

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3986

18 January 1974

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REPORT OF THE COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

I. GATT Accommodation

1. At its meeting in October 1973, the Committee on Budget, Finance and Administration undertook a first examination of the situation with regard to the negotiations which had taken place between the Director-General and FIPOI (Fondation des Immeubles pour les Organisations Internationales) with a view to drawing up a draft lease for the rental by GATT of part of the present ILO building. In accordance with its decision (document L/3944, paragraphs 44 and 45) the Committee met again on 12 November 1973 and 9 January 1974 to further examine financial and other implications of moving the secretariat in 1976 to the present ILO building.

2. The principle of this installation was approved by the CONTRACTING PARTIES in 1971 on the basis of a recommendation by the Committee after consideration of alternative possibilities such as the construction of GATT's own headquarters building. The Committee did not re-examine such other alternatives at its meetings in November 1973 and January 1974, although this possibility was suggested by one member.

3. During the course of these meetings the Committee examined the draft lease and noted with satisfaction that the terms of the lease, as they had been negotiated with FIPOI, were acceptable. The Committee was informed that the annual rent payable to FIPOI, to be based on the actual surface finally occupied by GATT and the actual amount invested in the building by FIPOI, on the basis of present costings, would be in the region of 1,080,000 Swiss francs per annum. Some elements of FIPOI's investment, such as the cost of renovations envisaged, were still subject to possible modification, and the space to be occupied by GATT could not be indicated with great accuracy until further architectural information became available.

4. The Committee noted that, in addition to the renovations envisaged by FIPOI, the cost of which was estimated at 7 million Swiss francs, certain modifications had to be undertaken by GATT in order to adapt the premises to GATT's needs. These comprised the refitting and modification of the conference rooms, including the air-conditioning system for these rooms, and the modification of the lighting fittings and fixtures, and their cost was estimated at 5 million Swiss francs (documents Spec(73)53 and Spec(73)65, paragraph 3). Work would commence in 1975 when the ILO building had been vacated and both FIPOI and GATT renovations would be completed by mid-1976. During this period no conference space would be available in the ILO building.

5. On completion of the renovations, GATT would have at its disposal four conference rooms with accommodation for 270, 170, 90 and 60 seats respectively, which would accommodate all GATT meetings with the exception of the Sessions of the CONTRACTING PARTIES.

6. With regard to the various aspects of financing the cost of the proposed renovations, the Committee examined the possibility of raising loans for this purpose. However, in view of the fact that FIPOI was not at present in a position to grant a low-interest loan, that present economic conditions had led to an unfavourable situation with regard to commercial bank loans and that, in any case, expenditure would be spread over a period of four years, the Committee favoured meeting these costs from the GATT regular budget. It reached agreement that a building fund should be established in 1974 with the unencumbered balance of the 1973 surplus, although one member stated his Government's preference that year-end surpluses should normally be earmarked towards future years' income. He expressed the hope that 1974 expenditure with respect to the renovation of the present ILO building would be kept at a minimum. In this connexion, the Committee noted that it was estimated that, after allocating 1 million Swiss francs to income, thus reducing 1974 contributions (document L/3944, paragraph 24), and SwF 160,000 for a training course on the multilateral trade negotiations for senior officials from developing countries (paragraph 11 below), an amount of approximately SwF 600,000 which would be adequate to cover anticipated expenditure in 1974 (approximately 10 per cent), would be available for this purpose. Expenditure in 1975 (50 per cent), 1976 (30 per cent) and 1977 (10 per cent) could be covered either by provisions in the budgets for those years, the use of possible surpluses, or recourse made to loans should circumstances so warrant.

7. The Committee recommends to the Council the approval of the draft agreement between FIPOI (Fondation des Immeubles pour les Organisations Internationales) and GATT in respect of the rental from July 1976, by the GATT secretariat of part of the present ILO building (Annex)¹

8. The Committee further recommends to the Council that the Director-General be authorized to enter into firm commitments with respect to the renovation of part of the present ILO building to adapt it to GATT's needs, in accordance with paragraph 4 above, the cost of which is estimated at 5 million Swiss francs.¹

9. With regard to the financing of the project, the Committee recommends to the Council that the balance of the 1973 surplus account be used to cover initial expenditure.¹

II. Consolidation of post adjustment in the base salary scales for staff in the professional category and above (L/3944)

10. The Committee examined the Director-General's proposal to consolidate five classes of post adjustment in the base salary scales for staff in the professional category and above. It noted that the UN General Assembly had adopted at its December 1973 Session a similar proposal. The Committee recommends the adoption by the Council of the Director-General's proposals as set out in document L/3974.

¹One member of the Committee accepted these recommendations ad referendum.

III. Training course on the multilateral trade negotiations for senior officials from developing countries (L/3978)

11. The Committee examined the Director-General's proposal regarding a training course on the multilateral trade negotiations for senior officials from developing countries and its financing. One member of the Committee, while emphasizing his Government's support for the course itself, would have favoured its financing from the unforeseen expenditure item or from savings within the 1974 budget. In his opinion this type of expenditure should be anticipated in the normal annual budget estimates but nevertheless he was prepared to accept the proposal. The Committee therefore recommends the adoption by the Council of the Director-General's proposals set out in document L/3978.

POINTS FOR DECISION:

- Paragraph 7
- Paragraph 8
- Paragraph 9
- Paragraph 10
- Paragraph 11

Annex

DRAFT LEASE

The undersigned:

FONDATION DES IMMEUBLES POUR LES ORGANISATIONS INTERNATIONALES (FIPOI),
hereinafter referred to as the "lessor", represented by its Chairman and
Vice-Chairman,

and

the INTERIM COMMISSION FOR THE INTERNATIONAL TRADE ORGANIZATION (ICITO-GATT),
hereinafter referred to as the "lessee", represented by

have hereby agreed as follows:

Article 1 - The Fondation des Immeubles pour les Organisations internationales (FIPOI) leases unfurnished to the Interim Commission for the International Trade Organization (ICITO-GATT) the whole of the north wing and of the central part of the present building of the International Labour Office, together with the offices shown on the plan annexed hereto and covering an area of 1,144 square metres in the south wing of that building.

Article 2 - The lessee declares that he is well acquainted with the premises to be leased, that he accepts them in the condition in which he will receive them as set forth in the statement on the condition of the premises to be drawn up jointly as at the date of commencement of the lease and that he intends, without reservations, to use them for the purposes for which they are designed.

Article 3 - The lease is for a term of 15 years, beginning on 1 July 1976 and ending on 30 June 1991.

Article 4 - The rent is set at $\overline{1,080,000}$ francs a year, payable quarterly in advance to the CAISSE D'EPARGNE LA REPUBLIQUE ET CANTON DE GENEVE, account No. U7.755.506. The lessor reserves the right to change the rent every five years after consultation with the lessee.

The lessee may not set off any claim against the rent; only a financial obligation recognized by a decision of the Board of Arbitrators provided for in article 14 may be set off against rent.

The cost of upkeep and repairs borne by the lessor under the rules and practices governing tenancies in force at Geneva shall not give rise to any increase in rent.

The lessee, on the other hand, shall be responsible for the following costs, in so far as they relate to the leased premises as described in Article 1; inter alia

- the upkeep of special equipment installed by the lessee
- the rental of the telephone switchboard
- electricity supply
- heating costs
- the cost of cleaning offices and furnishings
- the upkeep of that part of the grounds on which a surface right (droit de superficie) has been granted to the lessor by the Canton of Geneva and which has been placed at the disposal of the lessee.

It being the intention of the lessor to lease the south wing to other international organizations, the costs described above shall be distributed between the undersigned lessee and the tenant or tenants of the south wing in accordance with an agreement, to which the lessor will be a party, to be concluded before occupancy of the south wing by other tenants.

Article 5 - To be valid, notice of termination of the tenancy must be given by either party by registered letter at least one year before expiry of the present lease, failing which the tenancy shall be renewed on the same terms and conditions for a further period of five years and so on every five years.

In case the lessor unilaterally terminates the lease before its twentieth anniversary, he will become proprietor of the installations made in the building by the lessee and shall indemnify him at the rate of 5 per cent of the amount invested in these installations for each year remaining up to the twentieth anniversary.

Should international events oblige the lessee to cease or suspend his activities in Geneva, the lease may be terminated before its expiry, without compensation, as from the end of a month by giving **six months'** notice.

It is stipulated that the establishment elsewhere than at Geneva of the Office of the United Nations or of any public international organization which may replace it constitutes an international event authorizing the lessee to terminate the present lease.

There shall be the same option to terminate the lease if the lessee's freedom to carry on his activities is ended or curtailed, or if the lessee discontinues his activities at Geneva.

Article 6 - The lessee may not change the disposition of the premises rented or the purposes for which they are used. He may not assign the said premises in whole or in part without the lessor's written permission, it being understood, however, that he may sublet part of them to the United Nations or to one of its Agencies. He shall notify the lessor.

The lessor shall not be required to give reasons for refusing to allow the premises to be sublet.

Article 7 - Before the expiry of the lease, the lessee shall restore the premises to their original condition, as described in the statement on the condition of the premises to be drawn up in accordance with article 2.

The lessor may agree at any time that the leased premises be handed over to him in the condition resulting from fittings and alterations, without payment of compensation to either party, or may require them to be handed over to him in that condition subject to the payment of fair compensation to the outgoing lessee.

If, by arrangement with the outgoing lessee, the new lessee replacing him has agreed to take over the premises in the condition in which he finds them, either without payment or subject to the payment of fair compensation, the two preceding paragraphs shall not apply, but the rights and obligations of the parties on the termination of the new lessee's lease shall be the same as though he himself had been responsible for the fittings and alterations.

Article 8 - The lessee shall not object to the carrying out, without compensation, of all necessary repairs. Except in cases of urgency, the timing of the repairs shall be settled by mutual agreement between lessor and lessee.

Article 9 - The lessor shall not be responsible for injury to persons or damage to property caused by water, gas or electricity nor for the consequences of explosions, gas leakages, fire or losses resulting from theft, if such incidents are not due to his fault.

Article 10 - The lessee shall take all precautions against frost. He shall be responsible for the replacement of cracked or broken window panes.

Article 11 - The external installation of signs, insignia, emblems, shields, flag poles and mounts, signboards, plates and radio-electrical transmitting or receiving aerials shall be subject to the lessor's written permission. The lessor shall not object to the installation of such objects in so far as they are consistent with the practices of international organizations established at Geneva.

Article 12 - The lessee undertakes to use the rented premises with the greatest care, to keep them in a state of perfect cleanliness and not to inconvenience his neighbours. He is required to report without delay to the lessor any damage suffered by the premises which he occupies.

Article 13 - The lessee undertakes to comply with the regulations for the building annexed hereto.

Article 14 -

(a) Any dispute concerning the implementation or interpretation of the present contract which it has not been possible to settle by direct negotiation between the parties may be submitted by either party to a Board of Arbitrators composed of three members for its opinion.

(b) The lessor and the lessee shall each designate one member of the Board of Arbitrators.

(c) The Arbitrators so appointed shall choose a third Arbitrator who shall preside.

(d) In the event of disagreement between the arbitrators on the choice of the third arbitrator, he shall be appointed by the President of the International Court of Justice at the request of either party.

(e) Disputes shall be referred to the Board of Arbitrators by petition from either party.

(f) The Board shall determine its own procedure and its decisions shall be final and enforceable.

(g) The present lease shall be interpreted in accordance with the general principles of law supplemented, if necessary, by the Swiss law applicable in similar matters.

Done and signed in four copies, of which two for each party, at Geneva on

Interim Commission for the
International Trade Organization

Fondation des Immeubles pour les
Organisations internationales