

U.S. Northwest Losing Its Aluminum Industry

In less than ten years from 1992, U.S. annual production of aluminum fell by 35% from 4.042 million metric tons (1992) down to 2.637 million (2001), and the contraction of capacity associated with this decline is continuing. The U.S. aluminum companies—already highly vertically integrated (from international bauxite mines to smelters) and consolidated in ownership—have been conducting sweeping acquisitions and downsizing. In recent years, Alcoa, the largest U.S. aluminum company, acquired Reynolds; Alcan Inc. (Canada-based) acquired Algroup. In early May, Kaiser Aluminum Corp., third in size, after the other two, and now in Chapter 11 bankruptcy, announced it will seek to sell off many operations. The downsizing has reached the point of pending phase-out of what was once one of the world's largest aluminum production centers, the Pacific Northwest.

Dr. Hal B.H. Cooper, Jr. reviewed this regional disaster with Marcia Merry Baker on May 6. A transportation engineer, Dr. Cooper is based in Seattle, and has consulted for many years on the LaRouche "Land-Bridge" development corridor perspective, offering ideas for key routes, and industrial and energy inputs.

EIR: What do you see in terms of the last vestiges of the once-great Northwestern aluminum industry threatening to close out?

Cooper: All the aluminum smelters in the Pacific Northwest are expected to be shut down by the end of this year. The last two have indicated that they will probably be closed by the end of the year. The reason is the excessive electricity rates, which began during the "Enron crisis," in late 1999. These rates have basically forced all of them to shut down; and unfortunately, the Bonneville Power Administration, rather than realizing that they have an economic development mission, has only decided to raise the rates, to make sure that they shut down.

EIR: Where are the last two smelters?

Cooper: The last two are located: at the Intalco smelter, which is now owned by Alcoa at Ferndale, in northwestern Washington; and the other one is the Columbia Falls aluminum smelter, in Columbia Falls, Montana.

EIR: Of all inputs, electricity is the key element in aluminum smelting; it is perhaps the most energy-intensive of all

metal-working?

Cooper: That is correct.

EIR: We also want to talk about outputs. You personally are based in Seattle, for all of your transportation and other consulting, so when it comes to the use of aluminum, you see directly how that is also in crisis with the contraction of the economy—the airlines, beverage cans, everything?

Cooper: Of course, the problems with the airlines have led to a decline in the production of airplanes, which has led to a decline in the requirement for aluminum, although I understand it is a worldwide situation. In this case, the plants are old; the investments really were not made to modernize most of them, to the extent that it should have been, back 15 and 20 years ago, to make them more energy-effective than they are. As a result, what has happened is, that when the power prices went up, it made these plants at best marginally economic. They are, one by one—have been shutting down.

Of course, the Bonneville Power Administration decided to make them sacrificial lambs during the Enron energy crisis of 2000 and 2001, and basically had these contracts that they bought back, so they could sell electricity to the cities [instead]. Large payments were made to the aluminum companies, in lieu of them producing aluminum, and requiring electricity. Of course, that did come to an end, and they are faced with higher power prices. Now the plants, all but two of them, have been shut down—that's eight of them. The last two are expected to be shut down by the end of this year.

EIR: You are describing the impact of the power deregulation. The media focus attention on the particulars of the Enron executives' corruption—which is true enough—but you are saying we would not have had all these ripple effects, if we had had power regulation all along.

Cooper: It's even more deep than that. It goes back to Mr. LaRouche's infrastructure development policy. If the early program, in the 1970s and 80s, to complete the nuclear reactors under the Washington Public Power Supply System (WP-PSS)—if all five had been completed, instead of just one, there would never have been an electricity or an energy crisis with Enron, that took place from 1999 to 2001. It would not have existed. There would have been enough additional generating capacity that all municipalities could have been served from the nuclear plants, and the inexpensive hydro-power could have continued to be reserved for the aluminum smelters. They could have been maintained, healthy and viable, which of course, is exactly the opposite of what has happened.

And the Bonneville Power Administration, which in its charter, has a role of economic development, has decided to overlook it. They have basically kowtowed to the interests of the environmentalists in Seattle and Portland, and Eugene, because they are a large part of the votes. They are providing power to the municipal utilities and others, and they have basically left the aluminum smelters out in the cold.

EIR: So, since the worldwide collapse and the economic contraction are under way, we have to face—as citizens and policymakers, going back to where we wrongly left off 30 years ago, and to restore nuclear power.

Cooper: That is correct.

EIR: Instead of “adjusting” to collapse, restore the economy. You also have a view of how we should have been going—provided we had plenty of nuclear power and generating capacity—to electrified transportation corridors in the West?

Cooper: I just recently made a proposal to the Lignite Energy Council—which is the lignite coal industry in North Dakota—to build a transmission line, as part of a rail transportation corridor, with electrification of the railroad of the Burlington Northern-Santa Fe, from North Dakota out to the state of Washington, so we could provide enough electric power for the smelters. This would, of course, be primarily coal-based power, because that could be implemented in a relatively short period of time.

But unfortunately, I had to report back to them [in the Northwest], after I had a meeting with the representative of the United Steel Workers in Minneapolis, whose territory happened to include all these smelters, that it was basically too late, and there was probably nothing that could be done to save them. That means the loss of 10,000 jobs directly in the rural communities of eastern Washington and Oregon, and the one plant, of course, in Montana. And it affects other industries also.

EIR: I understand that Kaiser Aluminum, the third-largest in North America, said on May 9 that they are putting up many of their facilities for sale. They are in Chapter 11; and looking to just sell off capacity. But you are involved in all kinds of talks, in particular with Indian leaders in the Northwest?

Cooper: The interests I have been discussing with the Indian tribes is more in the Northern Great Plains, but we find out that the Indians all know each other.

The idea is to bring a transmission corridor out from the upper Midwest to the Pacific Northwest. It could go through the various Indian reservations, and they would become partners and investors, and potentially owners of new transmission facilities. It would tie all them together, and of course, there would be power generation and industrial development on each of the reservations.

Their American Indian Congress President, Tex Hall, has challenged the Federal government to make the investments on the Indian reservations, so they no longer have the burden of so many of the social service costs that they have. Because they would be working, and earning money, and paying taxes, rather than draining taxes from the Treasury, because of all the various social problems that they would otherwise have. You know the old story, that an idle mind is the devil’s workshop. You want to have people working. They really strongly

believe in it. Their intention is to go ahead and better themselves, and they’re not going to wait or depend on anyone else. They want to do it themselves.

You know the infrastructure-financing program LaRouche has been talking about for a long time, basically already exists with the Indian tribes, but the Federal government has done its best to try to restrict that to as little as possible, rather than trying to expand it. This is where the Federal Reserve has to be gotten out of the way, because we will not be able to have the financial regeneration taking place, as long as they are in control.

EIR: How did it come to be that the Pacific Northwest was going to be such a world center for aluminum smelting? The original provision for hydro-power? Bauxite imports?

Cooper: The raw materials all come from out of the country. Bauxite has come from Arkansas. But primarily it came from Jamaica, Brazil, and Australia, which I understand is a major supplier today. But the original aluminum industry was located there during World War II, at the time the Bonneville Dam and the Grand Coulee Dam were constructed. This was to provide inexpensive electricity to make aluminum, because the aluminum was needed by Boeing, because it was located in Seattle. So all these were close together, and you had very inexpensive hydro-electric power available for the smelters, which they continued to use for a number of years.

But for a variety of reasons, they decided in 1994, to basically void their existing contracts with the Bonneville Power Administration, because at the time there was a lot of electricity on the market—you know, one of these “free-market” manipulation deals—and for a short period of time, they saved money. But later on, it proved to be their downfall.

And again, when you get off the regulated energy economy, disaster always lurks and shows up sooner or later. And of course it did, in 2001.

EIR: So, with the skills and know-how still among the workforce and families, if we can get the infrastructure drive going, what is the aluminum picture, in terms of needs?

Cooper: Well, it is an essential industry in this country. You know, the idea that we should shift our aluminum production to Australia, or Brazil, because they make cheap wages, is completely contrary to the economic and military security of the United States.

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