

Century has to face the numbers

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Next year will be crucial for Century Aluminum's big Ravenswood smelter. Its labor and power contracts expire then.

The 50-year-old smelter, one of the oldest in the world, has 660 employees. The average salary is nearly \$51,000 a year, and the jobs have great benefits.

Two years ago the Steelworkers pushed the plant to the brink of a strike in order to keep a cherished health-care plan. The workers pay nothing in premiums for 100 percent coverage. They can go to any doctor they choose, paying only \$10 for a visit. When they go to an emergency room, they pay \$20 until they're admitted, and then the co-payment is waived.

Century spokesman Mike Dildine said that since 2001 the company has increased its aluminum produced per man-hour worked by 11 percent. "Even so, under our current labor agreement, our total labor costs per pound of aluminum produced are among the highest in the world at nearly twice the world average," he said.

Ravenswood's labor contract expires May 31, 2009.

The power contract expires June 30, 2009. The Ravenswood smelter uses so much electricity it is Appalachian Power Co.'s largest single customer.

Century negotiated an innovative contract in 2006: When the aluminum price is high, Century pays more than the posted industrial tariff. When the price is low, it pays less.

Chief Operating Officer Wayne Hale said in September that alumina accounts for 37 percent of Ravenswood's costs; electricity, 26 percent; labor, 16 percent; carbon, 8 percent; and other raw materials, 12 percent.

John Tumazos, an independent analyst, said Ravenswood's expenses are in the ballpark when compared to others.

Dildine said labor and energy are the real cost differentiators in the business. Which means about 42 percent of the costs Ravenswood might hope to control will be on the table next year.

Meanwhile, the business is consolidating. Pittsburgh-based Alcoa has been reduced to a pipsqueak as competitors, like Alcan, have either gobbled up others or been bought out, The Wall Street Journal says.

Ravenswood Plant Manager Jim Chapman said in a prepared statement, "With the global consolidations, the competition is getting bigger, better, faster and cheaper. In order to

stay competitive, we must do everything we can to effectively manage our power, materials and people costs."

One industry strategy has been to invest in smelters with low-cost power. Century owns a smelter in Iceland that uses hydro and geothermal power. But more competition is on the horizon. United Company RUSAL is considering an \$11 billion project in Siberia that includes a nuclear-powered smelter, the Journal said.

Century says it is determined to see Ravenswood succeed. Century has invested \$32 million there since 1999. Dildine said significant capital will be invested this year.

Tumazos said others also face challenges. Alcoa, for example, has assets in Quebec, where the Canadian dollar has appreciated, plants haven't been upgraded and electricity costs are rising, "which seems to be a bigger series of challenges than Ravenswood faces," he said.

The coal-fired power Ravenswood uses and the weak U.S. dollar "may permit Ravenswood to be better than some others at the margin," Tumazos said.

Let's hope so.

To contact George Hohmann, e-mail busin...@dailymail.com or call 348-4836.

Submitted by Evo Alexandre