

**FOR DECISION**

TENTH ITEM ON THE AGENDA

Other financial questions**Replacement of boilers**

1. The headquarters building is heated by four boilers. Boilers 1 and 2 were replaced ten years ago and are functioning well. Major technical problems with boilers 3 and 4 were identified in 2008. An independent technical review found that it would not be possible to repair them to assure reliable performance other than in the very short term. The review proposed their replacement at an estimated cost of 1 million Swiss francs (CHF), subject to competitive bidding. The maintenance plan for these boilers had not foreseen their replacement until 2015.
2. To ensure adequate heating for the 2008–09 winter months, a temporary boiler was rented at a cost of some CHF300,000 to provide emergency back-up should boilers 3 or 4 fail. This expenditure was covered from within the maintenance budget of the Office through the deferral of other maintenance activities.
3. The expected life of the new boilers is more than 20 years. The replacement boilers will be energy efficient and capable of operating on natural gas. Information provided by the *Services Industriels de Genève* determines that operating on natural gas will reduce CO₂ emissions by 850 tons per annum. In addition to the operating cost advantages, the new boilers would be more environmentally friendly.
4. Through a rescheduling of other capital equipment replacement activities, the Office has identified CHF200,000 that could be used to partially finance the replacement of the two boilers. Given the contribution the replacement of the two boilers would make to the reduction of the Office's carbon emissions, the funds resulting from the 2007 carbon offset charge on travel totalling some CHF150,000¹ together with an estimated CHF300,000 from charges for the current biennium will also be used to finance this investment. This would leave an estimated shortfall of CHF350,000.
5. The main source of funding for the refurbishment and maintenance of ILO premises is the Building and Accommodation Fund which is financed from the regular budget and is also credited with income from the rental of available office and parking spaces. The unallocated balance of the Building and Accommodation Fund as at 31 December 2008 was some CHF1.5 million. It is therefore proposed that the cost of replacing the two boilers that cannot be financed from the sources identified in paragraph 4 above be financed from the Building and Accommodation Fund.

¹ GB.301/PFA/1/1.

- 6. The Committee may wish to recommend to the Governing Body that it agree that the cost of urgent replacement of boilers 3 and 4 that cannot be financed from other sources, estimated at CHF350,000, be charged to the Building and Accommodation Fund.***

Geneva, 20 February 2009.

Point for decision: Paragraph 6.