

LETTER FROM MELBOURNE

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Editorial

On October 14th the Voice referendum and the NZ Election saw an expected outcome here and a big change across the Tasman.

Since the referendum there has been all sorts of commentary. In no way should the referendum be viewed by anyone as a victory. I always thought that the push to the referendum was the wrong strategy, government has the power and the indigenous representation to legislate what needs to be done.

The talk around grievance, truth-telling and treaties continues, I am no expert on whether this is right or wrong, or whether the referendum did indeed vote this down.

I do ask how grievance, anger and reparation delivers the much needed change to create hope, opportunity and equality for indigenous communities? Money does not buy equality, or hope. Properly crafted and agreed plans that are executed well is surely what we all want to see, surely that can be bipartisan?

The night of the 14th of October made me wonder about writing an editorial that was really challenging, a bit out there, a conversation prompter. The thoughts have stayed with me, here goes!

What stuck with me most about the night was the messages. Has the middle ground in NZ and here argued for, and got support for, taking our community and countries back to what it was - aspirational, successful, outward looking and positive?

Continued on next page

Magpie Leadership

No problem having another go at the mighty Magpies being Premiers.

Just in case you had not heard!

Interesting to note is the Collingwood turnaround relevant to new leadership; President, Coach, Captain.

Craig McRae has been labelled the Ted Lasso of Australian sport, after an era of angry, visceral coaches who embedded fear. His success also offers valuable insights for executives and CEOs in the modern workplace.

McRae had "44 sons" written under his shirt collar on Saturday. He asked each of the players to write something inside their jumper that they wanted to be remembered for.

President Jeff Browne highlights coach McRae's genuine empathy and connection, "when Craig arrived at the club, he said 'pick me because I'm a winner,'" says Browne.



For years we were the rockstar economy. When tragedy and upset struck as it did with natural disasters, the pandemic, the Global Financial Crisis, we didn't buckle and we didn't sink. We backed ourselves to work through and walk out the other side better off for the experience.

What we have had for the past few years, on both sides of the ditch, is a small-minded, inward-looking, miserable country that risks losing its way.

Top down leadership counts and when that leadership lacks any real grunt and fills that gap with slogans and one-liners, everyone under it suffers.

The lack of leadership these past few years has been as depressing as it has been astonishing, and the sadness was you didn't have to look back that far to see it didn't have to be that way. Because until recently, it wasn't.

There is nothing wrong with political divergence of thought or ideology. But extremism, which is in part what we have been getting never sits well in a country like ours.

Mix that with arrogance, and an arrogance driven by incompetence, and you had a recipe for the sort of disaster we are having to live through.

Any effective government message is not just about tax cuts and welfare settings and public service numbers. It's about vision. It is about service delivery. It is about leaving the place in a better state than what you found it,

The ousted NZ government certainly can't say that!

It's about being better, it's about incentive, it's about opportunity, it's about backing yourself and improving and it's about being relentless, positive and aspirational.

These are powerful and useful qualities and, when applied well, can lead you anywhere you want to go. It applies to every single one of us individually, it applies to groups and companies and teams and it applies to countries.

We have not been what we can be, or anywhere close. That, fingers crossed, will change.

In NZ there are a new team of leaders, hopefully they have thought about what they want to do and how they want to do it.

The task is massive given the state of the place. The same can be said for Australia. But, the right attitude, as always, is a great step in the right direction to lead well and be as good as we can be.

We are winners if we are determined.



Linfox profit

It's hard not to admire and respect the Linfox business, which has recently announced a pre-Covid matching profit number as Linfox recorded a record revenue number just under \$4 billion over the year.

The net profit figure was the highest since the \$96.4m Linfox made in 2019, the last full financial year before a series of Covid-related lockdowns, rising supply chain costs and a lack of cash circulating in the Australian economy caused Linfox profits to fall away.

Mr Fox started with a single truck in 1956 delivering soft drinks in summer and fuel around Melbourne in winter. My own experiences with Mr Fox have been around aviation, various activity at Avalon Airport and the infamous attempt(s) to acquire Ansett from administration in 2001.

Linfox is now Asia Pacific's largest privately-owned logistics company, employing more than 24,000 people across Australia, New Zealand and Southeast Asia.

The Linfox accounts also said it had doubled the capacity of its solar energy systems installed across its properties in the past year, achieving a capacity of 3MW.

"We also started the installation of batteries in our new developments, to utilise excess of solar in our electric trucks," Linfox said, adding diesel currently accounts for 85% of its energy use.

Inflation, Cost of Living, Fuel Tax

The usual posturing is playing out in the media and amongst economists looking for visibility following this week's inflation numbers, which may show a concerning sign for the RBA.

Measures of underlying inflation were stronger than expected. Trimmed mean inflation, which strips out volatile prices, was 1.2% in the three months to September - well above the RBA's forecast of 0.9%

A number of economists and market forecasts immediately back-to-back rate rises in November and December. Federal Treasurer Jim Chalmers downplayed the risk as he fidgeted around cost-of-living packages designed to ease the hip pocket of those who need it most. And in a sense, this is true, but impact is limited.

The 'higher' 1.2 % quarterly increase was only 4.8% on an annualised basis, which is lower than the 6% annualised figure in June and the 5.4% for the year ending 30 September. Further drops could occur in annual figures as we move more than 12 months away from the high (circa 8%) figures from the last six months of 2022.

In our opinion, the RBA must hold next Tuesday, there is no need for more cuts. By all means talk tough on inflation, no need to act!

Is government convinced that cost of living pressures need to be addressed? Is government convinced that petrol and energy prices are a major driver of persistent inflationary pressure?

This week's inflation number are almost all about petrol, and some gas; with oil prices rising on OPEC and Russian production cuts. We don't know where that will go with the situation in Israel.

Government should cut the excise tax on fuel, any notion that holding that off because it generates more benefit for those with money is absurd. Reducing the nearly 50 cents per litre on fuel, paid at the bowser, can make a real difference across communities and the economy. Cost of living, competitive positions.. need we say more!

We import inflation!

The federal government collects circa \$14 billion in net fuel excise in the financial year. When the excite was cut by 50% during Covid it cost the government circa \$3 billion in revenue. A typical household pays around \$1,400 in fuel excise every year.

The government has the money, it has a FY23 surplus and will likely have a FY24 surplus on the back mining exports. If it costs \$7 billion to half the excise tax on fuel for a year, do it now as a key measure to reduce cost of living and inflationary pressure. But will this happen within Federal politics?



Bass Strait wind

The federal government has started consultation on a proposed 10,136 square-kilometre offshore wind zone in the body of water which is to stretch across the northern coast of Tasmania from Wynyard to Bridport.

The zone will start 20 kilometres offshore from the state.

A paper from the research centre has stated the Bass Strait would be a good location for offshore wind developments due to its high average wind speed, water depths suitable for fixed and floating installations and its short distance from key National Electricity Market power grid lines and substations as well port infrastructure.

It noted that it was not surprising that Australia's first proposed offshore wind project, the Star of the South, was to be located within these waters.

The proposed Bass Strait wind farm zone will have the potential to generate 28 gigawatts of power. It said the maximum average wind speed was more than 12 metres per second south of Tasmania and in the Bass Strait. "Australian offshore wind resources are comparable to areas such as the North Sea where offshore wind is an established industry," the research paper said.

"Mean annual wind speeds in the North Sea are in the range of nine to 10 metres per second. "These wind conditions are equivalent to the annual wind speeds seen in Bass Strait around Tasmania."

ChatGPT or plain GPT, what are they?

When people talk about utilising ChatGPT or plain GPT - they are using Generative Artificial Intelligence (AI) tools. Over the past 12 months they have become part of the lexicon.

So what are they?

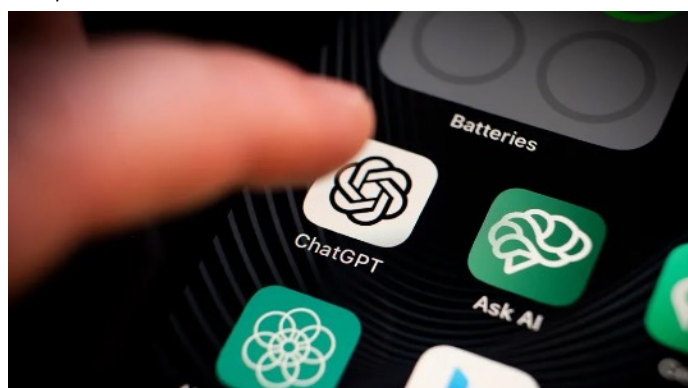
Courtesy of ChatGPT: "Generative AI is a type of artificial intelligence technology that broadly describes machine learning systems capable of generating text, images, code or other types of content, often in response to a prompt entered by a user. Generative AI models use a complex computing process known as deep learning to analyse common patterns and arrangements in large sets of data and then use this information to create new, convincing outputs. The models do this by incorporating machine learning techniques known as neural networks, which are loosely inspired by the way the human brain processes and interprets information and then learns from it over time. Generative AI has a wide range of applications, including creating images, text and audio. It can be used to create new content, including audio, code, images, text, simulations, and videos."

In a nutshell these tools have access to hundreds of gigabytes of data; from this they can respond to user questions and knock out a likely answer. This is a significant step beyond the internet search we have accessed for a while!

This opens up the challenge; is there bias, misinformation and the right to use? How do we maintain the quality control? Do we synthesise the returned information or just accept what the machine has returned to us? Is there copyright with content sourced from behind paywalls?

Undoubtedly we have access to a powerful tool but we need to appreciate the strengths and weaknesses of this capability and not just take the lazy approach of "cut and paste".

Question: How many of you have used the output directly and how many of you have used the output as a starting point to develop an idea?



VICs task for the new SEC

This has been a little unclear for a while, and not much seems genuinely possible from a \$1 billion budget if you are talking an acceleration of VIC renewable energy transition.

What will the SEC do? It will invest an initial \$1 billion towards building 4.5 gigawatts of new power through renewable energy and storage projects – enough to power around 1.5 million homes.

This investment will focus on increasing storage and onshore generation, and building industry confidence to attract further investment down the line.

The SEC will support 2.6 gigawatts of renewable generation and storage assets by 2028. The SEC will establish a trusted ‘one-stop shop’ for Victorians, with pilot household solutions starting from next year – stepping people through the switch away from gas.

Residents of an existing detached home (without solar) will spend around \$4400 a year on energy bills, compared with around \$3000 per year after complete electrification. That means a saving of around a \$1400 a year by going electric. Savings can increase to more than \$2700 a year with solar installed – or 60 per cent reduction in your energy bills. The SEC will show you how!

Renewable energy is set to become the next stage of VIC’s Big Build!

As I write this, more than ever, do I hope we can help effectively achieve these targets, bridging the SEC with industry with the right private sector partners.

Alan Joyce - a look over 15 years

For a fair part of my aviation and Tasmania tourism career Alan Joyce led Qantas Group. We met years ago when Alan was at Jetstar and we came from a similar commercial and network background, clearly Mr Joyce was much better at that than me!

Alan Joyce left Qantas after 15 years as CEO, possibly too long but a long list of achievements over some really difficult times.

Airlines exist in a tough and unpredictable competitive environment. Many things that heavily impact your business are outside your direct control, the price of oil, the economy, natural disasters to name but a few! To emphasise, all of the other major Australasian airlines have collapsed this century: Ansett Australia, Air New Zealand and Virgin Australia. Ansett could not control cost and folded; Air New Zealand imploded and only survived on large government capital input; Virgin failed leading into Covid, again because cost control was as stringent as it needed to be.

Qantas is well positioned to continue to be profitable. It is placed to grow its operations, create employment and provide social and economic connectivity. The leadership team at QF couldn’t have done much better. Places like Tasmania grew in the five years from 2015 to 2020 in part because companies like Qantas invested in the State with capacity additions. Tasmania air capacity grew significantly in this time, it continued to grow at near 6% per annum in the 2018 to 2020 period when all other capacity increases levelled out. Qantas, and Virgin, were great partners for the work we were doing.

As an example of Alan’s CEO career, In 2014, Joyce had to deal with further turbulence. He was the CEO over one of the worst financial results in corporate Australia history at the time, with a statutory loss before income tax of almost \$4 billion. He was under incredible pressure to resign after six years in the job. To his credit, he was able to ride out that storm and report a significant profit the year after.

Qantas returns on invested capital and its returns on operating margins, aside from a couple of episodes over 15 years, has been stellar compared to airline peers, as reflected in the share price reaching a record just before COVID of \$7.35.

Where Alan’s is likely to come into question is the passenger experience and the ability to keep his workforce happy and engaged. But, over a career spanning more than two decades there are many strategies and highlights that have and will benefit the economy, many of our communities, our competitive positions and the travel experience of Australians. It was a huge innings by Alan, no matter the critics.

Conflict resolution

Over the last few weeks I have been doing some research into peacemaking. I am interested personally.

As I was planning content for this Letter of Melbourne the research led me to create a list of common skills for effective conflict resolution, issue mediation and issue resolution. Some similarities here with peacemaking.

I thought I would share the conflict/issue tool kit:

- strategic thinking,
- creativity, particularly with regard to problem solving,
- critical analysis,
- persuasion,
- negotiation,
- listening with empathy,
- effective team and issue leadership,
- across the whole issue facilitation
- a deep understanding of political, economic and social systems,
- understanding your own personality and identity as it relates to the task,
- using and adapting your own experiences, good and not so good,
- effective communication, and
- leading change.

Let us know if we can help.



Two zero emission options for transport

Two zero-emissions options of the future are vehicles with electric batteries and with hydrogen fuel-cell systems. A green hydrogen fuel-cell system is the experts' choice for the long haul.

Technological advances continue to determine and change the trucking road to net zero. This sector is a big emitter, the journey on how these emissions are best reduced remains mysterious.

From plans for hydrogen highways to improved fuel-cell development for trucks, the transport sector is awash with pilots, trials and ideas. There are already a number written off investments, where a renewable fuel or electrification has fallen well short of a transport asset's performance through a standard diesel life cycle.

Australia is big and its highly dependent on long-distance trucking. Two zero emissions systems have come to the fore: electric battery vehicles and trucks with hydrogen fuel-cell systems. New-era electric battery trucks require recharging with renewable power, which can take time. Smaller short-range delivery and courier trucks usually head back to the depot overnight, where they can be recharged. The sheer size of electric batteries needed to power heavy-duty and long-haul trucks which routinely cover hundreds of kilometres in a day could prove logistically and fiscally impossible.

Many in the industry believe the better option for long-haul trucks is a green hydrogen fuel-cell system, which would entail trucks refuelling at hydrogen refuelling stations along highways. Often seen as an environmentally-friendly replacement for diesel, green hydrogen is produced by using renewable energy to split water into hydrogen and oxygen via electrolysis. The oxygen can be vented into the atmosphere and the hydrogen stored and transported and used to power heavy transport including long-haul trucks.

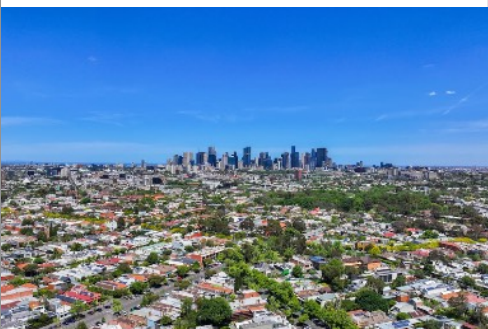
More tall buildings in MEL

The number of residential high-rises in Melbourne's CBD needs to double to keep up with the booming population and to slow urban sprawl, Victoria's peak infrastructure body says. Infrastructure Victoria has used a major new report to call for changes including building 130 more buildings taller than nine storeys in the city centre, setting targets for constructing new homes in established areas and replacing stamp duty.

This comes at a time where large businesses, including the NAB are highlighting the comparative higher cost of doing business in Melbourne versus Sydney.

Melbourne's growth is predominantly in outer suburbs, where 56% of the city's development has been occurring. Infrastructure VIC CEO Jonathan Spear said that without change, many Victorians would wind up with reduced access to high-quality jobs and businesses would be worse off. "The current pathway of growth is more people living away from existing infrastructure in new suburbs on the urban fringes of our cities," he said.

"The evidence shows that this delivers worse quality of life and opportunities for Victorians - but it's not too late to turn that around."



Melbourne Cup Carnival - Always a Winner for Victoria

The stage is set for the 2023 Melbourne Cup Carnival; lead in events have been held at Caulfield and this week will be the Cox Plate at Moonee Valley. Cup Week at Flemington provides a staggering impact for Victoria; it is the largest economic generator of any annual sporting event in Australia with \$422.1 million in gross economic benefit delivered to the state in 2022.

The Lexus Melbourne Cup is one of the most widely watched races in the world, broadcast to 209 countries and territories with a potential reach of 750 million people last year. Over half the Australian adult population, circa 10.3 million people engages with the race on the first Tuesday in November.

In 2023 the carnival will celebrate some important milestones including 20 years since Makybe Diva won her first of 3 Melbourne Cups, capturing the hearts of a nation - and the town of Port Lincoln! It has been 61 years since the first Carnival Fashions on the Field captivated audiences at Flemington and this year's has expanded further. There are now global, digital entries for Best Dressed, Best Suited and Lillian Frank AM MBE Millenary awards. Winners will be flown to Melbourne to experience the event and compete against domestic finalists.

On the track, enjoy the \$2 million Penfolds Victoria Derby (2500m), Australia's oldest classic race, as part of a trio of Group 1's on the card. Melbourne Cup Day features the \$8.4 million Lexus Melbourne Cup, Australia's richest handicap race that includes the coveted \$600,000 Cup Trophy. On Oaks Day the VRC have partnered with the Royal Children's Hospital Good Friday Appeal and will see the fillies compete in the \$1 million Kennedy Oaks (2500m). The curtain comes down on TAB Champions Stakes Day, highlighted by the \$3m TAB Champion Stakes (2000m) and a treble of Champions Group 1 races.





Affairs of State - what we do best

Affairs of State is a Melbourne based public affairs and professional services firm that specialises in working with government and industry to deliver outcomes.

We use strategy and leadership to produce effective program delivery, improved demand generation, greater awareness and problem solving. Affairs of State provides specialised services that act as a bridge between high growth companies, government, boards and investors.

Over much of the past 10 years we have worked on some of this country's most challenging issues, often at the point where government, private and community interests intersect. Our experience covers areas ranging from industry development, to emergency management, to pandemic recovery, to core economic growth and to renewable energy transition projects. Can we help?

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Anger - what is it?

Strange question? I just seem to be seeing more of it.

Anger is a strong emotion many of us experience. Anger is usually characterised by feelings of frustration, hostility, agitation, or aggression. We may feel angry in response to a perceived threat or injustice, an unfair situation, or when we think someone or something has done us wrong, got in our way, influenced a desired outcome, etc!

Feeling angry is OK, in my opinion. Anger can help you to express a negative feeling or motivate you to solve a problem....or start playing better golf on the next hole! Seriously, how we respond to and express that anger dictates whether we create problems. It is always, always better to be kind.

For example, anger can be expressed verbally or physically, and it can be directed at oneself or others. Expressing anger in an abusive, violent or negative way is unacceptable. This is why having anger control is important. Rather than trying to suppress the anger, we need to learn how to manage anger in a way that acknowledges the feeling while not harming anyone else. Dealing with anger in a healthy manner is a key part of life and something everyone should strive for.

Once you recognise your anger warning signs, you can take steps to control your anger before it escalates. There are several anger management tips that can help you control it in a healthy way. Some of these strategies include:

Time out - stepping away from a situation when you start to feel angry gives you space to think clearly.

Count to 10 - before reacting to a situation that makes you angry, take a moment to count to 10. This will give you a chance to calm down and think about how you want to respond.

Controlled breathing - slowing and deepening your breath can help diffuse the anger. Try taking five long, slow breaths. Focus on relaxing the muscles in your arms and face.

Reframe the situation - try to look at the situation from a different perspective. By shifting your perspective, you may be able to see the situation in a more positive light, identify new solutions, or better understand the other person's point of view.

Distract yourself - think about or try doing something to stop your anger from escalating.

Relaxation exercises, physical exercise? There are many things you can do, there is of course professional help. Don't be angry!

Cost to decarbonise shipping

For anyone shipping goods, the cost of decarbonising shipping has not yet been factored. No doubt its coming and these quotes highlight the impact transport decarbonisation could have on everyday pricing.

The UN has called for rapid decarbonisation of the shipping industry on Wednesday, warning that the price tag could top US\$100 billion (S\$137 billion) a year as the sector's emissions continue to swell. The economic impact statement from the UN is MIA!

Shipping is a linchpin in the global economy, with 50,000 vessels carrying 90% of the world's cargo.

Circa 99% of the global maritime fleet remains reliant on conventional fuels. Fuel transition in shipping, like aviation, is still in its infancy,

Shipping lines are ordering new ocean-going ships using only carbon-neutral fuels. Lines are set to operate vessels on carbon-neutral e-methanol or bio-fuels. It will be challenging, methanol production has to ramp up.

The EU parliament has included shipping in the EU's Emissions Trading System (ETS) on April 18. As a result, it will start charging tax from EUs outbound and inbound shipping companies from Jan 1, 2027. That date is a good indication of cost increases, these could come earlier and planning to understand the further impact on cost driven competitive positions should be happening in Australia at this point.

Dairy Strike

The dairy industry in Victoria, Australia, has been hit by a strike by over 1,400 dairy workers at leading companies like Saputo, Fonterra, Peters, and Lactalis.

EDITORS NOTE: Late Friday Saputo agreed to 14%

Workers are demanding a 15% pay rise over three years, while the companies have offered a range of increases between 10 to 11% over the same period. The United Workers Union is pushing for a 5% per year increase over three years. The disagreement between the workers and the milk factories has led to rolling stoppages and disruptions in milk processing. The strike has already led to at least 100,000 litres of milk being poured down the drain by farmers who could not get their milk collected by tankers because drivers had taken strike action. The disruption to milk processing has led to concerns about milk availability.

Australian Dairy Products Federation executive director Janine Waller said processors were under considerable financial strain. "Well before the strike action, dairy processors in Australia have been contending with additional pressures," Ms Waller said. "With a 30-year low in raw milk production volumes of 8 billion litres per annum; persistent rises in input costs; expanding compliance costs including the government-enforced Dairy Code of Conduct; and a 17% surge in imports."

Dairy workers have returned to work after taking strike action but warn they may strike again this week if there is no resolution. The United Workers Union will hold separate negotiations with the companies involved this week. What impact the farmer and the consumer?

A deal has been reached between dairy tanker drivers and Saputo after a 48-hour strike in Gippsland. More than 150 drivers resumed normal operations, following confirmation of the deal by the Transport Workers Union last Friday afternoon.

The impact of the strike on milk availability has been felt across Victoria and beyond. Farmers have been forced to pour out milk due to the inability of tankers to collect it from their farms. This has led to concerns about milk shortages and panic buying of milk by consumers.

Victorian Premier Jacinta Allen has urged against panic buying of milk and assured consumers that there is no need for concern about milk supply.

How do we feel about strike action, is this a wider problem for business already impacted heavily with cost and bottom line pressure that comes from persistent cost of living increases?



VIC EV vehicle tax

The High Court has struck down the Victorian Government 2.8c a kilometre EV tax. This outcome has cast doubt on plans by other states to impose distance-based fees on EVs and has the potential to threaten other state and federal taxes and levies.

It may be that the only way to replace current fuel taxes with road user charges will be through a uniform Federal government excise.

There may be some creative alternatives. One way to resolve the problem might be to turn all roads into "virtual" toll roads, charging drivers based on use and converting state transport departments into government business enterprises. Did I really suggest that?

Rounding out the story - currently EV's are the realm of those on higher incomes, who can also benefit from a range of tax planning/packaging strategies. The lower income cohorts will remain combustion vehicle drivers for a longer period and be left with an ever greater share of road funding costs via the fuel excise.

For the moment, we can be grateful the Victorian government's misguided and muddled tax policy has been scrapped - and a barrier to EV uptake is gone. But the High Court's decision has flagged the need for urgent action at the national level to work out a consistent policy. Done well, distance based road charges should improve roads and traffic conditions.

October's "Thought Bubble"

The Commonwealth Games cancellation, is some story! A senior VIC government minister has been accused of lying and providing "bulls--t" evidence to a parliamentary inquiry probing the Commonwealth Games fiasco. During a fiery hearing on Thursday, former Commonwealth Games legacy minister Harriet Shing revealed that she was first told on June 22 that the event was at risk of not going ahead – more than a week after lawyers were first engaged. Its a little hard to believe!

The weaker Australian dollar and a stable economy is fuelling overseas investment interest in local businesses as analysis shows that close to 40% of merger and acquisition deals over the past financial year required FIRB approval.

Is this an idea - households (and other places) to help manage the load on the electricity grid, places equipped with smart meters could be called upon to adjust their electricity usage during peak demand periods. Locations that reduce their energy usage when alerted could receive financial incentives. Would this work?

I feel like I am hiding a bit, the war between Israel and Hamas will likely dominate the next period. I don't have the experience and the history to 'just comment'. The atrocities remain that, awful. A peaceful settlement seems impossible and a worsening scenario looks like the outcome. Will Israel become more isolated, can this be resolved long term if one aim is annihilation? Wish we could help.

Business insolvencies in the September quarter surged to their highest level since 2015, according to the latest figures from the Australian Securities and Investments Commission, as fears for the construction, retail and hospitality sectors mount ahead of the critical holiday trading period.

Our VIC government seems preoccupied with a range of 'social issues' dominating their side of politics. Having just written this issue's Editorial I ask the question whether government has the necessary focus on the work that needs doing? Cost of living and basis service provision does not seem to have the necessary prioritisation amid tighter agency budgets. Is there a capex public sector reduction from less than optimum use of public funds?.

Qantas says it has no choice but to increase airfares in response to rising fuel costs with domestic and international ticket prices to jump 3.5 per cent from next week. The move follows a market update last month, in which Qantas warned it would have to make adjustments to fares if fuel prices continued to climb.

See you next month for further editions of Letter from Melbourne and Letter from Canberra. Thank you for reading