Carbon tax to crush aluminium industry

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Director Mark Chellaw said the carbon tax was "very unhelpful" and the company was constantly monitoring the impact of the high dollar.

As the currency hovered near US$0.81 yesterday, after the central bank's decision not to cut interest rates, Cement Industry Federation chief executive Margie Thomson said "it is not a good environment to try and be a manufacturer at the moment".

She said the combined impact of the carbon price, the renewable energy target and state energy efficacy schemes on top of the high Australian dollar were making it cheaper to import cement from China than produce it locally.

"With the dollar where it is and with all these government impacts that are being created by new and continuing policy at a federal and state level, it is tough.

"Don't underestimate the cost of these impacts, particularly on large energy users who it really has a large impact on."

Under the government's carbon scheme, cement manufacturers will receive 94.5 per cent of the carbon permits they require free, but Ms Thomson said the assistance did not cover the entire cement manufacturing process. The real rate was around 87 per cent in the first year of the scheme.

Opposition leader Tony Abbott yesterday seized on comments by aluminium producers that the carbon tax could lead to the industry's demise in Australia.

"Prime Minister Julia Gillard has cost $3.5 billion in planned assistance for the aluminium industry in the next three years under her carbon tax scheme compensation. Both Treasury modelling and federal government modelling show that climate change adviser Ross Garnaut has previously highlighted that under a carbon scheme, Australia's aluminium sector will decline. The modelling, which assumes comparable schemes globally, shows output from the aluminium sector grows only marginally to 2020 by 0.3 per cent but by 2050 falls 49 per cent.

And in his report for the federal government, Professor Garnaut said that under global carbon pricing in any trade-exposed industry that is more emissions-intensive in Australia than elsewhere such as aluminium - output would shift to countries with cheaper power sources.

"What I have heard from people who know the industry is that they do not expect any new investment in aluminium smelting in Australia or in any Western country," Dr Jotzo said.

"All the new capacity is now being built on hydro in the tropical regions of Central Africa and Papua New Guinea, and coal in China."

Grattan Institute energy director Tony Wood said while the aluminium sector in Australia had long been subsidised through cheap power supply, it was now time to ask what the real benefit of having an aluminium industry in Australia.

"If you are going to subsidise the aluminium industry, you would also be subsidising many other sectors such as clothing and textiles, which employ many more people."

On Wednesday, Alcoa announced it was reviewing the future of Point Henry due to the high Australian dollar, low world metal price, and input costs, after also announcing the closure of five other smelters in the United States, Italy and Spain last month. It ruled out the carbon tax having any role in the company's decision but added the impact would have an impact after July.

The MP for Corio, Richard Marles - a close associate of Workplace Relations Minister and former Alcoa union representative Bill Shorten - said yesterday the Gillard government would work with Alcoa and companies such as Ford, also in Corio, to ensure the industries remained viable.

"We'll be making sure there is no stone left unturned to find out what industries there are to make sure that Alcoa is a part of the future of Geelong," he told ABC Radio.

Mr Shorten and Industry Minister Greg Combet declined to comment on what assistance might be provided but a spokesman for Mr Combet said the minister had requested a briefing from senior Alcoa executives on the review and Alcoa's plans.

Mr Shorten said he believed it was possible for the smelter to survive and productivity at the plant was lagging.

VicTasian Treasurer Kim Wells said the state government would step in to help Alcoa although he and Premier Ted Baillieu said the carbon price would contribute to the pressure on the aluminium industry.

Shadow treasurer Joe Hockey was less forthcoming in providing a commitment to support Alcoa.

And in calling for subsidies to end, Senator Brown said the market should determine the future of the Point Henry smelter, which has had the benefit of taxpayer funded low energy prices for decades.

"Here you are talking to a Green who defends the market, while the big parties defend public subsidies," Senator Brown said.

"It's obviously difficult and we are concerned about jobs, but this is an industry which I don't think has been investing wisely and the market does come into play, as indeed it is doing with the logging industry in Tasmaonia at the moment."

Australian Workers Union secretary Paul Howes said the Reserve Bank had signed a "death warrant" for manufacturing by putting its cash rate on hold this week, but called on Alcoa to support its workforce given it had previously received significant government subsidies.

with Mathew Dunckley and Jason Murphy
Tablets ease Telstra’s headache

All capital management options on the table... Telstra’s David Thodey in Melbourne yesterday.

John McDuling

Australia’s insatiable appetite for smartphone and tablet devices has underpinned a record surge in new mobile customers for Telstra, softening the impact of deteriorating revenue from its conventional fixed-line and directories businesses.

The telco giant posted half-year earnings just short of analysts’ expectations yesterday, due to weaker directories and fixed-line revenues, despite signing on almost 1 million new mobile customers in the period.

Shares in Telstra, which reaffirmed its full-year guidance, fell 2 per cent.

Telstra added a record 958,000 mobile customers and 436,000 wireless broadband customers during the December half, beating market expectations. The company’s chief

Carbon tax to crush aluminium

Rio chief sacrifices bonus

Marcus Priest

The federal government has flagged an all-out effort to save aluminium jobs from the high dollar and the carbon tax even though Treasury modelling shows Labor’s emissions-reduction policy plans to slice the industry in half by 2050 anyway.

Analysts and Greens leader Bob Brown suggested it would be more

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valuable to stop the estimated $400 million a year in handouts to aluminium and spread it elsewhere.

But federal ministers refused to rule out more aid, and the Labor

member for the electorate in which Alcoa’s Point Henry smelter is located in Victoria said the government would leave “no stone unturned” in trying to save the plant and its 600 workers.

The high dollar and carbon tax also threaten another 1800 jobs in the cement industry within months.

Adelaide-Brighton Cement managing

Jamie Freed

Rio Tinto chief executive Tom Albanese will forgo his annual cash bonus, after the miner took an extra $US38.9 billion ($8.23 billion) hit to earnings because of its ailing aluminium assets.

The impairment cast a shadow over an otherwise impressive 11 per cent rise in core earnings to a record

$US15.5 billion, fuelled by demand for iron ore.

Confident in the long-term outlook for iron ore sales, underpinned by China, Rio also lifted its annual dividend by 34 per cent.

The write-downs bring the total aluminium-related charges to

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