

LETTER FROM MELBOURNE

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What am I watching, I haven't done a streaming update for a while, this has been on screen;

- Season 2 of the Responder on SBS is a different watch!
- I had missed season 3 of Total Control on the ABC iView app.
- Taco Golf with Luke Kwon on YouTube, its the Kiwi in me but their NZ and Australian series are a good laugh.
- Biden vs Trump, if US politics is an interest, how can you not?



Editorial

Its time for a change!

Those astute readers of Letter from Melbourne and Letter from Canberra would have noticed I did not publish a June version of Letter from Canberra. It was more than domain name tech issues!

Alistair started these publications all the way back in 1993. I started reading them from the mid-2000s. Writing and compiling these publications twice per month is a big effort and times, now, are very different. The last thing we need is more news aggregation!

Affairs of State is also changing, more on that later. My intent now is to improve the newsletter under the Letter from Melbourne masthead and produce content monthly. Tell me what you think.

Not sure if this goes back to Covid or because we are all talking even more about change? There is just more frustration lately with the constant stream of new policies. And strategies. And blueprints. And roadmaps. And frameworks. And agreements. And principles. And criteria. And guidelines. And plans.

I have always been a good policy guy, but I've decided to change it up with regard to our approach and from recent feedback to the Letter from Melbourne. I know that the best value we can add is to collaborate with the public sector. We can bring our experience to overcome the challenges we all see with skills, with investment attraction, with the visitor economy and ... with the ability to implement new technologies, new processes and new capabilities for tomorrow. We can use our experience to better work with

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Airline On Time Performance

You may have noticed media last week on global airline awards, which are consumer and effort based and are only a marginal reflection of how we view aviation products and services. Airline reliability in these discussions usually comes to the fore.

When it is busy airlines operate a high utilisation, all planes flying schedule. When it is busy, and in general, it is reasonable to ask how airlines can be more reliable.

The problem is that airlines cannot fix this problem by themselves. Yes, they can do a better job scheduling flights, but they also fly their planes in airspace and into airports with their own constraints. Without all three coordinating and staffing properly, customers will be caught in circumstances beyond any individual airline's control.

This scenario plays out globally. Through their lobby group Airlines For America, airlines have asked for specific help from the FAA to help get industry reliability back on track. These include a commitment to staff up, equal to the commitment that airlines make themselves. Airlines in the US have been asked to provide staffing plans for the busy July 4 holiday, so airlines have asked the same for Air Traffic Control. Airlines have also asked for better coordination among multiple government agencies to reduce airspace congestion.

governments to deliver better policy, change and implementation outcomes. I welcome your thoughts and, I don't think the world needs another political commentator!

One of the main pressures on public sectors is around budget and resource constraints. Everyone increasingly has less to do more. Collaboration can help ensure better outcomes through working together, cross-sector, cross-jurisdiction, with communities and with strategic partners around common goals.

For example, we can collaborate, across key industry sectors to make more planes arrive on time, or to increase skill sets across cross-connected industry sectors.

Good collaboration supplies and improves delivery and strategic capabilities, people leadership, technical leadership, policy leadership, subject matter leadership, vision, kindness, collaboration. We share what we know!

I will come back later on what that means for our business.

How good is golf? The Bryson DeChambeau win at the US Open was a great watch, did he win the tournament, or did Rory McIlroy lose the US Open with a couple of wayward shots and two short, missed putts? It was elite sport and good entertainment.

Tasmanian brewer James Boag's will move part of its beer production to mainland Australia as the cost of doing business sees the company transition to a model where the TAS plant essentially only makes beer for TAS.

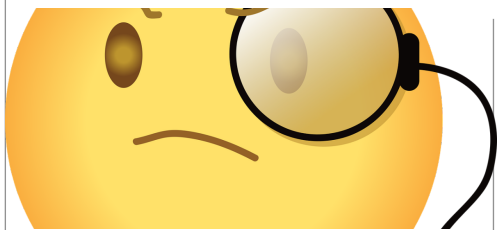
I live in Launceston too, this is sad, yet increased costs and ongoing supply chain challenges drive competitive positions and return on operating capital forecasts. I mentioned collaboration earlier, this is one area where solutions and capacity improvements from collaboration could lead to better competitive outcomes and improved asset utilisation across Bass Strait.

Happy to help, rolling up the sleeves and solving issues!

Let me talk tech and tech support for a moment. Over the last few weeks I have had all sorts of domain, email and connectivity issues. Emails and histories are lost, hard to restore and getting everything back up and running is just hard.

Not being connected, is just a horrid feeling.

For when it may happen, or when you step away from organisations with internal IT support and Help Desks, you do need to know what you want to do and what the technology options are that suit your strategies best. Know what you have and, know how you can communicate with people who do support you at web hosting services, email providers etc. Contacting Microsoft is impossible! Find a You Tube video on how to have the best digital solution for a small company, and make sure you have a savvy mate or kids ... it could save you hours and hours!



My view on inflation

I have been having an interesting self-debate on inflation. The latest numbers show demand is clearly holding up. Prices keep rising and the opportunity to bump margins remains alive and well for many.

Are we better off with a rate increase, rather than waiting longer for a rate cut? Will waiting long slow the economy more, with greater impact?

Has the push to lower inflation stalled? I've been looking into this a bit. Australia and Japan are the only G10 countries where both goods and services inflation is running above the average. Are we already paying for our rates actually having been too low, for too long, with sticky inflation causing a more prolonged downturn and confidence loss period?

Japan is suffering from a weak currency, the AUD is also on the weak side. Partly because our rates are comparatively lower. Do we need to stop spending, does government need to slow down its many infrastructure projects that are fuelling demand and inflationary pressure?

To balance risk, should companies reduce prices to slow down inflation? Essential goods and services and energy are good examples for this question. Back to my current thinking.

The longer the RBA holds and does nothing in the hope current rate levels should do the job, are we increasing the risk that disinflation will not happen and we need a rate bump to get to cuts quicker, with less overall impact? What do you think?

A Hydrogen explanation

Thought this might help a few people, there is much more to hydrogen than the concern over the amount of renewable energy needed to produce clean hydrogen.

Hydrogen is a clean energy source that, when consumed in a fuel cell, produces only water and oxygen as by-products.

Novel hydrogen technologies are essential to create cheaper, more efficient hydrogen production. We will need scalable, affordable hydrogen storage so it can be widely used.

Why is it interesting? Technologies that can efficiently produce green hydrogen and store it effectively could help answer a drive towards net zero carbon emissions and an effective zero emission vehicle fleet.

What industries could use this? Energy, raw material extraction and refining, transport, manufacturing. Even airplanes. How could it change our lives, hydrogen is a clean energy source that makes an attractive low-to-zero emission fuel source for homes, transport, power generation and portable devices. Hydrogen can also be used to store, move and deliver energy from wind and solar power, which currently have to be consumed immediately or stored in batteries.

Only demand launches hydrogen commercially. Topics such as retrofitting infrastructure, safety regulations and the environmental impact of hydrogen production, use and storage should continue to be discussed - without that governments and industry will struggle to raise demand for the development of hydrogen on a wider scale.

I need help ... shanks!!

Most of this year I have played OK golf, my handicap at the start of the year had got out to 19, it came back to 14 and it is now 16 off the back tees.

Lately I can be playing a good round and all of a sudden my swing will just completely change and I will start shanking the ball and then lose all confidence. I think I'm having too many swing thoughts, coming up too early as well. A shank, it goes sideways, off the club's hosel!

Does anyone know what I could be doing to shank it all of a sudden in relation to swing path, plane, rotation etc..... ANYTHING !!!!

I took a lesson last week, video helps understand the reason and the fact that it does not take much to go from good shots to the dreaded 'hosel rocket'. I do need to stop tinkering with different clubs and balls and I am likely playing too much ... time to do more work! As I said, any suggestions greatly appreciated, most of us get this, what was your best fix?

The right balance, Strategy & Risk

These days it is more and more difficult to set and strike the right balance between strategy, profit goals, operating models and risk appetite. They need to be aligned, and calibrated to your business in order to support accountability, efficient governance and effective risk management.

Risk should be closely aligned with the strategy of the business.

Risk should also be clearly understood within complex issue resolution activity,

Day to day management decisions should be made implicitly with the most effective and stress-tested risk appetite, set by Boards and leadership teams.

Management should be empowered to make decisions appropriately. Management needs a certain level of freedom to avoid risk frameworks, risk policies and risk governance becoming the dominant measure over profitability, productivity, competitiveness, staff development and organisational security.

At a time where we have political instability, ongoing supply chain challenges, rising costs, increased competitive pressures and a taste of ESG now being BAU - we should not lose sight of how you best run a business, or any effective organisation. Lets have a chat and see how and if we can help.

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The bulk of travel spending is close to home

International travel might feel more glamorous, but tourism players should not forget that domestic travel still represents the bulk of the market, accounting for 75% of global travel spending.

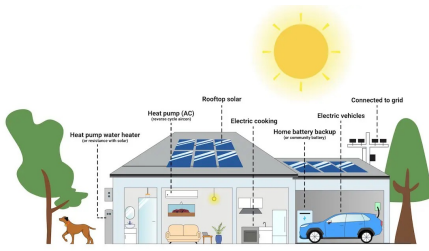
Domestic travel recovered from the COVID-19 pandemic faster than international travel, as is typical coming out of downturns. And although there has been a longish boom in "revenge travel," with travellers prioritising international trips that were delayed by the pandemic, a return to pre-pandemic norms, in which domestic travel represents 70% of spending, is expected quickly.

The US is the world's largest domestic travel market at \$1 trillion in annual spending. 68% of all trips that start in the US remain within its borders. Tourism players with the right offerings are thriving: five national parks broke attendance records in 2023 (including Joshua Tree National Park, which capitalised on growing interest from stargazers indulging in "dark sky" tourism).

I put a TAS image on this page because we led the way in Tasmania, growing destination appeal, connecting destination demand and bouncing the visitor economy in such a way that the corresponding increase in GSP saw Tasmania become the number one state economy in Australia. That attracted four international hotels to Hobart and we grew recognition significantly of TAS as a premium destination. The record speaks for itself, Tasmania is a wonderful case study for any destination.

Travellers are expanding their horizons, booking journeys to less visited countries that are near to old favourites. For instance, Laos and Malaysia, which both border Thailand, where Bangkok is the world's most visited city, are up 20% and 17% year on year.

Many destination and air access plans may need an upgrade!



Households to be “driving force” of energy transition with solar, batteries and EVs

As some of you will now I have been helping out with strategy and interim CEO work at Melbourne based, local Titanate Battery Energy Storage System (BESS) solution provider Zenaji Pty Ltd.

The excerpts below, from a Renew Economy article, are relevant to the energy transition and the changes to our electrical supply.

Australian households – and the rooftop solar panels, batteries and electric vehicles they choose to buy and install – are now being recognised as a major driving force of the country’s green energy transition by the Australian Energy Market Operator.

The final version of the latest of AEMO’s 25-year planning blueprints, known as the 2024 Integrated System Plan, notes the huge scale of investments likely to be made by households and other consumers over the coming decades, changing the fundamental nature of the grid.

Rooftop solar is expected to grow four-fold from more than 21 gigawatts now to 86 GW in 2050 and home batteries are expected to grow from just 1 GW now to an estimated 7 GW in 2029-30, and 34 GW in 2049-50.

EV ownership is expected to surge from the late 2020s – driven by falling costs, greater model choice and availability, and more charging infrastructure.

The crucial challenge for AEMO is to get “visibility” and to extent control over these assets because of their scale and their importance to the grid, particularly in their ability to vary demand and provide storage and other grid services at crucial times.

AEMO says that if these assets can be “well coordinated” they can deliver significant savings and, in the case of home batteries alone, will avoid \$4.1 billion in costs for additional grid-scale investment in storage.

AEMO says community batteries are expected to also have the ‘smarts’ to help manage the import and export of electricity to the distribution grid.

With investment and change more households can draw electricity either direct from their rooftop solar, from the grid, from their household or community batteries, or even from EVs that are able to discharge their batteries..

Zenaji Pty Ltd, specialises in the design, engineering and manufacture of advanced Titanate BESS. These Australian designed batteries are the leading BESS solutions available today for their safety, cost-effectiveness, superior performance and long-term reliability. Zenaji is currently a unique investment opportunity, let me know if you would like more information.

APAC MAY24 air traffic results

Preliminary May 2024 traffic figures released by the Association of Asia Pacific Airlines (AAPA) showed solid expansion in both international air passenger demand and air cargo markets, in tandem with an acceleration in economic activity globally.

In the first five months of the year, Asia Pacific airlines carried a total of 144 million international passengers, reflecting a 44.8% increase compared to the previous corresponding period. During the same period, international air cargo demand grew by 16.0%.

Encouraging trends in passenger and cargo traffic bode well for Asian airlines this year, following strong traffic performance for the year 2023. However, profit margins remain under pressure, with operating costs impacted by the strong US Dollar and jet fuel prices averaging above the US\$100 per barrel mark during the first five months of the year. Airlines remain committed to maintaining stringent cost controls across their operations, alongside a proactive pursuit of growth opportunities.

In May, the region’s airlines carried 27.9 million international passengers, 23.9% more than in the same month last year. Traffic averaged 89.4% of 2019 levels. demand grew by 27.4% year-on-year, reflecting strength in long haul travel markets. On average Asia Pacific flights were 79% full.



My EOFY observations not what you think?

- As the QLD Origin Team succumbed to the NSW at the MCG last week I couldn't help but switch to Julian Assange and his arrival back into Canberra. How important was this, were we welcoming home someone villainous, or was it heroic? I certainly agree the saga had gone on for too long. I imagine Mr Assange future earning projects are high, he'd be a sought after speaker and publisher around the world! But, were we lauding a criminal, what do you think?
- In a world of rapid change, looking for certainty can obscure opportunity. Taking smaller yet bold steps provides a more sure-footed path through uncertainty.
- I am interested in the role of government and the changing structure of government. I help business work with government, or avoid government or, in some cases, buy a little bit of it, such as part of a government agency.
- We should all have, or source a massive insight into politics and government.
- As a Launceston resident this was sad, however, having advised many TAS companies on ongoing supply challenges it was no surprise. Boag's Brewer will cut 15 positions, and move to a one-shift operation, as it moves some of its production to the mainland.

That US Debate last week

In the end there was no disputing Joe Biden's faltering and occasionally incoherent performance against Donald Trump in the first US presidential debate. For an age, questions have been asked about the 81-year-old President Biden's ability to embark on a second term. He needed to change the election narrative; instead, in my opinion, he reinforced that he's just too old and lacking ability to effectively do the job as president. Just the moment on golf handicap said it all!

The Republican Party is due to formally nominate Trump at its convention in Milwaukee from July 15th. The Democratic Party is due to formally nominate Biden at its convention in Chicago from August 19th. Election day is November 5th. Who will the US be voting for? I'm honestly not sure, Trump vs Michelle Obama?

Advanced Air Mobility

Globally, many companies are developing varied designs of electric vertical take-off and landing (eVTOL) aircraft that are similar in size to a helicopter. Advanced Air Mobility (AAM) can be expected to become increasingly autonomous over time, further reducing costs. But how can we best implement and integrate this with existing aviation environments?

AAM is an emerging aviation sector that will use new types of 'vehicles' to transport passengers and cargo on short-haul, low altitude flights, with eVTOL aircraft similar in size to helicopters.

AAM will have a transformative impact on short to medium range air transport, as reduced costs and environmental impacts significantly expand the potential market for aviation. This includes:

- Regional Air Mobility - New passenger services connecting regional and remote Australia. This could significantly improve the accessibility of regional and rural towns, with implications for settlement patterns.
- Urban Air Mobility - Passenger services that can reduce travel times and congestion by flying over busy urban environments (e.g. city to airport routes).
- Drone cargo services - Highly automated, low-cost air cargo services which can drive productivity improvements across a range of industries, particularly those with high value and/or time critical goods.
- Government applications - AAM is expected to have a diverse range of applications in the government sector, particularly, defence, aeromedical services and emergency management.

See you next edition, thank you for reading.

Cheers, Hans