

WAR DAMAGE INSURANCE

THE PROVISIONS of the War Damage Insurance Bill are so complicated that it is hardly possible to give a brief outline of them. In part it extends and modifies the present scheme for compulsory insurance of commodities in the hands of traders. In part it introduces a scheme for voluntary insurance of furniture and other goods owned for use and not by way of trade. The insurance premium in this case is $1\frac{1}{2}$ per cent of the value insured. The present scheme by which the Government compensates people of small means for the loss of their household goods without any contribution on their part is, however, still to continue.

The most controversial part of the Bill is that which introduces a compulsory scheme of insurance of buildings and other immovable property. The premium in this case is two shillings in the pound (10 per cent) of the Schedule A valuation of the land and the buildings. In certain cases where the land is not used for building, agricultural land for example, the premium is reduced to sixpence in the pound. Schedule A valuation is, of course, the annual value for the purposes of the Income Tax. This premium covers the period up to 31st August next. Where the only proprietary interest is that of the freeholder (the fee simple) the contribution is paid by the owner; in other cases it is divided according to a somewhat complicated formula between the owner of the fee simple and the owners of the leases to which the property may be subject.

The compensation to be paid may be either a "cost of works payment" or a "value payment." A cost of works payment is the actual cost of repairing the damage at the time it is repaired. A value payment is the difference between the value of the property before the damage was sustained and the value afterwards, both of these values to be estimated as they would have been in March, 1939. As a general rule a cost of works payment will be made unless the value payment would be less. It is evident that as the amounts involved are computed in relation to different points of time, inequalities of treatment will arise, and the person who sustains the greatest damage will generally be dealt with less generously than the one who sustains least.

It will be seen that the amount of the compensation in either case is not related directly to the premiums paid. If the premiums received are not sufficient, the Treasury (that is to say, the general taxpayer) will contribute an amount not exceeding the total premiums collected. After 31st August the scheme will be liable to amendment in the light of experience of the claims made and the premiums received.

In the case of the cost of works payment, the person to whom the payment will be made is the person who does the repairs. Where the property is subject to a lease the person liable to repair is usually the lessee. By the War Damage (Landlord and Tenant) Act, 1939, he may repudiate his lease if the premises are rendered unusable. If he does so it would appear that the compensation would then be payable to the lessor. The lessee apparently can only maintain his right to compensation if he retains the lease and goes on paying the rent. As he may not be able to obtain the materials and labour necessary to effect the repairs, he may be compelled to go on paying rent for a long period in the hope of getting some compensation. This provision calls for reconsideration.

In the case of a value payment, the compensation is to be apportioned between the various proprietary interests in proportion to their values before the damage was sustained. In this case the owner of the freehold

may obtain a very large share of the compensation although the rent he receives represented only the value of the land itself and although the buildings were in fact erected by the lessee. This appears to be highly unjust, and it is to be hoped that it will be amended.

THE COAL LEVY

By an order made under the Coal Mines Act, 1930, power has been given to the Central Council established under that Act to impose a levy of 6d. a ton on all coal sold. The proceeds of this levy are to be used to pay a bonus of not more than 3s. 6d. a ton to those collieries which are producing a smaller proportion of the total production of coal than they did in 1939. The excuse for this scheme is that certain districts, for example Durham and South Wales, are badly hit by the great decline in the export trade. If some of the pits were closed completely, much expense would be involved in reopening them when more normal conditions recurred. The scheme has the approval of the Mineworkers Federation. No doubt they were favourably inclined towards it by the expectation that it would reduce the amount of unemployment in the districts adversely affected by the war.

Although the scheme is described as a levy, it is not a levy upon colliery owners. It is a levy upon the consumers of coal, for it will be added to the price at which the coal is sold. This is its most dangerous feature. Consumers may know that the price of coal has increased, but how many of them will know or enquire the reasons? The scheme is limited to giving assistance to owners of coal mines during any periods in which the production or sale has been impaired by reason of loss of trade consequent upon the war. Vigilance will have to be exercised to see that it is extended no further. Whatever excuse there may be for it in present abnormal conditions, the scheme as a permanent measure would clearly be wasteful and uneconomic.

The *New Statesman and Nation* (21st December) describes the scheme as deplorable, and continues: "It is not merely one more of the pernicious devices to impose taxation on the consumer (*i.e.*, in a regressive way) outside the Budget. It means also that State subvention is once more given to this obdurate industry without State supervision or rational reorganization. The Treasury love clandestine methods of taxation. We now tax in this undesirable manner some of our most important food, the most important raw material of the poorer classes. And here is a proposal to increase the price of the one product which enters into all production and transport. The exhortations of Ministers, bankers and experts about the avoidance of inflation sound somewhat hollow if all the consequences of this move are considered. The railroad rates will have to be raised further—in accordance with that equally celebrated agreement which all Socialist Ministers assailed in their opposition days, but none was able to terminate when in office."

TO UNITED STATES CORRESPONDENTS

It is announced by the Postmaster-General that letter and parcel mails containing correspondence and parcels posted in the United States of America approximately between 4th and 14th November, and 18th November and 6th December, have been lost through enemy action. The mails included some correspondence from Central America posted on correspondingly earlier periods.