

WRAPUP 7-Chile Codelco braces for Chuqui copper mine strike

2009-12-29 22:13:08 GMT (Reuters)

[View Comments \(0\)](#)

[Previous News](#) | [Next News](#)

 [Text Size](#)

 [Print](#)

 [Email](#)

 [Add a Comment](#)

- * Codelco says braces for strike after Chuqui vote
- * Short strike seen most likely scenario
- * Altonorte smelter strike, coincides with maintenance
- * Supply threats help boost LME copper above 15-month peak (Updates with President Bachelet comment, details)

By Alonso Soto

CHUQUICAMATA MINE, Chile, Dec 29 (Reuters) - Chile's Codelco, the world's No. 1 copper producer, on Tuesday braced for a strike at its giant Chuquicamata mine, after workers rejected a wage offer, stoking supply fears on global markets.

A strike could start within days at Chuquicamata, which produces around 4 percent of the world's mined copper, though analysts expect any stoppage to be short.

State-owned Codelco said it was analyzing whether to seek five days of government mediation to head off a strike, and would use "all appropriate mechanisms". However, company sources at Codelco said mediation looked unlikely.

A strike could curb production at the complex by around 1,800 tonnes a day. Copper prices shot up 3 percent to 15-month highs in London on supply fears, but slipped later in New York on other factors.

Chuquicamata union leaders had expected workers to accept Codelco's wage offer, and said the vote to reject the deal was close, with just a few dozen votes tipping the balance

Some workers scuffled with union officials after the vote, spraying water and chanting "Together, Chuqui will never be conquered".

A strike at the Chuquicamata complex, which had been on course to produce 565,000 tonnes of copper this year, would be the most serious by Codelco's unionized workers since 1996.

President Michelle Bachelet, whose government has relied heavily on billions of dollars in windfall copper savings to fund fiscal stimulus to counter the impact of global financial crisis and Chile's first recession in a decade, appealed to workers to reconsider.

"I hope the workers look again at the company's proposal, which seems serious, reasonable and interesting, and hope they decide to accept it and not carry out a strike which would hurt us all," Bachelet said.

Juan Carlos Guajardo, head of the influential mining industry think tank Cesco, said he did not expect Codelco to seek mediation. "That means the responsibility for how this crisis unravels is in the hands of union leaders," he said.

Guajardo said Codelco "is betting that the union leaders will be able to turn this around. There is a clear contrast between the responsible, realistic vision of the union leaders and the unrealistic vision of the workers."

Strikes and stoppage threats have buffeted Chile this year as workers sought a bigger slice of windfall profits as copper prices rebounded from a steep slump late last year.

Strike fears helped push copper prices up nearly 3 percent on Tuesday on the London Metal Exchange to its highest level in more than 15 months. Copper for three-months delivery, rallied as high as \$7,290 a tonne, its highest since September 2008.

Later, copper slipped on the New York Mercantile Exchange's COMEX division due to a stronger dollar and broad profit taking in commodities markets.

"If the company does not ask for mediation, the strike would begin on Dec. 31," said Victor Galleguillos, head of one of the three unions that negotiated jointly with Codelco. However, other union leaders said a technicality, coupled with the New Year holiday, could mean a strike would begin on Jan. 4.

If the company opts for mediation, and fails to clinch a deal, a strike would likely begin in early January.

A strike would afflict Codelco with production losses just as the company was set to break years of dwindling output thanks to an investment plan to upgrade older mines.

CODELCO READY TO FACE STRIKE

One Codelco official said the company was prepared to face any strike and had enough stocks to meet delivery commitments.

Analysts have said Chile could face more mine union strife if voters elect center-right presidential front-runner Sebastian Pinera, who wants to sell up to 20 percent of state-owned Codelco, in a Jan. 17 run-off.

Rejection of Codelco's wage offer underscores rank and file disenchantment with union leaders. While a strike at Chuquicamata would deal Codelco a setback, the company does not face another round of major wage negotiations until late 2010.

"The market will sit up and watch. But price action will be blurred by moves in the dollar, the LME catch-up over the holidays and closing positions ahead of the year end," said Mark Pervan, senior commodities analyst at ANZ.

"Historically these strikes are not protracted events. I think we could see a resolution early next year," he added.

ALTONORTE STRIKE

The Chuquicamata strike vote came after union workers at Chile's Altonorte smelter on Monday began a strike. The smelter's owner Xstrata had already cut output for for maintenance work set to last nearly a month.

At the Altonorte smelter, a prolonged strike could delay some anode shipments and force mining companies to sell concentrate to other smelters. For data on global smelter output please see: <http://bond.views.session.rservices.com/Metals/>

Altonorte's 274 union workers downed tools at the complex, which produced 232,000 tonnes of copper anodes last year, and blocked access roads. The workers accuse Xstrata of timing the general maintenance to undermine their strike.

"The only thing the company has told us is there's no money, that miners can strike for a month (if they like)," said Abdiel Sepulveda, head of Altonorte's union No. 1. "We are not letting anyone in."

Company officials were not immediately available for comment. (Additional reporting by Nick Trevethan in Singapore, Fiona Ortiz in Buenos Aires, and Alvaro Tapia in Santiago; Writing by Simon Gardner; Editing by Marguerita Choy).