

LETTER FROM CANBERRA

November 2023 Edition www.affairs.com.au

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PAS SPC Panel Supplier across
the VIC government. Affairs of
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projects, commercial analysis
and operational leadership
wherever you need some extra
resource.**



Editorial

We can't blame new RBA governor Michele Bullock for lifting again. However, this is cost-led inflation. The latest volatility is mostly petrol, which is linked to a low valued Australian dollar. Add the increases in energy cost and you have the root cause for persistent, inflationary pressure.

The government, on the day of the rise tells us it has produced a surplus, "something that the Liberal Party never did". It likely will make a surplus in FY24 due to mining exports and low unemployment, the tax take remains high! The government has money, it can afford to reduce, suspend or remove the 46 cents per litre of petrol tax. It can add to that a slowdown in infrastructure spend, all of which will see inflationary pressure ease. Households are not the cause of inflation. This is not demand driven inflation, which persists largely because the price of the things we have to buy continues to increase.

Near-term volatility in petrol prices comes from decisions taken by oil-producing countries to wind back supply. With more global volatility that is unlikely to ease, yet the government seems unwilling to consider a cut or a suspension of the petrol tax - it would be move that turns the inflation corner and it will have meaningful impact on cost of living.

Are we waiting to do this? Is it too early to impact the next election cycle with a series of interest rate reductions produced by a decrease, or suspension of the cents per petrol litre tax rate? Freight volumes for retailers this Christmas are down!

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Rugby, the game that was!

Unlike the mighty Magpies, the All Blacks lost the World Cup Rugby final in Paris this month. I bemoan the result, congratulations to South Africa.

Shame on rugby officials, if you ever want to see a game destroyed with the introduction of a video ref in a "bunker", just take a look at rugby union. Its a spectacular example of completely changing a game, for the worse, much worse!

New Zealand Rugby have congratulated World Cup final referee Wayne Barnes on an 'immense' career after he announced his retirement from refereeing. He won't be missed but in fairness to him control the final was out of his hands.

The fallout from the World Cup final loss continues for All Blacks captain Sam Cane. After being sent off in the World Cup final against South Africa and having to sit on the sideline in Paris and watch his side lose 12-11, Cane will now have to appear before a World Rugby judiciary panel.

The video ref was able to completely ruin the match, the spectacle and the outcome. Were his decisions wrong, may be not. Should they be taken this way, no!

Rugby hopefully moves on, by the way good riddance to the AU coach joke that is Eddie Jones. What a debacle his tenure has been!

The reasons to not reduce the petrol tax do not stack up.

We can look to raise the value of the AUD. That would make petrol cheaper. We are importing inflation, government should drive policy to increase AUD value, we could:

- reduce costs in the economy to make exports more competitive,
- we could sell foreign exchange assets to purchase our own currency,
- we could raise interest rates, and
- we could strengthen supply side policies to increase long term competitiveness - a combination of low inflation, productivity growth, economic and political stability.

Key leaders of the Voice campaign say they will push the Albanese government to deliver a treaty with Indigenous communities and establish a formal truth-telling process, insisting the Uluru Statement from the Heart remains intact. 61% of the Country said no! I looked long and hard at current statements by Yes leaders. I do not see the things needed most - strategies that make a difference across all indigenous communities. Creating hope, opportunity, equality.

The government's policy at the last election was a promise of implementing the Uluru Statement in full, but the Voice defeat has thrown into doubt commitments to truth and treaty. Surely its time to look forward, not backwards?

Making things more difficult is the fact polls suggest that the government's primary vote has dropped because voters don't think the government's priorities are right.

We make the next comment with tippy-toes, does it just highlight self-harm? The Federal Court last week really did halt one of our biggest new gas projects far out at sea because Indigenous people may be buried deep underwater. Are we sacrificing our economic future to what seems an opportunistic money grab based on unconfirmed historical evidence?

Santos wants to install a pipe from its Barossa gas field, 140km from the Tiwi Islands to Darwin, a \$4.7b project. A Tiwi traditional had supposedly new evidence the pipe would hurt his culture, and, the judge said, cause him "irreparable damage". There is no doubt more to this story, I raise the comment purely as a reflection on the importance of these exports for our social and economic wellbeing and our ability to put Australia's best case forward with regard to investment attraction.

And, in NZ Winston Peters is king maker again! NZ First look to be playing another role in government. How will it end this time?

Your email sign off, what does it mean?

I sometimes sign off my emails with "Best, Hans". At other times I use "Cheers, Hans".

Apparently I should be using Cheers, Thank You (or TY) or Kind Regards.

Apparently "Best" has a passive aggressiveness. Cold. Curt. A signal that the sender doesn't really think much of you. In my case that couldn't be further from the truth, but I have not used "Best" since I came across this information!

Is this an ageing thing!

New ways of messaging, from social media platforms, has grown less formal comms, with emojis and GIFs. It's a brave new world, and we have to get used to it. Do younger people need guidance as to how to effectively communicate with the oldies around them, or is the other way around?

Has the back and forth of text-based "conversation" - where greetings and sign-offs have less of a place started to impact our wider comms?

So what's seen as the best email sign-off? The golden one; "Kind regards" - its friendly, warm, connecting. Seemingly headed for the scrapheap are "Yours truly", "Yours sincerely", "With compliments" and "With respect".

No more "Best", "Cheers" is OK. I might not sign off at all, surely that is OK in this day and age?

H.

This week in China

Summarising the success, or otherwise of this week's visit to China by PM Albanese is subjective. No doubt a visit and an annual leaders meeting program is well overdue. A commitment to CHAFTA (the free trade agreement) is critical, especially for those who have been shut out for some time. China is our biggest trading partner, we have to manage the relationships, maximise our agreements and manage those things we disagree on. Below some quotes that summarise the trip:

While China's slowing economic growth and a property crisis have clouded the outlook for steel production, which drives demand for BHP's iron ore, the miner was upbeat about opportunities in decarbonisation. It has upped its forecast for Chinese copper demand, which was being driven by electric vehicle production and power generation.

Cochlear chief Dig Howitt welcomed the reopening of high-level talks between Australia and China, China is a key market for the hearing implant giant, which owns a manufacturing plant in the country's south-west. "It is important for us all to be pragmatic on the importance of the economic relationship with China and understanding we are different countries and will have diverging interests at times," he told The Australian Financial Review.

Mr Albanese brandished a lobster as part of the tour, and sampled Australian beef. Chinese restrictions on those two products still remain in place but are expected to be removed soon.

Andrew McKellar, the chief executive of the Australian Chamber of Commerce and Industry, said the visit was significant. "Seeing a restoration of the full economic ties is good for Australian exports, jobs and the economy," he said.

With China lifting most of the \$20 billion of sanctions imposed on Australian exports such as wine and barley in 2020, business hopes the visit will also revive tourism between the two countries. Qantas resumed direct flights to Shanghai for the first time in three years last month.

The trip included agreement on reciprocal plans to grant three to five year multi-entry visas for visitors and business people.

Mr Albanese and Premier Li Qiang announced the resumption of annual leaders talks between Australia and China. The two sides acknowledged the importance of political dialogue and welcomed the continuing stabilisation and development of the bilateral political relationship. They agreed that the resumption of key foreign policy and economic dialogues were in the interests of both countries.



Discussing War & Conflict

Families and our children are frequently exposed to distressing news through the 24-hour news cycle and social media. These experiences can provoke anxiety, especially in young minds still forming their worldviews. Parents and caregivers should be mindful of overexposure to such content as it can lead to symptoms similar to post-traumatic stress disorder. Children's responses to trauma can vary, from being strong emotional reactions to being indifferent. It can leave an emotional imprint that can affect a child's behaviour and perception of danger.

Children need reassurance about their safety as they navigate uncertain times. Tailor conversations to your child's age and emotional maturity. Younger children benefit from simplified explanations focusing on peace, empathy, and cooperation, while older children can delve into historical events, root causes of conflict, and the complexities of international relations.

Before discussing these topics with your child, it is also important to assess your own emotions and comfort level. By staying calm and providing physical comfort will help your child regulate their own emotions. In challenging times, compassionate adults play a crucial role in helping children cope with anxiety and providing hope and understanding in our complex world.

Israel, Gaza, Hamas, the West Bank, Merri-bek?

This is perhaps the hardest piece I have written in the time we have been writing Letter from Canberra and Letter from Melbourne. I don't feel the need to say anything, especially without the history of the conflict and an issue that arguably stretches back to 1948.

I just feel sad, I know that is common feeling and I loath the way different sides are stepping into this issue. This week I heard Socialist Alliance Merri-bek councillor Sue Bolton saying she felt so strongly about the current war that she was compelled to take action. "What's happening in Gaza is not just a war, it's a genocide which is being conducted," she told 3AW Drive. Why does Merri-bek Council need to make any statement? The atrocities across this whole issue are awful, unspeakable and inexcusable. Should Israel be reprimanded for its actions since October 7? What is the answer when Hamas and other parties call for the elimination of Israel?

I don't have the answers, I don't see an end. The leader of Hezbollah delivered a much-anticipated speech in Beirut last week. He celebrated the 7 October Hamas attacks on Israel while saying they were "100% Palestinian", and avoiding committing Hezbollah to a bigger role in the conflict.

Israel said on Monday its forces have now split the Gaza Strip in two while encircling Gaza City in the territories' north. Israeli troops could soon enter the city, where Hamas forces are reportedly concentrated. This staged escalation in theory aims to curb casualties, allow time for hostage negotiations to progress, and deflect international criticism.

But in reality, casualties keep rising, hostage negotiations keep dragging out, and international sentiment is hardly heading in Israel's favour. Israel's critics accuse it of collective punishment and possible war crimes in Gaza. In response, Israel says it's targeting Hamas, which it accuses of using residents as human shields while holding ~240 hostages.

So in this context, foreign ministers in the region pushed for a ceasefire on Saturday, but the US Secretary of State dismissed the idea as a way for Hamas to regroup and attack Israel again (as it's vowed to do).

So, I sit here, wondering what we all think? I'm pretty sure any commentary like that from Merri-bek Council, or any other elected body, has no impact or place.

We're seeing the world engage to find a de-escalation of hostilities. That's often how diplomacy works. But it's unclear whether any formulation could work right now. The parties are still far apart, it's hard to see any side shifting from stated objectives right now.

Good, solid leadership

As something may be heading our way, I was looking for content when I came across some tips I'd scribbled down from listening to a mentor. Simple stuff, this Letter from Canberra page is dedicated to it.

In leadership roles the pressure of getting strategy and policy right is greatly reduced with detailed analysis, sufficient information and advice from your team and direct stakeholders. When you are ready, make a decision with conviction.

Being in the spotlight, public or private sector, comes with 24-hour scrutiny and criticism. This is more so for government leadership positions but plenty of profiled private sector leadership roles fall into this mix. Be mindful of the circle of trust getting smaller and smaller, to the point where the only people you feel really have your back and understand what you're going through are those immediately around you.

Be mindful too of changing environments, changing political landscapes and a range of inexperience and differently educated people who are finding their way in the workplaces and communities we share.

The best leadership advice remains the same. Lead with a growth mindset, lead as your authentic self, lead through change, lead with trust and integrity, fostering and growing talent. Lead by the numbers and by the opportunities. Lead to succeed. These, still, are the main attributes of good transformational leaders.

4 Public Speaking Skills

If you're like most people, just the thought of addressing a group is enough to send chills up your spine. Public speaking has often been ranked as the number one fear, ahead of heights, snakes, tough decisions or relaying bad news.

But presenting in front of people is one of the core skills leaders need to master.

Below is our Affairs of State advice to help business leaders improve their communication. Consider these four fundamental characteristics of a great presenter.

1. A good presenter is focused;

It all starts with focus. A good presenter is focused on providing value to the audience and addressing the audience from their perspective, you shouldn't just highlight your expertise or knowledge; offer examples or anecdotes to connect with the audience.

2. A good presenter has delivery skills.

Delivery skills are crucial in any form of communication, especially when talking to a large group. It's important to use powerful body language, like maintaining eye contact and using open gestures, to engage with the audience and reinforce your points.

3. A good presenter is a storyteller.

Your audience doesn't want to be lectured. It's imperative that you speak to your audience, not at them. In this regard, a good presenter "is a great storyteller that takes the stories and connects them to learning points important to the audience based on the presentation content..

4. A good presenter is patient.

As a speaker, it's critical to give your audience a moment to reflect on key statements. It can be brief, but a skilled presenter "takes a few breaths and slows down after making a key point." The speaker can also ask a reflective question to make the discussion more applicable and relatable for the audience.

This leader was pretty good, watch him and his props!



Strikes worsen meat supply

Australian farmers and 50,000 meat workers are being held to ransom by 300 Commonwealth vets' and inspectors' strike action. The meat industry says it will take days to recover after hundreds of veterinarians and meat assessors took strike action today. The meat industry says it will cause a backlog of work and disrupt exports. The union says the action is intended to put pressure on the federal government to negotiate. The CPSU is seeking a 20% wage hike over three years for all Commonwealth public servants, but only 300 of its members engaged as meat inspectors and veterinarians at export works are taking strike action.

The Australian Meat industry is one of Australia's largest manufacturing sectors. Once these 300 workers walked off the job, Australia's 86 export works ground to a halt, unable to compete inspection activity required for all meat exports.

Processors were already struggling to process the increased number of sheep and cattle coming off farms in response to El Nino-driven drought conditions in some areas. Meat and Livestock Australia figures show the weekly process rate for cattle has surged from 95,000 to 130,000 in just 12 months, with the lamb slaughtering rates rising from 408,000 to 478,000 over the same period.

Farmers across the eastern seaboard already face long delays getting sheep and cattle processed, adding to feed bills and undercutting razor-thin margins on livestock that have halved in value in less than 12 months, which prompts questions on the need to strike and also on why farmers returns are not reflective of shelf price!

The US political sideshow

The next presidential election is next year, and from here, a re-run of the race between Joe Biden and Trump looks likely. The most recent polls show the former president is easily the most popular Republican candidate, trailed by Florida governor Ron DeSantis, former United Nations ambassador Nikki Haley and businessman Vivek Ramaswamy.

Biden's son, Hunter Biden, is the first child of a sitting president to face felony charges, appearing in court for possessing a gun while he was a drug user and lying on the form he filled out when he bought it.

Trump faces far more serious allegations. He is charged with falsifying business records relating to a hush money payment to porn actress Stormy Daniels, an apparent bid to keep details of their affair quiet before the 2016 election. He has been indicted for trying to overturn the results of the 2020 election before a violent riot in Washington DC. And, he faces charges for allegedly removing top secret documents from the White House to his compound at Mar-a-Lago after he left office.

It remains hard to believe we'll have a rerun of 2020: Biden v Trump. It's been nearly 70 years since you've had the same two candidates. That was 1952 and 1956, when Republican Dwight D. Eisenhower twice defeated the Democratic Party candidate, Adlai Stevenson, with a bigger majority the second time.

Florida governor Ron DeSantis, who looked to be the most serious candidate for the Republican nomination for much of the year, is looking shaky. The campaign is running on a shoestring budget, and DeSantis is failing to make much headway against Trump despite the legal scandals. He has most recently shifted much of his resources to Iowa, hoping for a surprise win in the first state - and an influential one - that votes in the Republican primary elections that start in January.

DeSantis seems to be on the wrong side of abortion and Ukraine, its now hard to see him be the candidate that upends Trump.

Chris Christie, Ron DeSantis, Nikki Haley, Vivek Ramaswamy and Tim Scott will meet again on the stage this week for the third Republican presidential debate. I used to follow these contests closely. It is so hard now, Trump won't turn up it just is not as serious as it used to be. Former Vice President Mike Pence appeared at the first two debates but dropped out of the race last week amid signs he would not qualify for this debate.

The notion that it could be Trump v Biden, that Trump could win from jail and that Biden would need...help to speak...seriously?

Defence on show in SYD

The Defence Industry focus for November is all in Sydney with Indo Pacific 2023. The exhibition has broken all existing records and is now tripled in size since its first iteration 23 years ago. The 2023 edition of the event features:

- 832 participating exhibitor companies/organisations,
- 21 nations represented,
- Defence industry pavilions from all Australian states and territories, and
- Five international pavilions by the United States, United Kingdom, New Zealand, Italy and Japan

The local industry focus will be on the review of the Royal Australian Navy surface fleet and the implications for the BAE Hunter Class Frigates. BAE have announced a design change whereby they are increasing the missile capability from 32 to 96 cells, with a reduction in the anti-submarine capability.

Local interest covers sovereign capability and innovative companies such as AIM Defence; AIM are demonstrating their Fractl:1. This is the world's most powerful portable high energy laser, capable of taking down drones with ground-breaking precision. Fractl has been designed to detect and defeat the intrusion of unwanted drones in a multi-domain environment. The all Australian team have developed the world's most advanced tracking and optics system. Fractl's laser beam can hit a drone moving at 100 kilometres an hour a kilometre away with a beam the size of a 10-cent piece. Affairs of State is supporting AIM as they commercialise and look to non-Defence markets.

Solar and Batteries can reduce power bills to zero

Based on Australian Energy Market Operator data published in October, the 31% jump in rooftop solar output over the past year helped cause a 71% reduction in wholesale prices by easing grid demand during daylight hours.

While the surge in consumer solar and battery installations is helping reduce electricity bills, the calculations do not account for the thousands of dollars - and in some cases tens of thousands of dollars - households spend acquire panels and battery storage. Doubt is also creeping into the market on what is the right equipment to buy, for example what are the safest batteries?

Solar panels can reduce energy bills by between 39% and 57%, equivalent to a saving of between \$822 and \$1,350, depending on location. For instance, the benefits are greater in regional Queensland where feed-in tariffs are higher and home producers face fewer limits on grid exports.

Households that include a battery, can save between 75% and more than 100 %, effectively generating a positive return. The overall benefit for those houses is between \$1,322 and \$2,252. Calculations are based on an 8.5kWh battery.

The Department of Climate Change and Energy estimates that households with solar and energy storage systems (batteries) living in South Australia, NSW, and regional and south-east Queensland can potentially cancel their "default" bills entirely. By contrast, customers in Victoria, where feed-in tariffs are far lower and energy bills are higher, will cut their bills by 75%.

For households with rooftop solar only, the savings range from 39% of default energy bills in Victoria to 57 % in regional QLD.

The right equipment matters and, this is the best way to get the most from an EV, domestic solar plus the right battery!

	Vic	NSW	South-east Qld	Regional Qld	SA
Bill without solar	1756	2106	1968	1926	2280
Bill with solar	1069	1091	1102	822	1350
Total saving	687	1015	866	1104	930
Per cent saving (%)	39	48	44	57	41

Benefits of residential rooftop solar with a 8.5kWh battery (\$)

	Vic	NSW	South-east Qld	Regional Qld	SA
Bill without solar	1756	2106	1968	1926	2280
Bill with solar	434	-17	70	-6	28
Total saving	1322	2123	1898	1932	2252
Per cent saving (%)	75	101	96	100	99



EVs & insurance

EV batteries can be compromised in even small vehicle accidents and that is when they may become dangerous, and, pricey to insure!

Insurance for EVs tends to be higher because EV prices are higher. But there are other factors that have been adding to EV insurance prices. EV batteries, it appears, can get damaged in even a minor collision. And, I understand, there is no quick, reliable, and economically viable way to check whether the battery has been damaged. This has led insurers to write off EVs after minor collisions where a 'normal' car would simply be directed to the nearest panel beater for the appropriate repairs.

Is this the EV 'elephant in the room'? The issue of battery repairs, battery incidents and a higher level of write-offs, cue higher premiums to own an EV. It's not just the battery write-offs that are adding to EV insurance premiums. There is also the issue of a shortage in skills and workshops equipped to handle EV repairs. Google EV insurance in the UK, stories are emerging of huge premium increases along with insurers not offering EV policies, surely just an early adopter issue?

Contact us:

Hans = hans@affairs.com.au

Michael = michael@affairs.com.au

<https://affairs.com.au/>

Provoking thoughts

Thank you for reading our Letter from Melbourne and Letter from Canberra. We always look for feedback, please let us know any reaction to these prompts:

"Whenever an insider sells, we'll look at shorting a company."

Cataract Gorge should be a "Tasmanian icon," a Tasmanian Senator has said in a call to raise Launceston's profile as a tourist destination. Senator Tammy Tyrell made the comments on the floor of the Senate saying that Launceston was underrated as a tourist destination in its own right. "How many of you have heard of Cataract Gorge?," she said.

Fast food king Jack Cowin says his Hungry Jack's empire is largely immune to tightening interest rates, as his burger chain hit \$2b in sales for the first time since opening in Australia 54 years ago. Mr Cowin told The Australian that while 30 years ago a burger and fries at his Hungry Jack's chain might have been considered a "treat" and therefore exposed to economic cycles and tightening household budgets, now it was more viewed as a standard meal option across the week!

Energy distribution giant Jemena has called for government policy to prioritise gas over coal and oil to deliver energy transition targets, while warning the nation's renewable projects pipeline is too small to electrify the country's power grid.

As Anthony Albanese sought to galvanise congressional support for AUKUS in Washington last week, Joe Biden issued a terse message to the Prime Minister ahead of his visit to China: "Trust but verify".

Biden's advice was short but deliberate, warning that China's motivations are never straightforward and it shouldn't be trusted when it comes to delivering on its promises. There are US concerns the Albanese government is vulnerable to the strategic and diplomatic traps set out by China as it seeks to thaw relations.

Real median income in Singapore fell 4.5% in the first half of 2023, compared with the same period in 2022, based on preliminary estimates. This was due to elevated inflation and a weaker economic outlook, Senior Minister Zaqy Mohamad told Parliament.

Mobile phones and internet in meltdown for millions, train networks impacted, and even some hospitals lost critical communications. Optus customers - big and small - were rightly angry after being left in the dark for most of the day. It does prompt the question, how can key infrastructure sites be limited to one telco, without redundancy? This is not a first!

Thank you for reading, we are glad for any feedback we receive and we encourage you to engage with Affairs of State.