



Summary of Point Henry Alcoa



EMPLOYEES: 600 DIRECT

1,000+ INDIRECT

PRODUCTION: 190,000t

CUSTOMERS:

Point Henry supplies the majority of rolled aluminium to Australia's beverage can manufacturers. Around 45% of the aluminium produced at the smelter is sold to the neighbouring Alcoa Australia Rolled Products plant, where aluminium is rolled into sheet. The remainder of Point Henry's aluminium is sold on to Alcoa customers worldwide.

ECONOMIC VALUE:

Alcoa's two Victorian smelters produce approximately 30% of Australia's aluminium. This production makes Alcoa Victoria's biggest exporter and represents approximately \$1.2b per year and about 4% of the states total exports.

Every year Alcoa injects about \$800m into the Victorian economy as it employs over 1500 people across its operations and over 400 contractors.

- The Per Capita Report commissioned by the AWU estimated the private and social values of aluminium jobs. The report concluded that in 2008, the total annual value of an aluminium job to the community was \$89,656, representing a total loss of \$54 million following the closure of Point Henry.
- The loss of 600 full time workers at Point Henry would lead to the loss of around 2,000 jobs based on an industry employment multiplier of 3.3
- in the medium-term there will be a negative effect on Victorian gross state product in the absence of an equivalent industry which is as capital intensive, skills based, highly productive, and trade exposed as Alcoa's Point Henry facility.

POINT HENRY REVIEW:

The review announced in February will examine all "inputs" into the business with the aim of reducing where possible the cost. This will be conducted in consultation, where possible with the Unions and will look primarily at the following:

1. Energy
2. Raw material suppliers
3. Contractors
4. Labour efficiencies

THE AUSTRALIAN DOLLAR -LME:

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The \$A represents the single biggest factor in determining the viability of the any Australian smelter.

For the period 1985-2005 the \$A was approximately \$0.70. For the last 12 months the \$A has been in excess of \$1.05

This has been largely caused by a number of factors:

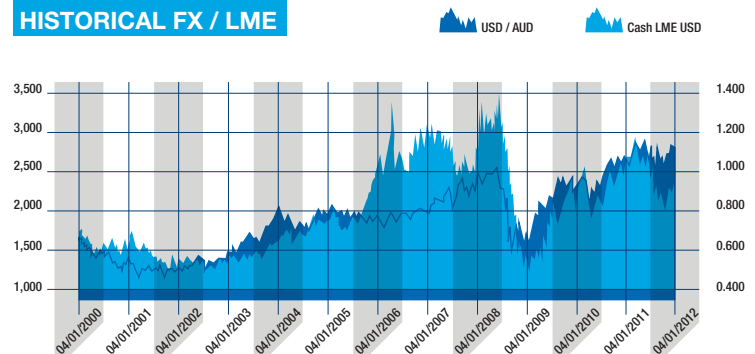
1. High terms of trade (mining boom)
2. Higher interest rates (Australia has some of the highest interest rates in the world and has had for a long time)
3. Global economic uncertainty in particular in Europe and USA.

Historically when the \$A has risen the LME has increased as well which has ensured that Australian smelters remained profitable.

But on this occasion the LME has fallen because of continuing over supply in the market. When the GFC hit in 2008-09 there was 500kt of Aluminium warehouse globally (approx. 1.5% of global supply). At the time the LME crashed.

Since then inventories have increased to over 5m tonne now in warehouse, which has depressed aluminum prices.

HISTORICAL FX / LME



GOVERNMENT ASSISTANCE:

If Point Henry is going to have a viable future it must include significant capital expenditure.

Throughout this process Alcoa and the Unions will be meeting with the State and Federal Government to discuss assistance packages to help see Point Henry through this difficult period.

For more info:

contact the AWU Victorian Branch on 1300 362 298