

I see red, I see red, I see red



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“We will govern for all New Zealanders”

Jacinda Ardern

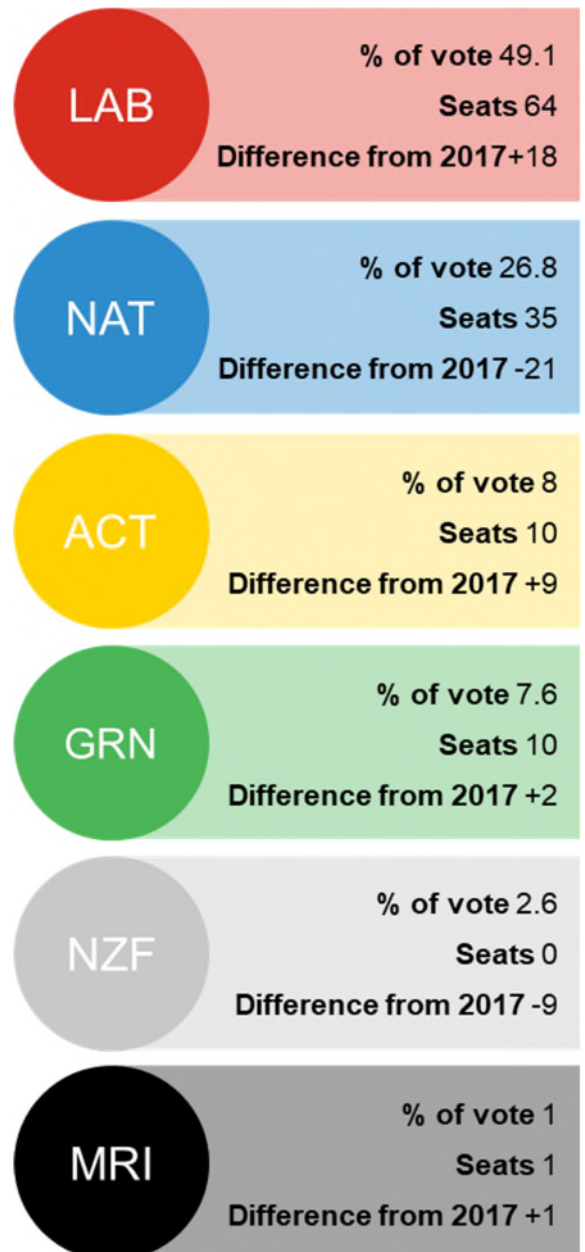
A year full of unprecedented events has delivered one more: for the first time since MMP was introduced in 1996, one party has won a Parliamentary majority. Labour was expected to dominate, but few, even in Labour, would have predicted the extent of the red-wash. Once the special votes are counted Labour is expected to have the third largest vote in its history, and the largest since 1946. **Jacinda Ardern** and Labour can govern alone for the next three years. Anyone worried that the Greens will hold a disproportionate sway can rest easy. This is going to be a Labour Government led by a careful thinker who wants a third term.

Labour’s mandate

Last night’s election result was a ringing endorsement of Labour’s handling of the Covid-19 pandemic. In some ways it is a vote of thanks but also a show of trust in Jacinda Ardern’s ability to lead through tough and testing times.

With a tick over 49 percent of the vote (and expected to lift one or two percent more once special votes are counted) Labour now has a massive mandate from

Election 2020 at a glance



the New Zealand public. It also has a herculean task in front of it and no minor parties to blame for lack of pace or delivery.

Labour's voters will have high expectations: many will see this weekend as a huge tilt towards their much longed for progressive (transformational) agenda. Side by side with the Greens (who also had a strong showing with Chloe Swarbrick barnstorming Auckland Central and the party vote holding up better than many expected), the centre-left bloc is now certainly dominant.

But, as Jacinda Ardern readily recognised on election night, Labour's historic vote is swollen by many voters who don't usually vote Labour. These voters aren't progressives, they're pragmatists. What they want is stability, sure judgment and solid progress as the country faces the profound economic and social uncertainties generated by Covid-19. Ardern is committed to keeping these voters on-side.

Thanks to those 'new' voters, Labour's dominance means that the Greens, despite their own strong turn-out, may find themselves excluded from any meaningful power. On election night Greens co-leader Marama Davidson was talking up her own preference to serve as a Cabinet Minister in an Ardern-led Government. But Davidson is getting ahead of herself. Ardern is being coy about doing any deal with the Greens. It remains likely Labour may form an 'understanding' of sorts on some issues where Labour and the Greens align, but Labour does not need to do so and as Ardern is making clear she wants to 'crack on' without complications.

Ardern's confirmation that **Kelvin Davis** will be Labour's deputy and deputy prime minister, despite [his long and tone-deaf victory speech](#), was an early signal to the Greens to take a breath. This is not your usual MMP government.

But the pieces are still moving into place. Labour's MPs, 18 of them new, were on planes to Wellington Sunday night and this morning will meet for the first time in Parliament.

What they'll hear from their leader is that Labour's agenda will be to 'govern for everyone' but also that, without the complication of having to wrangle support from coalition partners, they now have 'a mandate to accelerate'. It sounds easy enough. In fact, it's going to be very hard.

With the wage subsidy at an end, an expected rise in unemployment just around the corner, and a closed border that has decimated two of New Zealand's major industries (tourism and export education) and is likely to cause a shortage of skilled workers for many others, economic pain looms large.

The pressure will be on Ardern to lead New Zealand into Covid economic recovery, as well as continuing

to manage the still unpredictable health issues related to the pandemic. At the same time, on election night she has re-pledged to deliver on those stubborn pre-Covid challenges – access to housing, inequality, climate change. It's a testing, full agenda of hard to manage and (so far) impossible to solve issues.

To make headway, and Labour has no time to waste, Ardern will look to her trusted core group of ministers to deliver. **Grant Robertson, David Parker, Megan Woods** and **Chris Hipkins** will be at the front of the queue when Ardern hands out the big roles within Cabinet. But, given that poverty, housing shortages and the threats of climate change have not disappeared with the virus, Ardern will need to reach beyond her kitchen cabinet and include some new talent.

As National licks its wounds and Labour sips on a celebratory beverage, the magnitude of their respective tasks will be becoming clear: one needs to rebuild a party, the other a nation.

Winners and losers

Winners

Jacinda Ardern and Labour – Ardern singlehandedly rescued Labour from annihilation in 2017 and last night was crowned New Zealand's most successful politician in a generation, surpassing even the popularity of **Sir John Key**. Ardern will now be under pressure to use her political capital to make some significant changes, but her cautious instincts are likely to win out, at least in the short term. Ardern is determined to introduce policies that 'stick' (ie. are politically durable). Her pace is likely to be slower than the activists in her party would like. But the test will be how long she can keep the confidence of the 'new to Labour' voters who delivered her a landslide.

ACT and David Seymour – After spending six years in a caucus of one, David Seymour finally gets some colleagues – nine of them. For the first time since 2002 ACT last night polled above five percent, registering a very respectable eight percent. Covid was good for Seymour, with his performance on the Emergency Response Committee overshadowing that of then-National leader **Simon Bridges**. His leadership of the Euthanasia bill has also given him national profile and gravitas. No one doubts Seymour's work ethic or grasp of policy: his biggest challenge now will be to manage his new and hitherto unknown MPs, some of whom have ideas that could be described as being on the political fringe. Arriving to Parliament full of big ideas and super confidence, the new Act MPs may find life in opposition is not quite what they expected.

Chlöe Swarbrick and the Greens – In one of the night's biggest boillovers, the Auckland Central seat was lost by National, but not to Labour. Chlöe Swarbrick has won an electorate seat for the Greens for the first time since **Jeanette Fitzsimons** won Coromandel in 1999, and the Greens have become the first minor party to increase its share of the vote after being part of the previous term's Government. The Greens could find this term challenging, especially if Labour decides to keep the smaller party at a long arm's length. Also, Chlöe's personal brand – already high – will be further strengthened by victory in Auckland Central. That strong position might cause tensions within the Greens as the term progresses.

Rawiri Waititi and the Maori Party – Frankly, no one expected the Maori Party to be back but on election night results Waititi defeated Labour's Tamati Coffey in the Waiariki seat by 415 votes in one of the upsets of the election. Waititi's success still hangs in the balance but if this result is confirmed he brings the Maori Party back from the brink after the party was kicked out in 2017.

Losers

National and Judith Collins – Judith Collins took over a party in chaos. Three leaders in quick succession, a diminished war chest and a caucus that – for once – lacked all discipline. Collins was always up against it. In the end, she wasn't able to unify the team, and constant leaks, missteps over policy calculations, a tone that clanged rather than connected and the lack of a clear strategy killed any remaining hope National may have had. Collins' continued leadership is surely out of the question, given the scale of National's loss, her pitch to stay on as leader in the aftermath of Saturday's drubbing feels flat and unrealistic. Party members have been working against her in the lead-up to the election, and the sniping is already out in the open. She is tough though. Her quick decision to hold a thorough review of the campaign and all its failings may buy her time in the job to rally the numbers to allow her to continue. The National Party is now at a cross-roads: it can try and hold the centrist ground it made its own for more than a decade under Sir John and Bill English or it can lurch to the right and try to recapture the ACT party vote. It now has a very small caucus and the previous gains National had made to diversify its ranks have taken a huge leap backwards; this term two thirds of its MPs are male and just two of its MPs are Maori. National has no option but to look at itself for the next few months; at what went so wrong and how it can rebuild and reconnect with voters.

New Zealand First – New Zealand First's \$3 billion provincial growth fund was not enough to convince rural and provincial voters to vote for it. Like National, New Zealand First ran a poor campaign. Winston Peters began the campaign suffering from a mystery ailment and he never quite regained the kind of energy and fire that has served him well in the past. Peters has been an MP since 1979 and NZ First has been an intriguing phenomenon since 1993. But this appears to be the end of the road. Jacinda Ardern was gracious towards the old war-horse on Sunday, suggesting he will be invited to give a proper valedictory in Parliament (he is not entitled to one). If so, it will be something to see! With serious fraud charges hanging over the New Zealand First Foundation and a leader who has surely reached the end of the road, New Zealand First looks to be a spent force in New Zealand politics. Probably.

The Greens – Yes, winning a seat and increasing their share of the vote made it a historic night for the Greens. However, they have also lost all their bargaining power. Labour no longer needs the Greens to govern: any deal Ardern might offer will be with an eye to the 2023 election, and the Greens will have no alternative but to accept whatever scraps are tossed their way in the interim. The precariousness of their position will undoubtedly trigger further tension within the party between those who will want to try to work with Labour and those who will want to attack. One to watch.

Now the real work begins

To paraphrase *Hamilton*, "winning was easy, governing is harder". All winning political parties find this to some extent, but the task ahead of Labour is larger than most. Labour was very careful to promise little in the way of anything big, or new, on the campaign's long trail. In the absence of detailed plans people project what they want.

In reality this means Labour will need to manage some lofty expectations. At the same time, in order to avoid scaring the horses in the centre, Labour has hemmed itself in on taxation and fiscal policy. Its room to manoeuvre is very limited.

In its favour, this time most of Labour's ministers have some experience in Cabinet and will be better for it. The New Zealand First handbrake has been released and Labour is in a position to set the agenda, while its overwhelming victory also means Labour will dominate the select committees, giving its bills an easier ride through the legislative process.

The Team

Jacinda Ardern, like a number of her top ministers, spent a considerable amount of time in the Beehive before she became an MP, working as an advisor to various ministers including then-Prime Minister **Helen Clark**. Clark's style of governance had her very much at the centre, keeping a watchful eye over everything. Ardern, too, is keen on centralised control, and it is no surprise that her most trusted ministers - Robertson, Hipkins, Woods and Parker- were also either political advisors with her or ministers in Clark's government.

Ardern's kitchen cabinet has been entrusted with the big roles: when other ministers have failed to perform Ardern invariably turns to one of them to step in. In the wake of Covid-19, portfolios such as health, border control and infrastructure have suddenly become more significant – but perennials such as education and housing remain as politically and fiscally difficult as ever.

Ardern can't divide all of the difficult portfolios between her kitchen cabinet, so she is going to have to trust other ministers to step up. **Kris Faafoi** and **Carmel Sepuloni** are two who are likely to be given greater responsibility in the second term. **Andrew Little** is another expected to be given some heavy lifting.

Ardern is also going to have to reallocate portfolios that were previously held by New Zealand First, allowing her to promote some junior ministers as well as MPs who have performed well previously.

Of the ministers currently outside of cabinet **Peeni Henare** looks set for a promotion. The Prime Minister has been impressed with him in his Civil Defence role and his connections within Maoridom are highly valued.

From the class of 2017 (regarded by some senior MPs as a mixed crop) the front runners are **Kiri Allen**, **Kieran McAnulty**, **Jan Tinetti** and **Deborah Russell**. Senior whip **Michael Wood** would appear a certainty for promotion as well.

Ardern is unlikely to promote new MPs straight into Cabinet, meaning she will need to rehabilitate some former ministers as well as retain others who are viewed to have underperformed. It is probable former health minister **David Clark** and **Meka Whaitiri** will return to Cabinet, and Phil Twyford, associated with some of Labour's big failures in its first term, will stay on.

Party discipline is going to be important for Labour. With such a large and inexperienced caucus, keeping everyone busy, focused and feeling like they have a

job worthy of their perceived worth will be a challenge.

Inexperienced and potentially idle MPs with little ability to affect policy but plenty of ambition to do so could be a combustible mix. Ardern will therefore have to take just as much care in balancing her team outside of Cabinet as she does in forming the Cabinet itself.

The Challenges

Ardern billed the 2020 election as the Covid election and, as much as National criticised her for politicising Covid, the reality remains that the election was about Covid, and was always going to be. The biggest challenges facing this Government are also related to the pandemic.

The wage subsidy has smoothed some of the economic impacts of the pandemic, but with the subsidy already fading out and finishing at the beginning of September unemployment rates will rise. Trying to keep unemployment in check will be a major focus for Labour, particularly as any increase would disproportionately affect Maori, Pasifika and the young, all of whom have just voted for Labour in large numbers.

While keeping the economy open and movement as free as possible has allowed most businesses to keep operating, Labour still needs to find a replacement for the missing foreign dollars that tourists and overseas students previously provided.

Labour has said all along that the most effective economic response is a strong public health response. But New Zealand's borders can't remain closed indefinitely. Now that the election is over, apart from the final tallying-up of votes to decide a few electorate races still a bit too close to call Labour may have more of an appetite to open up to rest of the world – Sunday's community case notwithstanding. The first two items on the list are likely to be entry for specialist foreign workers needed to help the economic recovery, particularly in the agriculture and infrastructure sectors, and establishing a trans-Tasman bubble with Australia or parts of Australia.

Massive infrastructure builds will be one of the main features of the Government's programme over the next three years. Labour's track record of delivery during the past three years was less than stellar, and it will need to do much better this term.

So far, more than \$12 billion worth of infrastructure projects have been announced and Labour will want to progress these as soon as possible to get money flowing back into the economy and to realise the associated economic benefits. How comfortable the

Greens will be with some of the roading projects is unclear, but how concerned Labour will be about the Greens' views is also in doubt.

Central to making progress on the infrastructure projects will be overhauling the Resource Management Act, which Labour has promised to completely rewrite.

RMA reform was a major stumbling block for the previous National Government, which was never able to strike a deal with its coalition partners. During the previous term the Greens threatened to walk away from the Government over a number of infrastructure projects they saw as having poor environmental outcomes, and they are unlikely to support environmental considerations being watered down in any reformed RMA. However, as already noted, Labour's outright majority means the Greens' concerns need not be Ardern's. Labour's big challenge with the RMA will be keeping the reforms simple enough to execute on their plans.

Reforms to the health sector and workplace relations will also be high on the agenda. In between Covid outbreaks the Labour Government received a report into the health sector penned by Helen Clark's former chief of staff, Heather Simpson. The Simpson Report calls for a major overhaul of the health sector and is likely to be a key piece of work for the upcoming Labour government.

Chris Hipkins, fresh from his restructuring of the nation's polytechnics, seems likely to remain health minister. Not because he wants the role necessarily, but because there are limited other options that the Prime Minister can trust to deliver in such a central portfolio at such a critical time. He will find reforming the health sector a much more complex task than tinkering with tertiary education, and with much higher political stakes. Look to see him cede (reluctantly) the education portfolio to ensure that he has the bandwidth to manage.

With New Zealand First gone from Government, Labour will also look to advance its workplace relations reforms. This is likely to include the end of 90-day work trials, strengthened positions for unions, and sector-wide workplace agreements. Labour will need to balance its desire for reform with the concerns of the business lobby, particularly as it looks for collaboration in rebuilding a New Zealand economy whacked by the global pandemic and limping along behind closed borders.

What next for the vanquished?

The election result was worse than National expected. It will want to move swiftly on from 2020, and that could well mean moving swiftly on from Judith Collins. National's biggest challenge may be to accept it has been beaten not because Labour got lucky but because National wasn't offering what the voters wanted, and that something needs to change within the party.

The trouncing National received in regional New Zealand, hitherto a party stronghold, underlines the party's deep problems. To give some context to how poorly National did in the heartland, it is now possible to drive from Wellington to the East Cape without once driving through a National held electorate.

Last term National wasted too much time bemoaning the legitimacy of Winston Peters' decision to go with Labour rather than the higher polling National. Likewise, this term, waiting for the public to "wise up to Jacinda" is likely to be as effective a strategy for National as waiting for the shine to come off John Key was for Labour between 2008 and 2016.

The party needs to learn from Labour's mistakes. The slower it does, the longer its internal problems are likely to last.

There is also the vexed leadership issue. Who leads National if (when) Collins is toppled will be telling. Will MPs trust someone from within their depleted ranks with experience, or will they roll the dice on the untested, newly arrived ex-Air NZ CEO Christopher Luxon?

Next steps

Ardern and Labour have won a historic mandate from the people of New Zealand, who have embraced her leadership and empathetic communications style, and endorsed her government's approach to fighting Covid-19.

At Al Noor Mosque and the Linwood Islamic Centre, at Whakaari/White Island, and in the 1pm daily televised briefings, Ardern has established her crisis management credentials. Now, she needs to prove she can lead the country through less dramatic, but potentially equally trying, times.

Her challenges are as huge as last night's victory.

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