

**IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY**

CIV-2012-485-2577

UNDER the Judicature Amendment Act 1972 and Part 30
of the High Court Rules

BETWEEN Michael Weir and Veronica Weir
of 21 Olliver Grove, Waikanae

Applicants

AND KAPITI COAST DISTRICT COUNCIL
175 Rimu Road, Paraparaumu

Respondent

AFFIDAVIT OF BRYCE DEREK WILKINSON

**Applicants
MP and V Weir
21 Olliver Grove
Waikanae 5036
Phone 04-9048078
Email: m.v.weir@paradise.net.nz**

AFFIDAVIT OF BRYCE DEREK WILKINSON

I, Bryce Derek Wilkinson of Wellington swear:

1 My full name is Bryce Derek Wilkinson. I live at 37/54 Hill Street, Thorndon, Wellington. I am a Director of Capital Economics Limited. This affidavit is in reply to opinions expressed in Affidavits filed on behalf of the Respondent, particularly those of Dr Roger Shand, Mr James Dahn, Dr Michael John Shepherd, and Richard Anthony Reinen-Hamill. I have also read the affidavit of Dr Willem de Lange and agree with his concerns in relation to probability and reliability of predictions.

2 I intend to respond to the following general assertions in one or more of those affidavits filed on behalf of the Respondent.

- Dr Shand's report is fit for purpose, Dr Gael ~~Louise~~ Ferguson [56(b)(ii)]
B.D.W. Louise
- The 'standard practice' precautionary approach is correct, Dr Shand [23], Mr Dahn [23], Mr Shepherd [26], Mr Reinen-Hamill [23], [30]
- Dr Shand's 'predictions' are a reasonable assessment of the worst likely erosion, Mr Dahn [23]
- Serious coastal erosion is likely. Mr Reinen-Hamill [32]-[34]
- The precautionary principle justifies setting the rate of accretion to zero, Dr Shand [27], [33], Mr Dahn [27], ~~Dr Shepherd~~ [26], *B.D.W.*
- Dr Shand's 'predictions' [24] and [25] are 'sound' predictions, Mr Reinen-Hamill [35]-[36]
- "The Council can't sit back and do nothing", Mr Dahn [38].

Qualifications and Experience

3 I hold the degrees of BSc(Hons) (1968), MCom, with first class honours (1970), and PhD (1976) from the University of Canterbury in the fields of Chemistry (1968) and Economics (1970 and 1976).

4 I was awarded a Harkness Fellowship in the late 1970s to undertake post-doctoral research in economics at Harvard University. In 2005 I was Visiting Scholar at Mercatus Institute, George Mason University. I was recently made a Fellow of the Law and Economics Association of New Zealand. I am on the editorial board of

B.D.W.

Economic Affairs, the academic journal of the UK-based Institute of Economic Affairs.

- 5 I am a member, and past president of, the Law and Economics Association of New Zealand, a member of the American Economic Association, the New Zealand Association of Economists, the Institute of Directors, and the Institute of Finance Professionals NZ Inc. I am a past member of the New Zealand Stock Exchange.
- 6 My career has been in business and government rather than in academia. Since 1997 I have been a director of Capital Economics Limited, a Wellington-based economics consultancy firm. Between 1985 and 1997 I worked in a sharebroking firm that started out as Jarden & Co and was First NZ Capital when I left it to set up Capital Economics Limited. By 1995 I was a director and shareholder of First NZ Capital and head of its economic advisory unit. I started my professional career with a position in an economics division in the Treasury in 1970. At the time that I left Treasury in 1985 I had reached the position of director of the Internal Economics Division.
- 7 My career has been analytically focused, specialising in economic analysis, public policy and finance. My PhD thesis included a focus on monetary policy, risk preferences and risk analysis relating to portfolio choice and monetary policy. During my time in Treasury, relevant specialist areas that I contributed to included monetary policy, project analysis (particularly in helping teach Treasury's cost-benefit tuition courses for public servants) and the choice of discount rate for risky public sector projects. During one period of my time in sharebroking I was head of research, overseeing the firm's research on the pricing of risky assets - bonds and shares. Later, as head of the firm's economic advisory unit, I reviewed and applied the academic theory of risk to insurance markets in the context of examining New Zealand's accident compensation arrangements.¹
- 8 Since 2001, a particular professional interest has been in the economic analysis of government laws and regulations.² I have engaged constructively frequently during the last decade with the government officials who have been responsible for improving the attempts by government agencies to understand and utilise cost-benefit assessments of regulatory laws. These assessments lie at the core of the

¹ See for example, chapter 6 in *Accident Compensation: Options for Reform*, a report prepared by Credit Suisse First Boston for the New Zealand Business Roundtable in 1998. As noted at the front of that report, I was the principal author of that chapter.

² I was the author of a 251-page 2001 report *Constraining Government Regulation* that proposed, *inter alia*, a Regulatory Responsibility Act for New Zealand.



government's regulatory impact statement requirement. Treasury has consulted me, informally, and on occasion formally, on development work it does on improving its cost-benefit guidance to departments.

- 9 In recent years I have been a member of the Government's Regulatory Responsibility Taskforce, the Government's ACC Steering Group, and the Government's 2025 Taskforce. One of my current roles is to assist the Minister of Regulatory Reform with economic advice. For a short period in 2011 I was acting executive director of the New Zealand Business Roundtable.
- 10 In this affidavit I draw on my experience and such expertise as I have accumulated in regulatory analysis, risk analysis and cost benefit analysis to comment on some aspects at the points of contention in this case, and in particular to respond to some matters in the Affidavits filed on behalf of the Respondent.
- 11 I have the background experience and expertise I have outlined above. I am also a property owner affected by the Council's actions. I am a trustee of the family trust that owns one of the properties which is affected by the matters being disputed. The address of that property is 65 Manly Street, Paraparaumu. That property adjoins the distinctive cusped spit that has been accreting for the past 6,500 years, according to paragraph 30 of the affidavit filed by Dr Roger Shand of Coastal Systems Limited. Whilst I am an affected property owner, the opinions in this affidavit are based upon my background experience and expertise. I fully appreciate the need to be objective in my response to this Court.

Scope of my affidavit

- 12 I have examined, from a risk analysis and public policy perspective, the affidavits of Dr Roger Shand, Dr Michael John Shepherd, Dr Gael Louise Ferguson, James Dahn and Richard Anthony Reinen-Hamill. I have corresponded with Dr Shand as to what he understands to be the difference between a projection and a prediction.
- 13 This affidavit focuses, from a risk assessment perspective, on the Kapiti Coast District Council's (KCDC's) decision to annotate in respect of coastal erosion/inundation, from August 2012, any LIM's requested for around 1,800 properties. I have corresponded with the KCDC on the question of why it did not instruct Dr Shand to prepare projected shorelines that used the Ministry for the Environment's (MfE's) recommended base case projections for sea-level rise, as well as the higher sea-level projections that Dr Shand did use.
- 14 I have particularly considered whether the KCDC's annotations to the LIMs of the



1,800 affected properties are likely to unreasonably mislead potential buyers as to coastal erosion risks in relation to these properties by failing to distinguish between a likely risk and a remote and speculative risk and by failing to provide relevant objective information relating to the coastal hazard risk.

15 I examine the relevant matters below under the following headings:

- Professional competence in risk analysis
- Distinction between likely outcomes and remote risks
- The meaningfulness of a precautionary approach
- Reasonableness of annotations to the LIMs

16 My conclusions on these matters are, in summary, that:

- Professional expertise in behavioural risk analysis has not been demonstrated in the professional inputs going into the KCDC's LIM annotations.
- Dr Shand's 'predicted' shorelines are not predictions – as statisticians and economists understand the term – they are projections.
- Dr Shand's shorelines are inland of what he would regard to be most likely shorelines – reflecting his 'conservative' approach, but he does not know how far inland they are in this respect.
- Dr Shand's projected shorelines are not worst-case shorelines, and to call them 'worse case' only begs the questions: 'worse than what and by how much? It seems that no one knows.
- The decision to annotate LIMs with projected shorelines 100 years ahead was not informed by careful consideration of the difference between likely outcomes and remote risks.
- How seriously a projection should be taken depends on the realism of the assumptions driving those projections. It appears that neither Dr Shand nor KCDC have attempted such an assessment. It follows that neither party knows how realistic the projections are.
- In short, the lines on the KCDC's map do not represent knowledge; at best they are speculative pessimistic conjectures.
- Furthermore, the precautionary approach relied on by the scientists and the KCDC has no standing in the professional risk analysis literature, for example as reviewed by the OECD in 2010.

- One problem is that the precautionary approach provides no guidance as to whether the costs to the community of basing LIM annotations on a shoreline that was too far inland would exceed or fall short of the costs of making the opposite error. I have found no evidence in all the material I have reviewed that any cost calculations of this nature have been made. This calls into question all the adjustments made by Dr Shand, and others, on the basis of the precautionary approach.
- A major flaw that the OECD identified is that this approach unduly focuses attention on a few unlikely, even extreme, outcomes, neglecting consideration of benefits from more likely outcomes.
- The effect of this flaw is evident from Dr Shand's presentation [24] of his single-projection approach as 'deterministic' rather than 'probabilistic'. Council officers appear to have also adopted this approach (as evidenced by Ms Thompson at paragraph [46]).
- As noted by Dr de Lange, the Coastal Systems Ltd reports do not quantify risk. Instead they address uncertainties, and avoid any meaningful quantification of the probabilities associated with the results. The OECD's critique explains why it is essential for a sound risk analysis that that all plausible risky outcomes are considered.
- The appeal in these affidavits to the precautionary approach in order to justify arbitrarily setting long-standing accretion to zero would be untenable in terms of mainstream risk analysis, as explained by the OECD.
- The same flaw is evident in the KCDC's appeal to the precautionary approach in order to justify requiring Dr Shand to do his projections on the basis of only the higher of the MfE's two recommended projections for sea-level rise in the next 100 years – 60 percent higher.
- This decision alone meant that Councillors were presented with only one set of possible outcomes in August 2012, and it seems clear from the KCDC's letter of 25 August 2012 that this single set of lines deceived the ^{KCDC} Council ^{3.2.12} itself into considering that they represented likely shorelines.
- In my opinion, the Council's failure to assess the reliability of the projections provided by Dr Shand, prior to reaching its policy decisions, was reckless to the point of irresponsibility from an economic and public policy perspective – given the magnitude of the potential cost to the community.

Professional competence in risk analysis

- 17 Annotations to LIMs based on adjustments for risk raise the question of whether those adjustments have a sound basis in human behaviour in regard to risk.
- 18 A training in natural science is not a training in the study of optimal decision-making under uncertainty. Formal training in human decision-making under uncertainty is provided by such disciplines as economics, operations research and finance.
- 19 The affidavits that I have referred to in [2] above appear to consider that risk is best dealt with by looking only at relatively pessimistic projections. However, the mainstream risk analysis literature recognises that human evaluations in relation to risk evaluate the likelihood of favourable and unfavourable outcomes. No one invests in a risky asset, be it company shares or a coastal property, by considering downside risks alone.
- 20 The strong proposition in these affidavits is that it will be less costly for the community to make the error of projecting a shoreline that is too far inland than it would be to make the opposite error. However, this is something to be proven rather than asserted, and no proof is provided in these affidavits.
- 21 I cannot find any evidence that the authors of the same affidavits have specialist formal training in economics, operations research or finance. Nor could I see clear evidence otherwise of familiarity with the standard approaches in these disciplines to risk analysis.
- 22 I conclude that the statements in these affidavits and in KCDC's written material that relate to the appropriate adjustment for risk have no discernible economic, commercial, or public policy basis.

Distinction between likely outcomes and remote risks

- 23 I do not consider a speculative conjecture to be knowledge. Knowledge is something that is known; generally it can be verified. NIWA reported in 2012 that no statistically-significant acceleration in sea-level rise can yet be detected for New Zealand.³ The historic rate of relative sea-level rise in Wellington Harbour is only 20.3 cm per century. Dr Shand has referred to overall accretion around the Kapiti cusate for the last 6,500 years. These are independently verifiable facts that I

³ NIWA *Sea-level variability and trends: Wellington Region*, prepared for the Greater Wellington Regional Council, June 2012, pp 36-37.



would regard as knowledge relevant to a risk analysis in this case.

- 24 I will leave it to the lawyers to debate the meaning of section 44A of the Local Government Official Information Act 1987 as to whether it requires LIMs to be annotated so as to include speculative conjectures, while excluding relevant knowledge, or (hopefully) vice versa. The accuracy of the information on LIMs is obviously very important. Fraudulent misrepresentation has always been a crime, for the obvious reason that people can be materially misled. Today's security market laws are more demanding, even making it a criminal offence at one point to mislead Investors even if there was no intention to do so. Parliament clearly takes misleading investors very seriously.
- 25 I find it very difficult to believe that Parliament would have intended that LIMs be annotated so as to include seriously incomplete information of an alarmist and speculative nature. Yet obviously, there is room for debate as to how likely a projected outcome has to be in order to justify being regarded as a relevant high risk hazard that should be noted on a LIM.
- 26 The United Nations-based International Protocol on Climate Change (IPCC) has defined a *likely* event to be one that has a probability of more than 66 percent, but not more than 90 percent.⁴ It is clear from the affidavits in this case that Dr Shand does not see his projection lines as being likely to occur. For a start they represent an enormous acceleration in the rate of sea-level rise, as already mentioned. That acceleration is scientifically conjectural, notwithstanding the strident opinions amongst environmental lobby groups and the advocacy of some scientists. .
- 27 A December 2012 version of the KCDC's annotations to the LIMs that I have seen asserted that Dr Shand's projected lines represented a 'worst case' assessment. Yet the same version also said that upper estimates may exceed the 0.9 m rise in input assumption. Either way, the projected lines are certainly not intended to show where the shoreline is likely to be in 50 and 100 years, using the IPCC's terminology. A worst case scenario would be more like one that had a 1 percent probability, or less.
- 28 I have also seen Dr Shand's projected shorelines referred to as a 'worse case' scenario. But this just begs the question 'worse than what, and by how much'? Mr Dahn [23] refers to Dr Shand's assessment as "a reasonable assessment of the worst likely erosion ...". It is not clear what this means. The lack of an agreed

⁴ http://www.ipcc.ch/publications_and_data/ar4/wgl/en/ch1s1-6.html



view as to what Dr Shand's shorelines represent, other than that they are 'precautionary' is telling, and reflects the non-probabilistic approach adopted.

- 29 Dr Shand's 2012 report and affidavit [25] refer to his projections as predictions. In correspondence with him last year he commented that he saw the terms as synonymous. This indicates that he was not familiar with the standard distinction in statistics and economics between predictions or forecasts – which are assertions about what is likely to happen or going to happen – and projections. I attach to this affidavit as “Exhibit 1” a useful explanation of the distinction between forecasts and predictions by the Australian Bureau of Statistics.
- 30 In my view it is clear that Dr Shand's future shorelines do not **predict** where the actual shoreline is likely to be. The Council has appeared to acknowledge this by now referring to the shorelines as 'projected'. However, the KCDC's decision to include this information on LIMs appears to have interpreted the lines as predictions, representing something that is likely or highly probable. This is evidenced by the KCDC's letter to me of 25 August 2012, a number of references by officers and publicly by the Mayor using the word “likely” and by use of the word “predicted” [Second para of EJT5 “...it predicts where the shoreline is likely to be” and EJT6 reference to appendix 2 showing *Predicted shoreline maps*]
- 31 Nor are the sea-level rise projections that the Ministry for the Environment recommends be used for coastal hazard assessments *predictions or forecasts*. They are instead based on scenario-based projections of possible global sea-level rise by the IPCC. The IPCC is very clear that it is producing projections, not forecasts. Its projections encompass scenarios that assume no mitigation of CO2 emissions and no defensive adaptation mechanisms by local communities. Dr Shand, Dr Shepherd, and Mr Reinen-Hamill do not give any indication that they are aware of the potential significance of these limiting projection assumptions.
- 32 In short, I can find no evidence in my examination of the affidavit material, that the KCDC's decision to annotate LIMs in the form shown in EJT9, was based on a sound understanding of the *reliability* of the so called predictions or the *probability* that these predictions will come to pass. I am also concerned that the annotations do not include actual knowledge or the type I outlined earlier. Nor do they include appropriately clear caveats regarding the limitations and lack of predictive reliability which are needed.
- 33 There is accordingly a real risk that some potential buyers will treat the shoreline projections as indicating a likely outcome. I note that in her report to Council [EJT6

at 27] Ms Thompson notes that the 100 year timeframe is indicative only. Accordingly it follows that at least the 100 year projections are speculative. This guidance as to their lack of reliability should be included in the LIM annotations, but I have not seen evidence that this is the case.

- 34 It is apparent that the KCDC and the scientists have no clear idea of what level of probability should be attached to Dr Shand's projected lines. As a result the KCDC's LIM annotations fail to inform potential buyers adequately as to the reliability or otherwise of the projected lines.
- 35 I conclude that the KCDC did not properly inform itself as to the reliability and probability of the projections when reaching its LIM decision. Furthermore, in my view, it is not responsible for a local authority to present the 100-year projections as if they are as reliable as the 50-year projections. The case for putting the 100-year projections into the LIMs seems to be extraordinarily weak. Finally, reliance on a single set of projections of this speculative nature is likely to mislead potential buyers and policy makers alike about likely outcomes, with otherwise avoidable adverse effects on restrictive policy decisions and on house prices.

The meaningfulness of a precautionary approach

- 36 Dr Shand [23], Mr Dahn [23], Mr Shepherd [26], Mr Reinen-Hamill [23], [30] assert that Dr Shand's adoption of a precautionary approach to existing uncertainties, is appropriate. However, they fail to acknowledge criticisms of this approach in the mainstream risk analysis literature, let alone respond to them. They rely instead on manuals and guidelines that are derived from the politically-driven 'precautionary principle' approach internationally.
- 37 In 2010 the respected Organisation of Economic Cooperation and Development (OECD), published a report on risk analysis which included, in a chapter 3, a lengthy critique of the precautionary principle compared to the mainstream economic approach to risk analysis.⁵ The OECD is a Paris-based government-funded international organisation that specialises in economic issues relating to applied public policy.
- 38 One summary conclusion was:

This principle violates basic principles of the logic of decision-making under

⁵ Chapter 3 Strategic Issues in Risk Regulation and Risk Management, Prof Giandomenico Majone, European University Institute, Florence, Italy in *Risk and Regulatory Policy: Improving the Governance of Risk*, OECD 2010.

uncertainty; it disregards the opportunity cost of precautionary measures; It fails to take the potential benefits as well as the potential losses into consideration; not least it greatly complicates the already difficult problem of setting regulatory priorities.

- 39 The OECD stressed the superiority of the mainstream approach which takes into account "both the losses and probabilities of all events". Precautionary approaches disregard relevant information "by considering only the worst possible case, disregarding probabilities". ... "In particular, the overestimation of low probability events has substantial [adverse] implications for public policy."
- 40 The OECD's critique considered that the most basic flaw of this approach was the artificial distinction it drew between situations where the level of scientific information is sufficient to permit a formal risk assessment and where it is not. It considered these situations to be differences in degree rather than in kind. It considered that a (subjective but transparent) Bayesian approach to these situations would be much better.
- 41 It follows that Dr Shand was not justified in terms of mainstream theory in setting accretion to zero on the grounds that it was not well understood. This was not a scientific decision. Nor, as the OECD report has indicated was it a sound statistical decision. There is long-standing evidence of accretion and it should not be treated as being of zero significance. To do so was not a risk assessment; if anything it was a policy decision. The same verdict applies to the KCDC's decision to adopt the MfE's higher recommendation for sea-level rise projections, but not its lower one. Relevant information about possible outcomes should not be ignored.
- 42 In short, the KCDC's 'precautionary approach' is not consistent with the standard text book economic treatments of decision-making under uncertainty. These treatments do not ignore the likelihood of less adverse events, which is what the KCDC's projected shorelines do. To the contrary, they seek to identify all relevant aspects of the probability distribution. They also seek to assess the consequences of each possible outcome.
- 43 The KCDC's approach focuses on projecting an adverse event, largely ignoring the question of the outcome. This is a serious omission. The KCDC does not seem to consider that the consequences of the projected erosion in 100 years might be minor, even minuscule, in present value terms. The long lead time creates much potential for risk to be reduced by protective and adaptive works, phased relocations, options for risk sharing and income growth.

- 44 Policy 24 in the National Coastal Policy Statement, 2010, requires the KCDC to give priority to identifying coastal areas "of high risk of being affected". Dr Shand's report makes no such assessment (even in relation to the 50 year projections). Yet the KCDC's unexamined assumption appears to be that the consequences will be enormous, potentially to the point of creating a 'high risk'. Mr Dahn [75] recognised the relevance of the 'high risk' aspect, but he also assumes rather than establishes a very high cost from future projected erosion. Even then he appears to consider that Dr Shand's projections are probably not a high risk because of the issue of accretion.
- 45 To focus the attention of potential buyers on one possible adverse outcome, which is what Dr Shand's lines do, is as unreasonable as proposing that an investor in the sharemarket should focus on how much share prices might fall, ignoring the possibility that they might go up.
- 46 Nothing I have seen in KCDC's evidence addresses such criticisms of attempts to apply a precautionary approach to risk assessment.
- 47 The apparent justification for the approach is policy 3 (precautionary approach) of the NZCPS 2010. However, that justification confuses managing coastal activities with assessing natural hazard risks. Policy 3 only applies to the former.
- 48 I conclude that the risk analysis in Dr Shand's report is anything but fit for purpose. The mainstream approach to risk analysis outlined by the OECD is the only approach that is fit for purpose.

Reliability and reasonableness

- 49 In coming to its decision the Council was advised by Dr Ferguson that the technical reports are robust and have been thoroughly peer reviewed. Dr de Lange's affidavit contested both points. I don't consider the risk analysis to be robust. To the contrary, the assessment of consequences seems to be effectively non-existent. Not do I see how a peer review based on mainstream risk analysis techniques could have missed the well-documented problems in the literature with precautionary approaches.

that
BDW

- 50 My analysis has been unable to establish ^{the} Council currently has sufficiently reliable information about the future shoreline to justify annotations on LIMs, 50 years ahead, let alone 100 years. The Council does not appear to have required any expert in human decision-making under uncertainty to assess ^{the} reliability of the ^{BDW}

BDW

projections carried out. As a result, it has not properly considered the appropriateness of the precautionary approach applied by Dr Shand. Nor does it appear to have considered the relative merits/reliability of including the 100 year projections as compared to the 50 year projections.

it
is

- 51 The KCDC's LIM annotations affect around 1,800 properties with a possible market value approaching \$2,000 million, prior to their being imposed. The potential implications for property values of fears of a sharp acceleration in sea-level rise, as hypothesised by Dr Shand and promulgated by the KCDC are significant. Even a 10 percent reduction in property values indicates that the community considers the amenity value of those properties has fallen by \$200 million in present value terms. In my opinion is highly misleading to focus investors on a single 'worst case' projection line when they are considering a risky investment, particularly when important information factual relevant to that risk that they are unlikely to be aware of is being withheld.
- 52 I have noted a recent newspaper report that asserts that the market value of one of the affected properties has fallen by approaching 30 percent. This indicates how inadequately vetted information of a one-sided and alarmist nature can cause deep distress. Of course, if in the fullness of time the annotations on the LIMS are discredited and district plans do not become more restrictive, the eventual effect on property values could be minor. However discredited annotations that cause price volatility represent policy failure and may have significant adverse economic consequences for individuals in the interim period.
- 53 In my opinion, as someone experienced in assessing regulatory policy and making risk assessments, it is irresponsible for the KCDC to give the impression to potential buyers that a major acceleration in sea level rise is underway when there is no robust supporting statistical evidence for this and no imminent threat. At the very least, the KCDC should draw attention to evidence to the contrary, such as the absence of statistical confirmation to date of its existence. It has not done so.
- 54 I do not consider that Dr Shand's projections provide a reliable or reasonable basis for the KCDC's annotations to LIMs. The KCDC has acted precipitously when it should have made a careful assessment of the reliability and robustness of Dr Shand's heroic single-case projections. It should also have considered putting actual knowledge onto the LIMs, as distinct from speculative conjectures.

Concluding comments



55 In my opinion, the Council's failure to assess the reliability of the projections provided by Dr Shand prior to reaching its policy decisions, was reckless to the point of irresponsibility from an economic and public policy perspective – given the magnitude of the potential cost to the community, the speculative nature of Dr Shand's projections, the fact that no major harm was imminent, and the fact that it was about to embark upon a peer review process and District Plan Process which will allow for external testing of the reliability of the projections.

B D Wilkinson

SWORN

B D Wilkinson

Sworn at Wellington this 12th day of June 2013

Sworn before me this 12th day of June 2013 at Wellington.

[Signature]

Christopher J.W. Diack
Barrister and Solicitor of the
High Court of New Zealand
Wellington

[Signature]

Exhibit 1

The Australian Bureau of Statistics: What is a projection?

A projection indicates what the future changes in a population would be if the assumptions about future trends actually occur. These assumptions are often based on patterns of change which have previously occurred.

For example: Data collected about the total number of store locations for a retail chain over three years show an increase from 8 stores in first year, to 12 stores in the second year, to 18 stores in the third year. It could therefore be projected that if the chain continues to expand following the same pattern of increasing by half (50%) each year there will be 27 stores after the fourth year.

A projection is not making a prediction or forecast about what is going to happen, it is indicating what would happen if the assumptions which underpin the projection actually occur.

Comparison of Projections and Forecasts

Type of Information	The Difference	Nature of Assumptions
Projections indicate what future values for the population would be if the assumed patterns of change were to occur. They are not a prediction that the population will change in this manner.	While both involve analysis of data, the key difference between a forecast and a projection is the nature of the assertion in relation to the assumptions occurring.	A projection simply indicates a future value for the population if the set of underlying assumptions occur.
Forecasts speculate future values for the population with a certain level of confidence, based on current and past values as an expectation (prediction) of what will happen.		In a forecast, the assumptions represent expectations of actual future events.

B.D.W.