

# Japan post-Fukushima: Moves to oust Kan may be linked to politicians in TEPCO's pocket

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## **HIDDEN AGENDA: Moves to oust Kan may be linked to politicians in TEPCO's pocket**

Naoto Kan may leave a lot to be desired as a prime minister, but one thing's certain—he's never taken a dime from Tokyo Electric Power Co., the operator of the Fukushima No. 1 nuclear power plant.

Kan's complete independence from TEPCO money—and pressure—may be the real reason so many lawmakers are trying to push him out the door. His calls to shift Japan away from nuclear energy and to break TEPCO into separate companies that handle power generation and power transmission threaten some very powerful special interests.

There are many lawmakers in both the ruling Democratic Party of Japan and the opposition Liberal Democratic Party who have taken TEPCO money for years and feel obligated to protect the company's interests.

The confrontation between those who want to protect TEPCO and those in government who want to drastically reform the company heated up from May 24 when the Kan Cabinet approved the establishment of two committees related to TEPCO.

The committee tasked with investigating and evaluating the Fukushima nuclear accident held its first meeting June 7.

The other committee was pushed by Deputy Chief Cabinet Secretary Yoshito Sengoku and will look into TEPCO's management and financial condition. A number of committee members were involved in offering support to such ailing companies as Daiei Inc. and Kanebo Ltd. at the government-backed Industrial Revitalization Corp. (IRC).

Before the Kan administration decided May 13 on the framework for providing support to TEPCO as it pays out compensation for the nuclear accident, government officials forced TEPCO executives to agree to comply with any investigation by a third-party committee looking into the company's management and financial condition.

The committee is expected to conduct due diligence and search for any excess assets as well as recommend streamlining measures to come up with the funds to help pay the compensation.

The IRC was disbanded in 2007, but several key members have been appointed to the committee looking into TEPCO management.

The committee chairman is Kazuhiko Shimokobe, a veteran bankruptcy lawyer who served as an outside board member at IRC.

Another member of the committee is Shoichiro Onishi, co-president of Frontier Management Inc. and another well-known bankruptcy lawyer. Onishi was a managing director at IRC and was in charge of the support efforts aimed at Daiei.

He was also chosen as a member of the task force to resuscitate Japan Airlines Corp. after it declared bankruptcy last year, along with Kazuhiko Toyama, another former IRC executive.

The secretary-general of the committee will be Keita Nishiyama, a bureaucrat at the Ministry of Economy, Trade and Industry (METI) who was involved in the creation of the IRC.

Another member of the committee is Toshihiro Matsumura, a professor of public economy at the University of Tokyo. Pointing to the lack of competition in Japan's electric power industry, Matsumura has called for discussions on breaking up electric power companies into entities that handle power generation and power transmission.

A source on the committee said, "Policy discussions such as separating into power generation and transmission companies will not be held."

However, the source also said, "We will have to think about whether TEPCO should be left in its present form."

One precedent being considered as a model for TEPCO is Chisso Corp., which was the company behind the mercury poisoning that led to Minamata disease.

One proposal is to establish a new company that would handle core business operations, such as providing electricity, while the old company would be left with noncore sectors as well as any liabilities stemming from compensation obligations.

After the framework to support TEPCO's compensation payments was approved, it was criticized as being too lenient toward the utility.

The additional plans to deal with TEPCO's management more severely reflect Kan's belief that the company is a symbol of old-style LDP politics.

The inept handling of the Fukushima nuclear accident made matters worse.

For those reasons, TEPCO became a target for punishment in Kan's eyes.

On March 15, after explosions occurred at a number of reactors at the Fukushima plant, Kan went to TEPCO headquarters in Tokyo's Uchisaiwaicho district and, according to those present, yelled at the executives.

On May 18, before the committee looking into TEPCO management was formed, Kan held a news conference at which he said discussions should be held on the possibility of separating power generation and transmission functions at TEPCO.

When criticism arose over Kan's leadership and decision-making skills in the early stages of the Fukushima accident, the prime minister began taking an openly anti-TEPCO position as well as calling for a move away from nuclear energy. Kan was further emboldened after the public overwhelmingly backed his plan to have the Hamaoka nuclear power plant stop its operations.

That led Kan to make an international pledge at the Group of Eight summit in France in May to raise Japan's ratio of renewable energy sources to more than 20 percent by the early 2020s.

Kan is a politician from the generation of student protesters. Most became comfortable with heated rhetoric, frequently calling for the destruction or toppling of the government.

However, while it may be simple to voice populist messages, Kan has found it much more difficult to design systems and coordinate interests that require a better understanding of more mundane administrative matters.

For those reasons, there is little in the way of specifics or effective measures behind Kan's anti-TEPCO and post-nuclear energy stances.

What emerges is the impression that he is only doing any of this to hang on to his job.

The handling of the request to have the Hamaoka nuclear plant stop its operations is a case in point.

After a few politicians close to Kan discussed the issue, officials of the Agency for Natural Resources and Energy were told of the proposal on the morning of May 6. At 1:30 p.m., Banri Kaieda, the METI minister who oversees the agency, reported the proposal to Kan and was preparing to hold a news conference at 4 p.m. to announce it.

However, a high-ranking agency official said, "When the minister mentioned the news conference to the prime minister, he was told to call it off so I wondered what was happening."

The official went on to say, "I only realized this later, but the prime minister wanted to make the announcement himself. For that reason, the 4 p.m. news conference was pushed back to 7 p.m. Moreover, in the document we prepared there was a section that said, 'The other nuclear plants are safe and Hamaoka is the only exception.' However, the prime minister skipped over that section. I feel he deliberately tried to transmit a more alarmist message. As a result, the chain reaction we'd feared broke out among the governors in charge of prefectures that host nuclear plants."

Of the 54 nuclear reactors in Japan, 35 are currently not operating. The 19 that are operating will gradually have to stop operations for periodic inspections. Without the understanding of prefectural governors it will be difficult for any of those plants to resume operations.

Fukui Prefecture hosts the most nuclear reactors with 14. If it does not approve resumption, an electricity crisis is guaranteed because western Japan would lose all of its surplus electricity, according to a high-ranking energy agency official.

The Kan administration will have the management committee compile streamlining measures for TEPCO while the accident panel will interview those involved with operations at the Fukushima plant.

Any materials that eventually emerge from those two committees, such as a proposal to separate TEPCO into power generation and transmission companies, plans to sell off surplus assets or an assessment of what TEPCO management did in the early stages of the Fukushima accident, could be used by Kan to rile up the public.

LDP lawmaker Yoshihide Suga is of the same generation as Kan, and he also views Kan's moves as those of someone who came up through the ranks of the student protest movement.

"He should think more deeply before he says anything," Suga said. "The prime minister has also not made any use of the bureaucratic organization. All he does is sow confusion by forcing half-baked knowledge on those actually doing the work."

Another LDP lawmaker Yasuhisa Shiozaki said: "He is totally incoherent. He knows almost nothing about economic policy so he doesn't say anything except to go on and on about raising the consumption tax."

Once other politicians realized what Kan was up to, ever-present anti-Kan sentiment began to burn hotter.

On about May 6, former Prime Minister Shinzo Abe was told by several different individuals that Kan had ordered TEPCO to halt pumping seawater into the No. 1 reactor at the Fukushima plant.

Abe publicized the information in his e-mail newsletter and it was picked up by the Yomiuri Shimbun and Sankei Shimbun.

While the pumping was never actually stopped, that incident raised serious doubts about Kan's abilities and added momentum to moves to bring him down.

As these events were unfolding, opposition LDP lawmakers were being provided information from METI mainstream faction officials and TEPCO executives.

A former LDP Cabinet minister said: "At the very least, it's a fact the prime minister ordered them to stop pumping water. A TEPCO executive was bawling his eyes out in my office as he explained what was happening."

TEPCO has always taken pretty good care of LDP lawmakers.

Another former Cabinet minister from the LDP said: "While TEPCO does not concentrate huge amounts of money on a few politicians, like construction companies did in the past, it does deal with a wide range of politicians because it is a public-interest company. That includes purchasing tickets to fund-raising parties."

Kan's roots in politics go back to working on the campaign staff of the late Upper House member Fusae Ichikawa. Immediately after she won her first term in 1974, she asked a predecessor of Nippon Keidanren (Japan Business Federation) to stop soliciting political donations to the LDP. From that year, TEPCO stopped corporate political donations.

However, while the company does not donate to the LDP or its political fund organization, TEPCO executives, from Chairman Tsunehisa Katsumata, who gave 300,000 yen (\$3,700), have donated as individuals.

It appears there may be some internal company guideline, because the size of the donations seem determined by the post an individual occupies. About 60 TEPCO executives donated a total of 6.52 million yen in the report filed by the LDP for 2009.

It is not just the LDP that receives donations. The DPJ receives funds from the political action committee of the Federation of Electric Power Related Industry Workers' Unions of Japan, to which the TEPCO labor union belongs. The political organization formed by TEPCO's labor union collects an average of 400 yen from the 650,000 or so members and passes the money on to the federation.

The federation donated 30 million yen to DPJ Upper House member Masao Kobayashi, who once belonged to the TEPCO labor union, as well as other DPJ politicians.

The federation is also an important part of Rengo (Japanese Trade Union Confederation), which is the DPJ's biggest support group.

For those reasons, when the Kan administration was putting together the proposal for the framework to support TEPCO's compensation payments, DPJ lawmakers who had the strong backing of Rengo called for the government to shoulder a greater burden.

At a June 7 meeting of the government's Council on the Realization of the New Growth Strategy, Masayuki Naoshima, a former METI minister, cast doubts on the feasibility of a major shift toward renewable energy sources as called for by Kan and said: "While solar and wind power may be fine, there will be a need for a more realistic assessment. The issue should be how to start up nuclear energy in the short term."

Naoshima has his roots in the Confederation of Japan Automobile Workers' Unions, another influential affiliate within Rengo.

While TEPCO does not openly donate to politicians, it does provide funds by purchasing tickets to fund-raising parties in a very clever way.

Under provisions of the Political Fund Control Law, anyone who purchases more than 200,000 yen in party tickets must have their names revealed.

A former TEPCO executive explained how that provision was circumvented.

"We would distribute the amounts among a number of group companies so that the amount for each company was 200,000 yen or less," the former executive said. "We would then receive receipts for all those companies. That is how we did things."

According to the former executive, the use of that method increased sharply when Sadao Yamahana held a fund-raising party to commemorate his inauguration as head of the Social Democratic Party.

"We were told 'each company has to donate 2 million yen' so we had 10 group companies donate 200,000 yen each," the former executive said. "Ever since, there has been a major spread of such methods. Politicians from the SDP and DPJ are much more aggressive about raising money than those from the LDP."

Aides to some DPJ lawmakers would visit TEPCO executives with several receipts and ask that party tickets be purchased. While the receipts gave the impression that the tickets were bought by several companies, it was in fact TEPCO that provided all the funds.

A former Cabinet minister from the LDP said: "Now, we would be lucky if someone purchased two tickets. If anyone bought 10 tickets at one time, we would profusely thank them for their generosity."

**BY YASUAKI OSHIKA**

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**P.S.**

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<http://www.asahi.com/english/TKY201106150199.html>