

**HON. ROBERT MONTAGUE
MINISTER OF TRANSPORT AND MINING**

**STATEMENT TO PARLIAMENT ON THE MODERNIZATION AND
EXPANSION OF THE JISCO ALPART ALUMINA REFINERY AT NAIN,
ST. ELIZABETH**

**TUESDAY, SEPTEMBER 10, 2019
KINGSTON**

INTRODUCTION

Mr. Speaker, Colleagues and Honourable Members of this House, I am tasked to update you and the nation on the implementation of Phase II of the modernization and expansion of the alumina refinery in Nain, St. Elizabeth. As you are aware, this refinery, ALPART, is 100% owned and operated by Jiuquan Iron and Steel (Group) Company Limited (JISCO), which is beneficially and effectively owned by Gansu Province of the People's Republic of China.

JISCO has indicated that this phase of ALPART's development is slated to commence within the next 50 days.

MODERNIZATION AS AN INVESTMENT

Mr. Speaker, I wish to remind this House and the people of Jamaica that the modernization and expansion programme will be one of the largest investments in the history of the country. Total investment is projected at US\$1.1 billion when completed.

It should be understood that the proposed investment in the associated special economic zone (SEZ), which is a part of Minister Michael Henry's portfolio, is projected to be significantly more.

ACQUISITION OF ALPART BY JISCO

Mr. Speaker, this House is aware that JISCO acquired ALPART from United Company RUSAL (UC RUSAL) in 2016 for approximately US\$299 million. By December 2017 the refinery had shipped its first cargo of alumina under JISCO's ownership.

It is necessary to note that initial rehabilitation and upgrades over the years by JISCO are valued at approximately three hundred million United States dollars (US\$ 300 million).

AGE OF THE REFINERY

The refinery was built in 1968 and at the time that it was acquired by JISCO had been mothballed since 2009. No other alumina plant had ever been closed for such a long period.

Mr. Speaker, it is noteworthy that the plant by virtue of its design is very energy intensive. At the time that it was built, oil was being sold at approximately US\$2 per barrel. Mr. Speaker, the refinery's energy use is therefore extremely high, and JISCO has identified scope for significant improvement in energy efficiency.

MINIMAL MAINTENANCE OVER THE YEARS

Additionally, Mr. Speaker, ALPART had not been the best maintained refinery up to the point that it was bought by JISCO. In particular, the powerhouse had been poorly maintained. In fact, its control systems, which were out dated, have made it difficult to properly operate.

REAL ISSUE

Mr. Speaker, I have provided this overview of the history and physical condition of ALPART to allow members to understand that it required significant maintenance and upgrading. To enable it to operate efficiently and profitably, major overhaul, modernization and expansion have become urgently necessary.

MODERNIZATION AND EXPANSION

Mr. Speaker, the planned upgrade will result in a significantly more efficient refinery. Also, its production capacity will be increased from 1.65 million tonnes per year to 2 million tonnes per year.

PRIMARY OBJECTIVES OF THE MODERNIZATION AND EXPANSION PROGRAMME

Mr. Speaker, one of the principal objectives of the pending modernization programme is to markedly lower the refinery's production cost. This will increase its competitiveness, save jobs, reduce waste and generate income for the Government of Jamaica (GOJ).

Mr. Speaker, you would be aware that over the last thirty years, the GOJ has implemented numerous initiatives to promote efficiency in our alumina industry as a tool to induce increased economic growth. These mechanisms have focused on incentivizing companies to improve the efficiency of their alumina refineries.

Methodologies have included:

- Changes to the taxation and wider fiscal regimes afforded to companies,
- Partial or total waiving of the Bauxite Production Levy for specific periods of time,
- And most recently, profit sharing agreements

Mr. Speaker, the pending modernization and expansion works at JISCO ALPART will build on work that commenced once it was acquired by JISCO. That initial phase of the modernization programme included the installation of some 10 Megawatts (MW) of packaged power to augment the existing power plant, which has been a major source of the plant's problems. Significant civil works, including the pouring of foundations for various buildings and systems, and direct improvements to the power plant have been completed.

Mr. Speaker, as I speak, equipment and machinery needed for the expansion are either:

- on site,
- en route to Jamaica or
- on order.

Mr. Speaker, the technical team in my Ministry recommended several options to JISCO during the modernization discussions. However, after due consideration the company decided that the best option, at this time, is to suspend alumina production and focus attention on a full scale modernization and expansion programme.

This decision was arrived at after considering various factors, which include:

- Worker safety and welfare. The regularity with which segments of the plant fails to function properly and in cases stops functioning puts workers safety at risk. The company is also at risk.

- High cost of production and high levels of waste. To continue producing alumina at over US\$480 per tonne is unviable.
- The prevailing low and falling price of alumina on the world market. Between 2016 and 2019 the price of alumina fell from approximately US\$500 to under US\$300 per tonne.
- Difficulties being faced sourcing parts for old equipment. The manufacturing of many of the parts and systems used by ALPART has been discontinued. Let us not forget, the plant is over 50 years old. Consequently, it has been difficult, time consuming and expensive to acquire parts for much of the equipment within the refinery. Additionally, many of the parts obtained were cannibalized from closed refineries. Many of these second hand replacement parts have therefore failed with a degree of rapidity that is financially unsustainable.

The company decided that the best option at this time is to temporarily suspend alumina production to ensure an efficient upgrade process.

JISCO'S COMMITMENT TO THE PEOPLE AND GOVERNMENT OF JAMAICA

Mr. Speaker, JISCO has given their long term commitment to the people and Government of Jamaica.

Experts agree that a more efficient refinery will work to the benefit of all in the long term.

SIGNIFICANCE OF THE MINING SECTOR

Mr. Speaker, the mining sector is an important pillar in Jamaica's economic growth plan. Much will be done to retain and expand this status.

It is necessary to note that the sector:

- Accounts for fifty per cent (50%) of total traditional exports.
- Contributes forty per cent (40%) of total GDP growth for the recently concluded fiscal year 2018/19.
- Is the third largest foreign exchange earner for the economy.
- Is responsible for over five thousand (5,000) high-paying direct jobs and at least twenty five thousand (25,000) indirect jobs.

Mr. Speaker, it is in the country's best interest to ensure the viability of the Bauxite and Alumina Industry by encouraging plants to become more efficient. Efficiency in turn:

- Reduces production costs,
- Facilitates increased competitiveness,
- Increases profitability and
- Creates greater employment.

CONTRIBUTION OF THE UNIONS

Discussions have been on-going between the company and the three unions, namely the BITU, UCASE and NWU.

Mr. Speaker, JISCO has assured me that it will maintain a percentage of the current workforce for maintenance as well as to assist with the execution of the modernization and expansion programme.

This House will be aware that the unions have given their support to JISCO by agreeing to a period of wage restraint and industrial peace. They met with the company yesterday, and as I speak, negotiations continue between them on a range of issues including the number of workers to be retained during the expansion and modernization process.

BRIEFINGS

Mr. Speaker, the Member of Parliament, Mr. Frank Witter, and the Opposition Spokesman on Mining, Mr. Phillip Paulwell, have been briefed on the on-going and pending developments at the plant.

MINISTER'S COMMITMENT

Mr. Speaker, I commit to continue the dialogue with JISCO to ensure that the welfare of the workers, the livelihood of the impacted communities, and the interest of the company and the Government of Jamaica are duly protected.

Mr. Speaker, the modernization programme means new investment and greater future job security for the workers of Jamaica.

Mr. Speaker, I thank the workers, community and all stakeholders for the support given to this very important part of our economy. Also, Mr. Speaker, I extend sincere thanks to JISCO for their long term commitment to Jamaica.

I look forward to the expansion and a brighter future for all involved.

I will continue to monitor developments at the refinery and will keep the House updated.

Thank you.