Australia: Rio Tinto shuts down Gove alumina refinery

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Global mining giant Rio Tinto announced late last month it would shut down its alumina refinery on the Gove peninsula in the Northern Territory, directly destroying 1,100 jobs. The decision will devastate the remote town of Nhulunbuy—1,000 km from the nearest city of Darwin—which has a population of 4,000 and is heavily dependent on the plant.

An associated bauxite mine that employs 350 workers will remain for now, but the refinery closure will force a mass exodus of workers and their families. The Northern Territory (NT) government will start rolling back public services and teaching jobs in March. Rio said some workers could apply for “fly-in, fly-out” jobs at the company’s iron ore mines in the Pilbara region, some 2,000 km away.

Shocked residents attended a meeting where NT Chief Minister Adam Giles promised that Rio would provide aid to residents, but offered no details. People voiced anger toward both the company and the government. Speaking to the Australian Broadcasting Corporation, Peninsula Bakery and Cafe proprietor John Carter said he was “gutted” and did not know what would happen to his 12 employees. Aiming his comments at Giles, one resident said, “You’re going to go down as the chief minister who killed the goose that lays the golden egg. You’re finished.”

Rio blamed the drop in global alumina prices, the high value of the Australian dollar and substantial after-tax losses. Chief executive Sam Walsh claimed it was “an extremely difficult decision and we recognise it will have a significant impact on our employees, the local community and Northern Territory.” But the decision was warmly welcomed on the stock market, rewarding Rio with a 2.7 percent rise in its share price the next day. Walsh himself has taken in more than $3 million in short-term benefits since taking over as CEO last year.

The Gove decision underscores the crisis in the aluminium industry. The price of aluminium has been dropping since 2010. Days before the announcement, it hit $US1,748 per tonne, the first time it has fallen below $1,750 since 2009. According to Barclays bank analysts, 2013 will be the ninth consecutive year that global supply exceeds demand for the metal. China has rapidly increased its production to near self-sufficiency, from roughly 6 million tonnes in 2004 to an estimated 24 million tonnes this year, according to official statistics.

Since 2008, mining conglomerates, like others, have utilised the global crisis to restructure their operations, drive up productivity and boost profits. Russia’s Rusal, the world’s largest aluminium producer by volume, recently called for world output to be slashed by 2 million tonnes or 7 percent.

Last year Alcoa, the world’s third largest aluminium producer, cut smelting by 12 percent, shutting two facilities in the US, and one in Italy and mothballing part of one in Spain. With 13 percent of its smelting capacity still idle, Alcoa began a cost-cutting review in July that will involve substantial cuts to its two aluminium smelters in the southern Australian state of Victoria, which jointly employ some 1,600 people.

Last year also, Norsk Hydro shut its Kurri Kurri aluminium plant north of Sydney, eliminating 350 full time and 150 contract jobs, and another 100 jobs went at the nearby Rio Tinto joint-owned Tomago smelter.

The Gove closure comes on top of a wave of job losses across basic industry in Australia, most recently spearheaded by Ford, General Motors, Telstra and Qantas, which is being used by the corporate elite to step up its demands for deep cuts to wages and working conditions. According to the Boston Consulting Group, the cost of smelting aluminium in China is roughly half that in the rest of the world.

At Gove, a combined operation by the company, the territory and federal governments and the Australian Workers Union (AWU) immediately swung into action to prevent opposition among workers becoming a focal point for a broader fight by all sections of the working class facing similar attacks.

Prime Minister Tony Abbott shed crocodile tears, declaring that Rio had a “moral and legal responsibility” to assist Nhulunbuy residents. Giles announced a task force of Rio Tinto executives, territory and federal politicians and community representatives to “address the transition and develop sustainable economic activities for Gove.” In reality, these moves are designed to determine how Rio’s profitable bauxite mine can continue.

The AWU is continuing the role it has played for decades and across all industries, containing and isolating struggles to ensure orderly closures and deliver company cost-cutting demands. AWU national secretary Paul Howes, who flew in for talks with the NT government, suggested that the Gove plant could be profitable in the “long-term” in conjunction with the bauxite mine. He appealed to the territory and federal governments to enforce a mining licence agreement to keep the mine and refinery open as a package. At the same time, he hinted at offering concessions by workers on wages and conditions.

In an *Australian Financial Review* column criticising the governments for not insisting on the mining licence terms, Howes pointed to the role of trade unions in policing cuts to ensure the profitability of major companies. “As a union leader, a core element of my job is negotiating,” he wrote. “And a fairly fundamental benchmark of a good deal is when you are able to extract the maximum benefit possible without scuttling the entire enterprise.”

Last year, AWU representatives travelled to Alcoa headquarters in the US with 300 suggestions, including 50 job cuts, to make the Point Henry plant in Victoria more profitable.

In order to defend their jobs and conditions, workers need to form their own rank and file organisations independent of the trade unions, and link up with other workers across Australia and internationally facing the destruction of jobs, in a struggle for a workers’ government based on a socialist perspective.