A writer for The Financial Times of London recently summed up the international aluminium industry's plans for investment in Australia as follows: "The aluminium investment plans for Australia amount altogether to some £1.5 billion. The sheer size of the total investment, together with the fact that nearly all the major companies are involved in Australian projects, marks a turning point in the development of the international industry."

(1)

The local processing of bauxite (into alumina and aluminium) is not the only local processing activity to be created or expanded: there are to be substantial investments in petro-chemical plants using Australian natural gas as a feedstock; a large steel plant may yet be established in Western Australia (especially if a direct rail link is built between Western Australia and the Queensland coal mines); Tonkin of South Australia is talking of a uranium enrichment plant; and a coal liquefaction plant is not at
all a remote possibility.

The recent report of "the Crawford Committee" endorsed the present Australian Government's desire to encourage "resource-based development" (2). The same Crawford had, with the now Foreign Minister of Japan (Professor Okita), recommended more or less the same thing for Australia in reporting to the Australian and Japanese Governments in 1976 (3). Spokespersons for the large international corporations speak euphorically of the prospects for Australian mineral resources over the next decade; but there is little benefit in prospect for Australian workers as a whole and, interestingly, there may be only small openings for Australian capital.

Roughly three-quarters of Australia's bauxite production is refined locally: at Gladstone, Queensland — by Queensland Alumina Ltd; at Kwinana and Pinjarra, WA — by Alcoa Aust; and at Gove, NT — by the joint ventures, Austraswiss and Gove Alumina Ltd. (4)

Of the alumina produced, over 90 per cent is exported — only somewhat less than 10 per cent is smelted locally to produce aluminium: at Bell Bay, Tasmania — by Comalco; at Kurri Kurri, NSW — by Alcan Aust; and at Point Henry, Vic — by Alcoa Aust. Two-thirds of the aluminium produced is used within Australia. The Australian production of alumina is about a quarter of total world production and Australia's present exports of alumina account for about half of the international trade in alumina.

New refineries are proposed for Wagerup and Worsley; the smelters at Point Henry and Kurri Kurri are to be expanded; and several new smelters will soon be built. The expanded smelting capacity is clearly the more important development.

Plans have been announced by Comalco to build a smelter at Gladstone, by Alumax (owned by AMAX of the US and Mitsui) to build a smelter at Newcastle, and by Alcoa to build a smelter in Victoria. Furthermore, several companies have begun investigating proposals for other smelters in Queensland, Western Australia and the Northern Territory. The first three new smelters plus the announced expansions of existing smelters will increase capacity in the Australian aluminium industry from 257,000 tonnes per annum to 860,000 tonnes per annum. Other smelters being considered could increase capacity to 1,200,000 tonnes per annum within half a decade or so, or to roughly the present capacity of the Japanese aluminium industry.

Energy for the smelters will be provided, in the main, by thermal power stations burning coal. According to the writer for the Financial Times (5), the aluminium producers anticipate that energy will be supplied in Australia at a much lower cost than in Europe, Japan and even from new generating plants in North America. In fact, aluminium exports are often represented as a means of exporting Australia's abundant energy. All the same, it is not inconceivable, given the rivalry between state governments
in Australia, that the supply of energy to the aluminium producers will actually be subsidised by other users of electric power.

There are seven disturbing characteristics of the nascent aluminium industry. The clearest is that it will be in the hands of highly concentrated international capital. Six very large corporations currently account for 60 per cent of alumina capacity and 55 per cent of primary aluminium capacity outside the socialist economies (6).

Five of the six corporations are already involved in alumina or aluminium production (or both) in Australia. They are Kaiser, Alcoa, Alusuisse, Alcan and Pechiney. Alcan Aust is at least 70 per cent foreign-owned; Alcoa Aust is at least 51 per cent foreign-owned; Alusuisse has a 70 per cent interest in the Gove Joint Venture (Nabalco); Kaiser owns 45 per cent of Comalco; and Kaiser and Pechiney directly own 28.3 per cent and 20.0 per cent respectively of Queensland Alumina Ltd (QAL), while Kaiser owns a further 13.5 per cent through its interests in Comalco, another shareholder in QAL (7). Of the five current operators of refineries or smelters in Australia, only in Alcoa is Australian equity in excess of 30 per cent. (In Alcoa it may be as high as 49 per cent.)

The three new smelters already planned will be owned by Alumax (100 per cent foreign-owned), Alcoa and a consortium consisting of Comalco, Kaiser and five Japanese companies (8). The further projects, still being discussed but likely to go ahead within a few years, involve Alusuisse, Pechiney and the sixth of the very large corporations, Reynolds (of the US) (9).

The most significant aspect of foreign ownership and control, from the point of view of Australian capital, is that it makes it less likely that surplus created within the alumina and aluminium industries will be made available even within the country, let alone within other parts of the economy. Kaiser, for example, might export most of its surplus to finance a new steelworks in, say, Ecuador. Australian capital, except that part of it represented by large domestic corporations such as BHP and CSR, may also fear being squeezed out of the industry: the large international corporations may feel no need either to seek local "joint ventures" or to issue shares on Australian stock exchanges. And recent statements by members of the Foreign Investment Review Board and by Doug Anthony do not indicate that either the board or the federal government would be very concerned if the international corporations dispensed with offers of local equity (10).

From the point of view of Australian workers, the degree of foreign ownership and control has a bearing on the number of jobs available locally. Otherwise, however, it is the "privateness" and concentration of ownership of an industry that is important, rather than whether or not ownership is held by large foreign or large domestic corporations.

The aluminium industry is extraordinarily capital-intensive. When established, a large plant provides few jobs directly. Together, the proposed expansions of smelting capacity at Kurri Kurri and Point Henry, the three proposed new smelters in Victoria, NSW and Queensland, plus the two proposed new refineries at Wagerup and Worsley, are expected to add merely 4,500 new jobs (11). A total of some 6,000 temporary jobs will also be provided in the construction of the new alumina and aluminium capacity (12).

Just who will fill the permanent jobs is somewhat in doubt. The highly skilled technicians required to operate the smelters may well be brought to Australia from other countries. It is the immigration of just such workers that MacKellar, the federal Minister for Immigration and Ethnic Affairs, seems to have been defending in a recent address to the infamously right-wing Institute of Public Affairs. (13)

The unskilled process workers will be recruited locally. The work done by this lower tier of workers in an aluminium smelter is, from all accounts, a very good example of Harry Braveman's "degraded" work (14). And few, if any, of the unskilled workers would ever acquire skills "on the job" that would enable them to enter the higher tier of workers.

The ownership and control of an industry by large corporations with substantial facilities abroad raises the possibility that very little profit may be reported locally. The large international corporations are clearly not subject to the threat that low reported
Appendix

EQUITY INTERESTS IN COMPANIES WHICH OWN AUSTRALIA’S BAUXITE MINES, ALUMINA REFINERIES AND ALUMINIUM SMelters

Alcan Australia Ltd.

70 per cent Alcan Aluminium Limited
30 per cent Public

Alcoa of Australia Limited

51 per cent Aluminium Company of America
20 per cent Westminen Investments Pty. Ltd.
16 per cent BH South Limited
12 per cent North Broken Hill Ltd.
1 per cent other

Comalco Limited

45 per cent Kaiser Aluminum and Chemical Corporation
45 per cent Conzinc Riotinto of Australia Ltd.
10 per cent Public

Gove Joint Venture (Austraswiss/GAL)

70 per cent Swiss Alumium Australia Pty. Ltd. (100 per cent Swiss Alumium Ltd.)
30 per cent Gove Alumina Limited
51 per cent CSR Ltd.
13 per cent Peko-Wallsend Ltd.
36 per cent Australian insurance companies and banks

Queensland Alumina Limited

30.3 per cent Comalco Limited
28.3 per cent Kaiser Alumina Australia Corporation (100 per cent Kaiser Aluminum and Chemical Corporation)
21.4 per cent Alcan Queensland Pty. Ltd. (100 per cent Alcan Aluminium Limited)
20 per cent Aluminium Pechiney Australia Pty. Ltd. (100 per cent Pechiney Ugine Kuhlmann)

Source: Dept. of Trade and Resources, as cited by Dept. of Industry and Commerce, op.cit.
profits may provoke take-over bids. Australian operations may be made to appear only minimally profitable by manipulation of the prices of transactions between the Australian subsidiary and other parts of the same corporation abroad. Exports by the Australian subsidiary may be "under-invoiced"; and imports may be "over-invoiced". Prices are administered in order to disguise the transfer of profit within the corporation.

Queensland Alumina Ltd provided, during the years of the mining boom, a good example of just what can be done (15). QAL (operating the Gladstone refinery) is and was owned by the refinery's principal customers — Comalco, Kaiser separately, Alcan and Pechiney. During the first eight years of the refinery's operation to 1972, QAL paid no income tax, although profits on its balance sheet had accumulated to $30.8 million. QAL was able to deduct from profits: (i) depreciation and investment allowances, (ii) interest payments on its extraordinarily high proportion of borrowed funds (evidently provided by the corporate shareholders), and (iii) past notional losses in its trade with its shareholder-purchasers.

Those purchasers of alumina registered in Australia were liable to pay tax on the difference between the price they paid QAL for alumina and what was deemed by the Australian Taxation Office to be the ruling world price of alumina. There is no information as to whether they did pay any such tax; but it would be surprising had the Taxation Office been able to put a successful case.

It is surprising that relatively small-scale Australian capital is not actively lobbying the Australian government for a tightening up of the taxation of international corporations operating within Australia. The less tax is paid by the international corporations, the more must be paid by Australian capital, except to the extent that more revenue can be extorted from workers.

It is claimed for Comalco that the new smelter at Gladstone will indirectly provide employment in Australia for some two and a half times as many persons as are provided with employment directly (either in operating or in constructing the plant). (16) That sort of claim can only be made on the basis of extremely doubtful assumptions. A very high proportion of contracts for the supply of equipment would have to be let to corporations producing within Australia. The Australian Mining Industry Council (AMIC) claims that this has indeed been the case with mining developments in general within Australia. (17) But even Susan Bambrick, well-known to be a defender of the mining companies, has avoided endorsing AMIC's claim. If much of the equipment needed for mining has had to be imported, it is much more likely that the highly sophisticated equipment required for processing will be imported. It seems unlikely that many manufacturing corporations within Australia will be able to supply the expanding processing industries.

The aluminium industry is highly polluting. In particular, smelting yields hydrogen fluoride, as well as carbon dioxide, carbon monoxide and sulphur dioxide. (18) Furthermore, the operation needs a large quantity of water for cooling. The aluminium industry is precisely one of those industries which has contributed substantially to Japan's present pollution problems. It may well be possible, not only to design less polluting plants than exist in Japan, but to locate smelters in regions in which they will do little harm. But if that is the case, there can be no guarantee that the relatively few jobs which the aluminium industry does provide will be provided near where workers and their families now live.

Finally, the provision of infrastructure for the industry, and for similar new mineral processing industries, will be a substantial charge on the revenue of the states. The governments of Western Australia and Queensland seem sure to be the most generous and will make it difficult for other state governments to be significantly less generous. As Terry O'Shaughnessy (19) and Garth Stevenson (20) have both argued, the Western Australian and Queensland governments have identified themselves intimately with international capital.

Their provision of electric power has already been mentioned but, in addition, they supply much of the housing and associated services, water installation, port facilities, roads, and so on. The states are thus advancing much of the constant capital for processing (as well as mining) while, as was earlier suggested, taxation of corporate
income is unlikely to transfer anywhere near as much of the surplus generated as the nominal rate of company taxation might indicate it would.

In all, the proposals for increased local processing of Australian minerals look very much like proposals for “free-trade zones” in South-East Asia. The major difference is that in South-East Asia corporations are being guaranteed large numbers of effectively oppressed workers on subsistence wages while in Australia they are being provided with relatively cheap energy. But it is significant that the Queensland and Western Australian governments are attempting to guarantee the supply of electric power by means of repressive industrial relations legislation.

No attempt is going to be made by the present federal government or by state governments to ensure that the new industries become linked with existing manufacturing industry in Australia. The Australian Treasury and the Industries Assistance Commission both deny that there is a problem. (21) On the contrary, there is arguably an urgent need to expand investment in manufacturing in areas beyond those in which any real investment has been occurring of late (food, beverages and tobacco and fabricated metal products) and to devise means of transferring the profits of mining and mineral processing to this end. That much is needed by relatively small-scale Australian capital. Nothing less than substantial nationalisation of mining and public investments in manufacturing, along with genuine industrial democracy, will be necessary to ensure that the mass of Australians wrest control of their work and general living conditions from international capital.

Gavan Butler, 26.11.79.

FOOTNOTES
2. Report of the Study Group on Structural Adjustment (Canberra: A.G.P.S., 1979), esp. Vol. 1, Chapter 8. The Committee noted that “seventy per cent of Australia’s raw material based exports are not processed in Australia”.
5. Hudson, op.cit.
7. See Table 1, Appendix. About two-thirds of alumina and aluminium capacity is foreign-owned.
9. Ibid.