

## JAMAICA

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The Jamaican economy grew by up to 2% in 2000, and there were hopes that it would grow by as much as 3% this year, underpinned by a 4% improvement in the mining sector as well as others such as apparel, which are compensating for problems in agriculture and manufacturing.

The mining sector is dominated by bauxite production which has been projected to be 13.4 Mt this year, an increase over the 11.3 Mt produced in 2000. The earnings for the bauxite/alumina sector - second only to tourism in foreign exchange earnings - amounted to US\$726 million last year, with the projected figure for this year just under US\$800 million. These increases should put Jamaica back in its traditional third place position in the production of bauxite, following world leaders Australia and Guinea, after falling to fourth behind Brazil recently. Not surprisingly Parris Lyew-Ayee, the Jamaica Bauxite Institute's general manager, concluded that Jamaica was looking at a positive future.

Cement production has also rebounded thanks to additional activity from the start of operations at Rugby Lime in Clarendon. Growth in domestic cement sales suggests improvement in the construction sector and there are major investment projects at both airports as well as several ongoing road projects which should boost the economy. The government seems to have abandoned the plan for a new 96 km stretch of north shore highway and will instead use the €80 million euros promised by the European Development Fund for the project to rehabilitate the existing road and others in the north and east of the island.

While any economic downturn in the US is not promising and could affect tourism as well as Jamaica's bauxite/alumina sector, which is

sensitive to swings in the US transportation industry, it might be offset by increased consumption in Europe and Asia. Unfortunately US drug consumption has had a continuing effect on the island which has become the region's leading trans-shipment point, while the flow of cocaine through Haiti has decreased; last year it was estimated 79 t of cocaine moved through Jamaica compared to 34 t in 1999.

The big news in the important bauxite/alumina sector came from Alcan. After operating for over 50 years in Jamaica, Alcan Aluminium is in preliminary discussions to sell its bauxite and alumina operations on the island. With its combined capacity of 1.1 Mt, Alcan had planned to double the output of one refinery, pending the completion of its merger with Alusuisse of Switzerland. However, last year's purchase of Algroup gave Alcan more bauxite and alumina than needed and the company has been looking at the best way to return to a balanced supply; it had previously announced plans to sell about US\$400 million in assets this year. Alcan employs 1,100 people in Jamaica where it has related bauxite reserves and active mines along with two alumina refineries with a combined capacity of 1.2 Mt/y of alumina. Alcan Aluminium owns a 93% interest in Alcan Jamaica Co., the Alcan division that operates the mines and refineries. The remaining 7% is owned by Jamaica Bauxite Mining, a state-owned Jamaican company.

The company has met with the Jamaican Government to advise it of its intention to sell the Kirkvine and Ewarton facilities and is apparently in talks for Swiss commodities group Glencore to buy its alumina operations on the island. A decision will depend on the outcome of due diligence, expected by the end of March. Last year it was reported that the government had made an agreement with

Glencore for the sale of alumina for a five-year period, 2000-2004, and involved a loan to the Bauxite Alumina Trading Co. (BATCO) of US\$100 million for a five-year term with payments to be offset against the proceeds from alumina earnings. Alcan's departure has been a little unsettling, but should not affect the bauxite sector this year since production commitments are made a year in advance. The big question is whether or not the new owner will be prepared to expand production.

Fortunately, Jamaica's bauxite industry received a major boost in the final quarter of 2000, with the resumption of shipments to the Gramercy alumina refinery plant in Louisiana, US, following an explosion at the plant which led to its closure earlier in the year. It consumed 2.6 Mt/y of Jamaican ore. The closure affected earnings in the sector, resulting in an export decline of 1.2 Mt of bauxite, valued at US\$24 million and 4.3% less than in 1999. Resumption of bauxite shipments to the plant will result in increased exports, foreign exchange earnings and government revenues.

California's power crisis, which has dampened bauxite production in the western US, has also helped Jamaica somewhat with prices. In addition, Jamalco, jointly owned by the Jamaican Government and Alcoa of the US, last year completed a 250,000 t expansion, lifting its capacity to 1 Mt/y. The government had struck a deal with Alcoa's Point Comfort plant in Texas to supply 400,000 t of bauxite to the plant, an arrangement which was intended to help lessen the impact on production caused by the closure of the Gramercy plant.

Plans by Alpart, the island's biggest refiner, owned by Kaiser of the US and Hydro Aluminium of Norway, to expand its Nain alumina refinery in St Elizabeth, southern Jamaica, from its present production capacity of 1.45 Mt to 1.65 Mt, were also announced by Prime Minister Patterson in December. In his April budget presentation last year, Mining and Energy Minister Robert Pickersgill said

that the plant was expanding on a gradual basis, with a US\$10 million investment, which would increase its capacity and eventually bring it up to 2 Mt/y within the next five years. Jamaica's alumina output is expected to increase by 2-3% this year according to Dennis Morrison, senior director of the Bauxite Institute. The reason for only a 1% increase in alumina production last year was that the island's refineries have been running at full capacity, with utilisation between January and November of last year mining at 97% and reaching 101% in December.

With an expected incremental increase in alumina, and further bauxite exports, total bauxite production is projected to rise by more than 20%. Nevertheless, while Jamaica's bauxite ores should last another 100 years based on current production, the industry remains troubled by high production costs and the island's oil-fired refineries which are less competitive than those in other big producer nations such as Australia. Labour unrest has been a concern, although it was alleviated by a 1998 memorandum of understanding between the bauxite companies and the unions. It may be again, however, owing to the continuing liberalisation of labour rules designed to cope with a competitive global marketplace, the expiration of contracts with the industry's three major unions in April this year, and Jamaica's declining inflation rate (6.1% last year) which will probably make wage offers more modest.

Industrial minerals are playing an increasing role on the island and, after bauxite, calcium carbonate is now the second most important mineral exported. After less than a year of producing lime in Jamaica, operators of Rugby Lime and Minerals in Clarendon, Central Jamaica, expressed satisfaction with their operations. The new US\$25 million production facility, which has a 25-year contract to supply lime to the bauxite and alumina company Jamalco, was completed last February. Lydford Mining, based in Kingston, has also made substantial

investment in its limestone-mining operations with the installation of a milling and classifying plant which will help it introduce fine ground filler-grade calcium carbonates to regional markets. The company hopes to expand output to 15,000 t/y. Total production of calcium carbonate is estimated at some 100,000 t/y. J. M. Huber and Pluess Stauffer have been operating adjacent properties near Ochos Rios.

Trinidad Cement Ltd (TCL) is the new majority stake holder in Caribbean Cement Co. (CCC). According to the company, Carib Cement will be the centre of investment with associated companies such as Jamaica Gypsum and Quarries, and management will pursue acquisitions in both the pre-mix concrete and packaging sectors to complement the cement-manufacturing operations. The group is actively engaged in the establishment or purchase of cement terminals in the Eastern Caribbean and the goal is to have them in six of its largest markets - Guyana, Surinam, Grenada, St. Lucia, Dominica and Antigua. Although the company planned to increase local sales by 5% last year while producing in excess of 600,000 t, and, having reported an increase of profit by 32% to US\$92.6 million, the net contribution of CCC was below projections. This was attributed to technical problems, depreciation of the Jamaican currency, and dumping of Thai cement on the Jamaican market which caused an 8% loss of annual market share.

As well as marble from St. Catherine's Parish (recoverable reserves of dimension marble/limestone in Jamaica are in the order of 500 million m<sup>3</sup>), Jamaica has been producing salt, sand and gravel, silica sand, and stone. 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. Some semi-precious stones such as agates, jasper and carnelian are used in an indigenous jewellery industry, while some mineral and spring water is being marketed abroad.

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). CCC consumes about 25,000 t/y of a gypsum/anhydrite blend product which is produced by Jamaica Gypsum and Quarries, whose gypsum production ranges over 200,000 t, most of which is exported.

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.

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.