



Governing Body

309th Session, Geneva, November 2010

GB.309/PFA/6(Rev.)

Programme, Financial and Administrative Committee

PFA

SIXTH ITEM ON THE AGENDA

Report of the Building Subcommittee

1. The Building Subcommittee of the Programme, Financial and Administrative Committee (PFAC) met in Geneva on 8 November 2010. The Officers of the Subcommittee were: Mr Paixão Pardo (Government member, Brazil), Chairperson and Reporter; and Mr Lima Godoy (Employer member) and Mr Kurshid Ahmed (Worker member), Vice-Chairpersons.

Status report on ongoing renovation activities

2. The Subcommittee had before it a paper¹ on the ongoing renovation activities at the headquarters building.
3. A representative of the Director-General (the Director of the Department of Facilities Management) introduced the document. He also informed the Subcommittee that new premises had been identified for the Decent Work Technical Support Team and Country Office (DWT-CO) in Dakar, which had been facing security and space problems for several years. It was hoped that the move to the new premises could take place by mid-2011. He mentioned that his department now had its own public website (www.ilo.org/facilities).
4. The Employer Vice-Chairperson noted the document and appreciated its brevity and clarity.
5. The Worker Vice-Chairperson appreciated the progress being made but felt that the information provided concerning the refurbishment of the kitchen needed clarification as to the current situation and the nature of the contract and financing modalities between the Office and the service provider.
6. The representative of the Government of Brazil, speaking on behalf of the group of Latin American and Caribbean countries (GRULAC), requested additional information regarding the replacement of the smoke detectors, as well as the refurbishment of the cafeteria and the arrangements with the service provider.

¹ GB.309/PFA/BS/1.

7. The representative of the Government of the United Kingdom requested more detailed information on the cost of refurbishing the cafeteria.
8. A representative of the Director-General (the Treasurer and Financial Comptroller) explained that, as stipulated in the contract, the Office had received a lump sum of 1 million Swiss francs (CHF) from the service provider to improve the kitchen, restaurant and cafeteria areas. Some CHF390,000 had been used to upgrade kitchen equipment and another CHF400,000 for the refurbishing of the cafeteria and restaurant areas. Other amounts had been used for minor renovations of the smaller bar and dining facilities. A recent technical study had identified serious structural deterioration of the kitchen areas, and the Office as owner of the building was responsible for their repair. This item had therefore been included in the renovation project as it would not be possible to include funding for this work in the rebidding of the catering contract.

Future renovation activities

9. The Subcommittee had before it a paper² on future renovation activities. A representative of the Director-General (the Executive Director for Management and Administration) introduced the paper.
10. She reminded the Subcommittee that the Governing Body had discussed the need for renovation of the headquarters building on a number of occasions since 2005. In 2006, a technical study had identified most of the works that needed to be undertaken. Discussions had also been initiated with the Swiss authorities with a view to changing the zoning classification of different plots of land owned by the ILO and thus enhance their sale value.
11. Since the update of the 2006 technical study had been completed earlier than anticipated and had confirmed previous findings, the Office had been able to submit the comprehensive plan to the current session of the Governing Body, rather than in March 2011. This should enable the renovation project to start as soon as possible and thus avoid further cost increases.
12. The Worker Vice-Chairperson, expressing satisfaction with the paper, wondered why the Office had not pursued further the option of constructing a new building on plot 3844, rather than housing officials in temporary accommodation. He requested more details on the location of the latter. The Subcommittee's relationship to the project steering committee needed clarification and the Office should in future make a greater effort to keep Subcommittee members informed of developments. He suggested that the ILO Staff Union be included in further discussions of the project steering committee. He also reminded the Subcommittee of the importance of the asbestos issue that had already been raised several times in the Building Subcommittee and he called upon the Office to ensure that health concerns would be pre-eminent throughout the renovation.
13. He wondered why so far only the office cooling system had been connected to the "Genève-Lac-Nations" project. He also asked for clarification why the option of renovating two-thirds of floors 1–11 had been chosen. He encouraged the Office to continue and intensify its consultations with the Swiss authorities regarding the zoning issue and, in general, the possible financing of part of the project. He called the Subcommittee's attention to the fact that the estimated cost of the renovation had increased from CHF120 million to CHF203 million, and he therefore supported the idea of starting the renovation as soon as possible even though inflation in Switzerland was relatively low.

² GB.309/PFA/BS/2(&Corr.).

It was very important to ensure the health and safety of everyone during the renovation and to address any other matters requiring attention.

- 14.** The Employer Vice-Chairperson appreciated the comprehensive plan outlined in the paper, especially given the complexity of the project and the fact that its financing was partly dependent on the successful conclusion of the consultations with the Swiss authorities. He agreed broadly with the observations of the Worker Vice-Chairperson but supported the proposal to build temporary office accommodation since the option of constructing a new building would cause too long a delay. He understood the financial logic of the two-thirds/one third option for the renovation of floors 1–11 but wondered whether technically a one half/one half option could not have been envisaged in order to move fewer staff to temporary accommodation. He also wondered what would happen if funding were not available in 2015 for the completion of the renovation. In order to control costs it was extremely important to ensure a transparent international competitive bidding process.
- 15.** While appreciating the fact that the renovation would be easier to manage for the Office if one general contractor was undertaking the project, he was concerned that this might be more expensive. The issue of drawing on the Working Capital Fund to complete the first phase of the renovation should be dealt with by the PFAC. He agreed that it was important to obtain the best price for the envisaged sale of land. He asked for further clarification as to the role of the service provider in financing the renovation of the kitchens. He wondered whether a Wi-Fi installation throughout the building could not replace the proposed new fibre optic cabling. He also hoped that, if it was decided to install carpets rather than linoleum, these would be anti-allergenic. While supporting the proposed increased use of open space to make more space available for rent, he considered that this could also be achieved by moving more officials to the field and thus bringing the ILO's services closer to the constituents. He agreed with the Worker Vice-Chairperson that it was important to ensure an active role for the Subcommittee members in the implementation of the project.
- 16.** Concerning the long-term strategy for financing the maintenance and renovation of ILO buildings worldwide, the Employer Vice-Chairperson wondered whether an annual allocation of 1 per cent would in fact be sufficient.
- 17.** The representative of the Government of Brazil, speaking on behalf of GRULAC, considered that the comprehensive plan constituted a good basis to start the project. He wondered why renovation of the kitchens had not been included in the 2006 study. The responsibility of the service provider should be clarified in this respect. He was glad to note that environmental and sustainability considerations had been taken into account in the proposals for the renovation.
- 18.** On the reconfiguration of office space, he supported the idea of more open space and felt that the area at the North end of the first floor of the building could serve as an example. He wondered how much space exactly would become available for rent after the renovation and under what conditions. He supported the idea of installing temporary offices on the grounds and considered that the Office should learn from the United Nation's experience in New York in this respect.
- 19.** Temporary use of the Working Capital Fund for the first phase of the renovation should only be an option of last resort. Rather, the Office should do everything possible to reduce costs further and should intensify consultations with the Swiss authorities to speed up the re-zoning of plots 3844 and 3924.

- 20.** The representative of the Government of the United Kingdom, speaking on behalf of the group of industrialized market economy countries (IMEC group), welcomed the comprehensive plan and in particular the fact that all related indirect costs had been explicitly included. The provision for unforeseen costs was particularly relevant in this respect. The IMEC group supported the proposed phased approach and the use of prefabricated temporary accommodation. It welcomed the establishment of the Department of Facilities Management to guide the renovation and the proposed support it would receive from external experts. Given the size of the project, a more detailed risk register should be elaborated. It would also be useful to have a better idea of the order of priority of the different components of the project's completion phase. The IMEC group supported the proposed sale of land and use of rental income to finance the completion of the project.
- 21.** The IMEC group considered that automatic transfers of eventual net premiums and income or budget surpluses should not be part of the long-term strategy, nor would they consider favourably a one-off increase in the regular budget or a higher baseline. Rather, financing should come from transfers from within the regular budget, rental income and interest earned on the Building and Accommodation Fund (BAF).
- 22.** He hoped that further consultations during the current session of the Governing Body could lead to the early adoption of a long-term financing strategy by the Governing Body. He reminded the Subcommittee that one of the conditions of the Conference resolution for the transfer of half of the net premium from 2008–09 of CHF14.8 million to the BAF was the endorsement of a long-term financing strategy. He requested that that strategy be finalized as soon as possible, and in any event prior to the March 2011 session of the Governing Body.
- 23.** The representative of the Government of Japan, speaking on behalf of the Asian and Pacific group of countries (ASPAG), welcomed the comprehensive plan and its early submission. He regretted, however, that the discussion paper had not been made available earlier. ASPAG supported the first phase of the renovation project, including the use of temporary accommodation. Regarding the financing of the second phase, it encouraged the Office to intensify consultations with the Swiss authorities. The Subcommittee should be regularly informed of progress. It should also be kept informed of the results of the asbestos survey. He wondered whether the installation of sprinklers in the car parks was really essential. He agreed with other members that transparent international competitive bidding was essential for successful procurement of the services and goods required for the project. Regarding the long-term strategy, ASPAG did not support a new baseline for the regular budget.
- 24.** His Government supported the point for decision on the understanding that the beginning of the completion phase would be subject to future approval by the Governing Body. Concerning the long-term strategy, his Government supported the ASPAG and IMEC positions. He asked for clarification of the options listed in paragraphs 68 and 69 of the document.
- 25.** The Worker Vice-Chairperson called upon governments not to close the door on eventual transfers of net premiums and income and budget surpluses. His group was against transfers from within the regular budget, since programme activities had to be maintained at least at current levels. He again asked why the provision for cost increases was so high.
- 26.** In reply to the technical questions raised, a representative of the Director-General (the Director of the Department of Facilities Management) recognized the importance of the asbestos issue. Regular air measurements had shown that there was no danger to health and that during the renovation all necessary measures would be taken to protect ILO officials and visitors to the building, as well as the workers actually removing and isolating the

asbestos. The building's heating system had not been connected to the "Genève-Lac-Nations" project earlier because of the cost involved. The two-thirds/one third approach to the renovation of floors 1–11 was based on technical considerations and aimed at reducing noise and dust levels in the rest of the building. The temporary offices would be installed on top of the East side of the P3 parking area, if structurally feasible, or on plot 4057.

27. In order to understand better the technical issues involved in renovating the kitchens, he proposed that the Subcommittee members visit the areas concerned. Installation of sprinklers in the car park was essential to protect the building's foundations in case of fire. As for the perceived delay in starting the works, about 24 months were necessary to prepare the detailed specifications for the different parts of the project and to complete the international bidding process. Of course, the Office would do everything in its power to speed up the process and it was likely that renovation of the kitchens could start earlier. Fibre optic cabling was still necessary to ensure high-speed data transmission of the kind required by IRIS. Seven conference rooms still needed to be renovated. Finally, he undertook to keep the Subcommittee members regularly informed of developments in between sessions of the Governing Body.
28. In reply to the financial questions raised, a representative of the Director-General (the Treasurer and Financial Comptroller) explained that, while overall inflation in Switzerland was relatively low, inflation in the construction sector was historically higher, and this had been reflected in the estimates. An annual rate of 2 per cent had been provided for. He explained that the current comprehensive plan included a number of components that had not been included in earlier plans. The financial estimates had been reviewed by an independent consultant and the Office was confident that the figures were reasonable and realistic.
29. Completion of the project was indeed dependent on fresh funds becoming available, and if such funds were not forthcoming the completion phase would be put on hold. An international bidding process was essential, and given the amounts involved he was convinced that there would be interest from outside Switzerland. The proposal to enter into a contract with a general contractor was based on the experience of other UN organizations with similar projects and would be easier to manage for the Office. Consultations with the Swiss authorities at different levels were complex and time consuming but they were progressing. Given the clear interest on their part in developing the plots concerned and the interest shown by potential developers, the Office was confident of a successful conclusion to this process.
30. Regarding the long-term strategy, building up a reserve for major maintenance and renovation by setting aside 1 per cent of the insurance value of the buildings had been proposed in line with the practice followed by the *Fondation des Immeubles pour les Organisations Internationales* (FIPOI). If such a reserve had been built up since the construction of the headquarters building, it would now contain some CHF150 million in respect of the headquarters building. Rental and interest as sources of income for this reserve were not as stable as a provision from the regular budget. The potential rental income beyond that required to finance the present project would not be known until the detailed planning work for the project began.
31. The representative of the Government of the United Kingdom, speaking on behalf of IMEC, requested that the point for decision be amended to take account of the need for the endorsement of the long-term strategy for financing the future maintenance and renovation of ILO buildings. Following some discussion on the matter, an amendment to the point for decision was agreed to reflect this.

32. The Subcommittee proposes that the Programme, Financial and Administrative Committee recommend to the Governing Body that it:

- (a) approve the comprehensive plan for the renovation of the headquarters building as set down in this paper, subject to the financing being available;*
- (b) authorize the Director-General to commence the first phase of the renovation project immediately at an estimated cost of CHF89.1 million;*
- (c) authorize the use of the Working Capital Fund and/or a loan, should this be necessary, to complete the first phase of the renovation project; and*
- (d) note that the decision to transfer one half of the 2008-09 net premium, amounting to CHF14,869,967, to the BAF for the headquarters renovation project is subject to the development by the Office, and endorsement by the Governing Body, of a long-term strategy for the financing of future maintenance and renovation of ILO buildings.*

Overview of ILO accommodation

- 33.** The Subcommittee had before it a paper ³ with a number of appendices containing financial and statistical information on external offices.
- 34.** The Employer Vice-Chairperson expressed his appreciation of the detailed information in the paper and suggested that in future this type of document be forward looking, as well as providing information on the current state of external offices.
- 35.** The Worker Vice-Chairperson supported the proposal made by the Employer Vice-Chairperson and welcomed the fact that some offices benefited from rent-free accommodation. This illustrated the importance of voluntary donor contributions jointly with the regular budget contributions to the delivery of the Decent Work Agenda in the regions. He wondered why the rent paid by the ILO Country Office in Mexico differed from year to year.
- 36.** The representative of the Government of Brazil, speaking on behalf of GRULAC, emphasized the importance of the document, which served to make comparisons between offices, and suggested that indicators of the need to refurbish premises be included in future documents.

Other questions

- 37.** The Subcommittee had before it a paper ⁴ on the replacement of 16 elevators. The Worker Vice-Chairperson expressed his support for the document. While supporting the substance of the document, the Employer Vice-Chairperson felt that it would have been more logical if the document had been submitted in the first instance to the Subcommittee rather than directly to the PFAC. The representative of the Government of Brazil supported the view of the Employer Vice-Chairperson.

³ GB.309/PFA/BS/3.

⁴ GB.309/PFA/BS/4.

- 38.** The Worker member from Mexico expressed her appreciation to the Office for the work it had undertaken with the City of Geneva which resulted in the thorough cleaning of the statue donated by her country to the ILO some 50 years ago that was located on plot 3844, where it welcomed visitors to the headquarters building.

Geneva, 8 November 2010

Point for decision: Paragraph 32