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INSIDE TODAY

Alcoa slicing production another 350,000 tonnes

NEW YORK — Alcoa Inc. plans to curtail another 350,000 tonnes per year of production, effective immediately, as the slowdown in the aluminum market shows no signs of abating.

The latest cuts will take the Pittsburgh-based producer's total output reduction to about 615,000 tonnes per year, or about 15 percent of production on an annualized basis.

"The additional curtailments are necessary because of lower end-market demand and global economic softness," Alcoa said. "The curtailments follow targeted cost-reduction initiatives and will be spread across the company's global system. This approach will minimize the costs associated with wholesale plant shutdowns and restarts and the impact on plant communities."

Alcoa said its new annualized smelting production rate is about 3.5 million tonnes, with about 1 million tonnes idled.

The latest output cuts will be achieved through partial potline curtailments, targeted suspension of pot relining, optimization of pot operating parameters and by modulating power use for sale during peaks in the power markets, Alcoa said.

The partial potline curtailments will affect such smelters as those in Ferndale, Wash., and Baie Comeau, Quebec.

The Baie Comeau curtailment will be implemented as part of the plant's previously announced modernization program. Alcoa has announced plans to spend $1.2 billion to upgrade and expand Baie Comeau's annual output by 110,000 tonnes to 548,000 tonnes by 2015.

In Ferndale, Alcoa said it continues to negotiate arrangements within the memorandum of understanding signed

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Return of the dragon? Concerns over China's economy temporarily took a back seat to news of a huge stimulus package, though how much metals will benefit is unknown.

Impact of $586B China stimulus plan unclear

Analysts upbeat but cautious on package

SHANGHAI, China — China's 4-trillion-yuan ($586-billion) economic stimulus package announced Sunday drew a cautious welcome from analysts and traders, who said it is likely to boost market sentiment but warned that the impact on metals demand remains unclear.

The Chinese government plans to invest the funds in

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Base metals pricing gets shot in the arm

NEW YORK — Base metals prices rebounded Monday on news of a Chinese stimulus package slated to inject $586 billion into the country's slowing economy by 2010.

"The (Barack) Obama effect wore off on Wednesday when the world realized that things were still terrible, so the end of the week was pretty awful. This (news) can only help,"

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PRICING AT A GLANCE

NYMEX	
Aluminum	90.85¢
Copper	174.65¢
Hot-rolled coil	$625.00
Gold	$745.60
Platinum	$859.90
Silver	1,022.00¢
LME	
Aluminium	$1,971.00
Copper	$4,005.00
Lead	$1,411.00
Nickel	$11,905.00
Zinc	$1,107.50

Click through for details

Freeport trims moly output as prices plunge

NEW YORK — Analysts and traders see no immediate relief for plunging U.S. molybdenum prices, despite Monday's announcement by major producer Freeport-McMoRan Copper & Gold Inc. that it will cut production at its Henderson Mine and delay the reopening of the Climax Mine.

New Orleans-based Free-

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Republic joins cuts, sets Dec. idling of melt shop

CHICAGO — Republic Engineered Products Inc., a Fairlawn, Ohio-based producer of hot-rolled and cold-finished bar products, will shut down its melt shop in Lorain, Ohio, for two weeks in December, resulting in the temporary layoff of up to 429 workers.

"We have received notice that Republic will shut down the blast furnace, basic oxygen furnace and caster for two weeks in December," Pat Gallagher, subdistrict director of United Steelworkers union Local 1104, said Monday. "We're hoping this is a temporary situation and that the market will turn around. (But as of mid-October) orders just dried up. These are scary times."

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Groups target first audited e-cycling plan

PITTSBURGH — Hot on the heels of a CBS Television documentary that blasted domestic electronics scrap recyclers for exporting hazardous waste to developing countries such as China, two groups have joined forces in an attempt to promote responsible handling of defunct electronic equipment.

The Basel Action Network

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Republic sets Dec. idling of melt shop

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USW Local 1104 leaders will meet with company representatives Wednesday to discuss the "actual impact" of the announcement, Gallagher said, including a review of the union's contracted "layoff minimization" program. The number of laid-off steelworkers could be less than 429, he added.

Several industry observers said that Republic's shutdown brings to 10 the number of North American carbon steel blast furnaces facing production outages during the next few weeks. ArcelorMittal SA, Luxembourg, has announced four blast furnace shutdowns; OAO Severstal, Cherepovets, Russia, has announced three; and U.S. Steel Corp., Pittsburgh, two.

The American Iron and Steel Institute (AISI) estimates that "about 30 percent of (North American) steel capacity has been impacted by the economic downturn, (although producers) have sought to avoid layoffs," Nancy Gravatt, AISI's vice president of communications, said.

Another industry source said mini-mill melt shops are operating at 50 to 60 percent of capacity and that half of U.S. blast furnaces are shutting down.

Domestic raw steel production totaled a little more than 1.6 million net tons in the week ended Nov. 1, down 24 percent from the same week last year, while the capability utilization rate fell to 67.3 percent from 88.5 percent in the same comparison, according to the AISI.

Blast furnaces account for 40 percent of U.S. hot steel production capacity, according to Charles Bradford, steel analyst and president of Bradford Research/Soleil Securities Inc., New York. "You can expect that companies will close their least-efficient units."

> 'We're hoping this is a temporary situation and that the market will turn around. (But as of mid-October) orders just dried up. These are scary times.'
> —USW leader at Republic

Michael Locker, president of New York-based consultancy Locker Associates Inc., estimated that 10 blast furnaces will be shut down on rolling two-week outages through the end of the year. The direct effect on employees at the hot end of steelmaking could be 3,000 layoffs, he said, adding that many of the layoffs will be achieved by accelerating the retirement of senior employees. The temporary idlings "are subject to market conditions. If there are no signs of a rekindling of the market, some furnaces could be down for longer," he said.

Tony Montana, a USW spokesman in Pittsburgh, said the union has negotiated terms and conditions—which he called "layoff minimization"—in the event of blast furnace shutdowns. These terms include job security provisions, voluntary early retirement programs, supplemental unemployment insurance and the continuation of benefits, such as health care.

"Hopefully, the contractual protections will mitigate the impact of any potential layoffs," he said.

Locker said that electric-arc furnace steelmakers also have announced production curtailments on the hot end, but their furnaces can produce fewer tons and still be cost effective. For blast furnace producers, "it's a significant cost to have to take it down and bring it back up," he said.

Today's scrap prices favor electric furnace steelmakers, for whom recycled ferrous material is the primary input, Locker said. "We have had a fundamental shift on how quickly the market changes and how volatile it is," he said, adding that steel market cycles have accelerated from three to four years to three to four months.

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Alcoa to slash its aluminum output by another 350,000T

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last month with the Bonneville Power Administration (BPA) to supply energy to the Intalco Works smelter there through 2028. The smelter has a nameplate capacity of 279,000 tonnes.

Costs for the curtailments are still being finalized and adjustments to Alcoa's alumina refining output will be made accordingly, it said.

The industry is in surplus and has experienced an unprecedented fall in aluminum prices over a short period of time, Bernt Reitan, Alcoa's executive vice president and president of Global Primary Products, said in a statement. "While we continue to see a strong long-term outlook for aluminum consumption, we are taking a series of actions to address the current market conditions, including targeted cost-reductions across our system and reducing production," he said.

In September, Alcoa halted output at its 265,000-tonne-per-year Rockdale, Texas, smelter. Two weeks ago it said it would reduce output at its Point Comfort, Texas, alumina refinery by about 25 percent, or roughly 550,000 tonnes of alumina per year, by the end of November (*AMM*, Oct. 24). Point Comfort is part of Alcoa World Alumina & Chemicals (AWAC), a global alliance between Alcoa and Alumina Ltd., in which Alcoa holds 60 percent.

Over the past two weeks, Alcoa also has said it will layoff over 300 employees at is Blount County, Tenn., Massena, N.Y., and Warrick, Ind., plants.

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Democrats push for speedy auto rescue

WASHINGTON — Congressional leaders are urging the Bush administration to provide immediate financial aid to the nation's auto industry by tapping into the Treasury Department's $700-billion emergency financial rescue program.

Over the weekend, House Speaker Rep. Nancy Pelosi (D., Calif.) and Senate majority leader Harry Reid (D., Nev.) sent a letter to Treasury Secretary Henry M. Paulson Jr. asking him "to review the feasibility of providing temporary assistance to the automobile industry during the current financial crisis."

The Pelosi-Reid letter pointed out that Congress granted wide authority giving Paulson the discretion to use the $700 billion to restore "financial market stability," and it made the case that the auto sector is an essential part of that equation.

Sen. Carl Levin (D., Mich.) said that if Paulson and the Bush administration refuse to act on the Democratic leaders' request, Congress could move to amend the bailout law during the lame-duck session scheduled to start Nov. 17.

One way to channel funds to the automakers through the Treasury program would be to direct it to the companies' financial arms, such as GMAC LLC or Ford Motor Credit Co. LLC, Capitol Hill sources said.

The prospect of immediate federal aid to the automakers and their suppliers also received a big boost when the U.S. Chamber of Commerce and the National Association of Manufacturers, the country's top two business organizations, came out strongly in favor of such a move. In the past, both organizations opposed direct government financial help to specific sectors on the grounds that they don't want Washington to pick winners and losers.

Meanwhile, the Center for Automotive Research (CAR), Ann Arbor, Mich., issued a report saying that a complete shutdown of auto production by the Big Three would cost 3 million jobs and $60 billion in revenue within a year.

"Our model estimates that a complete shutdown of Detroit Big Three U.S. production would have a major impact on the U.S. economy in terms of lost wages, reductions in social security receipts, personal income taxes paid and an increase in transfer payments," said Sean McAlinden, CAR's chief economist and main author of the report.

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