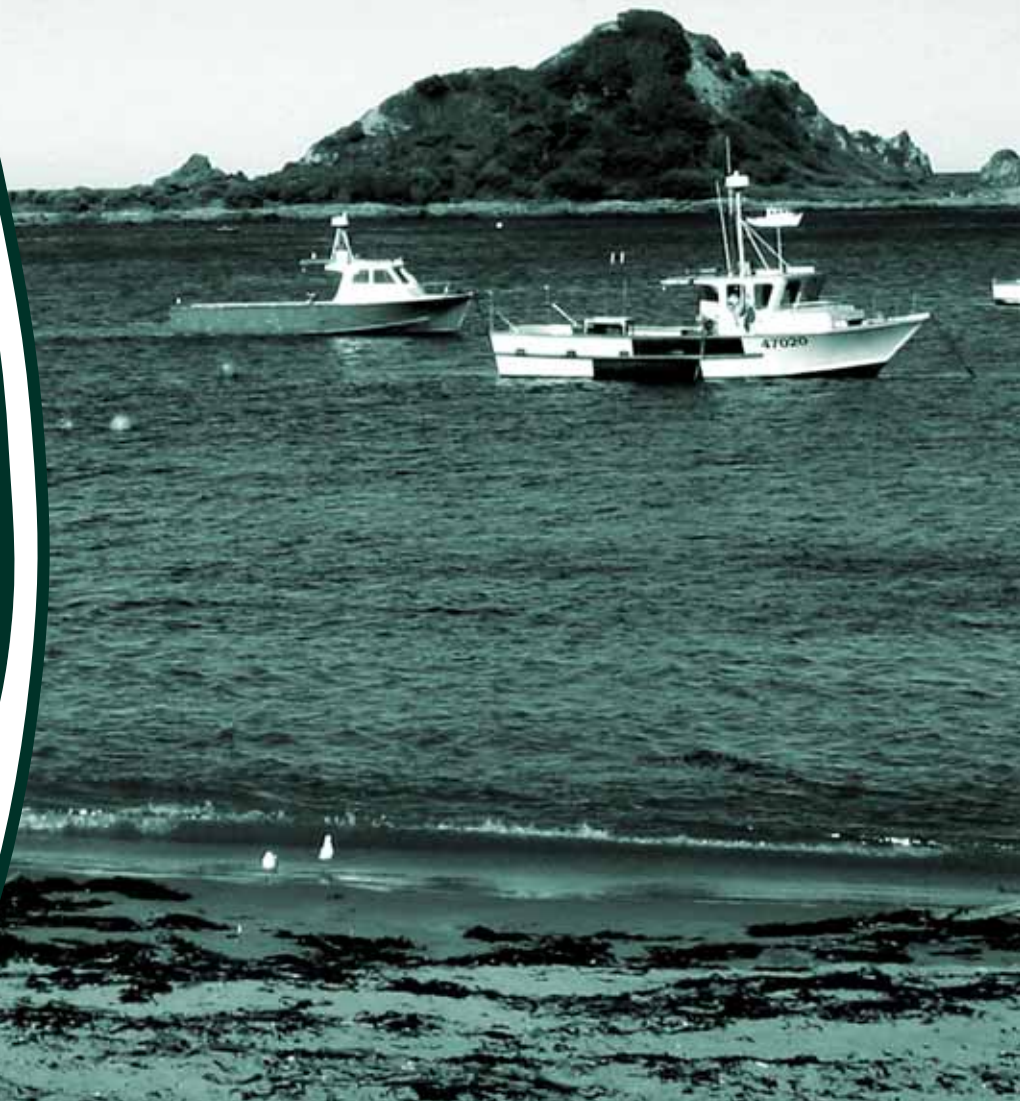




MOTU ECONOMIC AND PUBLIC POLICY RESEARCH

ANNUAL REPORT

July 2002 to June 2003



Chair Person's Report

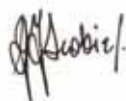
Housing prices are soaring. The management of our fisheries is constantly under scrutiny. Some regions of New Zealand lag well behind others. People living in crowded housing conditions are more prone to illness. Greater labour force participation can contribute to growth. Meeting international obligations under environmental treaties is warmly debated. Would monetary union with our Australian cousins be a good idea?

This is but a tiny sample of the rich and diverse research menu that makes up the daily lives of the staff of Motu. As one of the leading centres for policy research, Motu continues to undertake high quality work supported by careful analysis of the evidence. Two further characteristics distinguish Motu. It is committed to undertaking work in partnership and to disseminating the results widely. To these ends, this year has seen the initiation of the Working Paper series, available on our website, and bringing up to date research findings and policy conclusions to many for public debate. In addition the Research Affiliates of Motu represent a growing list of distinguished academics and researchers committed to the same high quality work on relevant issues.

The last year has seen tremendous growth in Motu with new staff and a wider range of activities. Some 18% of all the papers at the NZ Association of Economists' annual conference were authored by Motu staff and its Affiliates – a truly remarkable achievement for an organisation in its third year of existence. The Director and staff deserve warmest congratulations.

This year the Board farewelled Dr Ann Sullivan and welcomed two new Trustees, Apryll Parata MNZM of Gardiner-Parata and Dr Steve Thompson, CEO of the Royal Society of New Zealand. Both bring wide experience in education, science and research and have added enormous strength to our Board.

Many people have supported Motu over the past year and I extend my thanks to them. I am confident they will feel rewarded by the quantity and quality of the output, and their part in building the foundations for Motu's continued contribution.



Dr Grant Scobie

Director's Report

The last year has seen Motu starting three major long-term projects: "Adjustment and Inequality" and "Land Use, Climate Change and Kyoto" both funded by the Foundation for Research Science and Technology (FRST); and "Is New Zealand an Economic State of Australasia" funded by Marsden. The FRST projects are ambitious programmes, involving a combination of research, networking, and relationships with end users. They are complemented by a number of smaller specific projects with a range of funders.

The long-term, broad nature of the FRST projects is allowing a full flowering of our vision: high-quality research, building research capacity, and broad dissemination to both academic and end user audiences. We have extensively developed our research infrastructure in the first year of our grants and expect this to repay strong dividends over the coming years of research. While making these investments, Motu has continued to produce a steady stream of research on a range of topics, and we published 20 papers, including seven in refereed journals (three international).

This year we created an "Affiliate" programme that closely links us with excellent New Zealand and international researchers who are doing related work. Affiliates are engaged in our research programmes, both independently and as Motu co-authors, and come to regular internal seminars. They, along with other external researchers, also attend the 'research workshops' that we run in association with each of our FRST projects. The workshops provide feedback on work in progress, build networks, and help plan future research directions.

We continue to collaborate with New Zealand universities and government departments, including the Ministry of Social Development, Treasury, the Department of Labour, and the Ministry for the Environment. We also have collaborators in places as far flung as Ecuador, Costa Rica, Canada, the United States, the United Kingdom and Italy. We see these collaborative relationships as the most effective form of bilateral capacity building.

To further enhance the dissemination of our research, and

research related to our programmes, we have created a working paper series. Three of our affiliates and four other external researchers were represented in the first seven working papers. During 2002/03 Motu staff gave more than 30 presentations domestically and abroad to a mixture of academic and policy audiences.

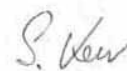
We are gradually building a model for effective end user engagement that goes beyond simple presentations of research. In the Climate FRST programme, we have run two sets of meetings with end users: industry, Māori and policy makers. In these meetings we give short, simple presentations of our findings and ongoing work. In discussion, we jointly tease out the implications of the work, as well as getting input on productive future directions.

These meetings complement our more regular one-on-one interactions with specific government departments and our joint projects with them. We are also increasingly working jointly with Richard Bedford at the University of Waikato and Kay Saville Smith at the Centre for Research, Evaluation and Social Assessment, and disseminate research through end user meetings run by the University of Waikato each year.

Financially Motu is getting onto an even keel. We experienced growth of over 20% last year despite Dave Maré being on "sabbatical" at the University of Essex for six months. Our equity is slowly accumulating and, more importantly, our human and institutional capital is ever stronger.

Motu would never have come this far without enormous support from many people. I cannot possibly name you all, but I particularly want to thank Grant Scobie and our other trustees who ask the right challenging questions, and provide some of the answers; our international advisors who help us keep our eyes on our long-term goals; and all Motu staff and affiliates—you are a great team. Personally, I could not have played my small part in Motu's achievements without Norm and Manu, who keep things in perspective and make me laugh.

We look forward to continuing to contribute to well-informed debate on public policy issues in the years to come.



Suzi Kerr





Contents

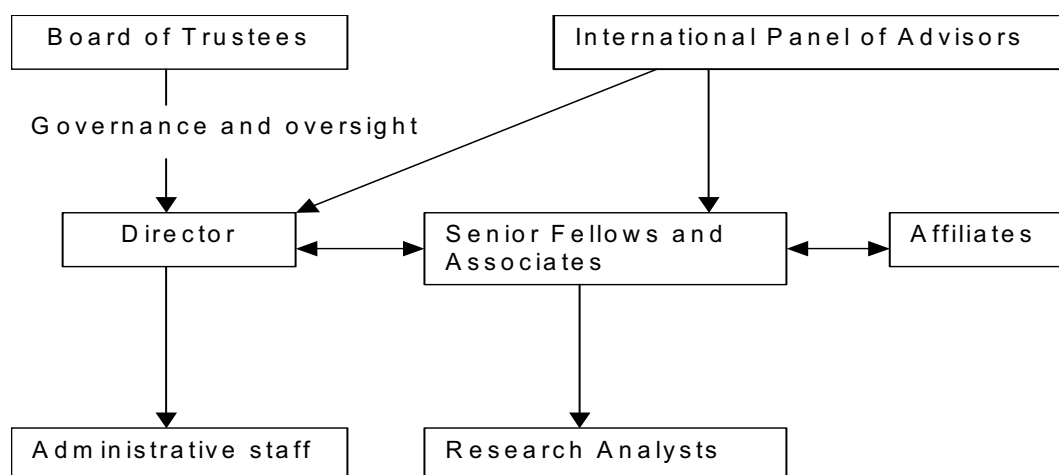
Motu Purposes and Structure.....	4
Board of Trustees.....	5
Motu Senior Fellows and Associates.....	7
International Panel of Advisors.....	9
Motu Achievements.....	11
Research and Research Dissemination.....	11
Building Capacity for New Zealand Economic and Public Policy Research.....	25
Outreach to End Users.....	29
Human Resource Management.....	31
Financial Information.....	33

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

STRUCTURE



Board of Trustees

DR GRANT SCOBIE TRUSTEE AND CHAIRMAN SINCE SEPTEMBER 2000

Grant received his undergraduate degree from Massey University in Palmerston North, and after completing a Master's degree in Australia, 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, he 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. He is currently Principal Advisor in Policy Coordination and Development in the New Zealand Treasury. He also serves as a Chairman of the Overseas Programmes Committee and is a National Board Member for Save the Children.



APRYLL PARATA MNZM TRUSTEE SINCE OCTOBER 2002

Apryll is Ngati Porou, Ngai Tahu descent, and was educated at Ngata Memorial College, the University of Waikato and Auckland Teachers College. Apryll embarked on a career in education (1983) and within ten years had progressed from being a first-year assistant teacher in Maori and English to becoming, as principal of Ngata Memorial College, the youngest secondary school principal in New Zealand history, and the only female principal of a state co-educational school in 1992. In 1997 Apryll was awarded the MNZM in the New Years Honours List for outstanding service and performance in education as the Principal of Ngata Memorial College. She currently heads the Education Practice area of Gardiner and Parata Limited.



DR STEVE THOMPSON
TRUSTEE SINCE OCTOBER 2002

Steve joined the Royal Society as Chief Executive in 2000. He has an academic background in agriculture, economics and business and extensive experience in science management. He has an Honours degree in Agricultural Science from the UK, a Master's degree in Economics from Canada and a PhD in Agriculture from the UK. He is also a graduate of Canada's National Defence College and the Queen's University Programme for Public Executives.



DR. ANN SULLIVAN
TRUSTEE FROM SEPTEMBER 2000 TO
OCTOBER 2002

Ann is of Nga Puhī descent, and has an MSocSc and a DPhil from the University of Waikato, New Zealand. She is currently (since 2002) Associate Professor in the History and Anthropology Departments and also teaches in the Maori Studies Department at the University of Auckland. Before that she was on the faculty of the Political Science Department at the University of Waikato. She co-authored *Proportional Representation on Trial: The New Zealand General Election and the Fate of MMP*, which won the 2002 Wallace Award for best academic publication on electoral matters. Her major areas of teaching are public policy, New Zealand politics and comparative ethnic politics. Her research and extensive publications focus on Maori development, public policy and representation. She is a frequent commentator on radio and television on Maori politics.



Motu Senior Fellows and Associates

SUZI KERR DIRECTOR AND SENIOR FELLOW

Suzi graduated from Harvard University in 1995 with a PhD in Economics, and was an Assistant Professor at the University of Maryland between 1995 and 1998. She has been a visiting scholar at the Massachusetts Institute of Technology (MIT) and at Resources for the Future. Suzi's research work empirically and theoretically investigates domestic and international emissions trading issues with special emphasis on climate change regulation, emissions and sequestration related to land use in New Zealand and the tropics, and the New Zealand Fisheries Individual Transferable Quota (ITQ) system. She is the programme leader for Motu's "Adjustment and Inequality" research project (funded by the New Zealand Foundation for Research Science and Technology (FRST)), and is the research leader of Motu's "Land Use, Climate Change and Kyoto: Human Dimensions Research to Guide NZ Policy" research project, also funded by FRST.



DAVE MARÉ SENIOR FELLOW

Dave completed his PhD in Economics at Harvard University in 1995. Prior to joining Motu he was at the Department of Labour. His research focuses on empirical labour economics, covering a broad range of topics including geographic labour markets, income distribution, migration, firm dynamics, the effectiveness of active labour market policies, and education and training issues. He is the research leader of Motu's FRST-funded project "Adjustment and Inequality". During the second half of 2002, Dave was a Visiting Fellow at the Institute for Social and Economic Research (ISER) at the University of Essex, Colchester, England, as part of their academic visitorship programme. This gave Dave the opportunity to work in a highly regarded research institute, and also served to strengthen Dave's and Motu's links to the European labour and social policy research community.



ARTHUR GRIMES
SENIOR RESEARCH ASSOCIATE

Prior to 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. His academic background includes a BSocSc(Hons) Economics (Waikato), and an MSc(Distinction) and PhD from London School of Economics.



He received a number of academic prizes and awards, including the Ely Devons Prize for best student in MSc(Econ), the Robert McKenzie Prize for Outstanding Performance in MA, MSc, MPhil or PhD degrees, and the Sayers Prize for Distinguished Thesis in Monetary Economics. He has published papers on finance, banking, monetary, macroeconomic and economic reform topics in international academic journals, and contributed to many policy and practitioner journals.

International Panel of Advisors

A. DENNY ELLERMAN MIT

Denny is a leading energy economist and is recognised internationally as an authority on emissions trading and coal economics. He is the 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 US SO₂ emissions-trading program and emissions trading as a component of climate change policy. Denny is co-author with Sloan School colleagues of *Markets for Clean Air: The US Acid Rain Program*.



EDWARD GLAESER HARVARD UNIVERSITY

Edward is a Professor of Economics in the Faculty of Arts and sciences at Harvard University, where he has taught since 1992. He teaches urban and social economics and microeconomic theory. He has published dozens of papers on cities, economic growth, and law and economics. In particular, his work has focused on the determinants of city growth and the role of cities as centres of idea transmission. He also edits *The Quarterly Journal of Economics*. He received his Ph.D. from the University of Chicago in 1992.



JOHN MCMILLAN STANFORD UNIVERSITY

John is the Jonathan B Lovelace Professor of Economics in the Stanford University Graduate School of Business and a Senior Fellow at the Stanford Institute for Economic Policy Research. His research interests are economic reform, mechanism design, cross-country comparisons of market institutions, and entrepreneurship in developing and transition economies. John is also the editor of *The Journal of Economic Literature*.



**WALLACE (WALLY) OATES
UNIVERSITY OF MARYLAND**

Wally is a visiting scholar in Resources for the Future's (RFF) 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.



**PAUL R PORTNEY
RESOURCES FOR THE FUTURE**

Paul is President of Resources for the Future (RFF). An economist by training, Paul joined the research staff of RFF in 1972. Since then, he has become a senior fellow and directed two of RFF's research divisions—its Quality of the Environment division and its Center for Risk Management. He became Vice President in 1989 and was named President in 1995.



**STEPHEN JENKINS
INSTITUTE FOR SOCIAL AND ECONOMIC
RESEARCH**

Stephen is a Professor of Applied Economics at 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.



Motu Achievements

Motu's purposes can be summarised in three categories: producing and presenting top-quality research; building capacity within New Zealand for research; and outreach to end users.

RESEARCH AND RESEARCH DISSEMINATION

The following section reports on Motu's activity in its three major research programmes: labour/social policy, environmental regulation and macroeconomics.

Labour/social policy analysis

Main projects

Adjustment and inequality

This programme of research is designed to greatly expand general understanding of the determinants and dynamics of socio-economic outcomes. We will both undertake high quality research on specific topics, and enhance the value of existing research efforts through active promotion of coordination, communication, and infrastructure development activities.

The programme has two main research foci: first, understanding the adjustment of geographic communities to social and economic change, with an emphasis on labour and housing markets; and second, identifying the determinants of unequal opportunities and outcomes and understanding their evolution and underlying causes. The Housing and Economic Adjustment project listed under the macroeconomics section also relates to this programme, and is partially funded by the Adjustment and Inequality FRST grant.

Researchers:

Motu: Dave Maré, Suzi Kerr, Arthur Grimes, Jason Timmins, Andrew Aitken and Andrew McCarthy

University of Auckland: Tim Maloney, Sholeh Maani, Rhema Vaithianathan

University of Waikato: John Gibson, Brian Silverstone

New Zealand Institute of Economic Research: Ralph Lattimore

Funders:

FRST

Regional labour markets

Motu, with the New Zealand Treasury, has carried out research into the way that local labour markets adjust. We have looked at the persistence of regional labour market differences, and the role of internal migration in spreading the impact of local changes. We have also estimated the impact of a local labour market shock on wages,

unemployment, participation, and migration, and found that migration is the single most significant form of adjustment. Adjustment is largely completed within 3–5 years but does not reverse longer-term differences in labour market outcomes across regions.

Researchers:

Motu: Dave Maré and Jason Timmins

Funders:

New Zealand Treasury

Firm dynamics

Motu, together with the New Zealand Treasury and Department of Labour, has continued the analysis of job creation and destruction using the business demography database maintained by Statistics New Zealand. In the 2002/03 year, we assisted the Treasury with further analysis and interpretation of patterns of firm dynamics, and had some input into the Linked Employer—Employee Data project being undertaken by Statistics New Zealand.

Researchers:

Motu: Dave Maré and Jason Timmins

Funders:

Department of Labour

New Zealand Treasury

Education and economic performance

This project addressed the question, “Is the changing mix of qualifications in New Zealand related to employment growth patterns and changing incomes?” The results showed a general upskilling in New Zealand between 1986 and 1996 that is evident across a wide range of job-groups. Employment growth was strongest in job-groups that had high initial levels of highly qualified workers but does not appear to be related to subsequent upskilling. The relationship between employment growth and initial skill-intensity does not reflect solely industry- or occupation-related factors. The change in income between 1986 and 1996 reflects quantity adjustments more than price adjustments. Changes in aggregate employment and in the skills mix of the workforce account for much greater proportions of the change than do aggregate productivity or relative price effects. Further work will incorporate New Zealanders not in the labour force to investigate what qualification groups are more at risk of being unemployed.

Researchers:

Motu: Dave Maré, Joanna Hendy and Jason Timmins

New Zealand Treasury: Dean Hyslop

Funders:

New Zealand Treasury

Publications and presentations

In the 2002/03 year Motu’s labour/social policy analysis research area produced research on 14 research topics. More than 14 presentations were given on the findings of this research, and as of June 2003, five papers had been published, including two refereed journal articles and one book chapter. Many publications are available online at www.motu.org.nz

Research	Presentation	Publication
Adjustment and inequality		
Timmins, Jason and Dave Maré. "Moving to Jobs? Regional Employment Growth and Internal Migration 1986–2000."		Timmins, Jason and Dave Maré. 2003. "Moving to Jobs? Regional Employment Growth and Internal Migration 1986–2000," <i>Public Sector</i> , 26:2, pp. 16–18. Version also published as Timmins, Jason and Dave Maré. 2003. "Moving to Jobs," Motu Working Paper 03-07, Motu Economic and Public Policy Research, Wellington.
Maloney, Tim. "Monopsonistic Competition in New Zealand."	Tim Maloney presented at the Motu Adjustment and Inequality Workshop, Wellington, June 2003.	
Maani, Sholeh and Rhema Vaithianathan. "Inequality and Health: Is Housing The Link?"	Sholeh Maani presented at the Motu Adjustment and Inequality Workshop, Wellington, June 2003.	
Lattimore, Ralph. "Long Run Trends in NZ Industry Assistance."	Ralph Lattimore presented at the Motu Adjustment and Inequality Workshop, Wellington, June 2003, and at the New Zealand Association of Economists Conference, Auckland, June 2003.	Will be published as a Motu Working Paper.
Silverstone, Brian and John Gibson. "Economic Growth and Income Distribution in New Zealand 1988–2001."	Brian Silverstone presented at the Motu Adjustment and Inequality Workshop, Wellington, June 2003. Dave Maré presented at the New Zealand Association of Economists Conference, Auckland, June 2003.	
Regional labour markets		
Maré, Dave and Jason Timmins. "Internal Migration and Regional Labour Markets in New Zealand."	Dave Maré presented at the Motu Adjustment and Inequality Workshop, Wellington, June 2003, and at the New Zealand Association of Economists Conference, June 2003.	
Firm dynamics		
Carroll, Nick, Dean Hyslop, Dave Maré, Jason Timmins and Julian Wood. "An Analysis of New Zealand's Business Demography Database."		Carroll, Nick, Dean Hyslop, Dave Maré, Jason Timmins and Julian Wood. 2002. "An Analysis of New Zealand's Business Demography Database," <i>New Zealand Economic Papers</i> , 36:1, pp. 59–62.

Education and economic performance		
Hyslop, Dean, Joanna Hendy, Dave Maré and Jason Timmins. "Qualifications, Employment and the Value of Human capital, 1986–1996."	Dave Maré presented at the Social Policy Research and Evaluation Conference, Wellington, April 2003. Jason Timmins presented at the New Zealand Association of Economists Conference, Auckland, June 2003.	Will be published as a New Zealand Treasury working paper.
Other research		
Chapple, Simon, Dave Maré, Suzie Carson, and Jason Timmins. "Movements Into And Out of Child Poverty in New Zealand: Results From The Linked Income Supplement."	Simon Chapple presented at the Social Policy Research and Evaluation Conference, Wellington, April 2003.	Will be published as a Motu Working Paper.
Slack, Adrian, Dave Maré, Jason Timmins and Jackie Cumming. "Variations in Secondary Care Utilisation and Geographic Access."	Jason Timmins presented at GeoHealth 2002, Wellington, December 2002.	Slack, Adrian, Dave Maré, Jason Timmins, and Jackie Cumming. 2002. "Variations in Health Care Utilisation and Geographic Access," Health Services Research Centre Discussion Paper No. 7, Wellington, http://www.vuw.ac.nz/hsrc .
Karagedikli, Ozer, Dave Maré and Jacques Poot. "Disparities and Despair: Changes in Regional Income Distributions in New Zealand 1981–96."		Karagedikli, Ozer, Dave Maré and Jacques Poot. 2003. "Description And Analysis Of Changes In New Zealand Regional Income Distributions, 1981–1996," in <i>The State, Economic Development and Ethnic Co-existence in Malaysia and New Zealand</i> . Editors E. Gomez and R. Stephens. Kuala Lumpur: Centre for Dispute Resolution, University of Malaya.
Gibson, John. "Do Lower Expected Wage Benefits Explain Ethnic Gaps in Job-Related Training? Evidence From New Zealand."		Gibson, John. 2003. "Do Lower Expected Wage Benefits Explain Ethnic Gaps In Job-Related Training? Evidence From New Zealand," Motu Working Paper 03-03, Motu Economic and Public Policy Research, Wellington.
Maré, Dave. "Everything I Never Wanted To Know About The BHPS Work History Files."	Dave Maré presented at ISER, University of Essex, February 2003.	Will be published as an ISER working paper.
Maré, Dave. "Paying for the Past: Wages and Life History."	Dave Maré presented at the Aarhus School of Business, August 2003; ISER, University of Essex, January 2003; and the Indian Statistical Institute, Delhi, March 2003.	Will be published as an ISER working paper.

General presentations and conference, workshop and seminar involvement

Dave Maré presented “Understanding Adjustment and Inequality Research Programme” at the New Directions/New Settlers Conference, Wellington, April 2003, the Motu Adjustment and Inequality Workshop, Wellington, June 2003, and the New Zealand Association of Economists, Auckland, June 2003.

Jason Timmins presented “New Zealand community database” at the New Zealand Association of Economists Conference, Auckland, June 2003, and at the Motu Workshop on Understanding Adjustment and Inequality, Wellington, June 2003.

Andrew Aitken presented “New Zealand exogenous shocks database” at the Motu Adjustment and Inequality Workshop, Wellington, June 2003.

Environmental regulation

Main projects

Land use, climate change and Kyoto: Human dimensions research to guide New Zealand policy

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 is closely linked with the international research and policy community and our work addresses a global gap in understanding of land use processes and the appropriate policies to address land use and climate issues at national and international levels. We have an explicit component of policy design and analysis as our second outcome. In pursuit of these outcomes, the project will pursue two major objectives, “An integrated socio-economic/natural-science land-use model” and “Policy design and analysis for land-use and climate change issues”.

Researchers:

Motu: Suzi Kerr, Joanna Hendy and Emma Brunton

Funders:

FRST

Climate change policy

Motu was engaged in research on the design of an international emissions trading system for addressing climate change; design of domestic emissions trading systems; and analysis of the allocation of risk within tradeable permit systems.

Researchers:

Motu: Suzi Kerr

Center for Clean Air Policy: Catherine Leining

Land-use change in Costa Rica—greenhouse gas sinks and carbon sequestration

This international collaborative research project examines the causes of deforestation in Costa Rica and synthesises evidence on the carbon content of these forests. Motu is modelling this information to create a “carbon sequestration” supply curve and through sensitivity analysis investigating the importance of different aspects of accuracy in the measurement of carbon credits.

Researchers:

Motu: Suzi Kerr, Joanna Hendy and Jason Timmins

Columbia University: Alex Pfaff

University of Alberta: Arturo Sanchez

Earth Resources Observation Systems Data Center: Shuguang Liu

Oregon State University: Boone Kauffman

Tropical Science Center (Costa Rica): Vicente Watson, Joseph Tosi

United States Forest Service: Flint Hughes

Funders:

Food and Agriculture Organisation of the United Nations

National Center for Ecological Analysis and Synthesis

Fisheries management

Motu and Resources for the Future (Washington, DC) are jointly undertaking economic and policy research on fisheries management in New Zealand. We are examining the role and effectiveness of market-based instruments, in particular the ITQ system as a fisheries management tool. The objective of this research project is to assess the efficiency of the New Zealand market and identify possible sources of inefficiency by studying quota price formation and market operation.

Researchers:

Motu: Suzi Kerr, Joanna Hendy and Gina Straker

Resources for the Future: Richard Newell and Jim Sanchirico

Funders:

Ministry of Fisheries

Resources for the Future

Migration and the environment in the Galapagos

This project analyses the economic and policy incentives driving migration trends in the Galapagos Islands, and the potential impacts on the environment and social implications derived from associated population increases or decreases. Motu has undertaken a review of migration patterns and socio-economic characteristics of people arriving in and leaving the Galapagos. We examined incentives driving migration and identified sources of spatial distortion that encourage people to move for inefficient reasons. We identified the resulting pressures on the Galapagos' unique natural resources. From the analysis we formulated innovative, viable and achievable recommendations for the Ecuadorian government.

Researchers:

Motu: Suzi Kerr and Joanna Hendy

Ecolap (Ecuador): Susana Cardenas

Translators:

Eduardo Villouta, Sandra Sandoval and Juan Andres Robalino

Funders:

World Wildlife Fund (WWF)

Publications and presentations

In the 2002/03 year Motu's environmental regulation research area produced research on 18 topics. More than 11 presentations were given on the findings of this research, and as of June 2003, ten papers had been published, including two refereed journal articles, four book chapters and two papers and proceedings documents. Many publications are available online at www.motu.org.nz.

Research	Presentations	Publications
Climate policy		
Kerr, Suzi. "Allocating Risks in a Domestic Greenhouse Gas Trading System."		Kerr, Suzi. 2002. "Allocating Risks in a Domestic Greenhouse Gas Trading System," Motu Working Paper 03-01, Motu Economic and Public Policy Research, Wellington.
Kerr, Suzi and Catherine Leining. "Joint Implementation in Climate Change Policy."	Presented at New Zealand Association of Economists Conference, Auckland, June 2003.	Book chapter prepared for <i>The International Yearbook of Environmental and Resource Economics 2003/04</i> . Editors Tom Tietenberg and Henk Folmer. Cheltenham, United Kingdom: Edward Elgar Publishing. Kerr, Suzi and Catherine Leining. 2003. "Joint Implementation in Climate Change Policy," Motu Working Paper 03-04, Motu Economic and Public Policy Research, Wellington.
Kerr, Suzi. "Emissions Trading."		Entry forthcoming in <i>Pollution A to Z</i> , Detroit: Macmillan.
Land use and climate change		
Kerr, Suzi, Shuguang Liu, Alexander Pfaff and R. Flint Hughes. "Carbon Dynamics And Land-use Choices: Building A Regional-Scale Multidisciplinary Model."		Forthcoming in <i>Journal of Environmental Management</i> . Kerr, Suzi, Shuguang Liu, Alexander Pfaff and R. Flint Hughes. 2002. "Carbon dynamics and land-use choices: Building a Regional-Scale Multidisciplinary Model," Motu Working Paper 03-06, Motu Economic and Public Policy Research, Wellington.
Pfaff, Alexander, Leslie Lipper, Romina Cavatassi, Suzi Kerr and Joanna Hendy. "Poverty, Location and Deforestation: Evidence from Costa Rica."	Joanna Hendy presented at New Zealand Association of Economists Conference, Auckland, June 2003.	

Land use and climate change		
Lipper, Leslie, Romina Cavatassi, Suzi Kerr, Joanna Hendy and Alexander Pfaff. "Harvesting Carbon Sequestration Through Land Use Change: A Way Out of Rural Poverty?"	Presented at Yale Sustainable Forestry meeting by Alex Pfaff.	
Pfaff, Alexander and Suzi Kerr. "What Would Have Happened? Reviewing And Improving Baselines For Tropical Forests And Sequestered Carbon."	Suzi Kerr and Alex Pfaff presented at the Allied Social Science Association Conference, Washington, DC, January 2003.	
Land use, climate change and Kyoto	Various presentations in two interdisciplinary research workshops organised by Motu and made to Ministry of Agriculture and Fisheries staff.	
Kerr, Suzi. "Efficient Contracts For Carbon Credits From Reforestation Projects."	Presented to policy maker end user group, June 2003.	
Kerr, Suzi. "Indigenous Forests and Forest Sink Policy in New Zealand."		
Kerr, Suzi, Ralph Chapman and Emma Brunton. "Policy to Encourage Carbon Sequestration in Plantation Forests."	Presented to forestry industry and policy maker end user groups, June 2003.	
Fisheries management		
Straker, Gina, Suzi Kerr and Joanna Hendy. "A Regulatory History of New Zealand's Quota Management System."	Joanna Hendy presented at the International Institute of Fisheries, Economics and Trade Conference, Wellington, August 2002.	Straker, Gina, Suzi Kerr and Joanna Hendy. 2002. "A Regulatory History of New Zealand's Quota Management System," Chapters 1-4. Motu Manuscript. Abridged version published as Straker, Gina, Suzi Kerr and Joanna Hendy. 2002 "A Regulatory History Of New Zealand's Quota Management System: Setting Targets, Defining And Allocating Quota." Papers and Proceedings of the Institute of Fisheries Economics and Trade Conference 2002.

Fisheries management		
Kerr, Suzi, Richard G. Newell and James N. Sanchirico. "Evaluating the New Zealand Individual Transferable Quota Market for Fisheries Management."	Suzi Kerr presented at Organisation for Economic Co-operation and Development workshop, Paris, January 2003.	Kerr, Suzi, Richard G. Newell, and James N. Sanchirico. 2003. "Evaluating the New Zealand Individual Transferable Quota Market for Fisheries Management", Motu Working Paper 03-02, Motu Economic and Public Policy Research, Wellington.
Kerr, Suzi, Susana Cardenas and Joanna Hendy. "Migration, Fisheries and the Environment in the Galapagos."	Joanna Hendy presented at New Zealand Association of Economists Conference, Auckland, June 2003.	
Newell, Richard G., James N. Sanchirico and Suzi Kerr. "Fishing Quota Markets."	Suzi Kerr presented at International Institute of Fisheries, Economics and Trade Conference, Wellington, August 2002.	Newell, Richard G., James N. Sanchirico and Suzi Kerr. 2002. "Fishing Quota Markets." Resources for the Future Discussion Paper 02-20, Resources for the Future, Washington, D.C. Abridged version published as Newell, Richard G., James N. Sanchirico and Suzi Kerr. 2002. "An Empirical Analysis of New Zealand's ITQ Markets," Papers and Proceedings of the International Institute of Fisheries, Economics and Trade Conference, Wellington, August 2002.
Hendy, Joanna and Suzi Kerr. "How do Catch Patterns Respond to Changes in International Prices For Different Species?"		
Papps, Kerry L. and Suzi Kerr. "What Do Quotas Have To Do With The Price of Fish? Investigating The Relationship Between Sale And Lease Prices in The Market For Fish Quotas."		
Kerr, Suzi and Andrew Aitken. "The Effects of Bycatch Relationships on Quota Prices."		
Technology change		
Kerr, Suzi and Richard G. Newell. "Policy-Induced Technology Adoption: Evidence From the U.S Lead Phasedown."		Forthcoming in <i>Journal of Industrial Economics</i> .

General presentations and conference involvement

Suzi Kerr was discussant at the New Zealand Association of Economists Conference on the paper “CITES and the tragedy of the anti-commons” by Brendan Moyle, Auckland, January 2003.

Suzi Kerr was discussant at the New Zealand Association of Economists Conference on the paper “A Path for Environment—Economy Integration” by Ralph Chapman, Auckland, January 2003.

Macroeconomics

Main projects

Is New Zealand an economic state of Australasia?

The New Zealand and Australian economies have become increasingly linked since adoption of the North American Free Trade Agreement and Closer Economic Relations trade agreements. In the financial field, there is debate over whether to merge the two countries' sharemarkets and/or adopt a single currency. Optimal financial arrangements are related to underlying economic relationships. For example, in the European Union, as economic links increased, member countries adopted common financial arrangements, including the Euro. If trends and fluctuations across the trans-Tasman economies exhibit similar characteristics, unified financial arrangements may be optimal. If they are dissimilar, separate institutions may be advisable.

But how similar do developments have to be before it is efficient to adopt common institutions? One yardstick is to compare New Zealand developments with those occurring in Australian states and territories, which already share common financial arrangements. If the New Zealand economy relates to the federal Australian economy in a manner similar to a typical Australian state economy, there is prima facie evidence to investigate closer financial linkages. This study makes relevant comparisons using labour market, price and production data. It extends understanding of how the New Zealand economy relates to that of Australia as a whole and to its individual parts, providing valuable background for policy discussion.

Researchers:

Motu: Arthur Grimes and Andrew Aitken

Funders:

Marsden Fund; awarded by the Royal Society of New Zealand

Housing and economic adjustment

To shed light on the behaviour of the New Zealand housing market, we examine the dynamic and long run responses of house values across spatial communities and across time to economic variables that impact on the local economy. We use a specially constructed Quotable Value New Zealand (QVNZ)-sourced database for house prices and house sales, and a range of explanatory variables constructed consistently across territorial local authorities and regional council levels. The results are relevant to issues of social policy, labour market policy, housing policy and, in circumstances of "housing bubbles", to monetary policy. This research also relates to the Adjustment and Inequality programme listed in the Labour/Social Policy section.

Researchers:

Motu: Arthur Grimes, Andrew Aitken and Suzi Kerr

Funders:

Centre for Housing Research Aotearoa New Zealand (CHRANZ), FRST

Land taxes and revenue needs as communities grow and decline: Evidence from New Zealand

In late 2001, Motu was awarded multi-year funding by the Lincoln Institute of Land Policy to investigate the use of property taxes to fund local authority expenditures in New Zealand. Specific topics to be studied over the course of the research programme include:

- description of the property tax system in NZ, including changes over time
- collection of data on revenue from property taxes and taxation rates
- collection of data on local authority budgets, including budgetary allocation
- collection of a dataset on property values over time
- identification of exogenous shocks impacting on local authorities
- examination of how local authorities cope with changes in demand for services relative to changes in the authority's tax base
- examination of how changes in the tax base relate to patterns of regional development, especially in response to exogenous shocks
- examination of the impact of shocks on land values versus capital values of properties, with implications for the nature of the property tax base chosen by local authorities.

In 2002, William McCluskey (Lincoln University), Arthur Grimes and Jason Timmins prepared a paper "Property Taxation in New Zealand" (subsequently published as Lincoln Institute of Land Policy Working Paper WP02WM1). Data on local authority revenue and expenditures were collected and a start was made on collecting property value data (subsequently obtained from QVNZ on a comprehensive basis covering both valuations and sales prices).

Researchers:

Motu: Arthur Grimes, Suzi Kerr and Jason Timmins

Lincoln University: William McCluskey

Funders:

Lincoln Institute of Land Policy, Cambridge, Massachusetts, U.S.A.

Publications and presentations

In the 2002/03 year Motu's macroeconomic research area produced research on five research topics. As of June 2003, four presentations, and five publications had resulted from this research, including three refereed journal articles. Many publications are available online at www.motu.org.nz.

Research	Presentations	Publications
McCluskey, William, Arthur Grimes and Jason Timmins. "Property Taxation in New Zealand."		McCluskey, William, Arthur Grimes and Jason Timmins. 2002. "Property Taxation in New Zealand." Lincoln Institute of Land Policy Working Paper WP02WM1, Lincoln Institute of Land Policy, Cambridge, MA, U.S.A.
Grimes, Arthur. "Why are New Zealanders so Wealthy?"		Grimes, Arthur. 2003. "Why are New Zealanders so Wealthy?", <i>Competition and Regulation Times</i> , 9 (Nov.), pp. 4–5.
Grimes, Arthur, Suzi Kerr and Andrew Aitken. "Housing and Economic Adjustment."	Arthur Grimes, presented to New Zealand Association of Economists Conference, Auckland, June 2003.	Grimes, Arthur, Suzi Kerr and Andrew Aitken. 2003. "Housing and Economic Adjustment," Paper prepared for CHRANZ, June 2003.
Grimes, Arthur. "Economic Growth and the Size and Structure of Government: Implications for New Zealand."	Arthur Grimes presented to The Treasury/Ministry of Economic Development Growth Seminar, Wellington, May 2003.	Grimes, Arthur. 2003. "Economic Growth and the Size and Structure of Government: Implications for New Zealand," <i>New Zealand Economic Papers</i> , 37(1), pp. 151–174.
Singleton, John, Arthur Grimes, Gary Hawke and Sir Frank Holmes. "Progress Report on the New History of the Reserve Bank of New Zealand."		Singleton, John, Arthur Grimes, Gary Hawke and Sir Frank Holmes. 2003. "Progress Report on the New History of the Reserve Bank of New Zealand," <i>Australian Economic History Review</i> , 43(1), pp. 83–88.
Fabling, Richard and Arthur Grimes. "Practice Makes Profit: Business Practices for Firm Success."	Presented to New Zealand Association of Economists Conference, Auckland, June 2003.	
Sharma, Jared and Arthur Grimes. "Crown Financial Assets and Fiscal Outcomes: Evidence from New Zealand."	Presented to University of Waikato School of Economics Seminar, Hamilton, September 2002.	

General presentations and conference involvement

Arthur Grimes was Rapporteur for the Reserve Bank of NZ conference "Analysing the Economy for Monetary Policy Purposes: Key Issues," Wellington, March 2003.

BUILDING CAPACITY FOR NEW ZEALAND ECONOMIC AND PUBLIC POLICY RESEARCH

Teaching

Suzi Kerr taught half of the second semester graduate Public Economics course (ECON/PUBL 411) at Victoria University of Wellington.

Arthur Grimes taught Graduate Money and Banking (MOFI 404) and part of Undergraduate Money and Banking (MOFI 202) at Victoria University of Wellington, where he also supervises two PhD students. As Adjunct Professor at University of Waikato, he supervises one PhD student.

Jason Timmins gave a guest lecture for a third-year GIS paper, "Population Data and GIS," at Victoria University of Wellington, 4 September 2002.

Motu affiliate programme

In 2002/03 Motu established the Motu Affiliate Programme, which brings together a group of excellent active researchers who are working on issues related to Motu research programmes. Affiliates include New Zealand and international academics, as well as senior New Zealand policy analysts. Motu affiliation involves no financial or legal linkages and offers a host of mutual benefits.

Five Motu affiliates are associated with the labour/social policy research area:

- Dean Hyslop, Principal Advisor, Social Policy Branch, New Zealand Treasury
- John Gibson, Department of Economics, University of Waikato
- Sholeh Maani, Associate Professor, Department of Economics, University of Auckland
- Steve Stillman, Senior Economic Researcher, Labour Market Policy Group, Department of Labour, New Zealand
- Tim Maloney, Associate Professor, Department of Economics, University of Auckland.

Two affiliates are associated with the environmental regulation research area:

- Richard G. Newell, Fellow in the Energy and Natural Resources Division, Resources for the Future
- James N. Sanchirico, Fellow in the Quality of the Environment Division, Resources for the Future.

A further two affiliates are associated with the macroeconomics research programme:

- John McDermott, Chief Economist, The National Bank of New Zealand Limited
- Viv Hall, Professor, McCarthy Chair of Economics, Victoria University of Wellington.

University affiliations

We have chosen not to have formal relationships with any university at this stage but are building closer working relationships with Victoria University School of Government and the University of Waikato. We continue to teach within the economics department at Victoria University, and Arthur Grimes was appointed as an Adjunct Professor at the University of Waikato in 2002.

Motu seed grants

Motu has established a seed grant programme for colleagues who have research interests within the scope of the Motu research programmes. Seed grants are designed to help researchers produce a strong research proposal that we can fund within our programmes. Three teams of researchers developed proposals under this programme during 2002/03.

Student internships

Motu had three interns during the 2002/03 year. Emma Brunton and Andrew McCarthy worked over the summer period, and Kerry Papps worked at Motu for 12 weeks from June 2003.

Datasets

We see the development of common databases that can be used by a wide range of researchers as an essential component in building an effective New Zealand research community in our areas of interest. The following datasets were developed and enhanced in 2002/03.

Land Use and Climate Change: Human Dimensions Research dataset

Motu is currently compiling a database as part of our programme “Land Use, Climate Change and Kyoto: Human Dimensions Research to Guide NZ Policy” programme. Our aim is to build an empirically-based economic model of land use change. In order to build this model we are collecting data on land cover/use, economic returns from major land uses, environmental characteristics and land governance. Most of the land use and economic variables are available annually from the early 1980s to the present, with some variation. The environmental, governance and land cover data is more limited.

We hold the following data:

- land cover/use data for sheep, beef, dairy, plantation forest, and indigenous forest
- economic data on yields, production costs, and land values, by land use, and population census and commodity prices
- environmental data on land capability
- governance data covering conservation land and Māori land ownership.

New Zealand Fisheries dataset

We have continued to supplement our New Zealand Fisheries dataset this year, obtaining more comprehensive catch effort data for hoki and hake, and historical weather data for each quota management area.

Galapagos dataset

This dataset includes information on population growth in and migration between provinces in Ecuador, and on social and economic conditions in each province, as well as specific information on subsidies given to residents and businesses in Galapagos.

QVNZ dataset

The database contains information on New Zealand property sales and valuations. Sales data is available from 1981 to 2003 at a quarterly level for territorial local authorities and annually at meshblock and area unit level. Valuation data is available annually at meshblock, area unit and territorial local authority level from 1990 to 2003. Variables included in this database include property sales price, capital value, land value, improved value, land area and the number of sales and valuations. This data is available for 25 land types including industrial, commercial and various residential and agricultural categories.

Exogenous shocks dataset

To conduct effective research programmes and assist other researchers in our areas of interest and expertise, Motu has created a database of exogenous shocks that impact on communities over time. A variable is exogenous to a community when developments in that community have no impact on the current outcome of that variable; therefore all historical data are exogenous. For contemporaneous variables, data that may be regarded as exogenous at one level of geographical disaggregation (e.g. area unit) may be endogenous at a larger geographical level. Data have been collected at four main spatial levels: "world", New Zealand, regional council and smaller spatial units (territorial local authority/area unit/meshblock). The data have been collected at as high a frequency as possible, to allow for conversion to lower frequencies for specific projects as appropriate. The frequency for most of the variables is monthly or quarterly; others are on an annual or quinquennial (census) basis; and for some of the financial variables, data are available on a daily basis. Most of the variables are available from the early 1980s to the present, although this does vary.

New Zealand community facilities database

The database contains information on the locations, type and size of schools, tertiary education institutions, hospitals, Work and Income offices and post offices. Historical information about the facilities is included to enable examination and analysis of changes in the provision of services across New Zealand.

Long-run Nominal Rates of Industry Assistance Database

This database contains New Zealand most favoured nation tariffs as at September 2000 for two-digit, eight-digit and new 10-digit Harmonised System industry classifications. This data has been used to create industry assistance estimates from 1982 to 2001. One measure of the extent to which assistance raises output prices is called the nominal rate of assistance on outputs. Industry assistance estimates have been used to code data at the firm level. Because tariff rates are set at the eight-digit level, which is beyond the level of disaggregation of official industry statistics, it is not possible to use official data to quantitatively estimate the degree of assistance accorded by the tariff directly. An indirect approach is required. Information on the 10-digit tariff for the year 2000 has been used to position firms within the distribution of assistance rates for particular industries. Then more aggregate data available on the variance of assistance rates can be used to estimate the trend in assistance that has been applicable to particular firms since 1982.

Research networking

Understanding adjustment and inequality

Motu ran a research workshop for researchers working with Motu on this project as well as researchers we hope to involve in future. The workshop included presentations from Motu and Motu affiliates, including three Motu seed grant proposals. Jeff Borland, visiting from the University of Melbourne, gave a personal review of the research programme, and Leslie Haines, from Department of the Prime Minister and Cabinet, provided links between the research programme and policy activity within government.

Fisheries management

Motu established a research network (website and mailing list) for researchers studying socio-economic aspects of New Zealand fisheries in order to facilitate fisheries research in New Zealand.

Motu coordinated a research network meeting for New Zealand fisheries socio-economic researchers as a side-event at the International Institute of Fisheries Economics and Trade conference in Wellington in August, 2002.

Land use, climate change and Kyoto

For its Land-use, Climate Change and Kyoto Programme Motu coordinated a policy and research workshop in November 2002 and a research workshop in May 2003, and held a series of meetings in June 2003 with industry and policy stakeholders.

Publications

Suzi Kerr published the following paper in 2003 that discusses Motu's role in the research and policy community.

Kerr, Suzi. 2003. "Motu, Excellence in Economic Research and the Challenges of 'Human Dimensions' Research." Science and Technology Policy edition of Science Review, 60, pp. 2–3 (Motu Working Paper 03-05).



OUTREACH TO END USERS

Motu website (www.motu.org.nz)

The Motu website provides extensive detail on all our work programmes. We publish all our research as soon as it is completed. We are also beginning to use our website to facilitate research networks. We have had positive feedback from local, regional, national and international users. Readers are invited to download papers and reports from the website in PDF format.

Motu newsletter (Research Update)

The third and fourth editions of Motu's newsletter *Research Update* were published in December 2002 and June 2003. The newsletters continue to be sent widely to all contacts in New Zealand and abroad (hard copies and email), and may be downloaded from the website in PDF format. Copies are also lodged with the National Library of New Zealand (ISSN 1176-0206).

International visitors

Jeff Borland

Jeff Borland visited Motu to participate in the Motu Workshop on Understanding Adjustment and Inequality, 16 June 2003. Jeff is a Professor of Economics and Head of the Department of Economics at the University of Melbourne, where he has held a full-time teaching position since 1988. He is also Professorial Fellow at the Melbourne Institute of Applied Economics and Social Research. He has held visiting teaching positions at the University of Iowa and University of Wisconsin-Madison between 1996 and 1998 and was a Visiting Fellow at the Centre for Economic Policy Research at the Australian National University.

Denise DiPasquale

Denise DiPasquale visited Motu in February 2003. She was on the faculty at the University of Chicago from 1995 to 1998. From 1988 to 1995, she served on the faculties of the Department of Economics and the John F. Kennedy School of Government at Harvard University. Prior to Harvard, she served on the faculty at Carnegie-Mellon and MIT. She is currently the President of City Research, a research firm based in Boston, Massachusetts, U.S.A. that focuses on urban economics and policy issues. She gave a brief presentation of her recent work on low-income housing, "Comparing the Costs of Various US Federal Housing Programs," to a group of policy analysts.

Marty Smith

Motu helped to host Professor Marty Smith from Duke University, USA during the International Institute of International Fisheries and Trade Conference. Motu coordinated a meeting with staff from the Department of Conservation and the Ministry of Fisheries to discuss marine reserves.

Working paper series

In March 2003 we established the Motu Working Paper Series. The series is published on the Motu website, as well as disseminated directly to other research and policy networks. Seven working papers, six written by Motu staff with co-authors and one by a Motu affiliate, have been published since March.

Media

Arthur Grimes was interviewed for The New Zealand Herald, 19 September 2002, regarding his work on Australia-New Zealand economic relationships, for an article titled “Zac’ under Microscope in Government Funded Study.”

Human Resource Management

MOTU STAFF

Motu currently has nine permanent staff members: three senior staff (Suzi Kerr, Dave Maré and Arthur Grimes), three research analysts (Jason Timmins, Joanna Hendy and Andrew Aitken), a research coordinator (Debara Parker) and two administrators (Pauline Hornblow and Maxine Watene).

Motu appointed three new staff members during the year: an office manager, Pauline Hornblow (replacing Gina Straker, who returned to university to complete her Master's degree); a research analyst, Andrew Aitken; and a research coordinator, Debara Parker. Three interns worked with Motu: Andrew McCarthy and Emma Brunton over the summer, and Kerry Papps for 12 weeks from June.

TRAINING POLICY

Motu's aim is to enhance the opportunities for staff to reach their full potential by providing reasonable access to and support for training, career development and continuous improvement. Career-development opportunities may include on-the-job training, internal training courses, external courses and conferences, study assistance, etc. Motu may approve study assistance to enable staff to undertake a course of study to complete qualifications, to attend courses and seminars, and to undertake research or projects that are relevant to their work with Motu.

During the 2002/03 year, one of our research analysts completed two university economics papers. Support and research staff completed a variety of computing and general skills courses. Our research analysts were also actively involved in conferences, both attending and presenting.



Financial Information

BANKING, ACCOUNTING, LEGAL AND INSURANCE

Banking: Patrick Bryant, National Bank of New Zealand

Accountant: Roger Shackelford, Horwath Wellington

Auditor: Grant Thornton

Legal Advisor: Annelies McClure, Chapman Tripp

Insurance Agent: Mark Ranum, Aon Risk Services

Insurance cover (at 30 June 2003)

Type of Cover	Total Cover	
CPF Commercial (business assets)	\$120,000	
Senior Fellows (death/disability)	\$400,000	
Public Liability	\$1,000,000	
Professional Indemnity	\$500,000	

FINANCIAL HIGHLIGHTS

(all figures in NZ\$000s)

2001–2002			2002–2003		
Revenues	New Zealand Sources	396	Revenues	New Zealand Sources	536
	Foreign Sources	129		Foreign Sources	108
Net Surplus		24	Net Surplus	29	
Net Equity		10	Net Equity	40	

MAJOR FUNDERS

New Zealand

- FRST
- Marsden Fund
- New Zealand Treasury
- Department of Labour

- Ministry of Fisheries
- CHRANZ

Foreign

- United Nations Food and Agriculture Organisation
- Lincoln Institute for Land Policy, Cambridge, Massachusetts, USA

MOTU ENDOWMENT FUND

The following rules govern the management of the endowment, which was established with a nominal sum of \$1,000 in October 2001.

- Five per cent of the value of the endowment at the beginning of the financial year can be used each year to fund the ongoing activities of Motu.
- Any additional funds withdrawn from the endowment will need to be approved by the Trustees.
- If a funder chooses to put restrictions on the use of funds (by broad area of research or other purposes, not controlling specific research or activities) the funds will only be directed to those purposes.
- The funds will be invested in ways approved by the Board of Trustees.
- While Motu is short of funds, any surplus earned will initially be used as working capital (i.e. to reduce debt) and then placed in a “research fund”, which can be drawn down at the discretion of the Director.
- Contributions to the endowment will be regularly reassessed by the Board of Trustees.

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

CONTENTS	Page
Statement of Financial Performance	3
Statement of Movements in Equity	4
Statement of Financial Position	5
Notes to the Financial Statements	6-7
Auditor's Report	8

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003	2002
Income			
Foreign Research Grants		\$108,660	\$129,111
NZ Research Grants		536,797	396,863
Overhead Recovery		130,363	-
Interest Received		2,686	21
Foreign Exchange Gain		2,627	-
Other Income		<u>89</u>	<u>1,621</u>
Total Income		781,222	527,616
Less Cost of Sales		<u>318,378</u>	<u>92,601</u>
Gross Profit/(Loss)		462,844	435,015
Expenses			
Audit Fees		3,223	3,450
Communication		14,390	12,211
Depreciation	4	15,593	16,619
Electricity & Gas		1,576	1,387
Foreign Exchange Loss		-	2,289
General Expenses		22,503	12,540
Insurance		7,523	4,857
Interest Paid		3	1,699
Office Rental		17,244	15,600
Personnel		341,691	332,963
Professional Fees		7,238	5,609
Travel		<u>2,287</u>	<u>1,253</u>
Total Expenses		433,271	410,477
Net Surplus/(Deficit)		29,573	24,538
Less: Transfer to Motu Endowment Fund		<u>(10)</u>	<u>(1,000)</u>
Net Surplus/(Deficit) Transferred to Accumulated Funds		<u>\$29,563</u>	<u>\$23,538</u>

These financial statements should be read in conjunction with the attached notes.
MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002
Equity at 1 July 2002	\$10,548	\$(13,990)
Net Surplus/(Deficit)	29,563	23,538
Transfer to Motu Endowment Fund	<u>10</u>	<u>1,000</u>
Equity at 30 June 2003	<u>\$40,121</u>	<u>\$10,548</u>

These financial statements should be read in conjunction with the attached notes.
MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	Note	2003	2002
Current Assets			
Petty Cash		\$200	\$200
Bank Accounts		65,143	35,018
Retentions		7,250	-
Work in Progress		7,906	7,031
Prepayments		3,077	3,183
Accounts Receivable		<u>94,601</u>	<u>115,929</u>
Total Current Assets		178,177	161,361
Current Liabilities			
Bank Accounts		15,349	-
Accounts Payable		47,269	47,459
Accrued Expenses		31,290	66,147
Fees in Advance		67,466	37,202
IRD – PAYE & Student Loan		10,447	3,396
GST Payable		<u>9,620</u>	<u>16,770</u>
Total Current Liabilities		181,441	170,974
Working Capital		(3,264)	(9,613)
Fixed Assets			
Computer Hardware & Software	4	35,001	26,558
Furniture & Fittings	4	<u>8,384</u>	<u>3,603</u>
Total Fixed Assets	4	43,385	30,161
Non Current Liabilities			
Loan from Suzi Kerr		-	<u>10,000</u>
Total Non Current Liabilities		-	10,000
Net Assets		<u>\$40,121</u>	<u>\$10,548</u>
<i>Represented by:</i>			
Equity			
Accumulated Funds		39,104	9,548
Motu Endowment Fund		<u>1,017</u>	<u>1,000</u>
Total Equity		<u>\$40,121</u>	<u>\$10,548</u>

On Behalf of the Board:

Director	Date
----------	------

Trustee	Date
---------	------

These financial statements should be read in conjunction with the attached notes.
MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

Note 1: Statement of Accounting Policies

Reporting Entity

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.

Measurement Base

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

Specific Accounting Policies

Fixed Assets

Fixed assets have been valued at cost less accumulated depreciation. Depreciation has been calculated on a diminishing value basis at the following rates:

Computer Hardware & Software	26% - 48% DV
Furniture & Fittings	12% - 60% DV

Goods and Services Tax

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

Accounts Receivable

Accounts receivable are stated at their net realisable value.

Taxation

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

Differential Reporting

Due to its size and lack of public accountability, Motu: Economic & Public Policy Research has qualified for Differential Reporting. They have applied all Differential Reporting exemptions.

Changes to Accounting Policies

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

Note 2: Capital Commitments and Contingent Liabilities

There are no capital commitments or contingent liabilities as at balance date. (2002: \$Nil).

Note 3: Events Subsequent to Balance Date

There are no events subsequent to balance date which require disclosure in the financial statements. (2002: \$Nil).

**MOTU: ECONOMIC & PUBLIC POLICY RESEARCH TRUST
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2003**

Note 4: Fixed Assets

	Cost	Acc Deprn	Deprn	Book Value
	2003	2003	2003	2003
Computer Hardware & Software	82,301	47,300	14,584	35,001
Furniture & Fittings	<u>11,360</u>	<u>2,976</u>	<u>1,009</u>	<u>8,384</u>
Total Fixed Assets	<u>\$93,661</u>	<u>\$50,276</u>	<u>\$15,593</u>	<u>\$43,385</u>
	Cost	Acc Deprn	Deprn	Book Value
	2002	2002	2002	2002
Computer Hardware & Software	59,274	32,716	16,037	26,558
Furniture & Fittings	<u>5,570</u>	<u>1,967</u>	<u>582</u>	<u>3,603</u>
Total Fixed Assets	<u>\$64,844</u>	<u>\$34,683</u>	<u>\$16,619</u>	<u>\$30,161</u>

Note 5: Banking Arrangement

The Trust has an overdraft limit of \$50,000 with The National Bank of New Zealand Limited. This overdraft facility is secured by way of a guarantee limited to \$110,000 from Norman L Meehan.

Note 6: Lease Obligation

The Trust leases premises at 19 Milne Terrace, Island Bay and Level One, Old Public Trust Building.

	2003	2002
Within One Year	<u>10,533</u>	<u>5,200</u>
	<u>\$10,533</u>	<u>\$5,200</u>



Motu Economic & Public Policy Research
P O Box 24390 Wellington New Zealand
tel 64 4 939 4250 fax 64 4 939 4251
www.motu.org.nz