

# New Zealand aluminium smelter to close, axing 1,000 jobs

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15 July 2020

The international conglomerate Rio Tinto announced on July 9 that it will shut New Zealand Aluminium Smelters (NZAS), known as the Tiwai Point smelter, within 18 months.

Jointly owned by Rio Tinto and Japan's Sumitomo Chemical Co, the smelter directly employs about 1,000 people and supports a further 1,600 jobs in the Southland province. It is the major employer adjacent to the city of Invercargill, population 56,000, and contributes \$NZ400 million to the region's economy, over 6 percent of its GDP.

In a statement to the Australian Stock Exchange, the company said a strategic review had "shown the business is no longer viable given high energy costs and a challenging outlook for the aluminium industry." The company has given electricity supplier Meridian Energy notice to terminate its power contract which ends in August next year.

The closure is a part of the escalating attack on jobs and the livelihoods of major sections of the workforce. The economic impact of the COVID-19 pandemic is severe. With a sharp recession looming this quarter, unemployment is forecast to hit almost 10 percent this year. Even before the closure was announced, the Southland District Council had forecast regional job losses of 5,000 relating to the pandemic, and a local unemployment rate of 9.5 percent.

NZAS reported a net profit of \$NZ220 million in 2018. However, the smelter's viability has been questioned for much of the past decade due to falling metal prices, rising power costs, and over-capacity that has seen smelters closed around the world.

Last year the smelter announced a \$NZ46 million loss, with CEO Stew Hamilton saying it had been hit by a 15 percent fall in global prices. Pressure on aluminium producers has increased with the slowdown

or collapse of industries like car manufacturing, aircraft and aerospace production, due to the COVID-19 pandemic.

The plant's closure has far-reaching implications. NZAS is New Zealand's largest power consumer, using around 12 percent of the country's electricity. Contact Energy, the facility's second electricity supplier, is now considering the closure of its Taranaki Combined Cycle thermal power station at Stratford. Within hours of the announcement, fleeing investors had wiped more than \$2.8 billion off the value of NZX-listed electricity companies.

The *Sydney Morning Herald* reported "continued uncertainty" around the future of Rio Tinto's three aluminium smelters in Australia, also claiming pressure from energy prices, which account for about a third of their costs. Rio Tinto Australia's CEO Jean-Sebastien Jacques warned last August that the smelters, which employ thousands of people, were on "thin ice."

NZAS electricity transmission costs had risen from \$NZ40 million in 2008 to \$65m last year, according to Hamilton. Yet a spokesman for power company Vector told an inquiry last November that the company was paying only about 5 cents a kilowatt-hour, about a quarter of the power price paid by consumers.

Hamilton rejected the criticism, saying that pricing was "a wholesale discount like you would get from any industry." The company has continually demanded even cheaper prices from state-owned and private power companies.

One worker, Tim Talamahina, told *Stuff* that he had expected the closure, but still found himself "reeling" from the announcement. His father, Iki, has worked at Tiwai for close to 40 years, while Tim has been there 20 years. "I thought I was prepared for it, but no, not really. Reality kicked in and I thought, Wow."

Seth Nips, a local tertiary student said it would be “quite terrible,” as people would lose their homes, and it would be hard to find work because many smaller companies would also shed jobs. Noel Ruffel, a retired builder, said it was a “real tragedy” and “there will be lots and lots of people who will suffer.”

The E t? union is collaborating with the closure as it has already done, alongside the Air Line Pilots’ Association, with thousands of redundancies at Air New Zealand. E t? spokesman Joe Gallagher said the Labour Party-led government had “the opportunity, post-COVID-19, to show a way forward for a proper, fair and just transition, including enabling workers to retrain or redeploy.”

These are meaningless words. The unions know that the government will do nothing to protect jobs and the reality is thousands of workers will simply go on the dole.

Finance Minister Grant Robertson flatly declared there was “an inevitability” about the announcement from Rio Tinto. He stated that it was “a very sad day for Southland but there are also opportunities attached to this.” This amounted to nothing more than a vague observation that more could be done “to extract value from the agricultural, aquaculture and manufacturing sectors in the region.”

Totally indifferent to the fate of the smelter workers, the trade union-funded *Daily Blog* posted a comment by John Minto headed: “Goodbye and good riddance to New Zealand (sic) biggest corporate bludger.” Minto suggested the government could fund “environmentally friendly job creation opportunities,” i.e. subsidise “green” businesses.

The multi-national company has been propped up by successive governments, led by Labour and the National Party, with price concessions, tax exemptions and lax environmental practices.

E t?’s statement included a pathetic plea for Rio Tinto to “think about the legacy it wants to leave as a company.” Gallagher told TVNZ the company had “a duty of care to their employees and their families” and should consider options to keep the smelter open.

Such statements are an attempt to sow illusions among workers and block any real fight against job cuts. The aim of Rio Tinto, like any major corporation, is, above all, to make profits. Its major shareholders have zero concern for the lives that will be ruined by

the closure of Tiwai Point.

The mass redundancies taking place across the country, after the government handed out tens of billions of dollars in subsidies to businesses, is an indictment of the capitalist system of private ownership of the means of production, which the unions defend.

To fight for decent jobs and living standards, workers need to build their rank-and-file committees, independent of the trade unions, to link up with other sections of the working class in Australia and internationally facing similar attacks. Such struggles can only go forward on the fight for a workers’ government to implement socialist policies. This would include nationalizing major industries, such as aluminium, under the democratic control of the working class, to reorganize production for social need, not private profit.



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