

Workers' Union for about 14 years. Mr Shorten negotiated four enterprise agreements at the smelter before entering Parliament. He argued yesterday that productivity at Point Henry remained high.

smelter. Brett Noonan, said yesterday that Mr Shorten called him every fortnight or so to inquire after his son, who has cancer. Mr Noonan said the minister "cut his teeth" as a union organiser cover-

workforce was a lot younger than it used to be, with many workers having young families. "One young bloke has got four kids under seven ... another one, his wife broke down and cried

old days and called *The Australian Financial Review* to make his own comment. "I know that place well," he said. "I'm quite distressed that it might shut

ship programs. "It's the Australian dollar and the London Metal Exchange price falling at the same time [that is responsible]," he said.

# Carbon tax to crush aluminium industry

From page 1

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

As the currency hovered near \$US1.08 yesterday, following 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 efficiency 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 imposts 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 imposts, 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.

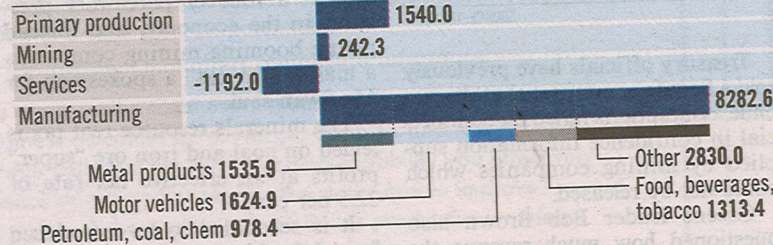
Opposition Leader Tony Abbott yesterday seized on comments by aluminium producers that the carbon tax could lead to the industry's demise in Australia.

Prime Minister Julia Gillard cited \$3.5 billion in planned assistance for the aluminium industry in the next three years under her carbon tax scheme compensation.

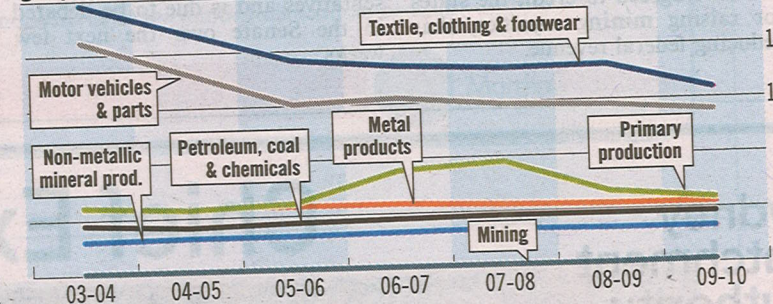
Both Treasury modelling and federal government climate change

## Handouts

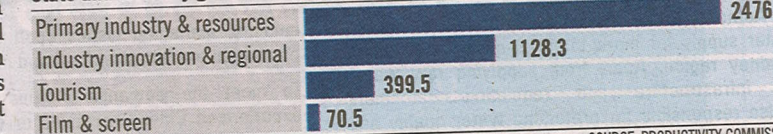
Federal government assistance 2009-2010 Tariffs plus budgetary (\$m)



Effective rate of combined assistance by industry grouping 2003-2004 to 2009-2010\* (%)



State and territory government assistance 2008-09 (\$m)



\*Dollar value of assistance as a proportion of unassisted value added

SOURCE: PRODUCTIVITY COMMISSION

adviser Ross Garnaut have 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.

Frank Jotzo, of the Australian National University centre for climate economics and policy, said all major aluminium companies were expecting a carbon-constrained future and were now making long-term decisions about the location of new smelters.

"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 was 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 employs 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 impost 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 their industries remained viable.

"We'll be making sure there is no stone left unturned to find out what possibilities 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 high.

Victorian 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

**Don't underestimate the cost of these imposts, particularly on large energy users.**

Margie Thomson, Cement Federation

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 Tasmania 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 Dunkley and Jason Murphy



phones, BlackBerry's and other devices. The government is to release an official determination today outlining a pricing compromise on the licence renewals that delivers more revenue to Canberra while easing financial pressure on the companies to pay for spectrum that supports almost 30 million mobile phone services.

The *Australian Financial Review* can reveal exclusively that government officials have set June 2013 as the deadline for the first payments in a series of renewals that will underpin a forecast return to a budget surplus next year.

Telstra and Vodafone could need to raise almost \$1 billion over the next 16 months to keep the most valuable spectrum, the 800 megahertz band, but they will pay less than they feared

The deal comes after the government moved separately yesterday to put caps on the amount of additional spectrum each of the big three could buy at an auction in November, creating the possibility of two telcos snapping up the best assets and leaving the third fighting for the scraps.

Industry experts expect the auction to recoup as much as \$4 billion for the government while allowing the telcos to launch 4G services for the next generation of mobile devices.

Bidding restrictions announced by Communications Minister Stephen Conroy yesterday could allow two companies to buy most of the 700MHz range up for auction, leaving a small portion for the third carrier.

While the three can also compete at

**Continued page 11**

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

Photo: JOSH ROBENSTONE

# Tablets ease Telstra's headache

**John McDuling**

Australia's insatiable appetite for smartphones 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

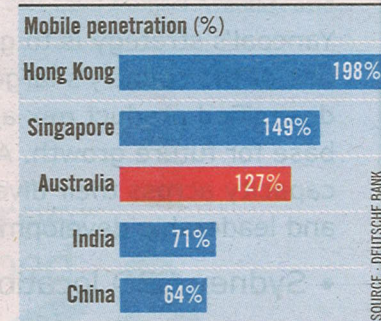
signing on almost 1 million new mobile customers in the period.

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

**Continued page 42**

Reports, comment, pages 42, 43 ■  
Chanticleer, back page ■



## Carbon tax to crush aluminium

**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

### INDUSTRY THREATS

- ➔ Bill Shorten's smelter link, **page 6**
- ➔ Steve Bracks on cars, **page 7**
- ➔ Editorial: handouts, **page 58**

valuable to stop the estimated \$400 million a year in handouts to aluminium and spend 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

**Continued page 6**

**Jamie Freed**

Rio Tinto chief executive Tom Albanese will forgo his annual cash bonus, after the miner took an extra \$US8.9 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

**Continued page 40**

Matthew Stevens, page 38 ■

### INDEX

Home delivery 1800 646 990

World	18	Markets	23	Legal Affairs	47	Property	52	Letters	55
Companies	22	Financial Services	45	Govt Business	51	Information	54	Editorial	58

[www.afr.com](http://www.afr.com)

## Is 2012 really a leap year?

Make 2012 the year you leap ahead in your career. An MBA from one of the world's most highly regarded business schools will prepare you for the career trajectory you're aiming for.

Find out more at one of our scheduled information sessions. Register your interest at [mgsm.edu.au/afr](http://mgsm.edu.au/afr), or call 02 9850 9017.



### Information Sessions

Wednesday 15 February, 12.30pm-2.00pm  
MGSM North Ryde Campus, 99 Talavera Rd

Wednesday 29 February, 12.30pm-2.00pm  
MGSM CBD Campus, Level 7, 37-49 Pitt St

### Experiential Workshop

Wednesday 14 March, 6.00pm-8.00pm  
MGSM North Ryde Campus, 99 Talavera Rd

**MGSM**

MACQUARIE GRADUATE  
SCHOOL OF MANAGEMENT

Go further

MGS120010