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SUMMARY RECORD OF THE TWO HUNDRED AND SIXTEENTH MEETING

Held at Government House, Jerusalem, on Monday,  
14 May 1951, at 10.30 a.m.

Present :

Mr. Palmer (United States) - Chairman  
Mr. de Boisanger (France)  
Mr. Aras (Turkey)  
Mr. de Azcarate - Principal Secretary

1. Consideration of working paper W/63 concerning the various methods which might be adopted for the valuation of Arab refugee property abandoned in Israel

The CHAIRMAN submitted to the Commission a working paper (W/63), in which the land specialist put forward some preliminary considerations concerning the methods which might be used for the valuation of property abandoned by refugees.

Mr. ARAS (Turkey) stated that he had carefully studied the various methods proposed in the working paper and that according to his personal experience in connection with the exchanges of population between Greece and Turkey, he thought that the best method to adopt for the valuation of property abandoned in Israel by Arabs would be method B, namely, valuation by capitalization of tax assessments. It would naturally be necessary to apply a different coefficient to urban and rural property, bearing in mind a certain number of factors. Moreover, it would be necessary to decide in what currency the compensation would be paid, as it was important that it should be paid in a currency which could be used in the countries of the Middle East.

He remarked that the present discussion could only be of a preliminary nature as it would be necessary to know the opinion of the Head of the Refugee Office before making a final decision as to the best method to employ.

The CHAIRMAN thought that it would be interesting to hear Mr. Berncastle (Land Specialist) expand certain points of his account of the methods of valuation.

Mr. de BOISANGER (France) agreed with Mr. Aras that method B seemed to be the best, but he wished to ask Mr. Berncastle why he thought it impossible to apply coefficients to both urban and rural property. He would also like to know whether, in establishing such a coefficient, it would not be advisable to take into account the possibility of the resettlement of the refugees, as in the method indicated in paragraph E. It had been rightly observed that compensation should be paid in a currency which could be used in the Middle East, and for that reason he would favour a method using a coefficient which took into account the possibility that the refugees might use the money for their resettlement.

It would be interesting to know, on the one hand, if the Arab refugees would favour method B, and on the other hand, whether it would be possible to reach agreement on the factors which would enter into the calculation of the coefficient, in order to be able to come to a decision which could be made known without too much delay.

Mr. BERNCASTLE (Land Specialist) said that he had been careful to observe complete objectivity in setting out the various methods of valuation. However, he could say that method B seemed to him to be the most attractive, because it was the only one which would enable a result to be arrived at in a relatively short time.

Replying to Mr. de Boisanger, he agreed that it was perhaps not absolutely impossible to apply a coefficient to urban property, but that it would nevertheless be very difficult to do so, for the following reasons: The Rent Restrictions Ordinances of 1940 limited the rents of residential buildings and business premises to the rentals charged in February of that year. During the seven years which followed,

rental values increased rapidly, and thus two adjoining buildings of identical construction might have a very different market value, for the reason that one of the buildings was rented in February 1940 while the other was occupied by the owners at that date. It would therefore be necessary to find out the date at which each building was rented and to apply a different coefficient in each case.

The CHAIRMAN wished to remark that the question of applying a coefficient to urban property appeared to be extremely complicated and would doubtless call for very extensive study and research on the part of the land specialist, who might be given time to carry out this study and inform the Commission of the results when ready. In the meantime the Commission might give further study to the question of rural property.

Mr. ARAS (Turkey) stated that he had purposely not mentioned the problem of the coefficient. Valuation by capitalization of tax assessments appeared to him to be the simplest method to apply, particularly in the East, where the rate of taxation varied according to whether the owner lived in the house or let it for rent. Perhaps Mr. Berncastle would be able to find a method of working out the coefficient by empirical means involving numerous experiments which would require some time.

Mr. BERNCASTLE (Land Specialist), in reply to the first question put by Mr. de Boisanger, stated that as regards urban property, he personally felt that valuation on the basis of tax assessments would produce a result which would be extremely low in comparison with the actual market value. However, if Israel were informed that the valuation on the basis of taxation had been weighted by the application of a coefficient, it was highly probable that the Israel authorities would object on the grounds that valuation for taxation purposes was carried out in a very democratic way by a competent committee whose duty was to assess the market value of the property.

With reference to Mr. de Boisanger's second question, namely, whether it would be possible to combine methods B and E, Mr. Berncastle felt that it would be extremely difficult to do that in the case of urban property. The value of urban property did not depend so much on the material employed in the construction of the building as on the importance of the

town in which the building was situated and also on how favourable the exact situation of the building was in that town.

Mr. de BOISANGER (France) stated that he was particularly anxious to know whether, in working out a coefficient for urban property, the possibility of replacing that property in any other country might not be taken into account, and for that reason it seemed to him to be interesting to take into consideration the value of the property from a general point of view.

Mr. BERNCastle (Land Specialist) felt that such a procedure would be difficult to carry out, because of the difficulty of comparing a building in a given situation in a given town with one in a quite different town.

The CHAIRMAN thought that it could be assumed from the exchange of views that the Commission agreed that the best method of valuation would be one combining methods B and E. This question could be further studied, while Mr. Berncastle would continue to examine the possibility of applying a coefficient to urban property. The whole question could then be re-examined when the Head of the Office took up his functions in Jerusalem.

Mr. FISHER (Political Adviser) thought that it would be preferable to await the result of Mr. Berncastle's studies. It might become evident from those studies that the proportion of urban property was very small in comparison with rural property, in which case the application of a coefficient would not have so much importance.

Mr. ARAS (Turkey) stated that by a global estimate he understood an estimate representing the total of the individual valuations. That was a point which he wished to stress.

The CHAIRMAN asked whether Mr. Berncastle could say approximately how long it would take him to reach a global estimate.

Mr. BERNCastle (Land Specialist) explained that as far as rural property was concerned it would take him only a relatively short time, say about two weeks, to reach a global estimate. On the other hand, for urban property the time required would be much longer, as the research work would be complicated unless the Custodian of Absentee Property, who had probably already compiled a list of such property, agreed to provide a copy of that list.

2. Action to be taken on Mr. Andersen's request concerning the application of the Development Authority Law (W/58; redraft of letter) (continuation of discussion)

The CHAIRMAN submitted a draft which he had prepared of a letter for the Commission to send to the Government of Israel and to the Governments of the Arab countries, informing them that the Head of the Refugee Office was about to take up his functions and giving the composition of the Committee of Experts. He stated that in the letter to the Government of Israel he had, in drafting the passage dealing with the application of the Development Authority Law in relation to Arab property abandoned in Israel, used a persuasive tone and had refrained from putting forward any legal arguments, which could be invoked at a later date if necessary.

After an exchange of views, during which certain drafting changes were made at the suggestion of the experts concerned in the question, the Commission approved the draft letters submitted by the Chairman.

3. Consideration of Working Paper W/62 concerning blocked accounts

The members of the Commission wished to give further study to this document and agreed to postpone discussion of it until the next meeting.

4. Note by the Principal Secretary (W/65 and W/65/Add.1)

The CHAIRMAN stated that as this document had been considered at an informal meeting, there was no necessity to discuss this item of the agenda.

5. Collaboration between the Conciliation Commission and the Relief and Works Agency at the working level

The PRINCIPAL SECRETARY recalled that at the last meeting between the Commission and the Relief and Works Agency the need for expanding the contacts between the two bodies at Secretariat and expert level had been stressed.

The day following that meeting, the Principal Secretary of the Commission, accompanied by Mr. Erim, Mr. Berncastle and Mr. Servoise, had therefore met with Mr. Fabre, Mr. Henry and Mr. Baster of the Relief and Works Agency in order to discuss the more practical aspects of some of the points

discussed at the previous day's meeting. In particular, the question of the relationship between compensation and reintegration had been discussed, and from the exchange of views which took place it was clear that the staff of the Relief and Works Agency no longer thought - if they ever had thought - that the funds accruing from compensation could be paid en bloc into the Reintegration Fund. The question of the legal representation of the refugees had also been discussed but owing to the complexity of the problem it had been agreed that the two bodies would study it separately and discuss it again at a later meeting.

The Principal Secretary stated in conclusion that the legal adviser would prepare summary records of future conversations, as he had done for that which had just taken place, and communicate them to the members of the Commission.

The CHAIRMAN was glad to hear that collaboration between the Commission and the Relief and Works Agency at expert level had been arranged.

Before closing the meeting he stated that his period of office as Chairman came to an end that day, and he therefore passed the chairmanship to Mr. Aras, representative of Turkey.

The meeting rose at 12.45 p.m.

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