

Nissan, Mitsubishi Put Aside Differences For OEM Partnership

Tomoko A. Hosaka, Associated Press

TOKYO (AP) — Nissan Motor Co. and smaller rival Mitsubishi Motors Corp. will deepen business ties to get ahead in the fiercely competitive global car industry, including establishing a minicar joint venture in Japan that could eventually expand to other countries.

In the agreement announced Tuesday, the two Japanese automakers will also make more cars for each other under what is known as an "original equipment manufacture" or OEM partnership. Under such a deal, one automaker supplies vehicles to another automaker to sell under its own brand, enabling companies to lower production costs through economies of scale.

Nissan will produce a small van to be sold under the Mitsubishi brand for the Japanese market, while Mitsubishi will make an SUV sold under the Nissan brand in the Mideast, the companies said.

To cope with capacity shortfalls in Thailand, Nissan will shift production of its brisk-selling Navara pickup truck to Mitsubishi's plant in Thailand, said Nissan CEO Carlos Ghosn. It may collaborate on a new one-ton pickup model as well.

"In the global auto industry, cooperation on specific projects among automakers is becoming increasingly common," Ghosn said at a joint press conference with his Mitsubishi counterpart.

"It is, in fact, a signal of how our industry is evolving to sustain success over the long term, by leveraging size, scale and investments more effectively to create more value," he said.

News of the deal leaked out before the announcement, sending investors scrambling to buy Mitsubishi shares. The issue surged 8.5 percent, while Nissan rose just 0.3 percent.

In Japan, Nissan aims to bolster its market share to 15 percent from the current 13 percent. To do that, Ghosn said, it needs to increase its presence in the growing minicar market — an area of particular expertise for Mitsubishi.

The two companies are moving to establish a 50-50 joint venture next year and release a new minicar model in 2012. Mitsubishi President Osamu Masuko said he hopes the JV will fuse his company's design and production know-how with Nissan's strong purchasing power.

Mini vehicles are defined by specifications unique to Japan: maximum length of 3.4

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meters (11.15 feet), width of 1.48 meters (4.86 feet), height of 2 meters (6.56 feet) and engine displacement of less than 660 cc.

The category is popular in Japan for its money-saving potential, including lower fuel costs and taxes, as well as maneuverability in narrow back streets. They currently comprise about a third of Japan's annual vehicle sales.

With demand for low-cost cars growing around the world, Ghosn said minicars have potential in overseas markets.

A strong backbone in Japan "allows us to really come with the products that could be competitive even outside Japan, and we want to pursue this opportunity with Mitsubishi," he said.

Nissan and Mitsubishi aren't the only ones eyeing the minicar market. In September, Toyota Motor Corp., the world's biggest automaker, announced plans to expand its product line to include minivehicles made by subsidiary Daihatsu Motor Co.

Nissan and Mitsubishi may collaborate on electric cars sometime in the future, but it's "too early" to embark on anything concrete, Ghosn said.

Nissan makes the Leaf, among the world's first mass-market electric vehicles, which was rolled out last week. Mitsubishi's i-MiEV electric minicar went on sale in Japan in April.

"There is no absolute opposition to cooperation," Ghosn said. "We can, if we have a win-win situation, if we have mutual benefits."

AP Writer Mari Yamaguchi contributed to this report.

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