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## Japan government: Tepco faces unlimited liability for crisis

By Kiyoshi Takenaka and Taiga Uranaka

Japan's government said on Tuesday it would not set an initial limit on Tokyo Electric Power's liability for damages caused by its leaking Fukushima Daiichi nuclear plant and said the utility must tighten its belt further.

The president of Tokyo Electric <9501.T> had asked the government earlier on Tuesday to help shoulder a compensation bill for the nuclear crisis that is expected to run into tens of billions of dollars.

In a written response to the president's request, trade minister Banri Kaieda said there would be no ceiling on what the utility must pay and that it would be expected to compensate the victims of the disaster in a timely manner.

Kaieda's statement echoes the stance taken by Chief Cabinet Secretary Yukio Edano earlier this month, adding to the likelihood the government will take a hard line against the utility in its rescue plan.

Kaieda did not go into details of a scheme that is still being hammered out that could use public funds and premiums from other utilities to help deal with the initial outlay of compensation, thereby saving Asia's largest power company from financial ruin.

JP Morgan has estimated Tepco could face 2 trillion yen (\$24.9 billion) in compensation losses in the financial year that started last month, while Bank of America-Merrill Lynch has said the bill could reach \$130 billion if the crisis drags on.

Government officials, bankers and Tokyo Electric executives have been in discussions for weeks on the scheme, but have yet to agree to a final plan, reflecting disagreement about who should foot the bill.

Earlier on Tuesday Tokyo Electric President Masataka Shimizu pledged to slash or forgo executive salaries after demands by some cabinet ministers for it to take more drastic restructuring steps before receiving public help and with a hike in electricity prices now seen likely.

As well as more cost-cutting by the utility, some in the government have called for creditor banks and holders of its shares and bonds to shoulder some of the burden before unveiling the scheme, seen as politically unpopular but necessary to ensure compensation is paid in full.

National Strategy Minister Koichiro Gemba hinted that holders of Tokyo Electric shares and bonds may have to bear some of the burden when asked about issue.

"In relation to any burden on taxpayers, it's important to consider the issue of those who hold Tokyo Electric shares and bonds," he told reporters.

Tepco shares closed higher on Tuesday, rising 3.2 percent to 469 yen per share, outperforming the broader market.

A draft plan already calls for a fund to be set up to help people who had to leave their homes due to the nuclear crisis that would include contributions from other

utilities, which Tokyo Electric would reimburse over several years using its annual profits, sources familiar with the matter have said.

People living within a 20-km (12-mile) radius of the plant have been evacuated, while those in five towns downwind from it have also been told to prepare to leave their homes.

The draft is controversial since not only payments by Tokyo Electric but contributions from other utilities would likely be borne by electricity users.

Tokyo Electric and its creditor banks have been pushing for a compensation plan that would include substantial government help, capping the utility's liabilities and protecting its shareholders and bond owners.

They argue that given the sheer volume of Tokyo Electric bonds it is essential to prevent its credit rating being cut to junk status, which they said could wreak havoc with not only with other utilities' bond issues but the entire bond market.

Tokyo Electric is the biggest corporate bond issuer in Japan, representing about 8 percent, or about 5 trillion yen, of the entire 70 trillion yen Japanese corporate bond market.

In the immediate aftermath of the March 11 earthquake and tsunami that wrecked cooling systems at the nuclear plant 240 km (150 miles) north of Tokyo, the utility's main lender Sumitomo Mitsui Banking Corp <8316.T> and other major banks provided a total of 1.9 trillion yen in emergency loans.

#### STEP UP RESTRUCTURING

Shimizu told reporters after meeting Chief Cabinet Secretary Yukio Edano and Kaieda that the company would step up planned restructuring steps including asset sales.

He said he and other representative directors of the company would forgo salaries "for the foreseeable future" as part of the additional measures.

Shimizu warned that the utility could face with extra costs of 1 trillion yen for fuel after shutting down reactors in Fukushima following the quake, and it was having difficulty raising funds.

He also said it faced having to pay out 750 billion yen to redeem bonds and loans in the current financial year to March 2012, potentially overwhelming its finances.

"Our fundraising situation is extremely difficult," Shimizu said in a letter to the trade minister seeking government support.

"If this situation continues ... sooner or later we will not be able to secure enough funds, potentially affecting not only fair and timely compensation payments for victims but also the stable supply of electricity."

After the meeting with Shimizu, Kaieda said the government would ask Tokyo Electric to keep its requests for government financial support to a minimum and not to raise electricity prices immediately.

He also said the government was aiming to finalize the scheme this week. It had been expected to say this week it would give Tokyo Electric time to prepare for reporting its 2010/12 earnings, scheduled for later this month. (\$1 = 80.275 Japanese Yen)

(Additional reporting by Yoko Kubota and Noriyuki Hirata; Editing by Nathan Layne and Abi Sekimitsu)