

Battle over Shinkansen Funding—The Never Ending Story

During the election campaign last October, candidates for the ruling Liberal Democratic Party (LDP) made generous pork-barrel promises to voters to extend the shinkansen network to their constituencies. After the election, they started pressuring the ministries and JRs to loosen the purse strings. In December, when the government drafted its budget for the next fiscal year starting from 1 April, there was an unusually noisy fight over shinkansen funding.

Long background

The nationwide Shinkansen Development Plan was drawn up in 1972. At present, there are four lines totalling 1800 km in service and three lines (400 km) under construction. In addition, 1000 km are waiting for the Transport Minister's approval to start construction, and 3500 km are still only at the project stage. During the JNR days, all shinkansen lines were self-financed, depending heavily on loans. This led to JNR's final insolvency, and in 1982, the government decided to freeze all shinkansen projects except those already under construction. Local people and politicians accepted this in the face of JNR's demise, hoping the projects would be revived sooner or later. Shortly after the JNR privatization in 1987, the government cancelled the freeze, and a series of agreements were concluded in 1988, 1989, 1990 and 1994 between the government and the political parties. Compared with the JNR period, these agreements included two major changes:

- Two lower-cost options were introduced as construction standards in addition to full-scale shinkansen: running standard-gauge trains built to the narrow-gauge profile on existing routes converted from narrow- to standard-gauge (mini-shinkansen option); and building new narrow-gauge tracks on alignments that could be converted to full shinkansen standards and to run high-speed narrow-gauge trains for the time being (super-express option).
- The central and local governments would bear 50% of the construction costs, leaving the remaining 50% to the JRs.

Everybody accepted the priority of the Hokuriku Shinkansen to Nagano, which was thought necessary for the Winter Olympic Games in 1998. Some token work on tunnelling and station build-

Due to copyright issues, the original photo cannot be shown.

LDP parliament members and lobbyists expressing enthusiasm for new shinkansen

(Yomiuri Newspapers)

ing started on the other lines to show that they had not been forgotten by the government. Now that completion of the Hokuriku Shinkansen is in sight, people have started wondering what line will be next. However, ¥5.2 trillion is needed to build all the lines currently in question.

LDP's bright idea

Japan's public finances are running at a huge deficit, and depend heavily on loans amounting to close to ¥500 trillion including local government bonds. JNR's historic debts amounting to ¥27 trillion are also included in these debts and require the earliest possible solution because the JNR 10-year liquidation programme is set to expire. But the politicians are not interested in this unattractive legacy, and decided last November to shelve the problem until next year. This irresponsibility was criticized by the media. Under such circumstances, it is impossible to provide new funds for shinkansen from the general account. The LDP is eyeing the 50% reduction in the JRs' property taxes, introduced as part of the transitional arrangements and ending in March 1997. It wanted to reserve the remaining half (amounting to about ¥60 billion per year) as a new fund for shinkansen construction, and in November, proposed to keep the 50% reduction for some time and to impose a special contribution equivalent to the remaining 50% on the JRs as advance payment for future benefits of extended shinkansen lines. The LDP argued that this amount should be paid in any case by the JRs, and insisted that it is not a new burden.

Ministry of Transport officials shared the same view and tried to persuade the reluctant JRs.

JRs' firm opposition

But the JRs were firmly opposed to the idea, fearing that the proposed contribution could climb higher in future. Calling an angry press conference, the JR Presidents declared their willingness to pay the 100% property tax and stressed that their direct involvement in shinkansen funding through the payments proposed by the LDP would breach their autonomy and harm their shareholders. They also stressed that the demand forecast and financial feasibility of each project should be examined in a very strict manner before talking about JR cost-sharing.

The JRs' view was supported overwhelmingly by the press, but public opinion was apparently divided between *pros* and *cons*, the former representing the voice of remote rural provinces, and the latter that of developed urban areas. Overwhelmed by the firm opposition of the JRs and the fierce media criticism, the LDP finally withdrew the proposal in mid-December. The draft budget in late December included a lump sum of ¥10 billion reserved for new shinkansen construction, without saying where this money would come from. The government and LDP set up a committee to study new funding methods and to investigate which lines should be built first. The JRs seem to have won the first battle, but the war might not be over until the last stretch of projected shinkansen has been built. ■

T. Suga