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Analysts question Mitsubishi's long-term viability

Reporter: Mark Simkin

KERRY O'BRIEN: Welcome to the program.

The last thing any Australian government wants is fresh turmoil at Mitsubishi.

Earlier in the year, the ailing car maker closed one of its Adelaide plants as part of an international survival plan.

Since then though, things have gone from bad to terrible for the Japanese company.

Several of its former top executives are now on trial, accused of covering up dangerous vehicle defects.

New car sales have plunged - the last figures show a 45 per cent drop from last year.

Things are so bad, auto analysts are questioning the long-term viability of the company.

Obviously, that's bad news for Australia and the thousands of jobs that rely on the remaining Mitsubishi factory.

Mitsubishi's president has told the *7:30 Report* that the company remains committed to its Australian operations.

But independent experts say it's more likely than not that they will eventually be closed.

Tokyo correspondent Mark Simkin reports.

MARK SIMKIN: In a tiny apartment, two hours drive from Tokyo,

Yoko Musada prays for her dead daughter.

YOKO MUSADA (TRANSLATION): I honestly do not know what is wrong with Mitsubishi Motors.

I fell into complete darkness with the death of my daughter.

She was doing nothing wrong, but died so suddenly.

MARK SIMKIN: Shiho Okomoto was walking down the street with her children when a wheel flew off a Mitsubishi truck, crushing her skull.

At first, Mitsubishi blamed the truck driver, accusing him of not servicing the vehicle, but it turned out the cause of the crash was a manufacturing fault, a defect Mitsubishi allegedly covered up.

YOKO MUSADA (TRANSLATION): If the company had dealt with the problem right away and fixed it, my daughter would not be dead.

No other car company has behaved like this.

I cannot forgive Mitsubishi Motors.

I think it is a company that should disappear.

MARK SIMKIN: It wasn't an isolated incident.

Eight former top executives have been arrested, accused of deliberately hiding defects they knew could lead to accidents.

Dozens of accidents allegedly could have been prevented.

In 2002, a man died when the clutch on his Mitsubishi truck failed.

The company had known about the potential problem for years, but because it wanted to avoid a costly recall had done nothing about it.

Several trials are under way.

Even though Mitsubishi has admitted to the cover-ups, most of the defendants are pleading not guilty.

Mitsubishi is now desperately trying to restore consumer confidence, recalling hundreds of thousands of vehicles, offering free inspections and investigating past problems.

But the damage has been done.

Many people in Japan now associate its vehicles with deceit and danger and want nothing to do with them.

CHIZUKO SATSUKAWA, STANDARD & POORS: We are not optimistic at all.

It may take long to see sales recovering because once consumers have lost confidence in the safety of their vehicles, it's just too hard to recover it immediately.

We still keep the negative outlook because we are not certain about the viability of the company.

MARK SIMKIN: Visit a Mitsubishi car yard in Tokyo and this is what you will see - lots of cars, no customers.

For the staff, the traditional morning meeting is a sombre affair.

AKIHIRO MORIYAMA, MITSUBISHI DEALER (TRANSLATION): I realise it's difficult to promote the sale of new cars, but there were no sales at all last weekend.

This weekend is a long weekend, so I hope a car will get sold.

MARK SIMKIN: At meeting's end, the staff hone their sales techniques, practising their thank-yous.

But for Mitsubishi staff, there are fewer and fewer customers to say thank you to.

AKIHIRO MORIYAMA (TRANSLATION): Our sales are 50 per cent of what they were one year ago.

Sales last year weren't good, but this year is much worse - just half of what it was.

MARK SIMKIN: It's the same story across the country.

Six months ago, Mitsubishi was selling 60,000 new cars a month.

Now the figure is closer to 10,000.

Profits have crashed too.

In the 12 months to April, the company lost \$2.7 billion.

The police, military and scores of local governments are all refusing to buy Mitsubishi vehicles.

SHINTARO ISHIHARA, TOKYO GOVERNOR (TRANSLATION):
Luckily my car is not a Mitsubishi.

To tell the truth, I feel frightened whenever a Mitsubishi bus or truck pulls up beside my official or private car.

This is a shameful story.

MARK SIMKIN: Earlier this year, the manufacturer unveiled a rescue package.

Some of Mitsubishi's affiliates, including a bank and ship builder, pumped cash into the car maker.

Jobs were cut, factories closed, including an engine plant in Adelaide.

HIDEYASU TAGAYA, PRESIDENT, MITSUBISHI MOTORS
(TRANSLATION): What I feel is that all our employees have a great sense of crisis.

The situation is very serious and indeed this is our last chance.

We've struggled so much in June and July with our domestic sales, but things will start to improve little by little.

We are implementing our restructuring plan so that we will be in profit by 2005.

MARK SIMKIN: Shitiasu Tugao is Mitsubishi's president and chief operating officer.

He believes the company is on the road to recovery and has a message for Australia: The remaining Adelaide plant is safe, as long as it remains profitable.

HIDEYASU TAGAYA (TRANSLATION): Of course it's business, so if the business is doing well, we may increase head count, but if the business is not going well, we may reduce head count.

However, the operation in Australia is going according to plan now so we have no plans for further cuts at the moment.

We think Australia is a very important operation for us.

As long as the operation remains sound we will continue it.

MARK SIMKIN: But auto analysts are not convinced, pointing out that the safety scandal has turned a bad situation into a shocking one.

Kogi Endo believes Mitsubishi needs to find another company to take it over and if it can't find one, the car maker could be broken up or worse.

KOGI ENDO, CREDIT SUISSE FIRST BOSTON: Well, there is no point to keep this business so that the Mitsubishi group company will say, "Well, we're just going to stop making cars."

MARK SIMKIN: So that could be literally the end of the road for Mitsubishi.

KOGI ENDO: Uh-huh, uh-huh.

MARK SIMKIN: At the very least, it seems more cost cutting is inevitable if the car maker is to survive and that could mean more bad news for Australia.

One of the top industry analysts here in Tokyo believes the chances of the Adelaide operations remaining open in the long-term are less than 50 per cent.

KOGI ENDO: Especially for the next few years they have to really concentrate on this strategically, and, to me, Australia is very important, but probably not the most important of the top three important area for Mitsubishi to survive.

So if that's the case, I think it's always possible for Mitsubishi to close down its plant in Australia.

MARK SIMKIN: While the pressure is on the Adelaide workers to improve productivity and profit, their ultimate fate is likely to be determined by factors outside their control - scandals and crises not of their own making.

KERRY O'BRIEN: And I should point out that Mitsubishi Australia has had one voluntary recall in recent years, involving fewer than 300 Starwagons.

Owners should have been notified several months ago, but anyone with

concerns should contact their local Mitsubishi dealer.

That report from Mark Simkin in Tokyo.