



Commodities rout is bottoming out : Andrew Mackenzie

Andrew Mackenzie admitted that the collapse of OPEC and sustained slide in oil prices caught the mining giant by surprise, although there are some signs that may have bottomed, which may stem the spillover on other commodities, he said.

In December, the Saudi Arabia-led Organization of Petroleum Exporting Countries declined to cut production, even amid a global oil oversupply, leading to further price falls. Subsequent attempts by OPEC and non-OPEC producers to agree a deal on production levels have so far proved fruitless.



There are signs that the commodities rout is bottoming out, but iron ore prices still face downside risk, BHP Billiton's chief executive said. "The reality is the supply of low-cost iron ore continues to grow at a faster rate than demand is increasing," Mackenzie said on the sidelines of the Australian Financial Review Business Summit in Melbourne. "So, of all the products that we produce, it has the greatest risk of price downside, but we still make the most money in it. So, if we can continue to reduce the cost of producing iron ore in Australia, we can win market share, and we can still make appropriate profits."

Steel workers fear Tata board will reject Port Talbot rescue plan



Thousands of steel workers at Tata's giant Port Talbot site are braced for a "doomsday scenario", amid fears that the company's board may fail to back a plan to revive the ailing plant.

Executives at the Indian parent company are preparing to vote on a turnaround plan for the Welsh plant that will require a fresh cash injection of around £100m.

Port Talbot executives drew up the strategy, together with colleagues at Tata's European operations, following the 1,050 redundancies Tata announced at the site in January. Tata's parent company board in India will vote on the proposals at the end of the month. The turnaround plan envisages Port Talbot moving from £200m a year losses to a profit of £100m within two years.

However, staff believe they are being "set up to fail" amid fears they will only be given a year to turn around the plant, which many

think is too short a time to get back into the black.

With little realistic prospect of success, Tata's board is not expected to approve fresh investment, signing the plant's death warrant.

One person with knowledge of the plan seen as fundamentally strong by both staff and unions said,

"The original scheme was ambitious but achievable and the workforce bought into it. However, even senior managers don't think it's credible in the shorter timescale."

The strategy for the survival of the so-called strip business is understood to target £350m of savings and cost improvements, including mothballing one of Port Talbot's blast furnaces, as well as pay cuts.

There are also concerns about how the case for pumping further money into Port Talbot will be presented to the board in India at the meeting, scheduled for March 29. Karl Koehler stepped down as European chief executive and his replacement, Hans Fischer, has not been given the same board level representation.

Tata has invested about £3bn into its European steel operations since buying them from Corus for £6.7bn in 2007. However, since then the steel industry has slumped on

falling demand and global overcapacity. Imports of cheap Chinese steel have also hit hard. There have been calls for the Government and the EU to impose stiff tariffs on Chinese imports, but steel industry sources say those that have been implemented so far are too weak to have any impact. The scale of the challenge facing Tata was underlined when the parent company recently took an £850m writedown on its UK operations.

One senior Port Talbot employee said "We have accepted previous turnaround schemes and the jobs losses they included because there was a future at the end of them. Now it looks like we're taking more job losses and more pain with no chance of a future at the end of them.

"All we want is the board to show confidence in us by not making a decision that will condemn Port Talbot and give us the chance to achieve the turnaround."

A spokesman for Tata said "We have invested significantly in our UK operations. Recently we have sought to reduce costs to become more competitive and better able to withstand extremely challenging market conditions. The environment for steelmaking is not improving and Tata continues to invest considerable amounts into its UK business just to sustain operations."

A spokesman for Community, the steelworkers' union, said "We are committed to working responsibly with Tata to secure a long-term future for Port Talbot and the whole UK steel industry. Everyone knows that times are tough but the workforces have achieved everything asked for them and deserve the continued support of Tata."