Rio Tinto Looks To Cut Costs In Tough Global Market

Ross Marowits, The Canadian Press

MONTREAL - Aluminum giant Rio Tinto Alcan is studying options, including whether to seek the reopening of collective agreements, as it moves to reduce costs over the next 12 to 18 months to offset the challenges of a tough global market.

The Montreal-based aluminum division has provided cost reduction targets to each of its facilities around the world, but won't release them publicly.

"We really have to reduce plant costs so they are more competitive and able to survive the current crisis," said spokeswoman Claudine Gagnon.

Rio Tinto Alcan met Thursday with Canadian Auto Workers union representatives to discuss employee concerns about the weak global aluminum market, cost-reduction efforts and the planned closure this year of its cathode facility in Arvida, Que. About 50 employees affected by the closure will be relocated to other facilities.

The talks followed a general meeting of union employees about 10 days ago.

Gagnon said Rio's facilities in Quebec and elsewhere around the world have to reduce costs. The Arvida facility also faces an additional challenge because it will no longer meet Quebec's environmental standards as of 2015.

She said the company hasn't made any decisions about seeking the reopening of some collective agreements.

"That could be part of the options that will allow us to reduce our costs but that is what we are analyzing now."

Other options include achieving savings by changing work rules.

CAW officials couldn't be immediately reached for comment, but Marc Maltais of the United Steelworkers in Alma, Que., said the union has yet to meet with Rio about its demands.

While his union recognizes the difficulties facing the global aluminum industry, he said cheap energy makes Quebec one of the lowest cost operations in the world.

"The more it goes badly elsewhere the more it demonstrates the importance of the investment in Quebec, so the economic context for aluminum favours us," the local union president said in an interview.

Maltais said he's not sure what the company is seeking from employees but is

willing to consider reopening agreements if pensions are protected and workers can make some gains through contract improvements.

"We have a very good labour contract. If Rio Tinto wants to open those contracts ... there has to be something for us because we are very satisfied with the negotiations that we had," said Maltais, whose union represents 786 Rio Tinto Alcan employees in Alma.

Rio Tinto Alcan's cost-cutting exercise comes as the London-based parent company Rio Tinto (TSX:RIO) is trimming US$500 million in annualized costs by reducing capital expenditures, cutting support costs and freezing hirings as it adjusts to a slowdown in Chinese economic growth.

"We will make a particular effort to roll back the unsustainable operating capital cost increases we received through the sector over the past couple of years in these current conditions of weak markets and strong local currencies," CEO Tom Albanese said last week during an investor day.

Rio Tinto bought the Canadian aluminum company Alcan Inc. for $38 billion in 2007.

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