

# Mitsubishi workers face layoffs and closures

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Tens of thousands of workers employed by Mitsubishi Motor Corp (MMC) are facing an uncertain future following developments last month that could lead to the liquidation of the ailing auto manufacturer or further drastic global restructuring and downsizing.

The company's entire global operations were placed in doubt following an announcement by DaimlerChrysler AG (DCX) on April 23 that it was withdrawing from an \$8.8 billion (700 billion yen) bailout plan. DCX owns a 37 percent controlling stake in MMC. DCX Chief Executive Juergen Schrempp declared the reason for ditching the bailout was "we did not see an acceptable return for our investors in the foreseeable future on the financial burden we would have to accept".

Directly threatened are 44,400 jobs worldwide, including 13,600 in Japan, 4,600 in the United States, 3,500 in Australia and 4,800 in Europe, as well as the existence of auto plants in Thailand and the Philippines. Many thousands more jobs in associated industries reliant on MMC are also under threat.

The closure of MMC's two plants at Lonsdale and Tonsley Park near Adelaide in South Australia (SA), for example, would result in the destruction of 3,500 jobs directly and thousands more jobs in component suppliers, dealerships, transport and services. Victorian companies do \$500 million worth of business with Mitsubishi's Adelaide operations each year and the SA government believes more than 20,000 jobs would be lost if operations close. Last week the Japanese daily newspaper *Nihon Keizai Shimbun* claimed that it had viewed documentation indicating that at least one of the Adelaide plants was slated for closure.

In the wake of the DaimlerChrysler decision, the Mitsubishi group of companies, comprising Mitsubishi Corporation, Mitsubishi Heavy Industries and Bank of Tokyo-Mitsubishi, announced the formation of a working group of 40 top Mitsubishi managers to pull together an alternative bailout plan. The Mitsubishi group collectively owns 23 percent of the auto manufacturer. Whether the outcome of the intervention will be enough to keep the ailing MMC from going under is far from certain.

Despite continuously restructuring its worldwide

operations, including the shedding of more than 10,000 jobs internationally over the last four years, Mitsubishi Motor Corp remains in debt to the tune of a trillion yen (\$US10 billion). Plagued by plunging car sales in Japan and massive losses in North America, with bad debts stemming from deposit free and interest free loans, MMC is forecasting a 72 billion yen loss (\$661 million) for the fiscal year ended March 31.

Company profits over the last years were also hit by the recall in 2000 and 2001 of two million vehicles and a further 130,000 by affiliate Mitsubishi Fuso Truck and Bus Corp in recent months. Revelations that the company covered up the reason for the recalls—a dangerous wheel hub defect—have severely damaged the brand name. The defect caused the death of at least one person—a 29-year-old woman in Yokohama who was killed when a 140-kilogram wheel came adrift from a moving Mitsubishi truck.

Adding to the company's crisis, police recently arrested seven senior Mitsubishi executives on suspicion of filing false reports to the transport ministry about the defect and the accident. Among those arrested was the former chairman of the Mitsubishi Fuso Truck and Bus Corp, Takashi Usami.

The depth of the crisis gripping Japan's fourth largest auto manufacturer was revealed in comments to the media by its newly appointed chief executive, chairman and president Yoichiro Okazaki, following a meeting of 300 angry shareholders in Tokyo on April 30. Okazaki, a former Mitsubishi Heavy Engineering executive declared: "We realise our company is in such serious trouble its very existence is in question." He declined to comment on "prospective plant closures, job cuts or financing". Okazaki was brought in after the sudden resignation on April 26 of DCX-appointed Rolf Eckrodt, just three days after the company pulled the plug on the bailout plan.

To date, Okazaki and his team have foreshadowed a possible injection of just \$2.5 billion to fund a new revival plan, far short of the original \$8.8 billion DaimlerChrysler bailout package. There is speculation within investment circles, however, that the Mitsubishi group may abandon the revival plan altogether and cut the loss-making automaker adrift.

In an April 28 article in the *Australian Financial Review*, Tokyo correspondent Brendan Pearson warned that despite the group's prompt initial response to the MMC crisis, "the ties that bind Japan's largest general trading company (the Mitsubishi group of companies) are weaker than ever before" and "doubts about the economic wisdom of the rescue are becoming more pronounced".

Pearson continued: "The question being heard louder in Tokyo is whether a costly bail-out of Mitsubishi Motor makes economic sense for other members of the group." In fact, some of the group's companies are themselves facing severe financial difficulties, with profits at Mitsubishi Heavy Industries down by 60 percent this year, while Bank of Tokyo-Mitsubishi is already carrying most of the \$10 billion MMC debt.

DaimlerChrysler could use its power of veto to oppose any revival plan that cuts across its own interests or reduces its controlling share. Tensions between DCX and MMC sharpened after Mitsubishi Motor CEO Okazaki told the media that, whereas in the past, Mitsubishi was seen as comprising "one part of DaimlerChrysler's overall global strategy," the revival plan was about "what we will do for MMC, as a Japanese (car) manufacturer, to survive".

According to a report in the London-based *Financial Times*, DCX has rejected requests from MMC that the German company surrender its right to veto decisions made on the MMC's Japanese board, and that it reduce its shareholding to as low as 20 percent. On May 3, DCX CEO Juergen Schrempp said the company considered its "strategic stake" to be "very important" and "has no plans to dilute it". Given this, DCX would veto any moves by shareholders to force any capital restructure that could reduce its control.

To maintain its grip, DCX may also block any future move by MMC to seek a merger with another major auto producer—a development that financial circles claim is necessary for any chance of survival. Yasuaki Iwamoto, an analyst with Okasan Securities Co, said this week that MMC would need to seek outside help if it wanted to make a "turnaround likely to cost hundreds of millions of yen".

In line with its practice in other countries, where it has used the threat of plant closures to extract concessions, Mitsubishi Motor is hoping that the Japanese government, concerned about the impact of the collapse of a major company on the country's fragile economic recovery, may be persuaded to inject funds.

In Australia, for example, Mitsubishi has, since 2000, been able to wring tens of millions of dollars out of the South Australian (SA) and federal governments, both fearful of the political fallout that would inevitably follow the closure of the two Adelaide plants. In 2002, Mitsubishi announced a

rescue plan for its Australian operations after the two governments agreed to a handout worth \$A84 million.

In 2001, the company received \$200,000 in Australian federal grants and a \$20 million interest-free loan from the SA government. Funding has also been made available to car companies, including Mitsubishi, through the federal government's \$2 billion Automotive Competitive and Investments scheme.

The company has used the threat of closure to rip lucrative concessions from its Australian workforce. With a reduced workforce, down from 4,200 in 2000 to the current 3,500, Mitsubishi announced last year that it would increase yearly output at its Adelaide car operation from 48,000 to 74,000 units.

Tokyo, however, may not be able to pull Mitsubishi's coals from the fire. It has been under constant pressure from international financial circles to end the practice of stepping in with public funds to bail out uncompetitive and failing corporate entities. Under these conditions, the government may be forced to turn its back on Japan's only loss making auto producer, which wants 500 billion yen in financial aid.

Whatever the outcome of the various machinations underway in corporate and government circles, Mitsubishi workers around the globe will be made to pay for a crisis which is not of their making. Any "revival" of Mitsubishi will, as in the past, be achieved only at their expense, involving the shedding of thousands more jobs and the undermining of working conditions to drive up productivity even further.

It is essential, therefore, that workers in Mitsubishi plants in the US, Holland, Thailand, Australia and the Philippines, devise their own plan to oppose the attacks being prepared by the corporate chiefs. To avoid being played off one against the other, Mitsubishi workers must unite across national borders and conduct a common struggle in defense of jobs and working conditions.



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