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Canada

Alcan Faces Shareholder Ire Over Project Plans

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By Robert Melnbardis

MONTREAL (Reuters) - Alcan Inc. faced the ire of a different type of shareholder -- human rights advocates, politicians and union leaders -- at its annual meeting on Thursday, but the big aluminum maker emerged with little apparent change to its development plans.

Alcan, the world's second-largest maker of primary aluminum, has a full slate of plant projects to consider as it benefits from buoyant prices for the metal.

It is examining whether to develop the proposed \$2 billion Coega aluminum smelter in South Africa.

Travis Engen, president and chief executive, said Alcan has not had talks with SUAL, Russia's second-largest aluminum producer, which is reported to be interested in participating in the project.

Alcan is on track to cut \$360 million in costs by the end of this year stemming from its \$5.2 billion acquisition of France's Pechiney, Engen added, and is busy steering the \$1.3 billion expansion of its Gove alumina refinery in Australia.

Alcan's 45 percent owned Utkal Alumina International Ltd. project in the Kashipur region of India's Orissa state, which includes the development of a new bauxite mine and up to 1.5 million tonaluminum refinery, drew the most persistent commentary and questioning at the annual meeting.

Members of "Alcan't in India," a Montreal-based advocacy group, demanded the company withdraw from the \$1 billion Utkal project, whose other joint-venture partner is Hindalco Industries Ltd., India's top aluminum producer.

The project has already been delayed by some seven years because of protests by social groups and about 147 families reluctant to make way for its development.

Alcan't member Sarah Heiberg warned that Alcan risks hurting its corporate image if it becomes further mired in the turmoil over whether people are being forced from their homes and land to make way for the Utkal project.

"Alcan has reason to be concerned about your image," she said.

Engen acknowledged that a number of people have died in India in the dispute over the "very troubled" project. Utkal has to satisfy a number of environmental and financial conditions and address the question of community support before its development can

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proceed, he said.

"We as a management team, and certainly the board, is not going to authorize a program in India, or anyplace else, where these kinds of questions continue to exist," Engen said.

Alcan indicated that the Utkal project has offered a rehabilitation and resettlement package to residents that would be displaced by the construction of the refinery. Alcan's members said local residents have opposed being moved, and fear the destruction of a spiritually important hill in the area.

Engen also faced a grilling from Richard Wozney, mayor of the British Columbia town of Kitimat, which earlier this month launched its second court challenge against Alcan exporting electricity from its adjacent Kemano hydro-electric plant.

The town wants the British Columbia Supreme Court to rescind provincial orders allowing Alcan to export electricity from Kemano. Water rights for Kemano should be devoted exclusively to industrial development, such as expansion of the smelter, and not exported in the form of surplus power to make profits, Wozney said.

"If Alcan continues down that path, we will be challenging your water licenses," he said.

Engen said Alcan is currently exporting no electricity to the United States, but has a contractual obligation to sell surplus power to B.C. Hydro. The Kitimat smelter is running at 92 percent of capacity, Engen said.

Alcan shares fell 19 Canadian cents at C\$40.31 in Toronto and were down 29 cents at \$32.14 in New York on Thursday.

(\$1=\$1.25 Canadian)

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