

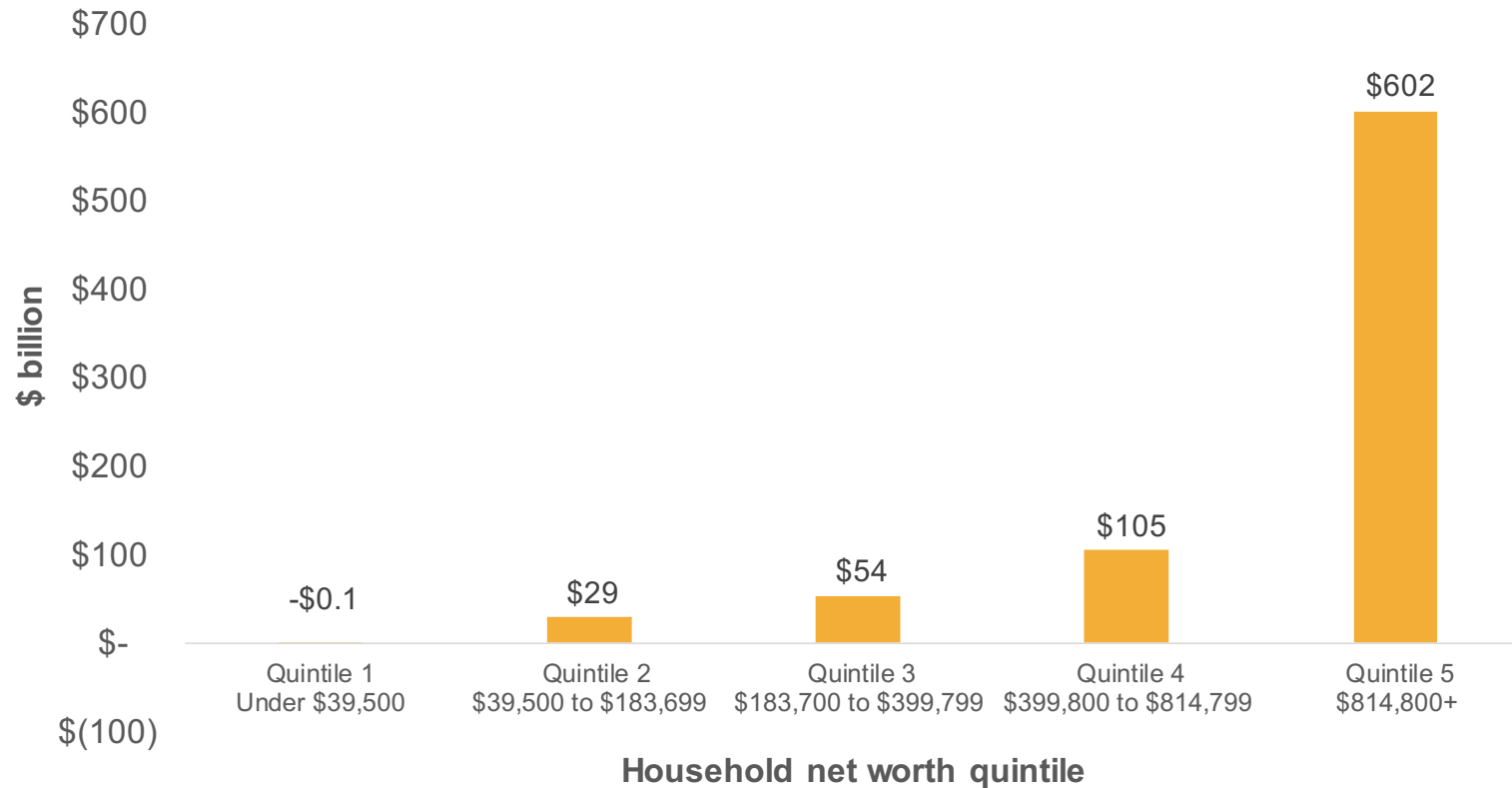
Potholes and bear-traps

March 2019



THE HUGO GROUP

The CGT argument in one easy lesson



Source: Tax Working Group final report



THE HUGO GROUP

Known problem issues

- Capital gains tax
 - No communications strategy
 - Cullen an unanticipated Achilles Heel
- Provincial Growth Fund
 - Tarred with the slush fund brush
 - Minister only semi-controllable
- Kiwibuild
 - Expect more scandals
 - E.g., discovery that houses are being labelled 'KiwiBuild' when they're not



'Sleeper' issues

- CGT @ 33%
 - Very high
- Education reforms
 - Anti-competition, supporting mediocre teaching?
- Teacher strikes
 - Mediocre teachers who aren't leaving the profession seek more pay?
- Cannabis referendum
 - mental health policy collision?
- Budget Responsibility Rules
- The PM's economic policy credibility
- Gender choice – back-burnered this week?



One more – social welfare reform

- Expert working group due for publication late March/early April
- Expecting:
 - Quantity over quality spend
 - Evidence of a working group that has operated without ministerial oversight or political guidance
 - No communications strategy



What is happening?

- Weak front bench leans on charismatic PM
- PM risks being overwhelmed
- Absence of strategic advice
 - Changes afoot in PM's Office already
 - More to come?
- NZ First / Greens increasingly restive
 - James Shaw under pressure



The odd bit of good luck / management

- SFO probe into National's political donations
- Pike River re-entry
 - And like 'rabbits up the sleeve'
- Economy remains robust
 - Likely to remain so
 - But PM very vulnerable to downturn/softness
- Still no obvious partner for National at 2020
- Don't plan on a three year govt

