

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ADMINISTRATIVE AND FINANCIAL QUESTIONS

Construction of a Second Annex

NOTE BY THE EXECUTIVE SECRETARY

Addendum

1. At its meeting on 27 May 1964 the Council requested the secretariat to submit additional information on a proposal for the construction of a second Annex (document L/2223).
2. The present paper is submitted in response to this request.
3. An analysis of the situation in regard to office accommodation shows that the existing premises, i.e. the Villa Le Bocage and the Annex, are at present used to their full capacity and that in a number of instances it has been necessary, particularly during peak periods when the staff needs to be reinforced, to reduce the staff accommodation standard below the level compatible with the efficient operation of the services concerned.
4. The secretariat disposes of a total of 100 offices including the Library and Roneo room. The 1964 Manning Table provides for 137 established posts (including seven posts for the Trade Information and Trade Promotion Advisory Service). At the end of May 140 permanent and temporary staff members were in employment. In addition, eleven Fellows were participating in the In-Service Training Programme for whom suitable accommodation had to be provided. During sessions, ministerial meetings and periods of heavy workload there is an influx of between twenty and thirty short-term conference staff (translators, revisers, stenographers, typists, transcribers) for whom reserve office space has to be made available. The same applies to temporary consultants.
5. Bearing in mind the probable increase of staff as a result of the programme of work laid down for the Trade Information and Trade Promotion Advisory Service, the studies in conjunction with economic development of various countries, the activities in connexion with less-developed countries, the Kennedy Round, etc., one may assume that the number of established posts will continue to grow over the next two to three years.

6. With regard to the document storage premises, the archives, the library, the stationery supplies room and the Roneo room, the space at present allotted is inadequate. Space requirements for storage of archives and documents are increasing at a high rate because of the expanding activities of the secretariat and also because of the cumulative effect of the need to maintain records of past years. It should be noted that a large part of the stocks of publications is at present stored in the corridors of the Villa representing a considerable fire hazard.

7. On the basis of the facts and assumptions outlined above I have proposed the construction of a second Annex similar to the existing Annex which has given complete satisfaction. The second Annex would provide another fifty offices which, it is estimated, should cover the secretariat's needs during the coming three to four years, by which time it is hoped that more permanent arrangements will have been made. It would be constructed on United Nations' ground and would be situated close to the present Annex to which it would be directly linked. In this connexion, I have contacted the United Nations and the Geneva authorities and they have already given their approval in principle to this project.

8. Before making this proposal I had examined the possibility of renting additional accommodation in Geneva. Apart from the loss of operational efficiency which would inevitably result from spreading the relatively small and highly inter-dependent secretariat over a number of buildings not in close proximity to one another, I have also satisfied myself that financially such a solution would be unattractive as at present rates prevailing in Geneva this would mean a minimum outlay of \$29,000 per annum in order to provide an equivalent amount of office and storage space. Bearing in mind that, on the one hand, this outlay would be "à fonds perdu" while, on the other hand, the resale value of a temporary building as proposed would be high, it will be clear that, from the financial standpoint, the construction of temporary accommodation would be advantageous.

9. As regards the choice of the builders, the following is pertinent: firstly, on the occasion of the construction of the first Annex in 1961 a thorough study was made of the various building firms specializing in temporary constructions and also enquiries were made as to the experience obtained by others with temporary buildings of this kind. The firm of Durisoi had previously been commissioned to construct the pavillions which housed the WMO for many years and which are still in existence. The firm had also constructed for the Canton of Geneva a great number of school pavillions which were visited at the time. The firm had a high reputation for first-class workmanship both inside and outside Switzerland. The firm was strongly recommended by the United Nations. Our own experience over the last three years has fully justified the confidence placed in this firm. Secondly, as the construction plans for the second Annex will be identical to those for the first Annex, a certain saving could be made. In making their offer the firm also took into account the fact that this would be the second

time they would be commissioned by the GATT, which led them to offer more favourable conditions. Thirdly, as the two Annexes would be close to one another, and in fact linked by a covered passage, it was also considered aesthetically desirable to apply the same form and methods of construction.

10. The price quoted by Messrs. Durisol for the construction of a second Annex according to detailed specifications amounts to \$213,000.

11. At my request the firm has submitted an additional estimate for the construction of a basement, which is considered essential in order to provide the necessary storage facilities. The amount quoted for the construction of a basement of 250 square metres is \$19,000.

12. The contract would contain a routine contingency clause to the effect that the firm reserves the right to charge unforeseen increases in the cost of materials and wages, etc.

13. In addition to the quotations mentioned above an amount of \$65,000 has been set aside for the necessary groundwork, cables, construction of parking facilities, landscaping, etc. This amount includes a margin of roughly 10 per cent to cover contingencies. The total amount would thus be \$297,000.

14. The various estimates have been examined by the United Nations Building Management and Engineering Section and have been found reasonable.

15. The new building would provide useable floor space of 1,128 square metres, to be divided into offices of various sizes based on a module of 1.50 metre (the smallest office being equivalent to 2 modules). Taking the present Annex as an example, a total of roughly fifty offices for one, two or more staff members could be provided. Storage space in the basement would be 250 square metres.

16. As to the financing of the project the various possibilities already mentioned in document L/2223 are as follows:

1. Low-interest loan from the Federal Government;
2. Bank loan;
3. Use of the Surplus Account supplemented by a withdrawal from the Working Capital Fund;

or if necessary a combination of 1, 2 and 3, so as to arrive at an arrangement most advantageous to the CONTRACTING PARTIES. As to 1, I am awaiting the comments of the Swiss Government. Meanwhile the possibility of obtaining a bank loan has been examined and I have been advised that such a loan could be obtained at a rate of interest of approximately 4 per cent per annum.

17. In both 1 and 2, the loan could be reduced, if the CONTRACTING PARTIES should so desire, by the use of the Surplus Account standing at \$92,058.61. The Surplus Account is at present unencumbered.

18. As regards a possible withdrawal from the Working Capital Fund, the Executive Secretary would not favour this solution which should only be contemplated as a last resort in case alternatives 1 and 2 should not prove feasible. Use of the Working Capital Fund would make it necessary to sell short-term and long-term investments up to a value of \$205,000. On the basis of the present yield this would involve a yearly loss of income on investments amounting to approximately \$9,500. Moreover, withdrawing from the Working Capital Fund almost 80 per cent of the present principal would hardly be compatible with sound financial practice.

19. The following table gives an indication of the annual charge (amortization plus interest) to the budget, based on various interest rates and assuming the loan to be reimbursed over a period of five years. Two alternatives have been considered namely (a) representing the full amount, and (b) representing the balance after use of the Surplus Account.

(a) Full amount (\$297,000)

<u>Interest Rates</u>	<u>Annuities</u>
2 per cent	\$63,010
2½ "	\$63,930
3 "	\$64,850
3½ "	\$65,800
4 "	\$66,710
4½ "	\$67,650

(b) Reduced amount (\$297,000 - \$92,000 = \$205,000)

<u>Interest Rates</u>	<u>Annuities</u>
2 per cent	\$43,490
2½ "	\$44,130
3 "	\$44,760
3½ "	\$45,400
4 "	\$46,050
4½ "	\$46,700

20. Apart from the interest and amortization mentioned above, the following recurring annual charges to the budget would be entailed:

- for electricity, water, telephone, cleaning, etc. (\$7,700).

In addition there would be a non-recurring charge - for furniture and other permanent equipment (\$31,800).

As regards staff, two additional messengers (Grade G.1/G.2) would be needed (\$5,900).