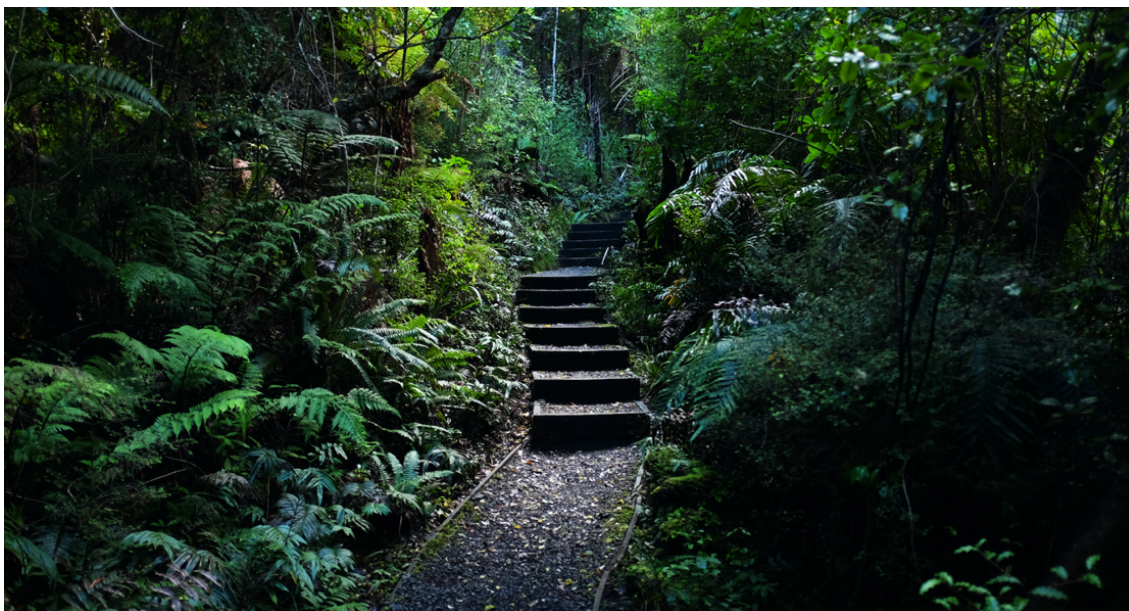


TDB Digest, March 2020

Iwi Investment



Every year, TDB reviews the corporate structures, investment strategies and investment performance of selected iwi across New Zealand. Our 2019 Iwi Investment report looks at eight of the largest iwi: Ngāi Tahu; Ngāpuhi; Ngāti Awa; Ngāti Porou; Ngāti Whātua Ōrākei; Raukawa; Tūhoe and Waikato-Tainui, which have combined assets of around 60 percent of all post-settlement iwi.

While there has been seen steady growth in the asset bases of New Zealand's iwi over the five years we have been producing this report, 2019 was not a great year for iwi investment. Despite the strong performance of the public share and bond markets, the more challenging period for a range of investments that iwi are invested in, including commercial and rural property, honey and other equities saw none of the eight iwi achieve our benchmark 10% return this year.

We are however seeing a trend of diversification across a number of iwi through direct investments in new sectors (such as tourism) and further investment in listed and private equities. While these recent investments are yet to provide high returns, some appear to offer promising opportunities for iwi to increase their returns and asset bases in the future.

See below for the full report, Herald and RNZ articles.

<https://www.tdb.co.nz/wp-content/uploads/2020/05/TDB-Advisory-Iwi-Investment-Report-2019.pdf>

https://www.nzherald.co.nz/kahu/the-92b-iwi-empire-maori-economy-rising-but-returns-low-due-to-global-property-slowdown/YW4HZ7FCVNRTWLSMKVLZ6NHIUM/?c_id=3&objectid=12311092

<https://www.rnz.co.nz/news/te-manu-korihi/410601/iwi-investment-not-maximising-returns-for-members-report>

Risk-based regulation in Aviation

Risk-based regulation is not only a catchy term, it is an important principle – especially in the transport sector. Some risks can be difficult to assess (such as those related to highly unlikely occurrences), however failing to undertake risk analysis can result in regulation which is not fit-for-purpose.

The role of risk-assessment when making regulatory change formed the basis for our recent report for the New Zealand Aviation Federation. In the private aviation sector, the Civil Aviation Authority (CAA) is proposing a new alternative medical standard for the private pilot licence. Our report looks at the activities CAA proposes pilots be allowed to undertake on this alternative medical standard, and the medical-related risks associated with these. We employ a risk-assessment matrix to map out the risk profile related to a number of medical events when undertaking each activity. Risks related to medical events while flying are very low, however by comparing the risks related to each activity with a base-case scenario, our analysis provides visibility around marginal risk, relative risk and risk composition. The risk-assessment matrix is a simple yet informative tool, of particular use when there are limitations on undertaking quantitative risk analysis.

Find out the details here: http://assets2.aviationfederation.co.nz/assets/2020-01-23-TDB-Advisory-Risk-Analysis-report-PPL-Alternative-medical_253_1.pdf



National cost-benefit analysis

National Cost-Benefit Analysis (NCBA) is a well-established and internationally recognised means for assisting social decision making. NCBA has been used by the World Bank since at least the 1950s and is often used by TDB Advisory in the present day. Cost-benefit analysis is applicable and useful in a truly wide range of contexts, as two of our recent reports illustrate.

The costs and benefits of a national tooth-brushing education programme for children

In a report TDB prepared for New Health NZ Inc, we undertook analysis of the value that could be placed on a tooth-brushing and education programme in New Zealand. Using Treasury's 7% pre-tax real discount rate, we found the net present value (NPV) of the benefits and costs to equate to around positive \$277 million over a 20 year horizon. The benefits are primarily avoided treatment costs, while the costs included staff, toothbrushes, toothpaste and other materials and supplies. In the report we use data from overseas dental programmes including 'Childsmile' in Scotland and the Danish 'Nexø Method' to simulate potential dental-health effects.

Read our full report here: <https://www.tdb.co.nz/wp-content/uploads/2019/12/TDB-Advisory-Cost-Benefit-Analysis-of-Toothbrushing-2016.pdf>

Costs without benefits: A two-sided review of a one-sided analysis of gambling

In our report, commissioned by the Gaming Association of New Zealand, we present a critique of a Ministry of Health-commissioned study of gambling harm. The report by Central Queensland University (CQU) and Auckland University of Technology (AUT) entitled “Measuring the Burden of Gambling Harm in New Zealand” presented some highly questionable analysis of the harms of gambling, ultimately concluding that:

- low-risk gambling is worse for the gambler than the untreated amputation of a leg;
- problem gambling is worse for the gambler than terminal cancer or a severe stroke and nearly as bad as untreated AIDS; and
- at a national level, gambling causes three times the harm of drug-use disorders.

Upon reviewing the report, we found CQU/AUT’s to be the product of a number of flawed methodologies, including the decision to count costs without counting benefits and inflating the costs. While there can undoubtedly be harm from problem gambling, counting only one side of the equation runs the risk of misleading policy makers and mistargeting public policy.

Find out the details below:

<https://www.tdb.co.nz/wp-content/uploads/2019/12/TDB-Advisory-Costs-without-Benefits-Gambling-Review-2019.pdf>

New TDB members

TDB would like to welcome and introduce two new analysts into our team, Ryan Campbell and Lachlan Graham. Ryan joined TDB as a full-time analyst at the end of last year after completing his Master’s in Commerce at Victoria University of Wellington. Ryan’s thesis focused on the economics of innovation and firm behaviour and he brings with him strong financial modelling and quantitative skills. Lachlan also joined TDB at the end of last year, as a part time analyst. He is currently completing his Bachelor of Commerce at Victoria University with majors in Economics and Finance and brings a keen analytical eye and strong research skills.

Quote of the day

“Everything is a cost-benefit analysis. I even did a cost-benefit analysis of whether I or my partner iron my shirts this morning!” - anonymous TDB alumni

We are told the results of this CBA are not public.