Mitsubishi announces 600 further job cuts in Australia

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After months of speculation auto manufacturer Mitsubishi confirmed last week that it plans to slash 600 jobs from its combined workforce of 4,200 strong at two plants in Adelaide, South Australia—the Tonsley Park car plant and the engine factory at Lonsdale. Annual production targets have been reduced from 70,000 units to just 40,000.

Local managing director Noria Takenhara said on Thursday that the job losses would come from administration and management and not from production. He cited “global overproduction” and a 17 percent slump in domestic sales in the second half of last year as the underlying reasons. Mitsubishi imports many of its components and as a result has been hit by the decline in the value of the Australian dollar.

Federal Industry Minister and South Australian Senator Nick Minchin welcomed the announcement saying that he was “delighted that the company is intent on ensuring the long-term viability of its employees.”

Yet despite Takenhara's statement that Mitsubishi in Australia would become a “smaller long-term operation” aimed at the domestic market rather than exports, the parent company has not ruled out further job cuts or even plant closures. Mitsubishi Motors president Katsuhiko Kawasoe warned in Tokyo last week that the Australian operation “has to become profitable or at least break even”

It may be an impossible objective. Even after cost cutting measures last year including the loss of 300 production jobs, Mitsubishi's Australian profits continued to plummet. In April the company reported a $130 million loss to December 1999, its worst result in 20 years. Unit sales dropped last year by $A180 million while the sale of the Magna, the company's leading model, slumped to 37,900, down from 59,000 in 1997.

In 1997, under pressure from car manufacturers and following threats by Mitsubishi that it would wind-up production, the Howard government suspended plans to end tariff protection for the car industry until 2010. The trade unions immediately heralded the decision as a victory guaranteeing job security for workers. However, with or without tariffs, major restructuring has continued.

Sydney Morning Herald economic commentator Alan Wood pointed out last Friday that Mitsubishi's decision demonstrated that tariffs did not protect jobs. “Yesterday's announcement from Mitsubishi explained the job losses in terms of adverse currency movements, global over-production and softening of domestic demands. Whatever Mitsubishi might say, there are a lot more jobs to go than the 600 announced yesterday,” he warned.

The cuts at Mitsubishi Australia are not determined by the company's national performance but by wider international considerations. The downsizing is part of a major global restructuring program announced by Mitsubishi last October to cut costs by $US3 billion by 2001. The plan included axing 9,900 jobs from international workforce of 88,800 over the next four years, including more than 1,400 production and clerical jobs in Japan.

Mitsubishi has recently come under sharp pressure to step up its restructuring following Daimler-Chrysler's $US2 billion purchase of a one third holding in the company. The German-US automotive giant has a power of veto over the Mitsubishi board and is demanding that the company take urgent measures to drastically reduce its massive debts of 1.75 trillion yen ($A27 billion) over the next three years. It is insisting that Mitsubishi concentrate future investment in its “super efficient production plants in Malaysia and Thailand” to take advantage of cheap labour and the

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local investment incentives.

Chronic overcapacity and falling profits in the international auto industry are fueling a rash of mergers and takeovers. The recently formed Renault-Nissan alliance is seeking to buy the failed South Korean car conglomerate Samsung Motor. Ford is out to purchase the Land Rover and Jaguar brands and at present General Motors, Ford and Fiat are competing with Daimler-Chrysler to take over ailing South Korean automaker Daewoo Motors.

Such mergers inevitably lead to huge job losses and plant closures. At Renault's insistence, Nissan announced an aggressive restructuring program last year to slash 21,000 jobs by April 2003 and to close three assembly plants and two engine factories in Japan.

Under these conditions, the jobs of the 3,400 workers in Mitsubishi's relatively small operation in Australia are far from secure. As the company secretary Robert Gardner commented last week: “It has been made quite clear to us that as long as we are profitable, then there is not a threat to our future.” To make the obvious point, the reverse is also the case.

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