



Governing Body

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GB.313/PFA/3/2

Programme, Financial and Administrative Section

PFA

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THIRD ITEM ON THE AGENDA

Building questions: Headquarters building renovation project

Purpose of the document

This paper proposes a change in the project's operation to achieve objective four of the comprehensive plan approved by the Governing Body for the renovation of the headquarters building in a more cost-effective fashion. (See the point for decision in paragraph 18.)

Relevant strategic objective: Not applicable.

Policy implications: None.

Legal implications: None.

Financial implications: No additional costs; potential savings of 4.4 million Swiss francs (CHF).

Follow-up action required: Point for decision: paragraph 18.

Author unit: Department of Facilities Management (FACILITIES).

Related documents: GB.297/PFA/BS/3(&Corr.), GB.309/PFA/BS/2(& Corr.), GB.313/PFA/INF/2(Add.).

Background

1. The comprehensive plan for the renovation of the headquarters building includes four major deliverables for the first phase of the project (2011–15):
 - an asbestos survey to determine precisely the extent of asbestos presence in the building;
 - replacement of the 16 main elevators;
 - renovation of the kitchens; and
 - refurbishment of two-thirds of floors 1 to 11 (with the remaining third to be undertaken in 2016–18 during the completion phase of the project).
2. All four elements are currently being implemented according to the original time frame and within budget (see the appendix for details). In order to maintain this progress and continue to respect the budgetary envelope approved by the Governing Body, the Office is proposing a change in approach for the implementation of the refurbishment of floors 1 to 11.
3. A preliminary technical study undertaken in 2006 in preparation of the project recommended keeping all staff in the building during the renovation.¹ This study foresaw the renovation work being conducted in multiple segments over some ten years. Subsequent independent advice provided to the Office and shared with the Governing Body, considered that this would unnecessarily prolong the duration of the works and thus increase the cost of the project considerably. To shorten the duration of the project, the advice received and subsequently included in the comprehensive plan involved vacating two-thirds of floors 1 to 11 and locating some 600 officials in “swing space” outside the building during the renovation. To this end it proposed three options for “swing space”:
 - renting commercial space;
 - building a temporary prefabricated building on the ILO grounds; and
 - building a permanent building on plot 3844 above Avenue Appia, and temporarily occupying this building with a view to selling or leasing it once the renovation was complete.
4. The Governing Body expressed its preference for the second option since the first was considerably more expensive and involved a number of logistical challenges, whilst the third would be subject to land rezoning decisions and involved a major construction project. It approved the comprehensive plan accordingly,² including an allocation of 7.5 million Swiss francs (CHF) for the construction of the temporary prefabricated building. This estimate was obtained by an independent consultant from a supplier of such prefabricated buildings. The final cost would of course only be known upon completion of complete feasibility studies, detailed specifications and an international bidding process.

¹ GB.297/PFA/BS/3(&Corr.), para. 22.

² GB.309/PFA/BS/2(&Corr.).

Recent developments

5. In 2011 the Office prepared the preliminary plans and specifications necessary for the launch of an international competitive bidding process for the construction of the prefabricated building. The cost of the external architectural and engineering services for the preparation of the preliminary plans and specifications was approximately CHF200,000. Given the preliminary and exploratory nature of these services, the expenditure was not charged against the project budget but against resources available under the regular budget allocation of the Department for Facilities Management.
6. Before launching the bidding process the Office informally shared the plans and specifications with the host country authorities to ensure that they complied with local standards and regulations. The Office proposed that, in accordance with the provisions of the host country agreement, the process for the construction of the prefabricated building would be similar to that followed for the construction of the headquarters building itself, when the Office had not formally requested a building permit. Rather, a working party comprised of host country officials and Office staff, had guided the process and monitored compliance with local construction standards.
7. The host country authorities indicated informally that they were concerned about the size of the proposed temporary structure and that they would prefer the Office to follow all local construction regulations and procedures, including a formal request for a building permit. Following consultations with other Geneva-based international organizations and local construction experts, the Office assessed that the project would be delayed by at least a year if the Office were to initiate the process of requesting a construction permit. Such a delay could increase the total cost of the project by some CHF3.6 million as a result of inflation over the extended period of the project.
8. In order to re-examine the options available, in February 2012 the Office requested two independent consultant firms to study all available documentation. The consultants were asked to: (a) determine the technical feasibility of undertaking the refurbishment of floors 1 to 11 one third at a time, rather than two-thirds concurrently, thus potentially avoiding the need for a temporary construction; and (b) identify the eventual consequences to the project in terms of cost and delays. Both consultants independently concluded that undertaking the refurbishment of floors 1 to 11 in sequences of one third at a time did not present any technical difficulties and would have a limited effect on the duration of the refurbishment. While it might somewhat increase the cost of the refurbishment itself, due to the likely requirement for a larger number of staff movements and the possible need to rent some “swing space” commercially, this would be largely offset by the savings resulting from not constructing the prefabricated building.
9. More importantly, the consultants affirmed that it was unlikely, given the large surface involved, that any general contractor would be able to undertake the refurbishment of two-thirds of floors 1 to 11 concurrently. This meant that if the approach foreseen in the comprehensive plan were followed, during most of the project substantial parts of floors 1 to 11 would stand vacant. This conclusion was confirmed during interviews in February–March 2012 with the six architectural and engineering firms bidding for the contract to act as “pilot”³ for the renovation project.

³ The project pilot will be a professional firm with experience in managing large-scale renovation projects. The project pilot team includes architectural, engineering and project management skills. It will develop all necessary detailed plans and specifications for the different elements of the renovation and will be an integral part of the overall project management structure.

Consequences of a possible change in approach

10. A decision to abandon the construction of the temporary prefabricated building would result in direct potential savings to the project budget of some CHF4.4 million. While the funds set aside for the construction would not be used, funds would need to be reserved for:
 - additional moves of staff within the building; estimated cost CHF500,000;
 - rental of a limited amount of “swing space” for some independent units, such as the International Institute for Labour Studies, and one or more technical cooperation projects; estimated cost around CHF1 million;⁴
 - IT network installation and maintenance in the “swing space”; estimated cost CHF150,000;
 - communication, transport and other logistics; estimated cost CHF250,000;
 - a reserve to cover eventual cost increases due to the additional four months that the refurbishment may take; estimated cost CHF1.2 million but precise timing and thus final cost will only be known once the pilot finalizes the detailed plans for the refurbishment.
11. Not constructing the prefabricated building would not only be financially advantageous but would also have a number of other important advantages. It would eliminate all construction-related risks and avoid the logistical and security challenges and costs related to working in two separate locations, while officials would continue to have regular access to common facilities such as meeting rooms, cafeteria, post office, bank, etc. It would moreover reduce the negative environmental impact of the project since by definition, because of their temporary nature, prefabricated buildings are not energy efficient and have to be disposed of at the conclusion of the project.
12. In the event that due to unexpected needs, additional space would be required to accommodate staff, it would be possible to rent considerably more space without increasing the overall budgetary envelope contained in the comprehensive plan as can be seen from the financial data in paragraph 10 above. In addition, the project budget already includes a provision of CHF7.1 million to cover unforeseen events.
13. Although more officials than originally foreseen might be affected by noise and other disruptions to their working environment during the refurbishment, the Office would in any case request the project pilot to endeavour to schedule outside regular office hours those works that cause noise and other disruptions. Account should also be taken of the fact that the vertical structure of the building consists of three parts with large dilatation joints between them. According to the engineers consulted by the Office, as the preliminary plans would be to undertake the work in vertical segments, the three separate components of the building and the large dilatation joints will limit horizontal propagation of noise and potential disruption to the working environment.

⁴ Regardless of whether the prefabricated building is constructed or not, the Office will be obliged to ask the International Social Security Association (ISSA), which currently has some 50 officials in the building, to rent commercial space outside the building for the duration of the renovation at its own cost, as foreseen in the original arrangements between the ILO and ISSA governing office space for the ISSA secretariat in the ILO building.

14. The Office has determined that by more strictly managing space allocation, but respecting existing space allocation rules up to P4 and slightly reducing space for more senior staff, it would be possible to accommodate practically all ILO staff on two-thirds of floors 1 to 11 during the refurbishment. This has already been discussed with staff representatives who understand the need to respect the existing rules more rigorously. The preliminary plans related to the construction of a prefabricated building included this same approach for the allocation of space.
15. Not constructing the prefabricated building would have no consequences for constituents and visitors to the building since all services and support they require would continue to be available in the headquarters building.
16. In the light of the considerations outlined above, the Office considers that, both technically and financially, the best way to achieve the objectives of refurbishing floors 1 to 11 within the time frame and budget approved by the Governing Body is to proceed with the renovation of the floors in three consecutive steps, thus avoiding the need to construct a temporary annex.
17. Following the reform of the Governing Body and given that the Building Subcommittee no longer exists, a framework for regular tripartite consultations with Governing Body members on issues related to the project is needed, as confirmed by the discussion of document GB.313/PFA/INF/2(Add.). The Office will develop an appropriate mechanism and submit a proposal accordingly to the November 2012 session of the Governing Body.

Draft decision

18. *The Governing Body: (a) approves the proposal not to construct a temporary prefabricated building for use as “swing space” during the renovation of the headquarters building, provided the project remains within the original budget and schedule; and (b) requests the Office to submit to the November 2012 session of the Governing Body a further progress report on the project, including a proposal for a tripartite mechanism that would ensure that Governing Body members are regularly informed and consulted on developments relating to the renovation.*

Appendix

Headquarters renovation – Phase 1 Financial status as at 31 December 2011

	Comprehensive plan ¹	Current commitments (in thousand CHF)	Expenditure to 31 December 2011
Direct costs			
Asbestos survey	336	152	–
Kitchens	4 144	870	242
Floors 1 to 11	55 776	–	–
Triple glazing office windows	672	–	–
Subtotal	60 928	1 022	242
Other costs			
Temporary offices	7 500	–	–
Moving costs	1 500	–	–
Project management	6 000	325	–
Unforeseen	7 100	–	–
Insurance and miscellaneous	400	–	–
Subtotal	22 500	325	–
Inflation	5 700	–	–
Grand total	89 128	1 347	242

¹ GB.309/PFA/BS/2, Appendix II.