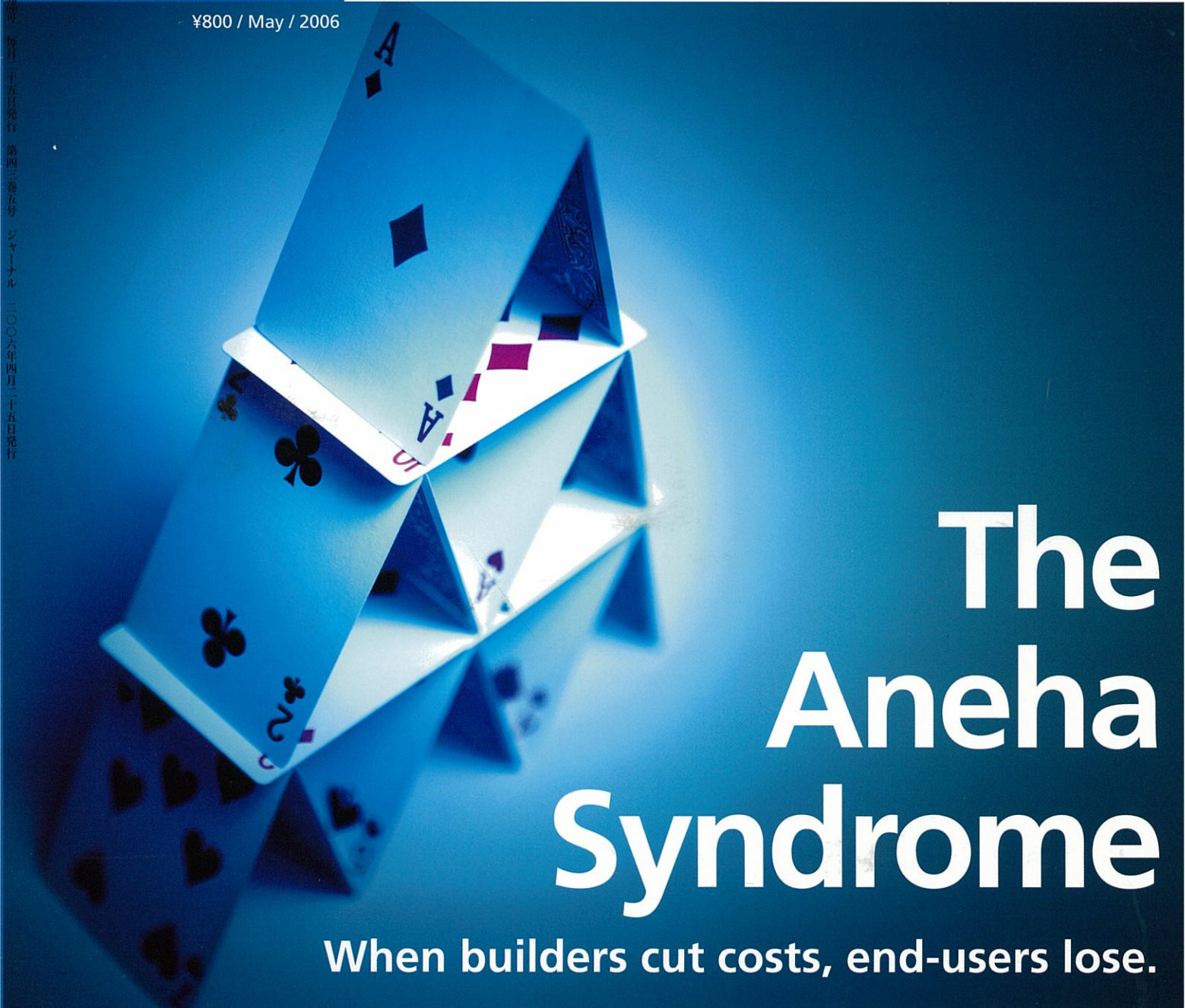


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# The Aneha Syndrome

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# The Aneha Syndrome

## Part 2: Put safety before profit.

**M**ore than four months after the fake earthquake-data crisis – dubbed the Aneha Scandal – was exposed, the number of buildings identified as defective had grown to more than 100. It's possible that the scope of the problem could increase significantly as we are already seeing that such design fraud is not limited to the rogue architect Hidetsugu Aneha. Associating the scandal with his name may be dangerously misleading considering the magnitude and cause of the problem. The pain experienced by individuals and institutions as a result of a criminal lapse in ethical behavior is reason enough to reexamine standards of social responsibility in the construction industry and the role of architecture in Japanese society.

### Institutional impact

The real estate industry has been seriously affected, with fewer condominium starts in November. Particularly hard hit were residential and hotel real estate investment trusts (REITs), as fund prices dropped 10-20% before partly recovering. REIT managers refuse to buy assets associated with the checking agencies implicated and the scandal has delayed the listing of funds at the IPO stage and deals contingent on property as collateral. Should continued investigations and media reporting indicate a systemic problem, then severe and sustained economic impacts would be expected. A broker recently noted, "They caught one (of the fraudulent practitioners), but how many more are out there?"

The scandal has exposed serious deficiencies in the insurance industry, such as gaping holes in coverage. Foreign reinsurers are beginning to distrust the checks and balances in Japan that are supposed to reduce their risk, and the lack of liability insurance for inspection agencies is also a concern. Most architects and engineers in Japan do not have professional indemnity insurance, largely due to traditional obligations whereby the seller is liable to the buyer and the general contractor gives a 10-year defect warranty. Problems can be solved if the seller and contractor remain solvent, but companies have been resorting to court protection against creditors by declaring bankruptcy. Insurance for small- to medium-sized



companies is voluntary. Huser Co., which built nine defective condo blocks accommodating 309 households, was not covered.

The Ministry of Land, Infrastructure and Transportation may make insurance mandatory in such cases and premiums would be raised significantly if more structural engineers were found guilty of faking data. Professional indemnity insurance does not, however, pay out in cases of deception, such as falsification of structural data, and earthquake policies are invalid if the holder knew about the defects when signing.

Of great social significance is the impact on hundreds of condo and hotel owners and the families and staff members who abandoned the properties or are required to. Many lost jobs or suffered financially and are unsure about recourse. On the positive side, however, the LDP was preparing an ¥8-billion supplementary financial assistance budget. Meanwhile, the Government Housing Loan Corp. and Shinsei Bank have announced an interest-free, three-year suspension of loan repayments and extended repayment periods for victims. Also, General Insurance Association member firms will suspend earthquake-insurance premiums and the Tokyo Metropolitan Government will not impose property taxes, as the buildings are effectively worthless.

While these initiatives undoubtedly help ease the pain, hundreds of condo owners must still pay mortgages on properties with no

value. They have watched their equity vanish and are embroiled in increasingly more complex litigation with profoundly uncertain outcomes. It would be near impossible for victims to get another mortgage should they wish to buy a replacement home, and highly unlikely that loans on defective properties will be written off. The disruption and stress suffered by these people is difficult to fully appreciate. Many are still in denial and some are so overwhelmed by the logistical and social nightmare of displacement that they refuse to move out of their buildings, some of which are so badly designed they will deform and fail over time under their own weight, let alone if an earthquake strikes.

#### **Faulty moral compass**

The full dimension of the scandal has yet to be revealed, if it ever will be. Significant forces are in play to minimize or suppress further publicity of the crisis. As an LDP official said in January: "Any further hunting for 'bad guys' would ruin the industry." The media also quoted Prof. Yoshimitsu Shiozaki of Kobe University observing "disturbing signs that Japanese society is ever more tolerant to the naked pursuit of profit that drives these dishonest businesses. It seems increasingly regarded as a necessary evil on the road to economic revival."

This collective tolerance of deception, an anomaly in the context of Japan's economic might as the world's second-richest

nation, has exposed a deep social flaw in contemporary society that warrants further examination and discussion. One elderly man reflected on the scandal in a newspaper as indicative of "the current state of Japanese society in which people seem to have lost their moral compass." Atsuo Okasaki, the ministry's director of codes and standards, shared concerns for the perceived drop in ethical standards and consequent moral hazard.

#### **Company or safety first**

So what are the root cultural forces that corrupt a structural engineer tasked with performing critical safety functions for buildings in the world's most seismically unstable region? And how problematic is the issue of personal integrity within the industry? Aneha's justification for falsifying documents is that he was "under pressure to slash costs and speed up the structural strength calculation process." He feared losing his clients if he did not comply. Such pressures are often imposed on the professional design community by general contractors, some of which are primarily driven by profit, usually at the expense of quality or even the safety of end-users. An Internet poll of structural engineers by Jun Kanda, professor of architecture at the University of Tokyo, revealed that 37% of the 121 respondents admitted they had "experienced unfair pressure from companies to reduce costs in structural design." Kanda