

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(82)51

1 June 1982

ADMINISTRATIVE AND FINANCIAL QUESTIONS

Rental of GATT Accommodation at Centre William Rappard

Note by the Secretariat

1. At its meeting of 12 May 1982 the Committee on Budget, Finance and Administration was informed by a note from the Director-General (Spec(82)47 dated 7 May 1982) that FIPOI (Fondation des Immeubles pour les Organisations Internationales) had decided to increase by 20 per cent the annual rental of the premises of the Centre William Rappard as from 1 January 1983. In his note the Director-General pointed out that he believed FIPOI's decision was justified and was in conformity with the terms of the accepted lease, and he requested the Committee to take note of his intention to sign the relevant addendum to the present text of the lease. The Committee, however, requested the secretariat to provide more detailed information on the subject.

2. Indeed, Article 4 of the lease contains a clause stipulating that:

"The lessor reserves its right to revise the amount of the rental if circumstances warranted, the level and the date of application of the new rental being subject to mutual agreement between the parties."

3. On 18 November 1981 FIPOI informed the Director-General that the annual rent payable for GATT and the other tenants of the Centre William Rappard would have to be increased by 20 per cent over the period 1982-1986, in order to compensate FIPOI for the increase in annual running charges as well as the important basic maintenance work and improvements that had already been performed or were to be undertaken during the forthcoming five years.

4. After extensive discussion between representatives of FIPOI and of the GATT secretariat, it was agreed to postpone the date of application of the revised rental to 1983, averaged over the period 1983-1986, instead of from 1982 as originally requested by FIPOI. As to the revised level of the rental, the relevant consideration and justifications are as follows.

5. Firstly, it is important to note that the relationship between FIPOI and the tenants of the Centre William Rappard is not based on commercial terms proper. FIPOI acts more as a provider of services to the international organizations rather than as a profit-making owner, and, in fact, was created by the Swiss authorities in order to facilitate the accommodation of international organizations in Geneva at costs lower than those of the commercial market. To that effect, the Swiss authorities are granting loans to the international organizations, through FIPOI, at a very low rate of interest.

6. FIPOI, having thus no revenue-producing activities, reflects in the amount of the rental only those costs (wages, maintenance, fees due for the grounds, interests, amortization, etc.) which the tenants would themselves have to meet anyway if they were the owners of the building.

7. For the same reasons FIPOI has to build up a reserve fund from which to draw advances to finance the cost of major repairs and/or improvements to be made to the building it manages. In the absence of any other available resources, the funding of such a reserve can only be made by way of the inclusion of an appropriate amount in the rental, as provided for in the lease.

8. As far as maintenance costs are concerned, the tenants meet directly those related to the up-keep of offices and meeting rooms (such as carpeting, electrical appliances, interpretation and other equipment, etc.). For its part, FIPOI takes care of those affecting basic installations of the building itself (running repairs to plumbing, locks, blinds, hot water systems, furnaces, lifts, light carpentry, etc.).

9. Repairs and/or improvements of a more important nature are obviously of necessity for a building which is getting old. Out of a reserve reaching SwF 1,440,000 in 1981, FIPOI has already spent some SwF 385,000, mainly for improving the insulation of windows in order to increase the comfort of the occupants and to minimize heating costs. The programme of works to be undertaken from 1982 through 1986 has been established and will probably cost some SwF 635,000, consisting mainly of repainting the windows (outside), restoring the car parks and their accesses, working on the drains, repairing the roof, etc. It also foresees improvement of the electrical supply systems so as to achieve economies in the consumption.

10. One member of the Committee pointed out that, in accordance with the jurisprudence followed on the commercial market in Geneva, leases normally include a clause whereby they are indexed to the "Swiss consumer prices index" published by the "Département de l'Economie Publique" of the Canton of Geneva. In this connexion, the representative of the secretariat drew the Committee's attention to the fact that, had a similar clause been included in the FIPOI/GATT lease the indexation set out below, implying annual increases as indicated, would have been applicable for the period 1978-1982. It is, therefore, clear that the terms of the lease accepted by the CONTRACTING PARTIES are advantageous.

Official index

(As applicable for the rental
of the following year)

(September 1977	= 100)
December 1977	= 100.3
December 1978	= 101.0
December 1979	= 106.2
December 1980	= 110.9
December 1981	= 118.2

(indicative: March 1982 = (119.2)

11. It can, therefore, be seen that FIPOI has refrained from adjusting the level of the rental from 1978 to now. The increase of 20 per cent for the period 1983-1986 which is requested now just catches up with past increases in costs reflected by the index, and does not take into account cost increases that will undoubtedly occur during the period 1983-1986.

12. The other tenants of the Centre William Rappard, the Graduate Institute of International Studies and now the United Nations, on behalf of the United Nations High Commissioner for Refugees, have accepted a similar increase in respect of their share of the rental.

13. It appears, therefore, that the increase in the level of the rental proposed by FIPOI is justified.