

COAL AND THE COAL INDUSTRY

THE COAL Industry Nationalisation Bill marks the final stage of a process begun in 1938 with the Coal Act which provided for the purchase of the freehold of the coal deposits, but which left the operators, the colliery owners, in occupation as lessees of the State. The present Bill proposes to buy out the interests of the colliery proprietors, and to make the working of coal a State undertaking.

Royalty Owners Bought Out

The Act of 1938 provided that the transfer of ownership was to take place on July 1, 1942, and that the purchase price should be paid to the royalty owners on the same date. The price was fixed at a global total of £66,450,000, and was to be apportioned between the landowners by means of an individual valuation of their holdings. The latest report of the Coal Commission, the body in which the ownership vested, discloses that the valuations were not completed and payment made until the spring of 1945. It also shows that the total of the valuations was £64,559,559, or nearly £2 million less than the royalty owners received. The total cost of this operation, including the expenses of valuation and interest on deferred payments of compensation is estimated to be about £71,500,000.

The compensation was distributed among 1,066 claimants of whom 8,459 received less than £1,000 each, while 104 received over £100,000 apiece and between them more than half the compensation. This is a remarkable illustration of the uneven way in which landownership is divided. It should particularly be borne in mind when the argument is put forward that the interests of all landlords are identical.

The Act of 1938 was passed by a Conservative Government on the plea that it was necessary in order to rationalise the industry of coal mining and make it more efficient. For this purpose the Coal Commission was not merely to have its rights as landlord to determine in granting new leases or renewals of expiring leases what seemed to it efficient units of production, but it was also in Part II of the Act given special powers of enforcing schemes of amalgamation. An earlier Act of 1930 had provided powers of fixing quotas and minimum prices. It now appears from the report of the Coal Commission that these powers have produced little or no result, partly, it will be said, because of the war and the requests of two Ministers to the Coal Commission to refrain from action. It may be doubted, however, whether in any circumstances anything would have been achieved except to give statutory strength and official approval to a system of monopoly which would have produced less coal and employed fewer men, with higher prices for coal and perhaps higher wages at the expense of the rest of the people.

When the then President of the Board of Trade (Mr. Oliver Stanley) introduced the Bill, he stated that its object was "to increase the price which was being received for coal, so that . . . some part of the demand of the miners could probably be met." It may be wondered whether another object was not to withdraw from public criticism an aspect of landownership which was particularly vulnerable, and to safeguard the interests of royalty owners by turning them into rentiers.

Protests that were Made

This aspect of the transaction was not altogether unseen by the Opposition, and, especially in view of rumours about land nationalisation now in circulation, it is not without interest to read what some said who are now members of the Government.

Mr. ARTHUR GREENWOOD (now Lord Privy Seal): "The royalty owners, who toil not neither do they spin, are a sort of hooded men of the industry, engaged in a conspiracy for their own ends."

Mr. J. GRIFFITHS (now Minister of National Insurance): "Compensation should only take place when a man or a body of men sells something which they have produced to somebody else. The royalty owners have not produced the coal. They have no moral claim to it. They have no social claim to it."

Mr. ANEURIN BEVAN (now Minister of Health): "We had an example of this sort of legislation in the Tithe Act, where

you had a conversion of ordinary property into fixed-interest bearing securities, or into gilt-edged stock, thereby, of course, effecting the concealment of the real burden which agriculture will have to bear. . . . Why should not the Treasury collect the royalties and rents from the mining industry and make their annual payment to the royalty owners? . . . If the Chancellor of the Exchequer had that in his budget we could say: 'No, we do not think you ought to cut unemployment assistance benefit, but you ought to cut annuities to the royalty owners and tithe owners, thereby putting these property claims in their proper relation and perspective.'

Sir STAFFORD CRIPPS (now President of the Board of Trade): "We object because we say that the royalty owners have already been adequately remunerated for the royalties that they possess, and that there is no reason why they should receive further remuneration for that for which they have already been overpaid by the mine workers of this country. . . . If something that is wrong has gone for a very long time, that does not seem to be any very good argument for paying a very heavy price for stopping it. I should have thought that it was an argument for stopping it without paying any price at all."

Let us hope that this mistake will not be repeated.

Nationalising the Collieries

The Government's proposals for nationalisation of the coal industry were presented to Parliament on December 19. The Bill provides for setting up a National Coal Board to which will be transferred all colliery undertakings as well as colliery coke ovens and manufactured fuel plants, colliery electricity plants, transport, loading and storage works and various other assets of colliery companies, including subsidiary companies of which they own at least 90 per cent. of the share capital. Various other assets may be transferred to the Board either at its option or at that of the colliery company. The Board will also acquire the freehold of the mineral now vested in the Coal Commission.

The Board is to have an exclusive right of searching for, working and getting coal, and a non-exclusive right of making and vending products of coal, and carrying on other activities which it can advantageously deal with because of its having materials or facilities therefor.

The Board, although subject to directions by the Minister of Fuel and Power in certain respects, will be an independent entity. It will, therefore, be liable to payment of rates and taxes in the same manner as any other business undertaking.

The duties imposed upon the Board are to secure "the efficient development of the coal mining industry" and to make "supplies of coal available in such quantities and at such prices as may seem to them best calculated to further the public interest." It would seem, therefore, that the Board is to be the sole and unquestionable judge of its own efficiency. The Bill further provides that, consistently with the proper discharge of these duties, the policy of the Board shall be directed to securing "that the revenues of the Board shall not be less than sufficient for meeting all their outgoings properly chargeable to revenue account on an average of good and bad years." This does not in any way ensure that the outgoings are reasonably and necessarily incurred, nor does it ensure that the prices charged for particular products are reasonable. As the Board will have a monopoly of coal getting, it could adjust the price of coal differentially against certain consumers or certain classes of consumers who it considered were able to pay higher prices. The effects of this upon the condition of an industry so discriminated against might be most serious. There is also no provision for ensuring that individual undertakings are operated efficiently, and they might, in fact, be operated at a loss if the profits of others were sufficient to cover up the loss.

The Board is to afford the Minister opportunity of securing information about its activities and accounts. So far as the public is concerned the Board is to make an annual report dealing generally with its operations and containing such information with regard to the proceedings and policy of the Board as can, in the opinion of the Minister, be made public without detriment to its undertaking. It is also to supply

annually an audited statement of accounts. Both of these documents are to be laid before Parliament.

There are also to be set up two Consumers' Councils, one representing Industrial Consumers and the other Domestic Consumers. The value of these bodies is problematical, as they will have no greater access to information than the general public. The most they can do perhaps is to draw attention to cases in which discriminatory prices are charged, and even these may be difficult to discover as the favoured consumer will not publish the fact.

Ascertainment of Compensation

The provisions with regard to compensation and valuation are of an extremely complex nature. Broadly, they appear to involve two different kinds of valuation—one of the "coal industry value" and the other of the "value for subsidiary purposes" of the assets transferred to the Board.

The coal industry value is defined as "the value of the transferred interests . . . proved to be attributable to their usefulness for activities . . . the proceeds and costs whereof would have fallen to be taken into account on making the periodical ascertainment of the results of the coal industry in accordance with which the wages of miners have been regulated." The value for subsidiary purposes is the value "so far as not falling within the preceding" definition.

It appears to be intended that the coal industry value shall be ascertained as a global total for the assets transferred, and shall be fixed by a tribunal consisting of two judges of the Supreme Court and an accountant in accordance with terms of reference agreed between the Minister of Fuel and Power and the Mining Association of Great Britain (published in a White Paper, Cmd. 6716).

The global sum is to be apportioned between valuation districts by a Central Valuation Board appointed by the Minister, and this is to be further apportioned among the compensation units in each district by District Valuation Boards.

The valuation of the value for subsidiary purposes is, however, to be arrived at in a totally different fashion. The District Valuation Board is to make a valuation of each compensation unit (which is generally the transferred interests of any particular colliery concerned situated in a district). The Minister will determine how much of that value is to be apportioned between the two categories of value. The amount apportioned as coal industry value will (according to certain rules) determine how the global compensation is to be divided; and the amount apportioned as value for subsidiary purposes will determine that element of compensation.

The Price to be Paid

The precedent of global valuation was set by the Coal Act, 1938, which provided for the transfer of the ownership of coal deposits to the State. Under that Act the price to be paid to the royalty owners was fixed at a global sum of £66,450,000 which was to be apportioned between the owners according to valuations of their respective interests to be made subsequently. This was at the time hailed by many people as a great achievement, and it was frequently asserted that the State was acquiring the interests of the royalty owners at a very low price. It now appears from the latest report of the Coal Commission that the total of the individual valuations was only £64,559,559. It would not appear, therefore, that the State made a very good bargain, apart from the fact that it paid for something which the owners had never created and the value of which was entirely due to causes outside themselves, and that the State might reasonably and justly in course of time have resumed the value by means of land value taxation.

In the present case the assets to be purchased are mixed. In part they consist of land, either freehold or leasehold or rights of way. In part they consist of fixed improvements attached to the land and of movable plant, equipment and stores, together, in many cases, with some element of good will.

The compensation due to the owners is to be satisfied by the issue of Government stock and this stock will, subject to certain exceptions, be non-transferable.

The Minister is empowered to advance to the Board a sum of £150 millions during the first five years of the operation of

the Act and subsequently such amount as Parliament may determine. The Board will be liable to recoup the Crown expenses and liabilities in acquiring its assets and in providing it with capital. Any default is to be reported by the Minister to Parliament. The Board is also required to establish a reserve fund.

As the price to be paid for the assets is unknown, as the efficiency of the management is equally unknown, and as in any case the economic circumstances in which the Board will conduct its operations are equally unpredictable, it is impossible to forecast what the upshot of its operations may be. In particular, if some means of making atomic energy available on a large scale and very cheaply were to be discovered, the transaction might result in serious loss. On the other hand, the discovery of means of making the energy contained in coal more completely available might have a contrary effect. Neither of these things would be the result of nationalisation in itself. They indicate, however, the risks which are inherent in such a transaction, and they raise the question (apart from more general arguments for and against nationalisation) whether the State does well to relieve the owners of such risks and to assume them itself.

If the undertaking should run at a loss, troublesome questions about employment and wage rates would arise. Strong pressure from the large number of workpeople involved might be brought to bear upon Parliament to subsidise employment in the industry. The ultimate consequences of this might be injurious to the stability of democratic government.

LAND VALUE POLICY

Land Value Taxation is not taxation on land, but on the value of land. Thus it would not fall on all land, but only on valuable land, and on that not in proportion to the use made of it, but in proportion to its value. It would thus be a tax not on the use or improvement of land, but on the ownership of land, taking only what would otherwise go to the owner as owner, and not as user of the land.

In assessments under Land Value Taxation all value created by individual use or improvement would be excluded, and the only value taken into consideration would be the value attaching to the bare land by reason of neighbourhood, public improvements, etc. Thus the farmer would have no more taxes to pay than the speculator who held a similar piece of land idle, and the man who on a city site erected a valuable building would be taxed no more than the man who held a similar site vacant.

Land Value Taxation would call upon men to contribute to the public revenues not in proportion to what they produce or accumulate, but in proportion to the value of the natural opportunities they hold. It would compel them to pay just as much for holding land idle as for putting it to the fullest use.

By taking for public uses that value which attaches to land by reason of the growth and improvement of the community, it would make the holding of land unprofitable to the mere owner, and profitable only to the user. It would thus make it impossible for speculators and monopolists to hold natural opportunities—such as valuable land—unused or only half used, and would throw open to labour the illimitable field of employment which the earth offers to man.

STOKE-ON-TRENT'S RESOLUTION

The *Evening Sentinel*, December 21, reports:

A notice of motion in the name of Mr. H. Barks, that the Council request the Government so to amend the Rating and Valuation Acts as to allow local authorities to rate site values was approved at yesterday's meeting of the Stoke-on-Trent City Council.

With the consent of Mr. Barks a motion by Mr. G. L. Greaves that the Council support Birmingham and other authorities by bringing the matter before the Association of Municipal Corporations was added to the motion and approved.

Mr. Barks said that the present Rating Acts were very much out of date. The man who made the best of his site should be rewarded. The only just way to improve the rating system was to put the burden on the shoulders best able to bear it. It was quite clear that the people who should bear the burden were those who had reaped the benefit from the rates.