

Jamaica to sell Bauxite/Alumina stake to China firm

Jamaica's government plans to sell its stake in bauxite producer and alumina refiner Clarendon Alumina Production Limited (CAP) to a Chinese company, the prime minister said.

Bruce Golding told parliament late on Tuesday that negotiations were advanced for the sale of the government's 45 percent stake in CAP, also known as Jamalco, to Chinese company Zhuhai Hongfan.

The other partner in Jamalco is Alcoa Inc (AA.N), which owns 55 percent of the shares.

"We have entered into an agreement with a Chinese firm, Zhuhai Hongfan, for the sale of CAP," Golding said, adding:

"The sale is subject to the inherent right of Alcoa, our joint venture partner in Jamalco, which has a 90-day right of first refusal".

Golding said Zhuhai Hongfan had an alumina supply contract with the Aluminum Corp of China (Chalco) (601600.SS) (2600.HK), the country's top aluminium maker, and had also secured financing commitments from the China Development Bank.

"Hongfan is also committed to expanding the Jamalco plant from 1.2 million tonnes to 2.7 million tonnes, provided adequate long-term bauxite reserves can be assured," the Jamaican prime minister said.

"Representatives of Hongfan, Chalco, China Development Bank and Alcoa met in Jamaica last week and we are optimistic that the agreement will be consummated," he added.

HIT BY GLOBAL RECESSION

Jamaica's strategic bauxite and alumina export sector was badly hit by the global economic downturn that reduced international demand, forcing several plants on the Caribbean island to halt or slash production and lay off workers.

Clarendon Alumina Production, located in the central parish of Clarendon, was the only one not to cut output or lay off workers.

But Golding said that despite the plant's relatively high level of efficiency, the government found that it was still losing money on every tonne of alumina produced, and the government stake had become a heavy burden on taxpayers.

He blamed this on "fixed-price forward sale contracts entered into between 2002 and 2005" which were then affected by the upward movement in production costs and downward movement in aluminum prices.

"The government has had to provide a total of \$176 million to meet CAP's obligations to Jamalco. And that is in addition to assuming \$369 million of debt for monies borrowed through CAP to help finance past budgets and cover its share of capital investment costs," he said.

Reduced bauxite and alumina export revenues was one of the factors that forced Jamaica to enter a \$1.27 billion standby loan agreement with the International Monetary Fund in February, in a bid to shore up its vulnerable economy against economic shocks.

There are some signs however that the outlook might be improving for the Jamaican bauxite and alumina sector.

Mining and Energy Minister James Robertson said this week that Russian aluminum producer, UC Rusal (0486.HK), would restart in June production at its Windalco Ewarton bauxite and alumina refinery in Jamaica, which closed its doors last year.

The planned reopening, six months earlier than expected, was due to improving global demand, Robertson said. - Reuters