

TRUSS TAKES THE TORY CROWN

INTRODUCTION

After an entire summer of infighting and bitter feuding, the Conservative Party has finally chosen its leader to replace Boris Johnson.

Liz Truss defeated Rishi Sunak by 57% to 43%, lower than Boris Johnson's victory in 2019. While comfortable on paper, Truss' margin of victory was not nearly as emphatic as forecast, or in line with many of the polls throughout the leadership contest, which put her in the mid 60% range. This may factor into Truss' decisions on Cabinet appointments and handling of the Parliamentary Party, given she commanded the lowest support of MPs and of the membership since Iain Duncan Smith in 2001. She may feel the need to try to placate Rishi Sunak and his supporters, to keep them onside throughout the challenges ahead.

Despite this, Sunak failed to truly land a substantial glove on Truss throughout the contest with his cautious approach advocating tax cuts only when inflation is under control, far less popular amongst the membership than Liz Truss' small-state and tax-cutting Conservatism.

For the time being, the Conservative Party has embraced Truss' more Libertarian, small-state and tax-cutting agenda. We have also entered a newer era, in which the Conservative Party membership may be more relaxed about borrowing to fund tax cuts. To hammer this home, throughout the campaign Truss has been at pains to evoke Margaret Thatcher, to play up comparisons between the two.

In truth, this victory has been on the cards since the start of the leadership contest in July. Polls consistently indicated that whoever Conservative MPs put before the membership would likely beat Sunak, and this has been borne out in every subsequent Sunak vs. Truss poll since

the candidates were whittled down to the final two.

Sunak has clearly been tarred with what has been perceived as a lack of loyalty towards Boris Johnson as well as being blamed for the tax burden reaching its highest level in the last 70 years – anathema to the Conservative membership.

Truss takes on the mantle of leadership with an in-tray that few would envy. Inflation forecast to hit over double digits, war in Europe and the predicted

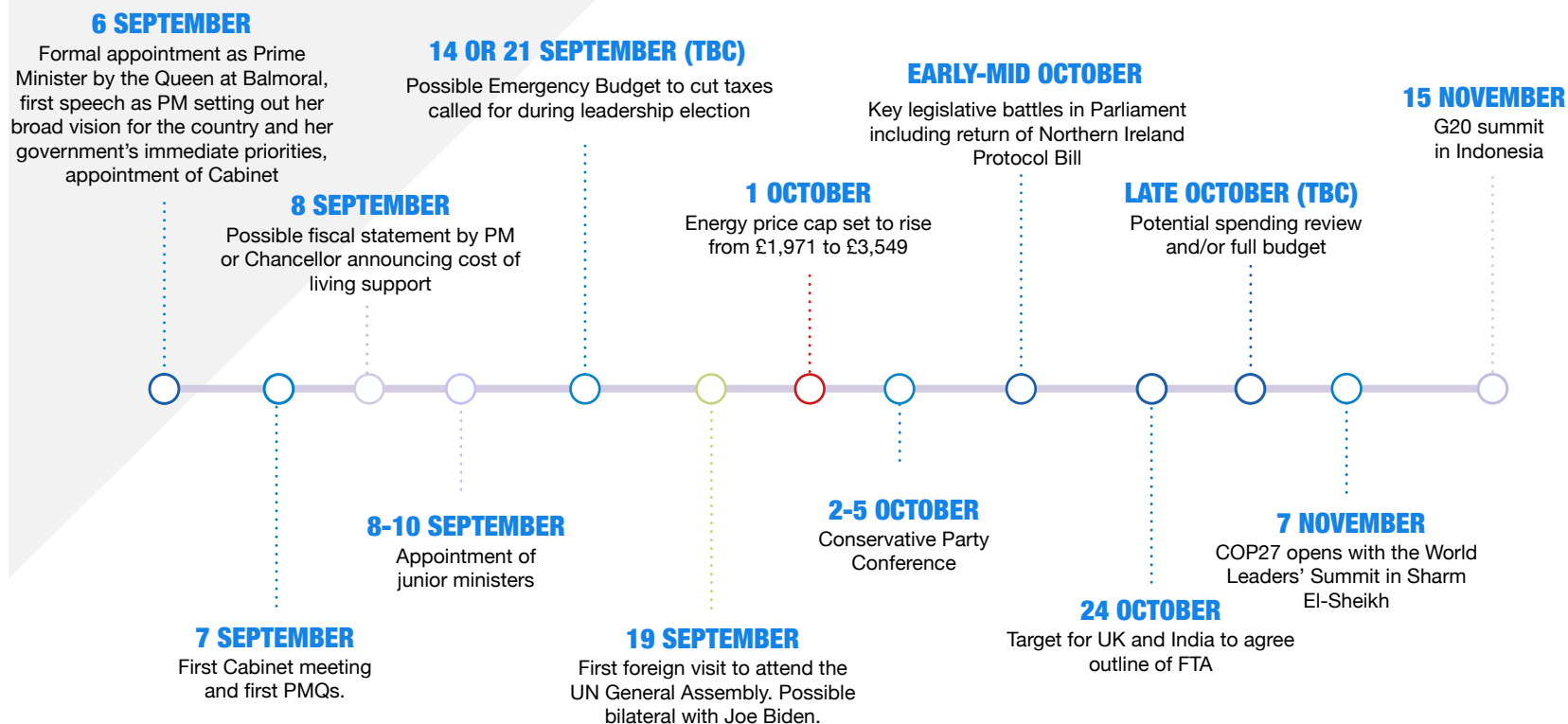
recession means that Truss will have to hit the ground running if she is to make any headway and improve the Conservative Party's prospects for the next election.

Truss' victory speech was detail-light, and simply indicated she would focus on delivery in Government. However, much of this is noise until Truss decides to set out her detailed plan to help families with the cost of living. The latest indication is that Truss will decide to adopt the Labour and Liberal Democrat pledge to freeze the energy price cap.

Truss notably refused to rule this out in her interview with BBC interviewer Laura Kuenssberg on Sunday and may judge that the scale of the economic and political challenge is too high to not take such action. Starting from a position of 'no handouts' this would be a big policy evolution showing that Truss is not immune from the precedent for state intervention caused by the pandemic or against breaking Conservative orthodoxy if it's popular.

Now Truss has finally achieved the leadership, tomorrow she will visit Balmoral to visit the Queen and formally become Prime Minister. From then she will travel back down to London to deliver her first speech in front of No.10 Downing Street, before rapidly starting the process of appointing her Cabinet.

TIMELINE: 100 DAYS THAT WILL MAKE OR BREAK LIZ'S LEADERSHIP



THE FIRST 100 DAYS OF TRUSS

ANALYSIS

Liz Truss faces a truly daunting start to her term in No 10 with little prospect of a honeymoon period. The key event looming on the horizon is the rise in the energy price cap on 1st October from £1,971 to £3,549 putting gas and electricity prices at a level that will plunge countless households into poverty – with polling suggesting 1 in 3 are already struggling to pay their bills – and overwhelm otherwise viable businesses.

Truss' response is expected this week in a fiscal statement to Parliament. If she presents a plan that meets the scale of the challenge and wins the confidence of voters, businesses, and markets, she will at least give herself a fighting chance when facing further challenges coming down the track. However, if her response is seen as insufficient and overly

ideological, it could put her permanently on the back foot and hand the initiative to Labour whose own energy price freeze policy is popular with the public.

October will be a crucial month which will open with the Conservative Party conference. Ordinarily a new leader's first party conference would be triumphant but mood in the party is febrile and a poor first month for Truss combined with nervousness about the economic situation could see murmurs of discontent.

Once she has navigated these challenges, she will have to decide how to proceed with the Northern Ireland Protocol Bill which faces a torrid time in the House of Lords – for this reason she may pause the Bill and trigger Article 16 instead to try to force a fresh negotiation with the EU. She will also face pressure

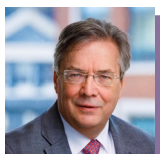
from supporters of Boris Johnson to shut down the Privileges Committee investigation into whether he misled Parliament over Partygate, a move which could cost her a significant amount of finite political capital.

From late October through to mid-November the horizon brightens with opportunities for her to burnish her credentials as a stateswoman by successfully concluding negotiations with India over a totemic post-Brexit FTA and then representing the UK at the COP27 and G20 summits.

TEAM BEHIND TRUSS

While the appointment of the Cabinet always garners a lot of attention, fewer column inches are devoted to the key team of aides entering No.10.

Often such aides have more influence over the direction of the Government than Cabinet Ministers and will be in the room for most important decisions that Liz Truss makes.



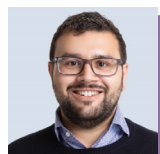
MARK FULLBROOK

Long-time Conservative Party operator and former business partner of Lynton Crosby, the well-known Conservative campaign guru. Fullbrook has been running the Truss campaign and is tipped to become Chief of Staff. Fullbrook has been around Conservative politics for decades and ran John Major's 1992 general election campaign. A Fullbrook appointment would indicate that Truss is readying the Conservative Party machine for an election, whenever that comes.



ADAM JONES

Truss' most senior media adviser at the FCDO and formerly at the Department for International Trade. Previously worked at HSBC, Jones is tipped for Director of Communications, handling the political side of the role, whilst Simon McGee a former spinner in several Government departments will likely handle the civil service side of the press operation.



JASON STEIN

Former Amber Rudd Special Adviser, who served as a Civil Service media adviser when Truss was Chief Secretary to the Treasury. Briefly worked as a media adviser to Prince Andrew.

Stein has been intimately involved with the Truss campaign, helping her prep for debates and is influential on strategy. Likely to have a strategic communications role, and be involved in PMQs prep.



SOPHIE JARVIS

Former policy Special Adviser to Truss at the FCDO and at the Department for International Trade. Fellow traveller with Truss on the tax-cutting and deregulation agenda given her experience as Head of Government Affairs at the free-market think tank, the Adam Smith Institute. She is also said to be a hawk on China, which may impact on Truss' foreign policy direction.

Mooted as a possible Political Secretary given her role in coordinating support from MPs throughout the campaign.

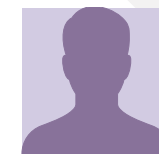


RUTH PORTER

Former Special Adviser to Truss at the Ministry of Justice. Porter has also worked as Head of International Affairs for the London Stock Exchange Group.

Porter's career also spans conservative think tanks, with key roles on policy at the Institute for Economic Affairs and Policy Exchange.

Porter has been leading the Truss campaign alongside Fullbrook. While she has been mooted as a Chief of Staff, it's possible that she ends up as a Deputy Chief, supporting Fullbrook.

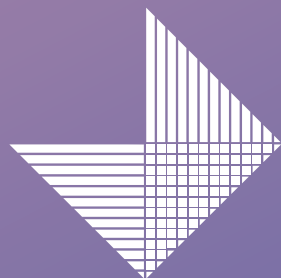


JAMIE HOPE

Hope has been heading up much of the policy throughout the campaign. He has been Truss' Special Adviser at the FCDO and Department for International Trade, leading on a lot of sensitive policy.

Prior to this, Hope was a researcher at the Conservative Research Department.

He is tipped for a senior role within the No.10 Policy Unit.



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WHAT DOES TRUSS MEAN FOR BUSINESS?

Liz Truss isn't ambiguous about the role for business in society. She very much sees the private sector as a force for good. For her, cutting taxes and lowering the regulatory burden on business will lead to a flowering of enterprise that boosts productivity and growth.

Truss has already promised to cancel the planned rise in Corporation Tax and National Insurance Contributions, whilst also pledging that there will be 'no new taxes' on her watch. There will be new enterprise zones with low business taxes and reduced planning regulation. All retained EU law will be reviewed by the end of 2023 to see whether it is necessary to sustain economic growth. She's made it clear that she favours reductions in regulation across the board.

Moreover, the new Prime Minister and her team are clear that things will have to change at the Treasury: 'stale economic orthodoxy' is out and there are suggestions the Bank of England's remit may also be reviewed.

Truss is particularly keen on innovation and disruption, famously tweeting that 'this generation [are] uber-riding, Airbnb-ing, Deliveroo-eating #freedomfighters'. It is that enthusiasm for freedom and entrepreneurialism that underpins her economic world view. It's hard to imagine that there will be anything as statist as an industrial strategy but the new PM is clear that science and technology – whether that be in artificial intelligence, mobile computing or the biosciences – are the industries central to Britain's future.

So in a low tax world with no direct industrial intervention, where's this investment going to come from? The new Prime Minister is relatively relaxed about borrowing and she also sees Brexit benefits as a direct source of private sector investment. She has said that loosening the future regulatory framework of the financial services sector – including relaxations to the EU's Solvency II and

MiFID II regulations – will allow financial services firms to invest.

As Trade Secretary, Truss championed free trade and championed a 'Network of Liberty' across the world, pushing hard for accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a trade pact with countries such as Malaysia, Singapore, Canada and Mexico, whilst also signing a number of the UK's first FTAs with Australia and New Zealand. Paradoxically, her 'Network of Liberty' may make some parts of the world more difficult for British business. She's made clear she sees China as a strategic adversary with hostile intentions, and Britain's relationship with the EU is far from settled given continuous arguments over the implementation of the Northern Ireland Protocol.

However, business in all its forms and sectors is facing difficult days ahead. Business confidence is at record lows. The Bank of England is predicting a recession that will slash demand, while inflation and rising energy costs will hit the supply side hard. Business will be looking to see if the new government's intervention into the energy market will provide the support they need to stay open through the winter.

The Truss vision for a growing private sector is clear. The challenge is driving that change through these incredible economic headwinds, in a protracted time period ahead of the next general election

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Mohammed Hussein
President, UK

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