be useful to other researchers and to Statistics New Zealand.

### *Rural Economies data set*

This data set contains information on land cover and use, economic returns from major land uses, geophysical characteristics, land governance, and environmental impacts of land use. We have updated the data set this year and have compiled a data set of spatially varying dairy production costs.

### *Exogenous Shocks data set*

We have created a data set of exogenous shocks that impact on communities over time. Data has been collected at four main spatial levels: world, New Zealand, regional council, and smaller spatial units (territorial local authority, area unit and meshblock). Data has been collected at as high a frequency as possible to allow for conversion to lower frequencies for specific projects as appropriate. This data set is always expanding and variables have been added or updated over the last year.

### *Housing data set*

This data set contains information that is useful for housing research in New Zealand. We have enhanced our housing data set this year by adding building consents data to the meshblock level (quarterly from March 1996 to June 2006) and to the area unit level (monthly from January 1991 to May 2006).

## Contribution to official statistics

Motu staff have participated in discussions and consultation on a wide range of statistical issues, including the data laboratory, archiving, Statistics New Zealand website dissemination, confidential unit record files, metadata standards, Statistics New Zealand IBULDD project, and general Statistics New Zealand user consultation. Motu staff also served on reference panels for the Statistics New Zealand OSRDAC research fund, staff worked on the design of the Ministry of Social Development's Working for Families Evaluation Survey, and the design of the Ministry of Health's 2006/07 New Zealand Health Survey. Arthur Grimes is a member of ACES (Advisory Committee on Official Statistics) and HSUG (Housing Statistics User Group), both for Statistics New Zealand.

## International research networking

Suzi Kerr is a member of the Scientific Steering Committees of the Analysis, Integration and Modelling of the Earth Systems and the Global Land Project, two new core projects which began in 2005 as part of the International Geosphere/ Biosphere Programme. She attended meetings in Canada, China and the UK for these projects. She is also a member of the European Environment Agency and Directorate General for Environment of the European Commission High-level Network of Leading Economists. During her 2006 sabbatical she developed collaborations with researchers in Chile. She also spent extensive time in the United States consolidating existing relationships, particularly at the MIT Joint Programme on the Science and Policy of Global Change and through the National Bureau of Economic Research. She also spent time in Indonesia working on tropical deforestation.

Steven Stillman attended the Australasian Labour Econometric Workshop in Adelaide in August 2006. He also attended and presented papers at the Australian Department of Families, Community Services and Indigenous Affairs Social Policy Research Workshop in Canberra in November 2006, the Population Association of America Annual Conference in New York in March 2007 and the Institute for the Study of Labour Annual Migration Meeting in Bonn in May 2007.

Steven Stillman and David Maré both attended the Immigration Workshop at ANU, Canberra in November 2006 and David attended the Conference on the Analysis of Firms and Employees, Nuernberg in September 2006.

John Gibson contributed conference presentations at the American Agricultural Economics Association Summer Meetings, the Australian Agricultural and Resource Economics Society Conference, the Stanford Institute for Theoretical Economics Summer Workshop, the International Conference on Measurement Error: Econometrics and Practice, and the World Conference of the Spatial Econometrics Society.

Arthur Grimes presented research on housing supply and price adjustment to the American Real Estate and Urban Economics Association (AREUEA) conference in Chicago and at the American Economics Association Conference in January 2007.

## National research networking

Through our population and labour economics work, we are continuing to collaborate with researchers at the New Zealand Treasury, Health Service Research Centre, Victoria University of Wellington, the New Zealand Department of Labour, and the University of Waikato.

Our housing research has seen us collaborate with CRESA, Public Policy Research, and property researchers at DTZ New Zealand. As part of this research, Arthur Grimes presented seminars to the Auckland Regional Council, the Department of Building and Housing, and the Housing New Zealand Corporation.

Through our environmental regulation programme, we continued to strengthen our relationships with New Zealand natural science providers, particularly NIWA, Landcare Research, and GNS. We are also building collaborative relationships with Infometrics, CommonGround, and the Centre for Competition and Regulation at Victoria University. We have continued to build our relationship with the Ministry of Agriculture and Forestry, and the Ministry for the Environment. We convened the first meeting of the Market-Based Instruments Programme in Wellington in February 2007. We have also been heavily involved in the creation of the interdisciplinary collaborative alliance—Ecoclimate—which aims to understand and model the economics of climate change impacts, adaptation and mitigation for New Zealand.

Steven Stillman and David Maré visited Whariki Research Group/Te Ropu Whariki to discuss issues related to evaluation research. David attended the Twelfth Labour Employment and Work Conference, Wellington, November 2006.

Arthur Grimes, Suzi Kerr, David Maré, Steven Stillman, and all Motu Research Analysts attended and presented papers at the New Zealand Association of Economists Annual Conference in Christchurch in June 2007 and Suzi Kerr is now a member of the NZAE Council.

# Communication of Research to End-Users

We disseminate our research to a wide range of end-users, both formally and informally. Our website includes up-to-date information on our research, as does our newsletter. We run a popular public policy seminar series and meet regularly with a range of people from the public and private sectors, as well as members of central and local government.

## Motu Research Update

The Motu newsletter—*Motu Research Update*—is released biannually and contains information on our major projects. We published the eleventh edition in November 2006 and the twelfth edition in June 2007. We mailed around 350 hard copies and emailed around 2,600 electronic copies to people in New Zealand and overseas. *Motu Research Update* can be downloaded from our website at <http://www.motu.org.nz/newsletter.htm> in PDF format. Copies are also lodged with the National Library of New Zealand (ISSN 1176-0206).

## Motu public policy seminars

Our seminars are designed to disseminate the results of our research and make existing knowledge more accessible for policy debate in New Zealand. Seminars are presented by Motu researchers and affiliates, as well as other leading New Zealand and international researchers. The seminar series is designed to be accessible to people not deeply involved in research (such as policy analysts) who want to keep up to date with research developments in specific areas, and to the wider public who may be interested in a particular issue.

Our seminar series has received wide exposure and interest this year. We have a database of 1500 people who have subscribed to receive information about our seminars. Flyers are also posted and distributed by email to communication contacts in various organisations.

### *Motu seminars for 2006/07*

28 July 2006, “Innovation and Local Labour Markets.” Presenter: Philip McCann, Professor of Economics, University of Waikato.

29 August 2006, “Experimental Evidence on the Impact of Migration to New Zealand on the Health and Wealth of Pacific Islanders.” Presenter: Dr Steve Stillman, Senior Fellow, Motu Economic and Public Policy Research.

19 September 2006, “Ethnicity and Wealth in New Zealand.” Presenter: Professor John Gibson, Department of Economics, University of Waikato; Senior Research Associate, Motu Economic and Public Policy Research.

19 October 2006, “Evaluating the Environmental Performance of Voluntary Programs: Experience with Climate Wise and Other Programs.” Presenter: William Pizer, Senior Fellow, Resources for the Future, Washington DC, United States.

23 November 2006, “The Economics of Language.” Presenter: Professor Barry Chiswick, Head of Department, Economics, University of Illinois at Chicago; Research Fellow and Program Director, Institute for the Study of Labour, Bonn, Germany.

19 February 2007 “Ways to Compensate People for Climate Change Policy.” Presenter: Professor Larry Goulder, Environmental and Resource Economics, Stanford University, California, United States.

26 February 2007, “Markets for Resource Adequacy.” Presenter: Peter Cramton, Professor of Economics, University of Maryland.

22 March 2007, “The Robust Relationship Between Taxes and U.S. State Economic Growth.” Presenter: Professor Bob Reed, University of Canterbury.

31 May 2007, “Some Effects of New Zealand Immigration Policy on Pacific Countries.” Presenter: Professor John Gibson, Department of Economics, University of Waikato; Senior Research Associate, Motu Economic and Public Policy Research.

25 June 2007, “The Economics of Time.” Presenter: Professor Daniel S. Hamermesh, University of Texas at Austin.

## Motu website

Our website provides comprehensive information about all our research programmes. All research is published as soon as we complete it. Positive feedback from local, regional, national, and international users has continued. Readers can download papers and reports from the website in PDF format, and can search for detailed information on the data sets we hold.

## International visitors

### *Barry R. Chiswick*

Barry R. Chiswick is Distinguished Professor at the University of Illinois at Chicago, and Head of its Department of Economics. He is also Program Director for Migration Studies at IZA—Institute for the Study of Labor (Bonn) and is currently President of the European Society for Population Economics. Professor Chiswick has published extensively on the economics of immigration and immigration policy in several major immigrant-receiving countries. His current research includes analysis of the skill acquisition, labour market adjustment, and economic impact of immigrants; the determinants of immigration and immigration policy; the identification, human capital and labour market behaviour of racial, religious, and ethnic groups; and the economics of religion. Professor Chiswick gave a Motu Public Policy Seminar—titled “The Economics of Language”.

### *Peter Cramton*

Peter Cramton is Professor of Economics at the University of Maryland. He is also the chairman of Market Design Inc., which offers consulting services in the design of auction markets and president of Criterion Auctions. Professor Cramton’s research looks at design and incentive questions in auctions and bargaining. He has served as an auction expert for numerous companies in spectrum auctions and electricity auctions. He has advised the FCC and several foreign governments on the design and implementation of spectrum auctions and has designed electricity markets in New England, Colombia, France, and Belgium. Professor Cramton presented a seminar in Motu’s Public Policy Seminar Series on markets for resource adequacy.

### *Lawrence H. Goulder*

Lawrence H. Goulder is the Shuzo Nishihara Professor in Environmental and Resource Economics at Stanford University. He is also associated with Stanford’s Freeman-Spogli Institute for International Studies; the Stanford Institute for Economic Policy Research; the National Bureau of Economic Research; and Resources for the Future. Professor Goulder’s research examines the environmental and economic impacts of US and international environmental policies, including policies to deal with climate change and pollution from power plants and automobiles. His work also explores the sustainability of consumption patterns in various countries. Professor Goulder has conducted analyses for several government agencies, business groups, and environmental organisations. He graduated from Harvard College with an AB in philosophy, and received his PhD in Economics from Stanford. He gave a seminar as part of the Motu Public Policy Seminars on “Ways to compensate people for climate change policy”. While in Wellington he also meet with various public and private sector individuals.

### *Daniel S. Hamermesh*

Daniel S. Hamermesh is Edward Everett Hale Centennial Professor of Economics at the University of Texas at Austin. His AB is from the University of Chicago and his PhD from Yale University.

He taught from 1969 to 1973 at Princeton and from 1973 to 1993 at Michigan State. He has held visiting professorships at universities in North America, Europe, Australia and Asia, and lectured at universities in 45 states and 25 foreign countries. His research, published in nearly 100 refereed papers in scholarly journals, has concentrated on time use, labour demand, social programmes, academic labour markets and unusual applications of labour economics (to beauty, sleep and suicide).

Professor Hamermesh is a Fellow of the Econometric Society and the Society of Labor Economists, a Research Associate of the National Bureau of Economic Research, Program Director at the Forschungsinstitut zur Zukunft der Arbeit (IZA), and Past President of the Society of Labor Economists and of the Midwest Economics Association. His magnum opus, *Labor Demand*, was published by Princeton University Press in 1993. In 2005, McGraw-Hill Irwin published the second edition of his *Economics is Everywhere*, a series of 400 vignettes designed to illustrate the ubiquity of economics in everyday life and how the simple tools in a microeconomics principles class can be used.

While in Wellington, Professor Hamermesh gave a Motu Public Policy Seminar on “The Economics of Time”. He was also interviewed for TVNZ’s *Sunday* programme and by Radio New Zealand’s Jim Mora.

### *William Pizer*

William Pizer’s research seeks to quantify how various features of environmental policy and economic context, including uncertainty, individual and regional variation, technological change, irreversibility, spillovers, voluntary participation, and flexibility, influence a policy’s efficacy. Currently, he is working on projects that look at the regional variation in household energy use, firm variation in pollution control costs, the effectiveness of voluntary programmes, the role of technology programmes in pollution control efforts, the relative efficiency of flexible performance standards and intensity targets, and the effectiveness of regional climate change policies. Since August 2002, Pizer has worked part-time as a senior economist at the National Commission on Energy Policy. During 2001–2002, he served as a senior economist at the President’s Council of Economic Advisers, where he worked on environment and climate change issues. He was a visiting scholar at Stanford University’s Center for Environmental Science and Policy during 2000–2001, and taught at Johns Hopkins University during 1997–1999. While in New Zealand, Pizer gave a public policy seminar on “Evaluating the environmental performance of voluntary programmes: experience with climate wise and other programmes”. While in Wellington, he also met with various public and private sector individuals, including the Climate Change Minister, David Parker, and was the focus of an opinion piece in the *New Zealand Herald* by Brian Fallow.

## End-user workshops and dialogue groups

We co-hosted an end-users’ workshop in Wellington in May 2007, titled “Pathways, Circuits and Crossroads: New public-good research on population, migration and community dynamics”, with the University of Waikato and CRESA. This workshop focused on topics covered in our respective FRST-funded social research programmes. It enabled researchers and end-users to discuss relevant projects and findings in areas of shared interest.

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

We also organised the first of a series of Climate Change Policy Dialogues in June 2007. These meetings, funded by Fletcher Building, the Morgan Family Charitable Trust, Meridian Energy, The Tindall Foundation and FRST, are designed to explore key design issues for an emissions-trading system in New Zealand.



## Working paper series

We regularly produce papers that are published as part of our Working Paper series. These papers are valuable research materials that we circulate to inform and promote discussion. They are available on our website ([www.motu.org.nz/motu\\_wp\\_series.htm](http://www.motu.org.nz/motu_wp_series.htm)) and are disseminated directly to research and policy networks. Copies are also lodged with the National Library of New Zealand (ISSN 1176-2667). We published ten working papers in 2006/07.

## Motu in the news

31 May 2006: *Blenheim Sun* article, “No Pay for Workers,” by Lucy Hall.

14 August 2006: Arthur Grimes was interviewed by Radio New Zealand’s Jim Mora on *Afternoons with Jim Mora—the Panel* about Housing Affordability.

25 August 2006: *Marlborough Express* article, “Coordinator to Tackle Accommodation Shortage,” by Ross McCullough.

25 August 2006: *Nelson Mail* article, “Lack of Cheap Housing Big Issue,” by Beth Catley.

25 August 2006: *Marlborough Express* article, “Coordinator to Tackle Accommodation Shortage,” by Ross McCullough.

25 August 2006: *The Press* article, “Home Prices Hurt Industry,” by Liz McDonald.

5 October 2006: *Wellingtonian* article, “Climate Change Threat Real Says Expert,” by Ben Fawkes.

26 October 2006: *New Zealand Herald* article, “New Zealand Slow to Grasp Risks and Rewards of Climate Change”, by Brian Fallow. Fallow’s article on climate change policy was written after an interview with Motu International Visitor William Pizer. It contains considerable references to Pizer’s ideas.

January 2007: *Marsden Fund Update* no. 37 (January 2007), “High Cost of Money Transfer to Pacific Islands,” p. 14.

20 February 2007: *Southland Times* article, “Nutrient-trading Programme may be Solution to Protect Southland Rivers,” by Juliet Larkin.

22 February 2007: *Gisborne Herald* article, “Carbon Deal Breaking New Ground for Private Owners,” by Marianne Gillingham.

5 March 2007: *NZPA* article, “Arthur Grimes to Stay on as RBNZ Non-Executive Director.”

13 March 2007: *New Zealand Herald* article, “Islands Losing Millions in Money Transfers,” by Angela Gregory.

2 April 2007: *Scoop* media release, “Researchers to Probe Climate Change Future,” by Landcare Research.

13 April 2007: John Gibson was interviewed by Newstalk ZB’s *Breakfast Show* about KAREN Funding.

23 April 2007: *NZPA* article, “Auckland Faces Massive Housing Crisis.”

23 April 2007: *Demographia* press release, “Auckland Housing Report Must Be Acted On.”

23 April 2007: *Scoop* media release, “Provocative New Housing Reports Released Today,” by New Zealand Government.

24 April 2007: *Dominion Post* article, “Auckland Renters Feel Housing Pain.”

24 April 2007: *New Zealand Herald* article, “Land Costs, Slow Consents Blamed,” by Anne Gibson.

24 April 2007: *New Zealand Herald* article, “Struggle Street,” by Anne Gibson.

27 April 2007: *National Business Review*, “Auckland’s Green Belt Boosts Prices,” by Chris Hutching.

27 April 2007: *National Business Review*, “Deal to Inflation,” by Chris Hutching.

28 April 2007: *Weekend Herald* article, “The Dream of Affordable Homes,” by Chris Barton.

15 May 2007: *Dominion Post* article, “Motu Scholarship Funds Work Study.”

15 May 2007: *Scoop* media release, “New Research to Enhance Water Quality in New Zealand,” by Motu Economic and Public Policy Research.

19 May 2007: *Dominion Post*, “Water Quality Grant.”

21 May 2007: *The Business* (*New Zealand Herald* supplement), “Blame it on Scarcity of Land.”

4 June 2007: John Gibson was interviewed by Radio Australia’s *Pacific Beat* on Pacific remittances.

11 June 2007: *Scoop* media release, “Melanie Morten is off to Yale,” by Motu Economic and Public Policy Research.

25 June 2007: Motu international visitor, Daniel S. Hamermesh, was interviewed by Radio New Zealand’s Jim Mora on *Afternoons with Jim Mora* about his time use surveys.

# Human Resource Management

## Motu staff

Motu currently has 14 staff members: the Director (Suzi Kerr), four senior researchers (David Maré, Arthur Grimes, Steven Stillman and John Gibson), five research analysts (Andrew Aitken, Joanna Hendy, Yun Liang, Kelly Lock, and Melanie Morten), and four support staff (Ashley Armstrong, Jessica Bell, Pauline Hornblow, and Maxine Watene).

Sylvia Dixon (research analyst) left Motu in July 2006 and is now working for the Department of Labour.

Loren Evans (finance and support administrator) left Motu in December 2006 and is now working for the Reserve Bank.

Linda Townsend (librarian) left Motu in June 2007.

Alycia Edmonds was appointed on a casual basis to assist with administrative tasks during university holidays.

Motu appointed two new staff members during the year. Jessica Bell started as the communications coordinator in March 2007 and Ashley Armstrong became the team administrator in May 2007.

## Training policy

Motu aims to encourage staff to reach their full potential by providing reasonable access to, and support for, training, career development, and continuous improvement. Career development opportunities include on-the-job training, internal training courses, external courses and conferences, and study assistance. During the 2006/07 year, most Motu staff took part in some form of external training.

# Motu Financial Information

Banking, accounting, legal, and insurance

Bank: National Bank of New Zealand

Accountant: Martin Jarvie PKF

Auditor: BDO Spicers (Wellington)

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

Insurance Agent: Crombie Lockwood

Thank you to Chapman Tripp for their pro bono support

Insurance cover (at 30 June 2007)

<b>Type of Cover</b>	<b>Total Cover</b>
Commercial Business Assets and Interruption	\$ 250,000
Senior Fellows (death/disability)	\$ 400,000
Public Liability	\$2,000,000
Association Liability (joint with Motu Foundation)	\$1,000,000
Professional Indemnity	\$1,000,000
Employers Liability	\$1,000,000
Statutory Liability	\$ 250,000

Financial highlights (all figures in NZ\$000s)

<b>2005–2006</b>			<b>2006–2007</b>		
Revenues	New Zealand Sources	1,374	Revenues	New Zealand Sources	1,629
Net Surplus		193	Net Surplus		263
Net Equity		358	Net Equity		620

## Funding Sources

The primary source of Motu's funding is in the form of research grants and contracts. In addition, we receive regular funding from our patrons and receive contributions through our friends programme. During 2006/07, contributions received from patrons and friends were used to fund activities such as hosting New Zealand and international visitors, to support the Motu doctoral scholarship, and fund IT investment. The Motu Research and Education Foundation was established in July 2006 and this trust manages our patron programme. We also receive sponsorship funding for specific purposes such as our Public Policy Seminar Series.

### Project funders

- Environment Bay of Plenty
- Foundation for Research Science and Technology
- Marsden Fund—The Royal Society of New Zealand
- Centre for Housing Research Aotearoa New Zealand
- Families Commission
- Health Research Council of New Zealand
- Housing New Zealand Corporation
- Department of Building and Housing
- Department of Family and Community Services, Australia
- World Bank
- University of Waikato
- Ministry of Agriculture and Forestry
- Ministry of Justice
- Ministry of Economic Development
- Ministry of Education
- Ministry for the Environment
- Ministry of Fisheries
- Ministry of Health
- Ministry of Social Development
- New Zealand Treasury
- Department of Labour
- Statistics New Zealand
- The Tindall Foundation

### Motu patrons

Motu has nine patrons:

- ANZ National Bank
- Aotearoa Fisheries Limited
- Department Building and Housing
- Department of Labour
- Fletcher Building
- Mighty River Power
- Ministry for the Environment (Motu Foundation patron)
- Ministry of Economic Development
- Telecom

New Motu patrons will be aligned with the Motu Foundation as of July 2007

## Motu Public Policy Seminar Series Sponsors

Motu has five Public Policy Seminar Series Sponsors:

- Social Policy Evaluation and Research Committee
- Ministry of Agriculture and Forestry
- Ministry of Fisheries
- Statistics New Zealand
- New Zealand Treasury.

## Motu friends

Motu has thirteen friends.

## Motu Endowment Fund

The Motu Endowment Fund has been transferred to the Motu Research and Education foundation.

# Motu Research and Education Foundation

The Motu Research and Education Foundation was founded in July 2006. It is a charitable trust that aims to produce and disseminate socially relevant New Zealand policy research. It aims to create an environment in which innovative and independent public policy research can thrive and contribute effectively to the development of strong public policy in New Zealand. The Motu Foundation's purposes are to:

- contribute to informed debate on important issues shaping New Zealand by underwriting public seminars and courses, including Motu's Public Policy Seminar Series;
- produce and distribute précis of key policy-relevant working papers;
- organise visits by top international researchers whose unique, outside perspectives facilitate discussion on significant policy issues within New Zealand;
- sponsor scholarships and internships, including a Maori scholarship and internship and the Motu doctoral scholarship;
- provide seed grants for new areas of research; and
- create funding pools to support specific programmes of research.

## Motu Foundation Financial Information

Banking, accounting, legal, and insurance

Bank: National Bank of New Zealand

Accountant: Martin Jarvie PKF

Auditor: BDO Spicers (Wellington)

Legal Advisors: Chapman Tripp (Governance)

Insurance Agent: Crombie Lockwood

Thank you to Chapman Tripp for their pro bono support

Insurance cover (at 30 June 2007)

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

Financial highlights (all figures in NZ\$000s)

2006–2007		
Revenues	New Zealand Sources	71
Net Surplus		68
Net Equity		68

# Motu Foundation Board of Trustees



*Colin James*, Trustee and Chairperson

Colin James has been a political journalist for over 35 years and was named political columnist of the year in 2003. He writes a weekly political column in the *New Zealand Herald* and a monthly column in *Management Magazine*, is an occasional commentator on radio and television, and is the New Zealand correspondent for *Oxford Analytica*. He has written six books, has presented seminars and lectures on politics, and has held several university fellowships, including the JD Stout Research Fellowship at Victoria University in 1991 and the inaugural New Zealand Fellowship at the Centre for Comparative Constitutional Studies at Melbourne University in 1993. He is also managing director of The Hugo Group, a forecasting group with around 90 corporate groups at CEO level.



*Dr Roderick Carr*, Trustee

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



*Dr Keith Turner*, Trustee

Dr Turner is Chief Executive of Meridian Energy. In his 35-year career, he has held a range of senior engineering and executive roles for the major electricity providers, including the Electricity Corporation and its predecessor, the Electricity Department. He was a member of the Transpower Establishment Department Board, a founding director of M-Co, a member of the Contact Energy establishment team and a member of the Market Surveillance Committee. Dr Turner has been a trustee of the Motu Foundation since 2007.



*Dr Steve Thompson*, Trustee

Dr Thompson has economics degrees from universities in Britain and Canada and holds a PhD in Agriculture. He is also a graduate of Canada's National Defence College and the Queen's University Programme for Public Executives. He was Chief Executive of the Foundation for Research Science and Technology from 1997 to 2000 and Chief Executive of the Royal Society of New Zealand between 2000 and 2007. He is currently working with the British Government to develop commercially-oriented science links between the UK and New Zealand.





*Suzi Kerr*, Director and Senior Fellow

Suzi graduated from Harvard University in 1995 with a PhD in Economics. Between 1995 and 1998, she was an assistant professor at the University of Maryland. She has also been a visiting scholar at the Massachusetts Institute of Technology (MIT) and at Resources for the Future (RFF). Her current research focuses on the design and integrated evaluation of market-based instruments for environmental protection with a special emphasis on greenhouse gas emissions trading (domestically and internationally, with an emphasis on land-use related emissions), water quality (with a current project in the Lake Rotorua catchment), and the New Zealand Fisheries individual transferable quota system. She is the programme leader for Motu's Nutrient Trading and Water Quality research project (funded by the New Zealand Foundation for Research Science and Technology (FRST)), and the Integrated Economics of Climate Change, also funded by FRST.

# MOTU ECONOMIC AND PUBLIC POLICY RESEARCH TRUST

## FINANCIAL REPORTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2007

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## AUDIT REPORT

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

We have audited the attached financial report on pages 1 to 7. The financial report provides information about the past financial performance of Motu Economic & Public Policy Research Trust and its financial position as at 30 June 2007. This information is stated in accordance with the accounting policies as attached.

## MANAGEMENT'S RESPONSIBILITIES

Management of Motu Economic & Public Policy Research Trust are responsible for the preparation of a financial report which gives a true and fair view of the financial position of Motu Economic & Public Policy Research Trust as at 30 June 2007, and of the results of their operations for the year ended 30 June 2007.

## AUDITORS' RESPONSIBILITIES

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

## BASIS OF OPINION

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

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

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

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

**UNQUALIFIED OPINION**

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

In our opinion:

- proper accounting records have been kept by Motu Economic & Public Policy Research Trust as far as appears from our examination of those records; and
- the attached financial report on pages 1 to 7:
  - complies with generally accepted accounting practice in New Zealand;
  - gives a true and fair view of the financial position of Motu Economic & Public Policy Research Trust as at 30 June 2007, and the results of its operations for the year ended on that date.

Our audit was completed on 17 October 2007 and our unqualified opinion is expressed as at that date.



BDO SPICERS WELLINGTON  
Chartered Accountants  
**WELLINGTON**

**MOTU: ECONOMIC & PUBLIC POLICY  
RESEARCH TRUST  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30TH JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>INCOME</b>		
Research Grants	1,495,283	1,277,204
Interest Received	41,991	7,644
Patrons	70,000	70,000
Other Income	21,445	18,871
<b>Total Income</b>	<u>1,628,719</u>	<u>1,373,719</u>
<b>Less Expenses</b>		
Personnel	788,376	717,898
Research Project Costs	275,179	286,790
Dissemination Expenses	23,999	16,989
Audit Fees	4,535	4,000
Depreciation	33,555	31,012
Foreign Exchange Loss	2,802	297
Loss on Sale	1,526	750
Rent & Outgoings	31,223	29,400
Other Operating Expenses	143,567	93,179
<b>Total Operating Expenses</b>	<u>1,304,762</u>	<u>1,180,315</u>
<b>Other Expenses</b>		
Contributions to Motu Research and Education Foundation	61,054	-
<b>Total Expenses</b>	<u>1,365,816</u>	<u>1,180,315</u>
<b>NET SURPLUS/(DEFICIT)</b>	<u>262,903</u>	<u>193,404</u>
Transfer from/(to) Motu Endowment Fund	1,046	(16)
<b>NET SURPLUS/(DEFICIT) TRANSFERRED TO ACCUMULATED FUNDS</b>	<u>\$263,949</u>	<u>\$193,388</u>

*This Statement is to be read in conjunction with the Notes to the Financial Statements.*

**MOTU: ECONOMIC & PUBLIC POLICY  
RESEARCH TRUST  
STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Net Surplus/(Deficit)	263,949	193,388
Motu Endowment Fund	(1,046)	16
<b>Total recognised revenues &amp; expenses</b>	<u>262,903</u>	<u>193,404</u>
<b>EQUITY AT START OF YEAR</b>	357,775	164,371
<b>EQUITY AT END OF YEAR</b>	<u><u>\$620,678</u></u>	<u><u>\$357,775</u></u>

*This Statement is to be read in conjunction with the Notes to the Financial Statements.*

**MOTU: ECONOMIC & PUBLIC POLICY  
RESEARCH TRUST  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2007**

	Note	2007 \$	2006 \$
<b>CURRENT ASSETS</b>			
Bank and Cash	4	659,476	366,644
Accounts Receivable		281,622	247,509
Accrued Income		24,439	-
Prepayments		7,901	6,639
Work in Progress		53,787	49,305
<b>Total Current Assets</b>		<u>1,027,225</u>	<u>670,097</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable		79,869	106,615
Accrued Expenses		75,755	68,603
Income Received in Advance		328,852	197,850
<b>Total Current Liabilities</b>		<u>484,476</u>	<u>373,068</u>
<b>WORKING CAPITAL</b>		542,749	297,029
<b>NON-CURRENT ASSETS</b>			
Plant, Property & Equipment	5	77,929	60,746
<b>Total Non-Current Assets</b>		<u>77,929</u>	<u>60,746</u>
<b>NET ASSETS / (LIABILITIES)</b>		<u>\$620,678</u>	<u>\$357,775</u>
Represented by;			
Accumulated Funds		620,678	356,729
Motu Endowment Fund		-	1,046
<b>EQUITY</b>		<u>\$620,678</u>	<u>\$357,775</u>

On behalf of the Board;

Director S. Jew Trustee Steve Thompson  
Date 17 October 2007

# MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

---

### 1. STATEMENT OF ACCOUNTING POLICIES

Motu: Economic & Public Policy 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.

#### Measurement Base

The general accounting principles recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of profits and 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 & Public Policy Research Trust qualifies for differential reporting as it is not publicly accountable and it is small. Motu: Economic & Public Policy Research Trust has taken advantage of all available differential reporting exemptions except GST, the statements are presented exclusive of GST.

(b) **Revenue Recognition Policy**

Income is recognised progressively as work is completed.

(c) **Patron Income**

Patron income is recognised in the period of patronage.

(d) **Fixed Assets & Depreciation**

The entity has the following classes of fixed assets;

Furniture & Fittings	11.4 - 60%
Office Equipment	26 - 60%

All fixed assets are recorded at cost less accumulated depreciation.

Depreciation of the assets has been calculated using up to the maximum rates permitted by the Income Tax Act 1994.

(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 or 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 & Public Policy Research Trust has charitable status and therefore has been granted an income tax exemption.



# MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

(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 periods the amounts are payable.

(i) **Receivables**

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

**Changes in Accounting Policies**

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

2. **AUDIT**

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

3. **CONTINGENT LIABILITIES**

At balance date there are no known contingent liabilities (2006:\$0). Motu: Economic & Public Policy Research Trust has not granted any securities in respect of liabilities payable by any other party whatsoever.

4. **BANK AND CASH**

	<b>2007</b>	<b>2006</b>
	\$	\$
National Bank - 00	58,332	97,549
National Bank - 25	300,910	268,043
National Bank - 1000	-	1,046
National Bank - US\$	28	-
Petty Cash	206	6
National Bank Term Deposit	300,000	-
<b>TOTAL BANK AND CASH</b>	<b>\$659,476</b>	<b>\$366,644</b>

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 11.80%. This overdraft facility is secured by way of a guarantee limited to \$110,000 from Norman L Meehan.

5. **FIXED ASSETS**

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Furniture &amp; Fittings</b>		
At cost	35,209	25,649
Less Accumulated Depreciation	13,616	10,158
	21,593	15,491
<b>Office Equipment</b>		
At cost	196,593	174,995
Less Accumulated Depreciation	140,257	129,740
	56,336	45,255
<b>Total Fixed Assets</b>	<b>\$77,929</b>	<b>\$60,746</b>

**MOTU: ECONOMIC & PUBLIC POLICY  
RESEARCH TRUST**  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2007

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**6. DEPRECIATION EXPENSE**

	<b>2007</b>	<b>2006</b>
	\$	\$
Furniture & Fittings	3,833	2,783
Office Equipment	29,722	28,229
	<u>\$33,555</u>	<u>\$31,012</u>

**7. OPERATING LEASE COMMITMENTS**

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Lease of premises at Level 1, 93 Cuba Street, Wellington</b>		
Within 1 Year	32,000	16,333
1-2 Years	32,000	-
2-5 Years	18,667	-
	<u>\$82,667</u>	<u>\$16,333</u>
<b>Photocopier Lease</b>		
Within 1 Year	4,080	3,644
1-2 Years	4,080	3,644
2-5 Years	12,240	8,199
	<u>\$20,400</u>	<u>\$15,487</u>

**8. SUBSIDIARY ENTITY & RELATED PARTY**

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

The Trust periodically invoices the Foundation for its share of common overheads. The Trust has also made contributions to the Foundation and has a payable owing to the Foundation of \$30,000 at year end.

**MOTU: ECONOMIC & PUBLIC POLICY  
RESEARCH TRUST**  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2007

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**9. RECLASSIFICATION OF COMPARATIVES**

Comparative Balances have been reclassified as follows:

**Statement of Financial Performance**

<u>Research Grants</u>	
NZ Research Grants	575,110
Overhead Recovery	702,094
Total	<u>\$1,277,204</u>

Cost of Sales is reclassified to:

Research Project Costs	286,790
Personnel	49,055
Dissemination Expenses	16,237
Total	<u>\$352,082</u>

Personnel

Cost of Sales	49,055
Personnel	668,843
Total	<u>\$717,898</u>

Dissemination Expenses

Cost of Sales	16,237
Conference Expenses	752
Total	<u>\$16,989</u>

Other Operating Expenses

Building Expenses	10,584
Communication	21,926
General Expenses	30,361
Insurance	10,067
Legal Fees	2,603
Professional Fees	1,365
Travel	16,273
Total	<u>\$93,179</u>

**Statement of Financial Position**

Bank and Cash

Bank Accounts	366,638
Cash	6
Total	<u>\$366,644</u>

# MOTU RESEARCH AND EDUCATION FOUNDATION

## FINANCIAL REPORTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2007

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## AUDIT REPORT

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

We have audited the attached financial report on pages 3 to 7. The financial report provides information about the past financial performance of Motu Research and Education Foundation and its financial position as at 30 June 2007. This information is stated in accordance with the accounting policies as attached.

## MANAGEMENT'S RESPONSIBILITIES

Management of Motu Research and Education Foundation are responsible for the preparation of a financial report which gives a true and fair view of the financial position of Motu Research and Education Foundation as at 30 June 2007, and of the results of their operations for the year ended 30 June 2007.

## AUDITORS' RESPONSIBILITIES

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

## BASIS OF OPINION

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

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

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

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

**UNQUALIFIED OPINION**

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

In our opinion:

- proper accounting records have been kept by Motu Research and Education Foundation as far as appears from our examination of those records; and
- the attached financial report on pages 3 to 7:
  - complies with generally accepted accounting practice in New Zealand;
  - gives a true and fair view of the financial position of Motu Research and Education Foundation as at 30 June 2007, and the results of its operations for the year ended on that date.

Our audit was completed on 17 October 2007 and our unqualified opinion is expressed as at that date.



BDO SPICERS WELLINGTON  
Chartered Accountants  
**WELLINGTON**

# MOTU RESEARCH AND EDUCATION FOUNDATION TRUST DIRECTORY AS AT 30TH JUNE 2007

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Settlor	Roderick Sheldon Deane
Nature of Business	Charitable Trust
Trustees	Stephen Charles Thompson Colin Charles James Susan Clare Kerr Dr Roderick Marshall Carr Dr Keith Sharman Turner
Accountants	Martin Jarvie PKF Level 3, 85 The Terrace Wellington
Date of Formation	8 September 2006
Auditors	BDO Spicers Wellington Level 2, BDO House 99-105 Customhouse Quay Wellington



# MOTU RESEARCH AND EDUCATION FOUNDATION

## STATEMENT OF FINANCIAL PERFORMANCE

### FOR THE YEAR ENDED 30TH JUNE 2007

---

	<b>2007</b>
	<b>\$</b>
<b>INCOME</b>	
Motu Economic and Public Policy Research - Contributions	61,054
Interest Received	1
Patron Contributions	<u>10,000</u>
<b>Total Income</b>	<u>71,055</u>
<b>Less Expenses</b>	
Dissemination Expenses	169
Other Operating Expenses	2,872
<b>Total Expenses</b>	<u>3,041</u>
<b>NET SURPLUS/(DEFICIT)</b>	<u>68,014</u>
<b>NET SURPLUS/(DEFICIT) TRANSFERRED TO ACCUMULATED FUNDS</b>	<u><u>\$68,014</u></u>



*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 30TH JUNE 2007

---

	<b>2007</b>
Net Surplus/(Deficit)	\$ 68,015
<b>Total recognised revenues &amp; expenses</b>	<hr/> 68,015
<b>EQUITY AT START OF PERIOD</b>	-
<b>EQUITY AT END OF YEAR</b>	<hr/> <u>\$68,015</u>



*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 30TH JUNE 2007

	<i>Note</i>	<b>2007</b> \$
<b>CURRENT ASSETS</b>		
Bank and Cash	3	61,055
Accounts Receivable		<u>30,000</u>
<b>Total Current Assets</b>		91,055
<b>CURRENT LIABILITIES</b>		
Accounts Payable		3,040
Income Received in Advance		<u>20,000</u>
<b>Total Current Liabilities</b>		23,040
<b>WORKING CAPITAL</b>		68,015
<b>NET ASSETS / (LIABILITIES)</b>		<u><u>\$68,015</u></u>
Represented by;		
Accumulated Funds		<u>68,015</u>
<b>EQUITY</b>		<u><u>\$68,015</u></u>

On behalf of the Board;

Trustee



Trustee



Date

17 October 2007



*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 30TH JUNE 2007

---

#### 1. STATEMENT OF ACCOUNTING POLICIES

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

##### **Measurement Base**

The general accounting principles recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of profits and 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) Comparative Figures**

The Foundation was formed in September 2006 and commenced operation in May 2007. Accordingly, there is no comparative financial information. Accounting policies have been consistently applied during the period covered by these accounts.

##### **(b) Differential Reporting**

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

##### **(c) Revenue Recognition Policy**

Income is recognised progressively as work is completed.

##### **(d) Patron Income**

Patron income is recognised in the period of patronage.

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

These financial statements have been prepared inclusive of GST.

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

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

##### **(g) Receivables**

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

##### **Changes in Accounting Policies**

As these are the first financial statements prepared for this client, there are no comparatives for the previous year and no accounting policies previously employed which could have changed.



# MOTU RESEARCH AND EDUCATION FOUNDATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30TH JUNE 2007

---

#### 2. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2006:\$0). Motu Research and Education Foundation has not granted any securities in respect of liabilities payable by any other party whatsoever.

#### 3. BANK

	<b>2007</b>
	<b>\$</b>
National Bank - 00	60,000
National Bank - 02	1,055
<b>TOTAL BANK</b>	<u><u>\$61,055</u></u>

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

#### 4. SUBSIDIARY ENTITY & RELATED PARTY

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

The Trust periodically invoices the Foundation for its share of common overheads. The Trust has also made contributions to the Foundation and has a payable owing to the Foundation of \$30,000 at year end.



# MOTU ECONOMIC AND PUBLIC POLICY RESEARCH TRUST GROUP

## FINANCIAL REPORTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2007

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## AUDIT REPORT

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

We have audited the attached financial report on pages 2 to 8. The financial report provides information about the past financial performance of Motu Economic & Public Policy Research Trust Group and its financial position as at 30 June 2007. This information is stated in accordance with the accounting policies as attached.

## MANAGEMENT'S RESPONSIBILITIES

Management of Motu Economic & Public Policy Research Trust Group are responsible for the preparation of a financial report which gives a true and fair view of the financial position of Motu Economic & Public Policy Research Trust Group as at 30 June 2007, and of the results of their operations for the year ended 30 June 2007.

## AUDITORS' RESPONSIBILITIES

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

## BASIS OF OPINION

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

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

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

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

### UNQUALIFIED OPINION

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

In our opinion:

- proper accounting records have been kept by Motu Economic & Public Policy Research Trust Group as far as appears from our examination of those records; and
- the attached financial report on pages 2 to 8:
  - complies with generally accepted accounting practice in New Zealand;
  - gives a true and fair view of the financial position of Motu Economic & Public Policy Research Trust Group as at 30 June 2007, and the results of its operations for the year ended on that date.

Our audit was completed on 17 October 2007 and our unqualified opinion is expressed as at that date.



BDO SPICERS WELLINGTON  
Chartered Accountants  
WELLINGTON

**MOTU ECONOMIC & PUBLIC POLICY RESEARCH  
TRUST GROUP  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30TH JUNE 2007**

	<b>2007 Group \$</b>	<b>2007 Parent \$</b>	<b>2006 Group \$</b>	<b>2006 Parent \$</b>
<b>INCOME</b>				
Research Grants	1,492,243	1,495,283	1,277,204	1,277,204
Interest Received	41,993	41,991	7,644	7,644
Patron Contributions	80,000	70,000	70,000	70,000
Other Income	21,445	21,445	18,871	18,871
<b>Total Income</b>	<u>1,635,681</u>	<u>1,628,719</u>	<u>1,373,719</u>	<u>1,373,719</u>
<b>Less Expenses</b>				
Personnel	788,376	788,376	717,898	717,898
Research Project Costs	275,179	275,179	286,790	286,790
Dissemination Expenses	23,999	23,999	16,989	16,989
Audit Fees	4,535	4,535	4,000	4,000
Depreciation	33,555	33,555	31,012	31,012
Foreign Exchange Loss	2,802	2,802	297	297
Loss on Sale	1,526	1,526	750	750
Rent & Outgoings	31,223	31,223	29,400	29,400
Other Operating Expenses	143,568	143,567	93,178	93,178
<b>Total Operating Expenses</b>	<u>1,304,763</u>	<u>1,304,762</u>	<u>1,180,314</u>	<u>1,180,314</u>
<b>Other Expenses</b>				
Contributions to Motu Research and Education Foundation	-	61,054	-	-
<b>Total Expenses</b>	<u>1,304,763</u>	<u>1,365,816</u>	<u>1,180,314</u>	<u>1,180,314</u>
<b>NET SURPLUS/ (DEFICIT)</b>	<u>330,918</u>	<u>262,903</u>	<u>193,405</u>	<u>193,405</u>
Transfer from/(to) Motu Endowment Fund	1,046	1,046	(16)	(16)
<b>NET SURPLUS/(DEFICIT) TRANSFERRED TO ACCUMULATED FUNDS</b>	<u>\$331,964</u>	<u>\$263,949</u>	<u>\$193,389</u>	<u>\$193,389</u>





**MOTU ECONOMIC & PUBLIC POLICY RESEARCH  
TRUST GROUP  
STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2007**

	<i>2007</i> <b>Group</b> \$	<i>2007</i> <b>Parent</b> \$	<i>2006</i> <b>Group</b> \$	<i>2006</i> <b>Parent</b> \$
Net Surplus/(Deficit)	331,964	263,949	193,388	193,388
Motu Endowment Fund	(1,046)	(1,046)	16	16
Total recognised revenue & expenses	330,918	262,903	193,404	193,404
<b>EQUITY AT START OF YEAR</b>	357,775	357,775	164,371	164,371
<b>EQUITY AT END OF YEAR</b>	<u>\$688,693</u>	<u>\$620,678</u>	<u>\$357,775</u>	<u>\$357,775</u>



*This Statement is to be read in conjunction with the Notes to the Financial Statements.*

**MOTU ECONOMIC & PUBLIC POLICY RESEARCH  
TRUST GROUP  
STATEMENT OF FINANCIAL POSTION  
FOR THE YEAR ENDED 30TH JUNE 2007**

	<i>Note</i>	<b>2007 Group \$</b>	<b>2007 Parent \$</b>	<b>2006 Group \$</b>	<b>2006 Parent \$</b>
<b>CURRENT ASSETS</b>					
Bank and Cash	4	720,531	659,476	366,644	366,644
Accounts Receivable		278,582	281,622	247,509	247,509
Accrued Income		24,439	24,439	-	-
Prepayments		7,901	7,901	6,639	6,639
Work in Progress		53,787	53,787	49,305	49,305
<b>Total Current Assets</b>		<b>1,085,240</b>	<b>1,027,225</b>	<b>670,097</b>	<b>670,097</b>
<b>CURRENT LIABILITIES</b>					
Accounts Payable		49,869	79,869	106,615	106,615
Accrued Expenses		75,755	75,755	68,603	68,603
Income Received in Advance		348,852	328,852	197,850	197,850
<b>Total Current Liabilities</b>		<b>474,476</b>	<b>484,476</b>	<b>373,068</b>	<b>373,068</b>
<b>WORKING CAPITAL</b>		<b>610,764</b>	<b>542,749</b>	<b>297,029</b>	<b>297,029</b>
<b>NON-CURRENT ASSETS</b>					
Plant, Property & Equipment	5	77,929	77,929	60,746	60,746
<b>Total Non-Current Assets</b>		<b>77,929</b>	<b>77,929</b>	<b>60,746</b>	<b>60,746</b>
<b>NET ASSETS / (LIABILITIES)</b>		<b>\$688,693</b>	<b>\$620,678</b>	<b>\$357,775</b>	<b>\$357,775</b>
Represented by;					
Accumulated Funds		688,693	620,678	356,729	356,729
Motu Endowment Fund		-	-	1,046	1,046
<b>EQUITY</b>		<b>\$688,693</b>	<b>\$620,678</b>	<b>\$357,775</b>	<b>\$357,775</b>

On behalf of the Board;

Director S. Jew  
Date 17 October 2007

Trustee Steve Thompson



*This Statement is to be read in conjunction with the Notes to the Financial Statements.*

# MOTU ECONOMIC & PUBLIC POLICY RESEARCH TRUST GROUP

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

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### 1. STATEMENT OF ACCOUNTING POLICIES

Motu Economic & 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 & Public Policy Research Trust ("Trust") and Motu Research & Education Foundation ("Foundation"). The purchase method of consolidation whereby all inter-entity transactions and balances are eliminated, is used.

Motu Research and Education Foundation was incorporated on 8 September 2006 and commenced operation in May 2007.

The Foundation is controlled by the Trust as defined by FRS37 and so has been consolidated in accordance with this financial reporting standard.

The results and financial position of Motu Research and Education Foundation have been included in the financial statements of Motu Economic & Public Policy Research Trust for the first time.

#### Measurement Base

The general accounting principles recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of profits and 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 & Public Policy Research Trust Group qualifies for differential reporting as it is not publicly accountable and it is small. Motu Economic & Public Policy Research Trust 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	11.4 - 60%
Office Equipment	26 - 60%

All fixed assets are recorded at cost less accumulated depreciation.

Depreciation of the assets has been calculated using up to the maximum rates permitted by the Income Tax Act 1994.



**MOTU ECONOMIC & PUBLIC POLICY RESEARCH  
TRUST GROUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 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 or 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 & 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 periods the amounts are payable.

(i) **Receivables**

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

**Changes in Accounting Policies**

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

2. **AUDIT**

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

3. **CONTINGENT LIABILITIES AND COMMITMENTS**

At balance date there are no known contingent liabilities or commitments (2006:\$0). Motu Economic & Public Policy Research Trust Group has not granted any securities in respect of liabilities payable by any other party whatsoever.

4. **BANK AND CASH**

	<i>2007</i>	<i>2007</i>	<i>2006</i>	<i>2006</i>
	<i>Group</i>	<i>Parent</i>	<i>Group</i>	<i>Parent</i>
	\$	\$	\$	\$
National Bank - 00	58,332	58,332	97,549	97,549
National Bank - 25	300,910	300,910	268,043	268,043
National Bank - 1000	-	-	1,046	1,046
National Bank - USD	28	28	-	-
National Bank - 00	60,000	-	-	-
National Bank - 02	1,055	-	-	-
Petty Cash	206	206	6	6
National Bank Term Deposit	300,000	300,000	-	-
<b>TOTAL BANK AND CASH</b>	<u>\$720,531</u>	<u>\$659,476</u>	<u>\$366,644</u>	<u>\$366,644</u>

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 11.80%. This overdraft facility is secured by way of a guarantee limited to \$110,000 from Norman L Meehan.



**MOTU ECONOMIC & PUBLIC POLICY RESEARCH  
TRUST GROUP**  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2007

**5. FIXED ASSETS**

	<i>2007</i> <i>Group</i> \$	<i>2007</i> <i>Parent</i> \$	<i>2006</i> <i>Group</i> \$	<i>2006</i> <i>Parent</i> \$
<b>Furniture &amp; Fittings</b>				
At Cost	35,209	35,209	25,649	25,649
Less Accumulated Depreciation	13,616	13,616	10,158	10,158
	<u>\$21,593</u>	<u>\$21,593</u>	<u>\$15,491</u>	<u>\$15,491</u>
<b>Office Equipment</b>				
At Cost	196,593	196,593	174,995	174,995
Less Accumulated Depreciation	140,257	140,257	129,740	129,740
	<u>56,336</u>	<u>56,336</u>	<u>45,255</u>	<u>45,255</u>
	<u>\$77,929</u>	<u>\$77,929</u>	<u>\$60,746</u>	<u>\$60,746</u>

**6. DEPRECIATION EXPENSE**

	<i>2007</i> <i>Group</i> \$	<i>2007</i> <i>Parent</i> \$	<i>2006</i> <i>Group</i> \$	<i>2006</i> <i>Parent</i> \$
Furniture & Fittings	3,833	3,833	2,783	2,783
Office Equipment	29,722	29,722	28,229	28,229
	<u>\$33,555</u>	<u>\$33,555</u>	<u>\$31,012</u>	<u>\$31,012</u>

**7. OPERATING LEASE COMMITMENTS**

	<i>2007</i> <i>Group</i> \$	<i>2007</i> <i>Parent</i> \$	<i>2006</i> <i>Group</i> \$	<i>2006</i> <i>Parent</i> \$
<b>Lease of premises at Level 1, 93 Cuba Street, Wellington</b>				
Within 1 Year	32,000	32,000	16,333	16,333
1-2 Years	32,000	32,000	-	-
2-5 Years	18,667	18,667	-	-
	<u>\$82,667</u>	<u>\$82,667</u>	<u>\$16,333</u>	<u>\$16,333</u>
<b>Photocopier Lease</b>				
Within 1 Year	4,080	4,080	3,644	3,644
1-2 Years	4,080	4,080	3,644	3,644
2-5 Years	12,240	12,240	8,199	8,199
	<u>\$20,400</u>	<u>\$20,400</u>	<u>\$15,487</u>	<u>\$15,487</u>

**8. SUBSIDIARY ENTITY & RELATED PARTY**

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

The Trust periodically invoices the Foundation for its share of common overheads. The Trust has also made contributions to the Foundation and has a payable owing to the Foundation of \$30,000 at year end.



**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH  
TRUST GROUP**  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2007

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**9. RECLASSIFICATION OF COMPARATIVES**

Comparative Balances have been reclassified as follows:

**Statement of Financial Performance**

<u>Research Grants</u>	
NZ Research Grants	575,110
Overhead Recovery	702,094
Total	<u>\$1,277,204</u>

Cost of Sales is reclassified to:

Research Project Costs	286,790
Personnel	49,055
Dissemination Expenses	16,237
Total	<u>\$352,082</u>

Personnel

Cost of Sales	49,055
Personnel	668,843
Total	<u>\$717,898</u>

Dissemination Expenses

Cost of Sales	16,237
Conference Expenses	752
Total	<u>\$16,989</u>

Other Operating Expenses

Building Expenses	10,584
Communication	21,926
General Expenses	30,361
Insurance	10,067
Legal Fees	2,603
Professional Fees	1,365
Travel	16,273
Total	<u>\$93,179</u>

**Statement of Financial Position**

<u>Bank and Cash</u>	
Bank Accounts	366,638
Cash	6
Total	<u>\$366,644</u>



MOTU

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

**MOTU ECONOMIC AND PUBLIC POLICY RESEARCH**

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