

# Australian government hands over millions more dollars to Mitsubishi

Terry Cook  
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Mitsubishi Motors Australia has once again succeeded in wringing a multi-million taxpayer-funded assistance package out of the South Australian and federal governments.

In all, the package amounts to a tidy \$85 million. The State Labor government will provide \$50 million made up of \$40 million in cash over five years and \$10 million in concessions over 10 years, while the Federal government will hand over another \$35 million. The offer is independent of the funding available to car companies through the Federal government's \$2 billion Automotive Competitiveness and Investment Scheme.

Following the endorsement of the generous deal at the parent company's board meeting in Tokyo on April 27, Mitsubishi declared it would invest \$976 million to upgrade its engine plant at Lonsdale and the Tonsley Park car plant, both located near Adelaide.

The handout has provoked sharp criticism of the Howard government among the more globally aligned corporate sectors that are hostile to any relapse into protectionism. Rupert Murdoch's *Australian* fired off a salvo in an editorial entitled "Mitsubishi bailout mocks free trade" on April 27. "[The] practice of propping up Mitsubishi has become such a ritual of late that the treasurer should start thinking about giving special allocations in next month's budget," it proclaimed, also slamming the South Australian government for "basing the state economy on corporate welfare".

The editorial expressed particular concern that the decision to subsidise Mitsubishi came on the eve of the visit to Australia of Japan's Prime Minister Junichiro Koizumi, warning that it may affect discussions on Japan ceasing to prop up uncompetitive corporations and begin a greater opening up of its economy.

The latest handout to Mitsubishi is the result of an intense pressure campaign conducted by the company

over the past months, including renewed threats that it would close down its operations in South Australia and move offshore if the money was not forthcoming. Originally the company demanded a \$140 million government package.

Over the last three years, Mitsubishi has used similar tactics to gain its ends. In August last year the company raked in \$200 million in federal assistance as well as a \$20 million interest free loan from the state government after it threatened to exit the country, close its operations and destroy some 3,400 jobs in the process. In 1997, Mitsubishi threatened closure as part of a successful campaign by the car companies to push the Howard government to maintain auto tariffs at least until 2005.

Announcing the \$85 million package, both State Labor Premier Mike Rann and Prime Minister John Howard went to lengths to deny it was a "corporate handout" or "bailout". Rann claimed that whereas the former Liberal state government "used to hand out cheques" and "hope that people would not leave the state" the latest deal was about "using tax payers' dollars to leverage a future, extra investment and thousands of new jobs."

Howard made similar claims saying the deal "ended the year-to-year uncertainty about the future of Mitsubishi in Australia" and that the package was "necessary" to "secure Australia's place in a global industry". The car unions, who participated with their members in company-sponsored "celebrations" at the plant this week to mark the governments' decision, also welcomed the deal.

However, a closer examination shows that the deal will not create "thousands of new jobs," nor will it guarantee an ongoing future for car workers. In fact, Mitsubishi has gained tens of millions of dollars

without making any meaningful or substantial commitment.

Mitsubishi gave an undertaking that it would employ 900 extra workers at its two Adelaide plants and establish a so-called global market research centre in South Australia, supposedly creating another 300 jobs. But the proposed recruitment merely replaces the more than 1,000 jobs the company has shed since 1999 in its drive to slash costs and increase productivity. Mitsubishi is again looking to boost production inordinately, while employing only a small amount of additional labour. According to a company spokesman the Australian operation will increase its yearly production output from 48,000 units to about 74,000.

Moreover, the new deal gives no concrete guarantees that Mitsubishi will remain in Australia for the next decade. The transnational's operations are under continuous review and have been subjected to ongoing restructuring over the last three years. In 1999, Mitsubishi began a three-year campaign to cut costs across its global operations, axing nearly 10,000 jobs internationally to reign in a 1.75 trillion yen (\$A27 billion) debt.

The company still faces intensifying competition in both international and domestic markets that are already suffering from chronic overcapacity. Given this, Mitsubishi may yet enforce another round of mass layoffs across its global operations, including in Australia.

Even so, the latest Australian profit returns and sales figures demonstrate all too well that Mitsubishi does not require government assistance to undertake expansion or upgrade its Australian facilities, and the \$85 million is just extra icing on an already bountiful cake.

According to a report given in March by Mitsubishi Australia's CEO Tom Phillips, the company registered a \$16.1 million after tax profit for the year ending December 2001, turning around a \$130 million loss in 1999. Sales revenue for 2001 was \$2,579.5 million, up from \$2,471 million in 2000, as opposed to a \$180 million sales decline the previous year. The Australian operations contributed a healthy 5 percent to the parent group's sales in the business year ending March 2001.

Phillips attributed the remarkable profit recovery to "continuing cost reductions and productivity improvements as a result of the restructuring

implemented in 2000". He failed to mention the company's 2000 restructuring plan rested directly on the destruction of over 600 jobs, an outcome that was fully backed by the car unions.



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