



Alcoa power

NYPA reform should maintain allocation

THURSDAY, SEPTEMBER 24, 2009

The 478 megawatts of preservation power for Alcoa operations at Massena supporting hundreds of jobs could be in jeopardy under the recommendations from a New York City-based organization to overhaul the New York Power Authority's economic development programs.

One of NYPA's nine programs under scrutiny by the Citizens Budget Commission is the preservation power program that for the past 50 years has reserved low-cost power from the St. Lawrence-FDR Power Project for Alcoa. According to the commission's study, NYPA is not getting a fair return on its Alcoa investment when the benefit of the low-cost hydropower is calculated as a per-job subsidy.

Taking note of the recently negotiated contract with Alcoa, Elizabeth Lynam, one of the report's authors, noted that the aluminum maker is receiving \$150 million worth of power annually to sustain 900 jobs and pave the way for a \$600 million investment in its Massena operations.

"That tradeoff is questionable," she said.

The CBC recommended phasing out all of the current programs as they expire. Northern New Yorkers should not be lulled into complacency because the latest Alcoa contract does not expire until 2043. Taking note of that, the CBC suggested that the "terms of that subsidy may warrant re-examination before the expiration date."

In many ways, the CBC offers justifications for maintaining the subsidies. The CBC takes exception to NYPA's concentration of hydropower on traditional or legacy manufacturing interests while recognizing the vital role companies like Alcoa play: "In general, manufacturing firms in upstate New York pay higher wages than the average among other industries in those regions, and the firms are important to the health of the communities."

The CBC conceded that the "manufacturing sector in New York is not likely to grow" as it faces competition from globalization. A major factor is the high cost of electricity. The cost of industrial power in New York is 50 percent higher than the national

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average. And it would be even higher without the "deep subsidies extended to a small number of large manufacturing concerns."

For the CBC, it becomes a matter of who should receive the subsidies, and their preference is for "high tech, clean tech, and other high-value-added industries. But that cannot come by denying Alcoa, a mainstay of Northern New York's economy, the low-cost preservation power it was promised and which has kept it in New York state.

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