

Inquiry into the Closure of the Hazelwood and Yallourn Power Stations

Mr Barry Dungey

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Barry Dungey

Submission to the Inquiry into the closure of the Hazelwood and Yallourn Power Stations:

Submitted by: Barry Dungey

Note: This is a personal submission based on my past 30 years of working life within senior positions within the LV Power Industry and then followed by 10 yrs. in business development and acquisition.

Past Experience:

- Completed a degree in Mechanical Engineering at Gippsland Institute of Advanced Education
- Worked for approximately 30 yrs. in various engineering positions and senior management within the LV power industry, both when controlled by the SECV and then following privatisation.
- Completed a degree in accounting from Monash University
- Completed an MBA with Melbourne Business School in 2008
- Left the power industry in 2011 and since that time have worked on business acquisition and development opportunities within Latrobe Valley.
- Recently project managed the successful demolition of Morwell Power Station at the Energy Brix site.

Business Development Opportunities for Latrobe Valley post Power Station Closure:

People need to understand that Power Stations are typically huge cash flow generators. They are expensive to build, Loy Yang A was reported to have cost in the vicinity \$7.6B when it was constructed from approx. 1974 through to 1986. It was then sold for \$4.8B in 1996 when privatised. They are expensive to maintain with annual maintenance budgets of \$40 to \$80M per annum each being spent. They provide very well-paid employment to both full time employees and the large amount of casual shut down staff used during their major outages. However, the fundamental reason they were built within Latrobe valley was due to the large reserves of brown coal. The coal was plentiful and relatively easy to mine so this provided a competitive advantage against the black coal stations in NSW and Queensland where black coal is plentiful. This was the Latrobe Valley's competitive advantage. However, they also produce large amounts of CO2 emissions due to the relatively high moisture content of their coal (60-66%) and in times of global warming huge amounts of pressure are being placed on governments and industry to reduce these global warming emissions.

The truth is, in my view, nothing will be able to directly replace the economic effects of the closure of these power stations. They are too big and too substantial an industry to replace, and the Latrobe Valley does not contain any other natural advantage as great as the large coal fields offered back in the 1950's. So as first Yallourn closes and then Loy Yang A and then Loy Yang B, the Latrobe Valley

will go through an extremely large transition as at this point the only large single industry of comparative size that would remain would be Opal, the paper and packaging manufacturer.

When examining a site for new business opportunities, we must be aware of the critical requirements that must be met:

- Most new businesses of substantial construction, revenue and operating cost take a min of 5 yrs. between the original concept (business case justification based on markets that exist at that time) through to construction commencing. Once the business case is justified you then seek areas that offer natural advantages to the business model and land and environmental conditions that are going to support and strengthen the business case. Seeking suitable locations and environmental and planning clearances can take a minimum of 3 yrs. and then financial closure that allows construction to commence will be dependent on market conditions at that point in time. The brutal reality is only 5-10% of projects make it all the way through these hurdles. We must also remember these developments are evaluated worldwide so you are not just competing within Australia but across the entire globe.
- Latrobe Valley does hold some industry advantages for new development, it has a very skilled local workforce and engineering experience, it has a large amount of sound support industry that supply services to the power stations and paper mills, it has a large amount of unallocated fresh water (dependent on mine remediation methodology) and this will grow as more power stations close down, it has relatively cheap industrial land compared to Melbourne and Dandenong. Latrobe Valley and the Gippsland are in general also has some excellent agriculture areas, which offer significant development opportunities, however these industry returns will be no where near those offered currently by large industry within the region.
- However, it also has some significant disadvantages compared to other regional towns such as Bendigo, Ballarat and Geelong. Latrobe Valley has no nearby port, so exports are difficult, our transport routes both road and rail compared to these other towns is also poor. As an aside when I moved in 2011 to work in Melbourne it was not practical to live in Latrobe Valley, so after 25 yrs. of living and enjoying Latrobe valley I moved my family to Warragul to reduce travel distances. Even Warragul is 1 1/2 hrs to the CBD during peak hr while Geelong, once the fast rail is constructed, will be only one hour or less.
- Reality – unless a significant technological break through can be made turning coal into Hydrogen in an environmentally friendly way or the discovery of a rare mineral is made in Latrobe Valley it faces a harsh adjustment as the Power Industry progressively closes.

What positive steps can government take to minimise the pain of adjustment?

- Recognise that new developments take a minimum of 5 yrs. Commence the encouragement of new business now as opportunities particularly in the agriculture space currently exist. (These opportunities are confidential so they will not be discussed in a public document)
- Support current large industry as much as possible as once they close, they will not reopen.
- Encourage government businesses to establish in Latrobe Valley. They will have a natural preference to stay in Melbourne, but any new business departments should be set in Latrobe Valley. (E.g., Australian Securities Commission currently in LV is an excellent example) There must be opportunities arising every day within the Australian Defence Force.

- The road and rail networks to LV require significant upgrade, without this LV will continue to lose projects to Geelong, Bendigo and Ballarat. The target needs to be 1 hr from Traralgon to Melb CBD, anything more than this will see a preference given to development in towns closer to the CBD.
- Support for the Churchill University- this is an excellent resource that should be further enhanced. They already run some of Australia's leading medical training courses and could offer a solution to improved doctor and nurse training that rural Australia is crying out for. They could also be leveraged to offer more PhD studies and development of new technology such as AI. Education is one critical key of a developing society.
- Improved Leadership for the ongoing development of Latrobe Valley. With a number of recent developments, I have noticed a potential tendency for those that have done well out of past industry to potentially be anti-development looking forward. The Valley needs to understand that these Power Industries will progressively close and within them a large amount of cash that currently flows through the LV community. Provided these developments meet Australian environmental requirements and that adequate surveillance of the industry exist, these industries should be encouraged. If they are not built there, they will be built somewhere else potentially where these conditions are not so stringent.

Summary:

The transition will be difficult but not impossible. For Latrobe Valley to become economically self-sustaining, without significant industry, it must aim for a population of approx. 1 million people. This will not be achieved unless significant upgrades to transport routes into Latrobe Valley occur. This should be the combined objective of Federal, State and Local governments. The transition will take time and not be without adjustment but provided a 10-to-20-year transition plan is adopted it can be made. These types of plans however are difficult for government due to the time frames involved, but they are not impossible. It just requires the will of all involved to seek the ongoing change required. Opportunities exist but we must be willing to seek them out and encourage their adaption with the long-term view of preparing Latrobe Valley for the eventual closure of the remaining Power Stations.

I would be happy to present some of these ideas and my learnings from past LV project developments if you believe this would be of assistance.

Best Regards

Barry Dungey

Business Development Manager (Private)

28/10/21