



## FOURTEENTH ITEM ON THE AGENDA

**Report of the Building Subcommittee**

1. The Building Subcommittee of the Programme, Financial and Administrative Committee met on 21 March 2006. The Officers of the Subcommittee were: Mr. S. Paixão Pardo (Government member, Brazil), Chairperson and Reporter; Mr. D. Lima Godoy (Employer member), Vice-Chairperson; Mr. Khurshid Ahmed (Worker member), Vice-Chairperson.

**Update on construction projects**

2. The Subcommittee had before it a paper<sup>1</sup> providing updated information on the construction projects in Santiago and Dar es Salaam.
3. The Chief of the Internal Administration Bureau supplemented the document submitted to the Subcommittee with details of recent developments. The inauguration of the Santiago building had taken place on 14 December 2005, in the presence of Mr. Ricardo Lagos, President of Chile, the Director-General, representatives of the Employers and Workers and the architects. Concerning the Dar es Salaam project, the Office had visited the site in February 2006 and could report first-hand that the construction work was going as planned, except for a minor two-week delay, and was within the budget allocation.
4. The Worker members were pleased to note that the project in Santiago had been completed to everyone's satisfaction. They sought clarification on the indemnity of US\$79,552.58 paid to the owner of the premises formerly occupied by the ILO. They also requested information about the tax exemption the Office could expect for the Dar es Salaam project and the process of VAT reimbursement for both constructions.
5. The Worker members recalled that the Office had proposed to include in its Programme and Budget proposals for 2008-09 an amount of 1 per cent per year of the total value of the properties to fund future major repairs. The question remained open, however, for the ongoing biennium in case of urgent repairs.
6. The Employer members indicated that they were also surprised by the indemnity paid to the owner of the former ILO premises in Santiago. They were pleased to note the progress

<sup>1</sup> GB.295/PFA/BS/1.

of the construction project in Dar es Salaam. They also wished to highlight the importance of establishing a substantial reserve for maintenance and repairs of all ILO premises.

7. The representative of the Government of Japan supported the idea that every effort should be made to accumulate a reserve for major repairs in the Building and Accommodation Fund, starting with any savings that could be found during the present biennium. However, he recalled that the basis for replenishing the Building and Accommodation Fund referred to by the Workers was an Office proposal that would need to be discussed in due course by the Governing Body.
8. The representative of the Government of Kenya regretted that the document did not contain more detailed information on the Dar es Salaam project.
9. In response to questions by the Workers and Employers, the Treasurer and Financial Comptroller indicated that the budget allocation for the construction projects was net of any taxes that would subsequently be reimbursed. The amount of tax paid by the Office was charged to a transitory account pending reimbursement on the basis of claims submitted by the Office to the governments in question, at which time the account was cleared. The delay noted in the reimbursements by the Chilean authorities was in line with the normal claims process.
10. In response to the question concerning the compensation paid for the early termination of the lease in Santiago, the Executive Director of the Management and Administration Sector recalled that the Office had signed in 2001 a lease agreement for ten years at a fixed rate in “Unidades de Fomento” (an inflation-indexed monetary unit denominated in Chilean pesos) for the duration of the lease. The contract provided for early termination only in the event of the ILO ending its presence in the country. Despite consistent efforts made by the Office representatives in Chile, in close consultation with the Office of the Legal Adviser of the ILO, the Office was successful in finding a new tenant willing to take over the balance of the lease only after the new building had been completed. In view of the evolution of the real estate market in Santiago, the devaluation of the dollar and the gap between the ILO’s departure and the new tenant’s occupancy, the Office was obliged to make a compensatory payment in order to terminate the lease. According to the legal advice received, including from local experts, the agreement reached was the best that could be negotiated in the circumstances. The Office would draw lessons from this experience in negotiating future lease agreements.

## **Update on the independent survey of ILO headquarters**

11. The Subcommittee had before it a paper<sup>2</sup> submitted for information on the outcome of the bidding process for a comprehensive technical survey of the ILO headquarters building.
12. The Chief of the Internal Administration Bureau provided the Subcommittee with the most recent information on the terms of the contract signed on 9 March 2006 with TECHDATA, the company that had won the international bidding process. TECHDATA would be paid in five monthly instalments and the Office would be in contact with them regularly to be apprised of progress. The deadline of 15 August 2006 had been set for receipt of their final report. The results of the survey, together with financing options, would be submitted in a document to the Building Subcommittee in November 2006.

<sup>2</sup> GB.295/PFA/BS/2.

13. The survey would cover five broad fields: the structure of the building; the façade and windows; the roofs and the pond above the P1 parking; the interior technical aspects including fire prevention, lighting, false ceilings, insulation between floors and allocation of space; and the analysis of the materials used for the construction to evaluate their deterioration after more than 30 years of use. This company would not be eligible to tender for the actual construction work that could result from the study.
14. The Employer members stressed the importance of the survey, which it seemed was being handled with due care by the Office. It was essential that the outcome of the survey make a distinction between the works that were indispensable, those that were necessary and others that would be optional. Budgetary considerations would obviously be vital in this regard.
15. The Worker members regretted that more information had not been provided in the document submitted to the Subcommittee, as well as the slow pace of developments as regards the survey and consequent steps. Members of the Subcommittee had visited the building over a year ago, noting the state of disrepair of certain areas such as the parking spaces, conference rooms and lifts. They urged the Office to proceed with all due diligence to ensure that visitors, delegates and staff worked in a safe and appropriate environment. Asbestos was the most widely used insulation material in the early 1970s. All safety and health issues should be dealt with seriously and with the sensitivity required to reassure staff. They also underlined the importance for the image of the ILO, a universally respected institution, to refurbish some conference rooms.
16. The Worker members were looking forward to the timely completion of the survey and to indications on the better use of space, as well as proposals for the replacement or renovation of meeting room equipment. They encouraged the Office to pursue efforts to obtain financing from the Swiss authorities.
17. The representative of the Government of Japan was looking forward to a concrete discussion in November, on the basis of the results of the survey. This would provide a good opportunity to review the decision-making process on questions relating to accommodation. He reiterated past requests for a comprehensive accommodation strategy, the survey being a first step in this direction, as well as for a ten- to 15-year investment plan. These should be in place before decisions were made.
18. The representative of the United Kingdom welcomed the fact that the contract had been awarded for the survey but regretted the delays in the process. She recalled their request made in November 2005 that the outcome of the survey include financial options and a robust business plan based on best practice. She hoped that this process would feed into a comprehensive long-term accommodation strategy for the ILO.
19. The Executive Director of the Management and Administration Sector indicated that some information had been provided orally to the Building Subcommittee members, owing to time constraints and to the nature of the issues discussed. The Office was not in a position to put together an accommodation strategy before the conclusion of the survey, as the refurbishment of the headquarters building would be a major component of such a strategy. On the question of asbestos, the Office monitored the situation continuously; this issue would be included in the section of the survey dealing with the evaluation of materials. In reply to concerns raised by the Worker members, she confirmed that safety issues, including windows, would be examined as part of the study.

## Other questions

- 20.** The Chief of the Internal Administration Bureau provided information on the status of recent decisions by the Governing Body for major repairs at headquarters. Urgent repairs to the water mains, estimated at 250,000 Swiss francs and approved in November 2005, would be carried out during the summer and would include the installation of a gas main to complement in future the building's energy supply. With regard to the expenditure approved by the Governing Body in March 2005, the bidding process for the renovation of technical equipment in Rooms I, VI, VII and XI should be completed by April 2006, with the work starting next June. The Governing Body had also decided to allocate approximately 100,000 Swiss francs to replace fire extinguishers and cabinets. This work had started in September 2005 and would be concluded by the end of 2006; it was being carried out in three phases and included four training sessions organized in October 2005 for the security staff. Finally, the Governing Body had approved an allocation of 260,000 Swiss francs for the installation of two new escalators on the north side of the building. The final bid amounted to 195,500 Swiss francs, i.e. 64,500 Swiss francs less than the amount approved in March 2005. This work would be carried out at the end of August 2006.
- 21.** The Subcommittee was also informed of progress in the renovation work being carried out to insulate the roof of the auditorium of the ILO premises in Islamabad. The structure of the building had been examined for possible effects of the earthquake that had devastated the region in October 2005, which had led to some delays. The work was now under way and should be completed by the end of April 2006.
- 22.** The Office was in the process of finalizing the compendium on current policies, rules and practices followed in relation to accommodation decisions. This internal document would be published on the ILO intranet site by June 2006.
- 23.** The Worker members raised the possibility of using the funds remaining from those allocated for the installation of new escalators on the north side of the building to be used for an elevator for persons with disabilities. They also wished to bring to the attention of the Subcommittee their concern about the excessively high rent presently paid by the ILO Subregional Office in Port of Spain. This was diverting funds that could be used for other more useful purposes.
- 24.** The Employer members expressed their support for the proposal to allocate the funds remaining from the allocation of the escalators to the installation of an elevator for persons with disabilities.
- 25.** The Executive Director of the Management and Administration Sector explained that the question of access for persons with disabilities had arisen at the time when the replacement of the escalators was being discussed, especially in light of the fact that access to the ILO for persons using public transport was on the north side of the building at the P.3 level. The Office was fully committed to making the building accessible for persons with disabilities and the installation of a special elevator between the P.3 and R.2 levels would offer the best solution. The estimated cost for an elevator for persons with disabilities, prior to a competitive bidding exercise, was 120,000 Swiss francs, thus an additional 55,500 Swiss francs would be needed to complement the funds remaining from the allocation for the escalators. Moreover, it would be more efficient if both the escalators and the lift could be installed at the same time. Subject to the views of the Subcommittee, a recommendation could be made to the Programme, Financial and Administrative Committee to authorize the use of 55,500 Swiss francs from the Building and Accommodation Fund for this purpose. Otherwise, the matter could wait until the November 2006 session of the Governing Body.

26. The representative of the Government of Japan, while agreeing in principle with the proposal, sought clarification as to the current level of the Building and Accommodation Fund.
27. The Treasurer and Financial Comptroller informed the Subcommittee that the funds available in the Building and Accommodation Fund, as at 31 December 2005, amounted to some 2.4 million Swiss francs.
28. *The Committee may wish to recommend that the Governing Body agree that:*
- (a) the amount of 64,500 Swiss francs remaining from the allocation approved for the replacement of the escalators be used to partially finance the cost of installing a lift for persons with disabilities, estimated at 120,000 Swiss francs; and*
  - (b) the balance of 55,500 Swiss francs be charged to the Building and Accommodation Fund.*

Geneva, 23 March 2006.

*Point for decision:* Paragraph 28.