

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into the Closure of the Hazelwood and Yallourn Power Stations

Traralgon—Wednesday, 24 November 2021

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Ms Kaushaliya Vaghela

Ms Sheena Watt

WITNESS

Mr Barry Dungey.

The CHAIR: The Economy and Infrastructure Committee public hearing for the Inquiry into the Closure of the Hazelwood and Yallourn Power Stations continues.

I wish to begin by acknowledging the traditional owners of the land, and I pay my respects to their elders past, present and emerging. I wish to welcome any members of the public watching.

My name is Enver Erdogan, and I am the Chair of the committee. I would like to introduce my fellow committee members present here today: Mr Rod Barton, Ms Melina Bath, Ms Harriet Shing, Mr Lee Tarlamis and Mr Andy Meddick.

To witnesses giving evidence, all evidence taken at this hearing is protected by parliamentary privilege as provided by the Victorian constitution and also further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide is protected by law; however, any comments repeated outside the hearing may not be protected. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded, and you will be provided with a transcript following today's hearing. Ultimately transcripts will be made public and put on the committee website.

We welcome your opening comments but ask that they be kept to a maximum of 5 to 10 minutes to allow plenty of time for discussion and questions. Barry, could you please begin by stating your full name for the Hansard team and then start your presentation. Over to you.

Visual presentation.

Mr DUNGEY: Thank you. Thank you for the opportunity to present this afternoon. My name is Barry Dungey. I have worked in the power industry here in the Latrobe Valley for about 35 years, I have worked in business development for 10 years within the Latrobe Valley, and currently I am running my own consulting company. So I have got a fair bit of information that I would like to share with you in regard to the considerations that need to be taken into account for encouraging new business to the Latrobe Valley. For me, the judgement of the success of this is to leave you with some thought provokers and to think about how we can improve it for the Yallourn shutdown, because I actually feel the Yallourn shutdown is going to be harder on the Latrobe Valley than Hazelwood.

A quick run-through. As I said, I have got a lot of experience. I am a professional engineer. I am also a fully trained accountant, and I have done an MBA as well, so I have done a lot of education in the business development field. I spent 10 years as general manager for Loy Yang A power station; two years as the CEO of HRL's dual gas project, which was a \$2 billion to \$3 billion project planned for the valley back in 2010–12; five years as their business development manager in Melbourne; and then for the last four years I managed the power station demolition project at Morwell. I am now director of my own consulting company.

I think what is really hard for people that are outside the valley is to understand how much cash flows into the Latrobe Valley out of power stations. They really generate huge amounts of cash, and a lot of that money then flows directly back into the Latrobe Valley. A typical power station the size of a Hazelwood or a Loy Yang or even a Yallourn will generate something like \$90 million to \$110 million each into the local economy, and one of the really difficult challenges that we all face is how we replace that when they close down. Their asset sizes are huge. They provide extremely well-paid employment for not only full-time workers but also casuals that work there, and while the economic support to most people seems quite large compared to what is being lost, it actually is not that great.

So if you looked at the total expenditure granted to Latrobe Valley of \$250 million, \$220 million, that is really two years expenditure of that power station. So the valley has to be able to stand on its own feet after those funds have come through, and if we take a short-term view—and I know Hazelwood was a different circumstance because its closure was announced with very short notice—a lot of the things that we have only been able to encourage have been improvements in amenities. So while they have helped for a short term, they

are really not going to sustain the economy long term. Some of the things that we need to understand for new developments: new developments will take a minimum of five years—a minimum.

Ms SHING: What do you mean by new developments?

Mr DUNGEY: A new development is if you wanted to bring a new business to Latrobe Valley that does not already exist, all right?

Ms SHING: Right.

Mr DUNGEY: So I am talking substantial businesses here. And the reason for that is that by the time you work through all the environmental approvals; win the community support, which is critical; and have a business case that five years earlier stood up, and then that business case is still robust when that final investment decision is made, it takes that amount of time. And that is the challenge that any government is going to face in trying to find replacement businesses of size to come to Latrobe Valley.

The other problem you have—keeping in mind that I worked for 10 years trying to find and look for new development opportunities in the Latrobe Valley—compared to other areas of Victoria and other areas of Australia, we are not that good in comparative strengths. And the reason I say that—our transport links, if you compared us to, say, Geelong, or a Bendigo or Ballarat, our transport links are weaker. Transport times are longer. We have no port facilities. So if you think about the whole reason that the whole energy industry is here, it is here for one reason—that was because there is brown coal. So the difficulty we all face now is to try and find something that does not rely potentially on brown coal, although I will come to that further. I still think we have to back it, because it is a natural advantage, but we have also got to pick, I think, industries that can survive within that type of climate—where the transport routes and that are weaker compared to others.

So I have got a few ideas. But, you know, we have to protect those transport routes. As an example, if you look now at our freeway, we used to have a two-lane freeway that went from Latrobe Valley all the way through to Melbourne. Well, we have now got 80-k restriction zones all the way from Garfield, Bunyip, Tynong, because the road infrastructure there cannot keep up with the developments that are happening down there. And they have done that because they had some bad accidents on that freeway. So, you know, to keep Latrobe Valley active, we really have to concentrate on those links and make them competitive, because otherwise it just makes the job so much harder.

Strengths—a well-trained workforce. We heard some of that just before. Excellent town facilities, excellent health facilities, excellent health-training facilities. Some of the health-training facilities in the Latrobe Valley are Australian leading, and I do not believe that gets marketed enough, and I think it is one that should be, again, both on doctors, grad medical training for doctors. Rural doctors—Australia is screaming out for rural doctors, and yet we limit how many of those we can train in Latrobe Valley. We have excess natural water, depending a little bit on what happens to some of the mine rehabs. But we do have, compared to the rest of Victoria and the rest of Australia, some excellent water facilities, high rainfall, excellent infrastructure due to some of the investments the SEC made in the past and also very good construction and engineering capability. So the reason I put those there is that when you look as a business developer at where to locate a business, you look at the natural advantages of where you are going to place that business, because it is going to be there, you hope, for at least the next 50 years.

A couple of other points: I would warn everybody about trying to expect to pick winners. Only 20 per cent of new businesses survive past the first two years. Trying to pick a winner is virtually impossible, and my suggestion is you have to consider multipronged; you have to have multiple investments in multiple industries. Technology is developing so fast it is virtually impossible to keep up with. The rate of speed for AI technology across the world is huge. But what is critical to me, because of those time lines, is the development and the encouragement of new business needs to start now, ready for the Yallourn closure—because of that.

A couple of suggestions that could encourage businesses to make the choice about moving to the valley as opposed to other areas are that you reduce some of their cost infrastructure. So for things like payroll tax, land tax—all those sorts of things that businesses have to foot the bills for every day in their operation—give them a honeymoon period, 10 years or something, to allow them to establish and get started. Encourage the growth of strong leading businesses that already exist—so, like I mentioned, medical training; pharmaceutical companies to me are an ideal one. Because of those weak transport links what you have to focus on is high value-added

projects. It cannot be sort of bulk commodity type stuff; it is not going to work. So pharmaceutical is a great one; PhDs in those areas to develop specialist skills. I noticed recently that Fed Uni is doing some cutbacks. We should be doing everything we can to strengthen Fed Uni, because higher education is actually what is going to, I believe, drive the growth in the Latrobe Valley going forward. It is going to be less heavy industry. The reality is heavy industry is moving outside of Australia. You will get some specialist areas of heavy industry where there are particular strengths for why it is there, but it has been reducing for the last 30 years and it is going to keep going. So we need to change and adapt with it. And the other really strong areas are agriculture, horticulture and aquaculture—huge growth areas and huge opportunities.

One of the things that we need to recognise, particularly in that agricultural space, they are going to pay nowhere near the rates the power industry have typically paid. The reality is, when you have high-worth industries that are locked into areas, they always end up with well-paid conditions, because that is just the reality of how our legislation works, and one of the difficulties the Latrobe Valley will face is transitioning from those high-paid jobs to something that is somewhat less. They will still be competitive within Australia, but if they do not transition, they will not get the businesses, and that is the reality.

I mentioned coal. At the moment coal production is for products of high value. So hydrogen production—again, it is an actual advantage for the Latrobe Valley. Can we see that the technology is going to be a winner? Not yet, but from my perspective we have to keep investing in it, because it is such a large resource that we have and provides a natural advantage. Nobody can pick winners.

Provide a specialist fast-track process—this is just another suggestion. We have seen businesses that come up with business and economic models that think they can work in the valley, but then it can take them three to four years to get environmental approvals, and by then the business case has changed; the opportunity has gone. And this is an issue for the whole of Australia, because with these new businesses it is not just investment in Australia, it is investment worldwide. So they typically will go to countries that can get those approval processes through much faster than Australia. So again another suggestion that could be looked at is: is it possible to have special mechanisms within Latrobe Valley that drive the fast resolution of some of those types of areas, which typically are the ones that kill those big projects? Consider technology and start-up business: they are not road or rail infrastructure dependent. So again, huge growths in AI. We have had an internet provider here which is hugely successful and listed on the share market.

Ms SHING: Aussie Broadband—amazing.

Mr DUNGEY: Yes. So it can happen, but it is a change for the valley. It is not the standard stuff. It needs to be thought about differently, and it will need some new skills and it needs that higher education focus. And of course another great one is establishment of government business hubs. You know, ASIC is a typical great example. And again, if you have got five years of planning in front of you—

Ms SHING: The GovHub in Morwell.

Mr DUNGEY: Yes. We have got time to do that. There are agricultural opportunities available now. As an example, Victoria, I think, imports, from the figures that I saw, something in the order of about 70 to 80 per cent of its raw chicken currently from interstate, and yet we have excellent facilities down here in the Gippsland region to chicken farm. But the central big issue for chicken farmers is they have got to have a processing facility, because they have got to be within a set distance of that processing facility. So in my eyes, we could have a chicken processing facility in Latrobe Valley in two to three years, if we put our minds to it. And the reason that that is a driver and an interest at the moment is because a lot of the chicken farms on the eastern side of Melbourne have been closed down just due to rural development—so opportunities there.

Frozen food production is another natural area, again, if we allow some discount. Now, at the moment it is not allowed—Latrobe Valley generators are not allowed to sell discounted electricity to direct customers—but if we allowed that, then I could see very large cold storage warehouses created in Latrobe Valley, particularly servicing the Melbourne areas. Dairy industry is a growth. Timber production—at the moment there really is no answer in regard to that, but again just due to that high rainfall there are some natural competitive advantages there.

So just a quick summary to wrap up my 10 minutes: Latrobe Valley has got excellent infrastructure in particular areas, but again, if you look at economics, economics tells you that you need a town size of about a

million people to be self-sustaining from the point of view of being able to be self-generating in economy. If you are not at that size, then you rely on industry that is in your town, and the trouble that Latrobe Valley faces is that industry is going to close in the next 20 years. And so we have got to think about how we replace them. The path is a long one. There are some critical disadvantages the Latrobe Valley has, but they can be worked around if we focus on the right industries.

As I said, I think the Yallourn closure will have a greater economic effect on Latrobe Valley than Hazelwood, mainly for a couple of reasons: there was a lot more rehabilitation required, particularly in the mine at Hazelwood, than what Yallourn will need. Yallourn has been doing progressively more rehabilitation than Hazelwood had, so Hazelwood had a backlog of work there. You will have less industries left to absorb the labour at closures, and probably, to be honest, those industries at that time will also have closer future closures than what we currently expect, so, you know, that ability to transition the workforce is going to be much harder. And the journey is not quick; it will be painful, but it needs that 10- to 20-year strategy if you really want to manage it.

The CHAIR: Thank you very much for that, Barry. I really enjoyed especially your broad overview about what you view as the strategic advantages and disadvantages of the region. It puts it into perspective. You are not the first witness that also mentioned the Federation Uni job losses, which were quite disappointing. Obviously the university sector is more federal, and that is the issue with, I guess, our modelling at the state, federal and local government levels. And obviously from our perspective we have seen great investment in TAFE and a high uptake in courses in education and allied health et cetera in this region, which are probably the emerging sectors of potential growth, and you have identified that. I know some of them were also on your list, about the health and so on, which is very good. I really enjoyed the presentation, especially with an economic background myself. Nonetheless I will at this point pivot to fellow committee members, and I might start with some of your local representatives in Ms Shing and Ms Bath.

Ms SHING: Thank you so much, Chair. Thanks, Barry. I am going to be really quick, because your presentation has covered a lot of really significant detail, particularly around priority industries and emerging industries. I would like to explore a little bit the connection between the work that the Latrobe Valley Authority has been doing in business assistance and support on the one hand, for everything from ag through to new business development—including AI, including everything from biochar to bioenergy et cetera et cetera—and how that has been able to be partnered with TAFE Gippsland and with learning pathways and training in renewable energy and other opportunities. To what extent do you see that that can actually work alongside infrastructure investments—like there is a new TAFE campus, there is a GovHub, all sorts of other things—to deliver on that long and, I think quite correctly noted, painful change and adjustment as part of transition? And how is the Latrobe Valley Authority able to work its way into those conversations as we move from one era to another?

Mr DUNGEY: Yes. Look, it is a good question. I think one of the problems I see at the moment is that there is a significant amount of overlap in government utilities. As an example, the department of business and innovation work in that space as well, councils work in that space as well and we have the Latrobe Valley Authority as well. Given what Latrobe Valley faces I think it does deserve a central focus, because it is a bigger problem than, say, a Sale or a Bairnsdale or some of those other areas are going to have. But they need to work with those other areas because they have got the knowledge and they can see, because there will already be people there working in the background and knowing what things are actually ready to go now. I think though that if I was in LVA's shoes, one of the problems I would have is that it really has got a limited tenure at the moment. Now, I am suggesting with what I have put up there that to me it is a 10- to 20-year path, right, and it needs to have a 10- to 20-year budget that goes with it. It needs to be sizable, because we need to understand the problem of what this region is going to face, and it will be significant. To take \$100 million out of an economy the size of the Latrobe Valley is probably in the order of 15 to 20 per cent. Now, you take that sort of hit to any economy—it is huge. So we have got to think about how we can do some things to minimise.

Ms SHING: So how does that involve working with multiple levels of government? Because since 2014 the state government has invested over \$2 billion in the three shires that form the remit of the LVA. What does that look like around partnering with local government but also the commonwealth to deliver on those sorts of improvements that you see?

Mr DUNGEY: Yes. Look, I think we just have to keep trying to improve it. It is like everything. It is like the worker transition scheme. We do some things, we learn from them, we improve. That is all you can do. You learn from it. You know how much money you have got to encourage industry to it, and you let industry know, 'We've got \$100 million here to invest each year for the next five years'. You pick your areas that you think are going to give the most economic gain to Latrobe Valley, and I have tried to sort of point out some of those opportunities, and you let industry come back to you. They will come back to you. They will say, 'We've got projects ready'. But I think the difficulty is, if you do not tell industry the size of the bucket, they do not know whether you are just after a shoe shop or you are after a multimillion-dollar business.

Ms SHING: I think it is a bit each way, isn't it? I mean, the commonwealth, in terms of getting them on board as well, you see that as a relevant part of this discussion?

Mr DUNGEY: Yes, absolutely. I mean, what all of us need to understand is the Victorian economy in my view has lived off the wealth that has been generated out of Latrobe Valley for the last 70 years. The cheap power prices, Alcoa—all of that has been driven out of the Latrobe Valley. To me it is time now that the Victorian economy gave a bit back. That is the way I view it.

Ms SHING: Victorian, or Australian?

Mr DUNGEY: And Australian, yes. Although I will share with you that I was involved in the electricity privatisation as well, and it was said when we sold the Victorian power industry we also sold off half of New South Wales's power as well, because Victorian generators were always cheaper to run than in New South Wales. So when they were selling off the Victorian generators, we were actually selling some of New South Wales's power as well.

Ms SHING: That is the national grid for you.

The CHAIR: That is the national grid.

Ms SHING: Thanks, Chair.

The CHAIR: Thank you. Ms Bath.

Ms BATH: Thanks, Chair. Thank you very much. Barry, it is a great vision that you have got, growing this area to 1 million people. Now, Australia's population is still hopefully going to continue to—let us hope so—

Ms SHING: Those pandemic babies—I reckon the baby boom is here.

Ms BATH: You have outlined some of our strengths in the region but also our weaknesses, and rail and road were some of those weaknesses. You spoke about Garfield; I know that when you slow down to get into the city you have just got to watch that speed limit and set it. And we have seen the duplication of the Princes Highway from Traralgon onwards to Sale, and that last section is being effected as we speak, which is great, really important for, again, that ag sector and connecting our ag sector into markets. And you have just said that we do not have a port, I think.

Mr DUNGEY: Yes.

Ms BATH: I mean, I know we do not have a port, but that is a detractor from our region. So if you combine some more ag—and you spoke about chicken processing—what else can be useful in that connectivity—

Ms SHING: Dairy.

Ms BATH: And the road. If I just put it on the table that there has been discussion around the Traralgon bypass for many years—locals will say 20 years or more. You know, what is your opinion on that? What are some of the things that we need to drill down to get right now, because we want to attract more people into the region but also because we have got the closure in 6½ years of the Yallourn power station?

Mr DUNGEY: Sure. Look, I see there is a real opportunity, I think, for, if you like, an agricultural and warehouse hub in Latrobe Valley. If you geographically lay it out, it is sort of central. You have got the East Gippsland vegetable farmers down there. There are plenty of areas around here that are suitable for chicken

farming. You could have cold storage. At the moment a lot of that cold storage is over on the other side of Melbourne, primarily because the main trucking routes to Sydney are up the Newell. Now, you are probably never going to beat that, but there is opportunity. I know at the moment there is a company looking for potato storage facilities because they want to build a frozen chip manufacturing capability. So there is a lot of opportunity out there. I think we have just got to grease the wheels a bit better so that we can get that information coming in and help it work.

So your comment in regard to the Traralgon bypass: I think what I would do—and from business development I have got to look at the economics. At the moment the economic need for the bypass is not, I think, one of the stronger business cases, but I would keep that in reserve for maybe the year after Yallourn closes so that if you are not successful in encouraging enough replacement jobs in the Latrobe Valley to cater for Yallourn closure, you can then activate that project. So that is the type of thing that I would suggest. But your positioning of that agricultural hub, if you like, would be on the proviso that that bypass is going to be built, and that frees up a whole heap of area then to where you have got quick and easy access to the freeway.

Ms BATH: Of course there needs to be that planning now.

Mr DUNGEY: Absolutely. That is what I am saying. I probably did not mention it, but to me it would be ideal if we could do all this in a bipartisan approach, because one of the real challenges is the time frames I am talking about are longer than a single parliamentary period. You know, that is extremely frustrating for business, because you can be down a certain amount of path, invest a huge amount of money, and then all of a sudden the dial swings.

The CHAIR: Exactly. That is right.

Mr DUNGEY: So I would if at all possible strongly recommend that that be achieved.

The CHAIR: If our Liberal members had attended the committee today, it would have assisted the process.

Mr DUNGEY: I never said it was easy.

Ms BATH: Thanks, Chair. Thank you. You touched on a precinct and I know that the Latrobe City Council has designated the logistics precinct that has been there for some time. It is behind Tramway Road or off Tramway Road, behind the Morwell shopping centre et cetera. I did not get a chance to ask the council, and it is not your jurisdiction per se, but I know that they won some funding—around \$10 million—to build SEA Electric. SEA Electric is not going to be the tenant there now, but there is still the infrastructure—roads, electricity—to the capacity to grow businesses there, so that is something waiting in the wings. These sorts of things though do again require good infrastructure to support them, so from your perspective you do need the chicken before the egg in a way, and I am not going—

Ms SHING: The chicken processing.

Ms BATH: to chicken processing. But you need that infrastructure—the vision—but also for it to come to fruition. Are there any vulnerabilities for us that you can share in relation to that?

Mr DUNGEY: From my personal experience I think the biggest impediment to business is actually just knowing the size of the prize. So if you went out there and actually marketed it and said, ‘Look, we’re going to invest \$20 million in the Latrobe Valley over the next two years. We’re not sure on what, but, Mr Private Industry, send us your ideas and we’ll go through those’. I guess what I am saying is the creativity is out there. You have to harness it, because at the moment I can tell you what they are doing is they are looking at Geelong, they are looking at Ballarat and they are looking at Bendigo. They are not looking at the Latrobe Valley, because you have got some weaknesses.

Ms BATH: I guess my point is: there was a Latrobe Valley Industry and Infrastructure Fund in the previous government that required leverage and co-partnering with grants plus committed jobs and funds from those businesses. The other point is that we now have some livability assets here.

Mr DUNGEY: Absolutely.

Ms BATH: We also need then that conversation with industry and business to drive those jobs.

Mr DUNGEY: Yes. If you look at the facilities that Traralgon now has, great living conditions, but we have got to do some things to even up the playing field otherwise the businesses will not come here. That is the brutal reality.

The CHAIR: Thank you, Ms Bath. Mr Barton, do you have a question?

Mr BARTON: No, I think the local members should.

The CHAIR: Yes. Mr Tarlamis and Mr Meddick, I will give you an opportunity as well if you have any additional questions.

Mr TARLAMIS: I think it has been a good discussion.

The CHAIR: Mr Meddick, do you have any additional questions?

Mr MEDDICK: Just one. I just would like you to put your accountant hat on for a minute if you would. If we are talking in terms of having infrastructure to attract business—travel times were discussed between Melbourne and here; I know that you talked about the Traralgon bypass, for instance—with road and rail there is always a bit of a competition between the two, and rail infrastructure as well is quite expensive but so are roads. In the shorter term we would be paying in terms of a Traralgon bypass. What would deliver the better long-term infrastructure gain, having rail or having the bypass? Or is it a combination of both?

Mr DUNGEY: Yes, it is a difficult one. It depends. The inland rail network, so that is the national freight network, assuming it gets up, assuming it goes ahead, will deliver extremely strong networks between the main cities of Melbourne, Sydney and Brisbane. So when you are talking about goods, the reality for, say, agricultural goods, let us take Gippsland as an example, it is virtually the same distance to travel agricultural goods from Bairnsdale to Melbourne as what it is from Bairnsdale to Sydney via truck. So I do not think you are ever going to travel agricultural goods by rail. So it sort of depends a bit on if we are able to get large, let us say, food warehousing, that sort of thing, I think what is likely is it is still going to end up being road transport to Melbourne and then centrally located there. Some goods will go direct to Melbourne, some will be put onto the other networks. Now, that is just a guess, and I am certainly not an expert.

Mr MEDDICK: Yes. And I take into account that the road work that is currently going on is going to improve all that sort of stuff.

The CHAIR: It is a calculated guess. You have got the experience.

Mr DUNGEY: But what that means is we must do everything we can to protect the freeway, so that means as development from eastern Melbourne comes out we have to build the inner passes, not just put up 80-k speed restriction signs. We have to build the inner passes to allow road to get us home.

Ms BATH: We deserve our sky rails too.

Ms SHING: Wow! There are only 86 level crossings between here and Traralgon.

The CHAIR: On that point, Mr Meddick, thank you for that great final question to the hearing. It has been a fantastic day, everybody, and thank you, Barry, for your insights and for sharing your foresights about the future.

Mr DUNGEY: I hope I have succeeded in giving you something thought provoking.

The CHAIR: You definitely have. You achieved your goal by the end of it, and a lot of those matters will assist in our deliberations going forward. If any questions come to light after, are you happy for us to reach out as a committee?

Mr DUNGEY: Yes, that is fine.

The CHAIR: That concludes today's hearings. Thank you, everybody.

Committee adjourned.