JAMAICA

By Peter W. Harben & J. M. Harris
Peter W. Harben Inc., New Mexico 88011 USA (www.peterharben.com)

The worldwide aversion to travel following September 11 and the war in Iraq continued to hurt Jamaica's tourism industry, the country's primary foreign exchange earner at more than US$1.4 billion. This, combined with ongoing problems with a restless workforce, increasing indebtedness, and inclement weather, hampered the Island's economy. For example, during 2002 industrial production, including mining was severely disrupted by the weather in May and June, and again in August, and included damage to Alpart's bauxite cable belt. Finance Minister, Dr Omar Davies, has declared that the Jamaican Government is now incapable of avoiding a debt restructuring and may have to seek help from the IMF.

Despite these local and global economic difficulties plus the struggles in the world aluminium industry, Jamaica's bauxite/alumina industry rebounded in 2002 to attain the highest level of output since 1974. According to Parris Lyew-Ayee of the Jamaica Bauxite Institute, the country's bauxite production reached 13.12 Mt (6.06% above the 2001 figure) and alumina production was 3.63 Mt (2.5% above the all-time record level achieved in 2001). Crude bauxite produced for export exceeded the 4 Mt mark (up 11.87% over 2001) for the first time since the March 1999 explosion at Kaiser Aluminum & Chemical Co's Gramercy refinery in Louisiana, US, which processes most of Jamaica's bauxite exports. In January 2003, Kaiser filed voluntary petitions with the US Bankruptcy Court for the District of Delaware under Chapter 11 of the Federal Bankruptcy Code, a legal mechanism that allows the company to re-organise its operations on a sounder financial footing. The company claims that there will be no disruption to the local operations.

Even so, revenues stagnated owing to a combination of weak international prices for alumina and higher production costs caused by escalating oil prices. The Memorandum of Understanding outlining the strategic development path of the industry became strained as the industrial relations climate weakened. The partners remain committed to the MU and the Prime Minister of Jamaica, the Rt Hon P.J. Patterson, has indicated that after four years of operation, a review is to be conducted with a view to strengthening the process. The basic challenges facing the sector remain: enhancing efficiency, improving productivity, and raising capacity.

Bauxite-related news in 2002 included the announcement that Alcoa World Alumina and Chemicals and the Government of Jamaica would invest US$115 million to expand the Jamalco alumina refinery in Clarendon. Jamalco is a 50:50 relationship between AWAC and the Government of Jamaica, with AWAC as the managing partner. At the same time, the Jamaican Government announced, effective when the expansion is expected to be completed in 2003, the removal of the 28-year-old levy on bauxite from Jamalco. The expansion will increase capacity by 25% to 1.25 Mt/y, which,

together with the removal of the levy, will lower costs by approximately 30%. Also, Alcoa and Jamaica's Forestry Department signed an agreement to work together to rehabilitate reclaimed mined-out lands through reforestation on the island. The five-year accord includes developing a public education programme, planting of suitable trees, and a research programme aimed at enhancing the development and reforestation of the lands. Guided by the 'no-net-loss' policy, the two organisations will work to compensate for the loss of forest cover resulting from mining operations. This move will see the establishment of new forests on selected reclaimed bauxite mined-out areas, as well as the protection and preservation of existing forests.

Kaiser Aluminum approved an expenditure of US$13.7 million at its Alumina Partners of Jamaica's (Alpart) alumina refinery to improve efficiency and support the previously announced expansion of annual production capacity to 1.65 Mt. The investment covers two separate projects scheduled for completion by the end of 2003: a new dual-feed system will enable the facility to process different grades of bauxite more efficiently and a new cooling system will improve alumina quality. The total cost of the two projects is estimated at US$21 million, 35% of which is funded by Alpart's 35% owner, Hydro Aluminium AS. Alpart mines bauxite on the south coast of Jamaica and refines it into alumina at the refinery in Nain. Alumina rated production capacity is 1.45 Mt/y, with 65% available to Kaiser. In 2000, Alpart embarked on a plan to expand its rated capacity to 1.7 Mt/y by early 2003. Alumina is shipped to the Valco plant in Ghana, to the Anglesey plant in Wales, and to external customers.

Illegal sand quarrying continues to be a concern in Jamaica and 'Operation Sand Storm' has tried to discourage the dangerous but lucrative practice. Affected areas include Lakes Pen, Grange Lane, Dunbeholden, and Harkers Hall in St Catherine, and Danks in Clarendon. Demand for sand has been outstripping supply and the Highway 2000 project needs large quantities of skid-resistant material. Preliminary results of a study to identify skid-resistant aggregate in areas of Jamaica have confirmed the presence of over 43,000 Mt of hard volcanic rocks, suitable for use in road surfacing and on airport runways. The rocks are excellent sources for generating aggregate for use in concrete mixes as well as in the manufacture of sand. Traditional sand quarrying areas are the Rio Minho River in Clarendon, Wag Water in St. Mary, Rio Grande in Portland and Hallahs and Morant Rivers in St. Thomas. Nine crushing plants provide wash sand with about triple the amount of sieve operations. Mining and Energy Minister, Anthony Hylton, signed the US$8.5 million Sedimentary Basin Resource Assessment Project in January 2002 that will analyse sand and gravel deposits in the Yallahs River and Rio Minho.

There is considerable potential in parts of the industrial mineral sector. Jamaica's calcium carbonate resources include 152,000 Mt of recoverable limestone, 350 Mt of recoverable marble, and about 350 Mt of high purity, high brightness ground calcium carbonate (GCC) or whiting appropriate for filler-grade material. GCC is now the second most important mineral exported from Jamaica after bauxite. J. M. Huber and Omya operate properties on the island near Ochos Rios. Huber, for example, exports a significant volume of

93-94% brightness chalk for processing and distribution from its Quincy, Illinois, facility in the US. Hodges Minerals Ltd was incorporated in 1988 to supply the Jamaican market with GCC from its plant at Hodges in the parish of St. Elizabeth. It has a capacity of 20,000 t/y of GCC, some of which is exported.

Central Jamaica, Rugby Lime and Minerals' US$25 million, 400 t/d lime plant in Clarendon, which includes a Cimprogetti Twin-D 85 twin-shaft regenerative kiln, has a 25-year contract to supply lime to Jamalco. Lydford Mining, based in Kingston, produces 10-15,000 t/y of fine-ground filler-grade calcium carbonates to regional markets.

Caribbean Cement Co, with Trinidad Cement Ltd as a majority stakeholder, produces around 550,000 t/y of cement from its Rockfort plant in Kingston. Overall, Planning Institute of Jamaica figures indicate that cement production has been increasing, from 504,000 t in 1999 to 595,000 t in 2001, exceeding the peak 588,000 t recorded in 1997. However, there are stirrings in the domestic industry where the government sees construction as a primary economic driver for Jamaica. Nevertheless, early in 2003, the National Housing Trust (NHT) characterised high domestic cement prices as a major impediment to the anticipated boom (along with extortion, fragmentation in the sector, inadequate on-site project management resulting in waste, and a lack of trained workers).

After Carib Cement's price rise in February 2003, builders are paying an average US$42 per bag, which the NHT claims is some 300% higher than prices outside the region. Carib Cement contends that its pricing structure is built on its cost of production, and that costs are heavily influenced by local labour rates, as well as interest rates or the cost of borrowing. The company also claims to be adversely affected by the sliding dollar, since 60% of total cost is directly foreign-exchange related. Nevertheless, Carib Cement saw its net profit increase by 28% for the year to the end of December 2002, although it still felt the return on investment was far from satisfactory.

This year's focus will be to optimise the existing plant and technology; over the next three years steps will be taken to retire low productivity lines and upgrade the existing dry process line to reduce electricity and fuel consumption. Cement sales volume grew 4% during the year, while market share grew 1% to 88% and island-wide cement sales increased moderately over the previous year. The importation of 53.56 Mt of clinker to cover shortfalls in production and provide security stock adversely impacted the company as well as the depreciation in the exchange rate, rising electricity costs, and increased insurance costs.

Carib Cement's plant consumes about 25,000 t/y of a gypsum/anhydrite blend produced by its wholly-owned subsidiary Jamaica Gypsum and Quarries. This company was acquired from the National Investment Bank of Jamaica in 1990 as part of the company's strategy to control its major sources of raw material. Production is approximately 330,000 t of gypsum and anhydrite, most of which is sold on the overseas market.

As well as marble from St. Catherine's Parish, Jamaica has been producing salt, silica sand, and stone. Some semi-precious stones like agates, jasper and carnelian are used in an indigenous jewellery industry while some mineral and spring water is being marketed abroad. Clays (80% of which are naturally coloured red) are available to produce commercial quantities of ceramics and building components. The existing reserves are 250 Mt including disordered kaolinite (near white to buff firing), red firing illite to montmorillonite and light firing clays. Most of the island's gypsum is in the Bull Bay area of eastern St. Andrew and western St. Thomas. Indicated overall reserves total some 40 Mt with recoverable reserves estimated at 5 Mt (gypsum) and 20 Mt (anhydrite).

Canadian interests, both in banking and mining, have long been involved in Jamaica. Several gold and copper anomalies associated with Cretaceous inliers and lower Eocene graben sediments have been outlined in the past. OroGrande Resources had potential deposits of copper, gold, porphyry, and skarn at its Bellas Gate property, acquired in 1991, about 65 km northwest of the capital where the island's historic copper mining started in the 1850s. Various other companies have explored for gold and copper, including BHP, Kennecott, Organa, and the Ausjam group, with interests in the Bennett Zone of the Central Inlier property.

The Australian company Ausjam Mining has temporarily suspended the operation of its commercial gold mine in Pennants, Clarendon, after a year of operations; since the feasibility stage in 1995, the company has invested US$7.5 million in the project, but has run into difficulties with its workforce, protests from local residents, and even cyanide procurement problems after the September 11 terrorist attacks. It had mined some 8,000 oz, about 23% of recoverable reserves, and the largely mechanised operation is expected to yield a total of 35,000 oz of gold in 9 and 15 ct nuggets.