

PLENARY MEETING

Document 57-E
24 July 2014
Original: English

Report by the Secretary-General

OPTIONS FOR THE UNION'S HQ PREMISES OVER THE LONG TERM

Summary

This report responds to ITU Council 2014 recommendation 14.6 to report to the Plenipotentiary Conference for decision on the four possible options raised in Document C14/50: namely to replace the Varembe building, to renovate the Varembe building, to rent premises locally, or to relocate the headquarters of the Union. It addresses the overall HQ premises situation, and contains a time-frame for action and a cost/benefit financial analysis for each option.

In addition, for the relocation option, the report includes analyses of issues raised in Document C14/75 as well as quality of life.

Action required

The Plenipotentiary Conference is invited to **decide** on one of the four options elucidated in this document.

References

[C13/INF/18](#), [C14/92](#), [C14/50](#), [C14/75](#)

1 Background and Introduction

1.1 This document considers the options for the Union's headquarters (HQ) premises over the next decades. The Union's HQ has been sited at its current location on Place des Nations, Geneva since the construction of the Varembe building (opened 1962). Article 30 of ITU Constitution stipulates "*The seat of the Union shall be at Geneva*".

1.2 ITU HQ consists of three buildings on the same site: Varembe (opened 1962), Tower (1973) and Montbrillant (1999). The buildings are owned by the Union, while the use of the site is granted under a renewable "droit de superficie"¹ from the Host Country.

1.3 Varembe, having been built to the construction standards of 50 years ago, has significant shortcomings as compared with modern building standards in the areas of insulation², accessibility to persons with disabilities, fire safety and seismic resistance. *Council Resolution 1142 (C-99)* instructs the Secretary-General, *inter alia*, "to ensure that the safety, health and environmental standards in force in the Host Country of the Union are applied at ITU ...". While HQ buildings are currently in line with Host Country law in respect of building envelope performance, the Tower and Varembe will fall short as of 2017. Thus, remedial measures are obligatory.

1.4 It would be impossible in practice to renovate Varembe to be fully compliant in terms of accessibility, fire safety and seismic resistance, since this would include adding staircases, enlarging lifts and corridors and providing structural strengthening. Thus, while it is technically feasible to upgrade insulation performance and make other renovations, that would not provide an effective solution overall. The Tower building also has (fewer) shortcomings, as would be expected for a building of its age. ITU's policy has been and is to maintain its buildings to the extent possible with resources decided for that purpose by its Member States.

1.5 The ITU Secretary-General has decided to investigate, with the Host Country, the possibility of erecting a building to replace the original Varembe building, which would be razed either before or after construction (choice to be made according to technical and financial optimizations). The proposed replacement building is referred to as Varembe II in this document. The Host Country has confirmed that interest-free financing is available for such a project, and that technical help will be provided via the expert Federal organ FIPOI.³ It is worth noting that, before such decision, the Host Country has considered all options (Renovating, upgrading and new building) and has come to the conclusion that a completely new building would be best, both in terms of energy efficiency, space, esthetic and convenience, and specially will also meet the new building standards in Switzerland and moreover the cost.

1.6 The Secretary-General presented a document to ITU Council 2014 on this project and on the other options for resolving the issues with Varembe (Document C14/50). Member States expressed the opinion in the Council that a wider view should be taken of the whole of HQ premises of the Union, instructing that four options be presented to the forthcoming Plenipotentiary Conference (PP-14) for decision (recommendation 14.6 in Document C14/92):

- Replacement of the Varembe building and renovation of other buildings as needed;
- Renovation of all three buildings as needed, without replacement of Varembe;

¹ A legally specific term in the Host Country

² An external study was commissioned from an expert consultancy (Brodbeck-Roulet) in 2009, reporting 2010 on performance and possible remediation to Varembe façades.

³ "Fondation des immeubles pour les organisations internationales" (Foundation for Buildings for International Organizations). Website: www.fipoi.ch

- Rental of premises in Geneva to replace Varembé, with disposal of Varembé and renovation of the other buildings as needed;
- Relocation of the Union HQ away from Geneva, should a comprehensive, acceptable offer be received from a Member State of the Union.

1.7 Alongside the comparison of financial aspects, the Council also instructed that various other factors be taken into consideration in this submission to PP-14, as indicated in Document C14/75.

1.8 This document responds to the Council's request: it examines the four options, so that PP-14 has sufficient information to decide on the appropriate option to pursue. All ITU HQ buildings are considered.

1.9 Financial figures quoted in this document are estimates based on management's current best knowledge, available documents and market information. These figures constitute a high-level estimation of the costs to be incurred and will be subject to further refining according to future decisions and developments.

2 Evaluation criteria

2.1 Aside from financial considerations, the criteria identified in Document C14/75 (UAE) and which C-14 requested be considered in the case of relocation outside the current Host Country are:

- Immunities, privileges and facilities offered to the ITU staff;
- Exemption from income or property taxes, customs duties and taxes on goods and services;
- Requirements and expectations in terms of staff relocation/termination/hiring costs, facilities, necessary public services, premises availability, etc. needed for the relocation;
- Proposed time-frame and future mechanism for the relocation decision;
- Financial constraints, limitations and possible savings to ITU in case of relocation;
- The legal concepts underlying the relationship between international organizations and the host states;
- The status of current ITU assets and their future utilization in case of relocation.

2.2 C-14 also instructed that "quality of life" be considered in the submission to PP-14.

3 Extent and status of premises

3.1 The space usage for HQ premises is as follows:

	Volume (ref. SIA 416) (m ³)	Floor area (m ²)	Year built (end of construction)	% Volume of HQ site without car park (%)
Varembé	42'900	13'101	1962	28 (combined)
Extension C, cafeteria	9'350	2'240	1999	
Tower	85'580	19'710	1973	47
Tower extensions			1989	

Montbrillant (scale 70% to remove car parking space)	(64'700) 45'290	(17'390) 12'173	1999	25 (without car park)
TOTAL	(202'530)	(52'441)		
TOTAL (M scaled to remove car parking space)	183'120	47'224		100

3.2 Premises are used for staff working areas, meeting spaces, common areas and supporting functions (e.g. storage, workshops, cafeteria). The buildings have secure indoor connection between them, facilitating flexible use and allocation of HQ space in all weathers within ITU's security envelope. Physical disconnection of the ITU HQ site (regardless of distance) would imply extra security expenditure and day-to-day overheads for secretariat, delegates and visitors.

3.3 The advantages of co-sited and physically connected buildings are: a maximum of interaction between all internal and external stakeholders; operationally cheaper; easier to secure; flexible in attribution; compatible with centralized common areas and services; efficient in terms of staff and visitor day-to-day movement.

3.4 Prudent long-term renovation costs of premises not recently constructed are 1.5% of the fire-insurance (i.e. replacement) value of buildings. Within this amount, full premises functionality can be maintained through a preventive maintenance programme. Owing to financial restrictions, ITU recently and currently funds renovation and maintenance together at approximately 0.5% of fire-insurance value, thus premises degradations are unavoidable. A minimum of 1% can be considered as an appropriate amount to maintain critical functions. In the light of the financial situation of the Union, the 1% annual figure is used in the comparisons between options in this document for long-term renovation. In the case of a new building in the short-term, maintenance might be greatly reduced during the first years period of use, since a constructor's guarantee will apply for an initial period, after which replaceable systems will not (statistically) fail for a further period.

4 Risks if no decision is taken

4.1 PP-14 is invited to assess and decide upon which of the four options requested by the Council should be pursued by the secretariat.

4.2 If none of the four options in § 1 above is pursued, the HQ will continue to degrade. The secretariat will endeavour to optimize the premises within the resources available to do so. In particular, renovations (principally to Varembe) will be prioritized within allocated resources to treat issues of safety and security above those of service maintenance, efficiency and occupant comfort. Premises services will be compromised, leading to a drop in reliability and availability of buildings systems, with risk of failure of major systems.

4.3 Should the option of "replacement" of Varembe be supported by PP-14, the funding application will be submitted to the Host Country in December 2014. The Swiss authorities have indicated that this submission date allows a release of 10% of project funds in January 2015, funding the detailed study work and an international architectural competition. Submission of the winning design to the Federal Council for a construction loan could be expected in March 2017, for

decision during 2017. There is only one opportunity per year to submit such projects to the Federal Council.

5 Option 1: Replacement of Varembe building, together with renovation of other HQ buildings

5.1 This option describes the project investigation made by the ITU secretariat with the Host Country in regard to replacement of the Varembe building. Additionally, the renovation needs of the new building and of the Tower and Montbrillant buildings are included in the estimated costs of the option, where relevant.

5.2 The secretariat is collaborating closely with the Host Country's Mission, the Foreign Ministry and the appropriate Federal and Cantonal organs to explore options for providing headquarters space based on the requirements for growth and meeting space of the Union. In 2012, FIPOI, the Swiss Federal expert body in this area, conducted a technical survey on the stewardship and options for improvement of Varembe, and concluded that demolition and replacement of the building was the logical option, rather than its renovation.

5.3 The overall goal of the project is to replace a critical obsolescent asset (Varembe building) with a cost-effective solution allowing the flexible development of the Union for the rest of the 21st century at an acceptable risk. As the project advances, risks will become better defined and will diminish: for instance, cost ranges will narrow and legal and technical risks will be resolved. Information in this document is the latest available.

A. Varembe II project

5.4 This project would proceed according to local professional practice for buildings projects, under management by the secretariat in close collaboration with the Host Country. Currently the preliminary project is under technical study by a local architecture bureau, to report by October 2014. The study outcomes will include the overall project cost estimate (expected with a $\pm 15\%$ range), the confirmation of feasibility (legal, geotechnical) and the siting of the new building (with consequences for the temporary rehousing period of the Varembe occupants).

5.5 The vision is of a building of high standards of sustainability, efficiency of utilities use, maintainability, occupational environment and accessibility. The building design would be arrived at after an international architectural competition.

5.6 The projected volume of the building is a 30% increase on that of Varembe, meaning that the built volume of the overall site increases by 8%. This allows the building to physically and harmoniously link the Tower and Montbrillant buildings. The breakdown of the volume increase is given in C13/INF/18.

5.7 The building will address the issue of limited delegate meeting space within Union premises by providing a conference room expansion of approximately 400 extra delegate places, being an increase of more than 30% in the site's overall provision of delegate places.

5.8 The current estimate for the project is an overall cost of CHF 150 million, financed in all aspects by a loan of CHF 150 million from the Host Country, repayable in annual instalments over 50 years without interest, the first payment falling due at the end of the first year of occupation. With such a time-frame, there would be no additional expenses for the period of the 2016-2019 financial plan, since repayment of the loan would only commence as from 2021.

5.9 The funds would be released to ITU as the phases of works on the project progressed, and the construction costs would be capitalized upon delivery of the goods and services in question, in accordance with IPSAS standards. Depreciation of the new building would kick in after it is put into service (estimated to be 2021, if a decision in favour of this option is adopted at PP-14).

5.10 This means that the statement of the Union's financial situation would be affected on the assets side through receipt of the funds and capitalization of the expenses, and on the liabilities side through recognition of the debt to the Host Country.

5.11 In addition, as soon as the decision is taken to construct a new building, the net residual accounting value of the old building (CHF 13 million at 31 December 2013) would have to be depreciated over its remaining lifetime. If the decision is taken at PP-14, the residual lifetime would be shortened to seven years. This would result in annual depreciation of CHF 1.9 million instead of the current CHF 0.7 million. It should be noted that the depreciation costs are not currently budgeted, and are statistical entries that do not involve any actual monetary outflows.

5.12 As this construction is of a high-quality building in a prime location in Geneva, a re-appraisal of the building may be envisaged after a period of five to ten years, thereby consolidating the value of the Union's assets, and, potentially, according to the evolution of the real-estate market for this category of buildings in the Canton of Geneva, significantly increasing the net book value of the new building.

5.13 In view of the degree of aging of the Tower, there would be a need for renovation works for an estimated cost of CHF 45 million. With the Varembe replacement project, some of the staff currently housed in the Tower could be moved to the new building during renovation of the Tower at no additional cost.

5.14 On top of this, costs for renovating Montbrillant have to be considered (making a total for the Tower and Montbrillant buildings of CHF 49 million) as well as maintenance costs for all the buildings.

B. Renovation of Tower and Montbrillant

5.15 Assumption: Rectification of existing shortcomings and faults where feasible; subsequent maintenance of services with an average budget of 1% of fire-insurance valuation per year (scaled from 2014 figure (CHF 211 million) using volume ratio).

5.16 Prices for 2014: Inflation is not considered.

Montbrillant building urgent renovation (period 2015-2024):

Project	Cost (CHF million)	Comments
Meeting room replacement	3	316 seats at CHF 10'000 per seat including AV.
Cooling and heating systems works	0.6	
Other works	0.4	
TOTAL	4	

Tower building urgent renovation (period 2015-2024):

Project	Cost (CHF million)	Comments
Facade replacement: with heating, and electrical distributions replaced	30	Based on experience from external study performed for Varembe.
Office lighting replacement	2	Based on pilot trials with modern lighting systems in selected Tower offices.
Meeting room replacement	6	600 seats at CHF 10'000 per seat including AV.
Anti-blast film, MOSS* measures	0.5	
Computer-room: services replacement; informatics connections and network works	1	
Resealing basements, exterior works	0.5	
Sanitary facilities replacement	2	
Centralized electrical, heating/cooling works replacement	1	
Other fire-safety works	1	
Other accessibility works	1	
TOTAL (rounded)	45	

*MOSS = Minimum Operating Security Standards

Varembe building urgent maintenance (existing building, prior to destruction, period 2015-2024):

Project	Cost (CHF million)	Comments
Urgent works only	1	For continuity of service, assuming the demolition that would follow when Varembe II is occupied, which would be funded under that project.
TOTAL	1	

Site summary for option 1:

Building		Cost (CHF million)	Comments
Varembé II	Construction	150	Construction in 2021. Including estimated costs of staff rehousing and demolition of Varembé.
Montbrillant	Urgencies	4	
Tower	Urgencies	45	
Varembé	Urgencies	1	Destruction in 2021.
<i>Financial charges</i>		7.5	Cumulative interest on loans.
TOTAL		207.5	

All buildings	Total annual cost	4.95 per annum	- CHF 3 million per year for 50 years as from 2021 for the new building - CHF 1.7 million per year for 30 years, plus average interest of CHF 0.25 million as from (as a potential date) 2025 for the renovations of the Tower and Montbrillant
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All buildings	Long-term maintenance	2.5 per annum	1% of fire-insurance value per annum
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5.17 Option 1 also implies:

- potential for increased fixed-assets valuation (through re-appraisal of new building);
- decreased utilities use, hence lower environmental footprint (thanks to better efficiency of new building and renovated Tower and Montbrillant);
- site increase of 8% (the new space is modular, and includes meeting room expansion to provide 400 extra delegate places, being a site-wide increase of over 30%);
- improved quality of life for staff and delegates, particularly in Varembé II;
- change of the main entrance to rue de Varembé (a quieter road, easier to make secure for the Host Country);
- the impact on annual cash outflows for the replacement of Varembé alone amounts to CHF 3 million for the reimbursement of the interest-free loan (for a period of 50 years);
- the renovation works for all buildings (CHF 50 million) could in principle be funded via an interest-bearing loan (hypothesis: 1%, 30 years) from the Host Country;
- with a new Varembé II available to rehouse Tower staff during works, no temporary rental is needed.

6 Option 2: Renovation of Varembe I, together with renovations of other HQ buildings

6.1 This option considers renovation of Varembe to the extent possible, combined with the renovations of Tower and Montbrillant that would be carried out in the case of both this option or the replacement option. A renovated Varembe would not present the same functionality and quality as a new building. As such, it cannot be expected to offer the same potential for a later re-appraisal. For consistency, long-term maintenance is estimated at 1% of fire-insurance value.

6.2 The usable space inside the renovated Varembe would be less than in the existing building, after modernization for safety and accessibility, hence would be significantly smaller than the planned volume of Varembe II. In particular, meeting room total places would be lessened even from the current congested position, as accessibility features were included in existing rooms. This would imply a risk of hire costs for meeting room premises during periods of peak demand.

6.3 A study was carried out by an independent expert consultancy (Brodbeck-Roulet) in 2009 which confirmed that the thermal performance of the Varembe facades was significantly inferior to current norms but could be significantly improved through renovation. Such a renovation, including replacement of the obsolete heating, cooling and electrical distributions, would entail a cost of CHF 30 million after indexing of the estimate made in 2009 to 2014 levels.

6.4 Nevertheless, these costs do not include the work necessary to modernize the other components of the building, which was constructed in the 1950s/60s, nor that required in order to comply with current security and accessibility standards⁴. The total estimate for these costs comes to an additional CHF 17 million.

6.5 On top of this estimated total amount of CHF 47 million, one has to add the costs of rehousing staff during the construction work, which are assessed at up to CHF 5.3 million per year for 36 months. This project would thus entail a total estimated cost of CHF 63 million, financed in principle by an interest-bearing loan from the Host Country⁵ (hypothesis: 1%, 30 years).

6.6 Repayment of this loan over 30 years would mean annual instalments of CHF 2.1 million for repayment of the capital, plus interest payments at the preferential interest rate of 1% per year.

6.7 Account must also be taken of the renovation costs for Montbrillant and for the Tower (CHF 49 million total).

6.8 Under the hypothesis that Varembe and the Tower are not renovated in parallel, with Varembe renovated first, there will be some space for housing Tower occupants during Tower works. There are also fewer staff housed in the Tower than in Varembe. Tower renovation includes works of similar intensity as for Varembe, so a three-year rehousing period has been prudently allowed, with rental of half the space needed for rehousing the Varembe staff, i.e. CHF 8 million estimated for this purpose.

⁴ Swiss Accessibility Standard : SIA 500 :2009, Constructions sans obstacles

⁵ The Host Country has promulgated a position that it will consider advancing interest-bearing loans (at an advantageous rate) to International Organizations for construction renovation for a maximum term of 30 years.

Varembé building urgent maintenance (period 2015-2024):

Project	Cost (CHF million)	Comments
Facade replacement: with heating, cooling and electrical distributions replaced	30	Based on a study by external experts, 2010.
Other works to achieve Minergie standard and fire-safety works	9	
Lighting replacement	2	
Meeting-room replacement	1	120 seats at CHF 10'000 per seat including AV.
Anti-blast film, MOSS measures	0.5	
Computer-room: services replacement; informatics connections and network works	1	
Centralized electrical, heating/cooling works replacement	1	
Restaurant replacement	1	
Other accessibility works	2	Including lifts and sanitary facilities.
TOTAL (rounded)	47	

6.9 If PP-14 were to decide to renovate Varembé, this project might be carried out during the period of the 2016-2019 financial plan, a prudent estimate of three years being adopted in respect of the duration of the works. These renovation costs are not included in the draft financial plan for 2016-2019 submitted to PP-14.

Site summary for option 2:

Building		Cost (CHF million)	Comments
Varembé	Urgencies	47	Renovation and continuation of use.
Varembé staff rehousing	Urgencies	16	
Montbrillant	Urgencies	4	Continuation of use.
Tower	Urgencies	45	Continuation of use.
Tower staff rehousing	Urgencies	8	
<i>Financial charges</i>		<i>18</i>	<i>Cumulated interest on loan.</i>
TOTAL		138	

All buildings	Total annual cost	4.6 per annum	- CHF 4.0 million per year for 30 years, plus average interest of CHF 0.6 million as from the date of completion of the renovations
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All buildings	Long-term maintenance	2.5 per annum	1% of fire-insurance value per annum.
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6.10 Option 2 also implies:

- some potential for increased fixed-asset valuation (but less than for option 1);
- decreased utilities use, hence lower environmental footprint (better efficiency of renovations);
- some quality-of-life increase for staff and delegates (better environmental control, but structural inefficiencies in Tower and Varembe remain);
- the impact on annual cash outflows for the renovation of Varembe alone amounts to CHF 3.1 million for the reimbursement of the loan including interest payment (for a period of 30 years);
- the renovation works for all buildings (CHF 120 million, including the temporary staff rehousing needed) could in principle be funded via an interest-bearing loan (1%, 30 years) from the Host Country.

7 Option 3: Rental of premises in Geneva

7.1 The purpose of this section is to estimate the cost of renting a building in Geneva. Rental of premises in the same city but not physically connected to the rest of the site would induce inefficiencies that might be accepted on a temporary basis, but are to be avoided, if possible, for the long-term. Such inefficiencies include inter-site transport, an extra security perimeter, delays in travelling between the sites, the need to replicate some services.

A. Cost of the project

7.2 CHF 420/m² has been chosen as a basis for rental calculation, as indicated in the ITU buildings expert report drawn up by the company Acanthe (member of the Swiss Chamber of Property Appraisal Experts) in June 2010 in connection with the IPSAS project. This is comparable with figures relating to the second half of 2014, as used in the Colliers International Suisse Romande office rent indicator (ILB).

7.3 The estimated annual rental cost comes to CHF 4.406 million. The table below indicates the price per m² of the rented surface area by type of space.

	Surface area in m ²	Price per m ²	Annual total in thousand CHF
Offices and corridors	9'541	420	4'007
Conference room	198	420	83
Basement offices	220	200	44
Storage	385	100	39
Other	2'327	100	233
Total	12'671		4'406

7.4 It should be noted that these costs do not include:

- the cost of removal and installation in the new premises (estimated CHF 0.5 million);

- charges for the rented premises, estimated at between 15 and 20% of the amount of the rent (between CHF 0.7 and CHF 0.9 million). These costs would be higher than similar costs currently incurred, however this option would also allow related savings for remaining HQ premises estimated at CHF 0.4 million. This would result in a net charge increase of CHF 0.3 to CHF 0.5 million.

7.5 Furthermore, additional operating costs would be incurred to ensure coordination between the new premises and the headquarters building (coordination meetings, mail distribution, information services, etc). These costs would have to be taken into account.

7.6 It should also be considered that, were this option to be chosen, demolition of Varembe I would be the most likely scenario, since ITU would not be in a position to keep and maintain an empty building. The cost of such demolition is estimated at CHF 3.9 million.

B. Scheduling of the project

7.7 If PP-14 were to decide in favour of the rental option, this project might be carried out during the period covered by the 2016-2019 financial plan. It may be estimated that the phase of removal to and installation in the new premises in Geneva would take one year. Neither these costs – nor the cost of demolishing the Varembe building – are included in the draft financial plan for 2016-2019 submitted to PP-14.

C. Long-term impact

7.8 The option of renting premises to replace Varembe has operational drawbacks (significant disruption of operations and removal and installation costs). Also the rental costs would be higher than the cost of repaying the loan for the construction of a new building (which at the end of the period would become the sole and full property of the Union), without long-term economic benefits. There would also be on-going costs, such as for local transport and security perimeter, as well as extra delays between meeting sessions if delegates have to move.

7.9 The option of renting a building would also mean that the Union no longer possesses a Varembe building, thus diminishing its assets.

Site summary for option 3:

Building		Cost (CHF million)	Comments
Rent		4.4	Annual charges.
Charges		CHF 0.3 to CHF 0.5 millions	Annual charges.
Total: Annual charges		4.9	

Destruction of Varembe I		3.9	
Removals		0.5	

Re-establishment of internal passageway between Montbrillant and Tower		0.2	
Montbrillant	Urgencies	4	Continuation of use.
Tower	Urgencies	45	Continuation of use.
<i>Financial charges</i>		<i>8</i>	<i>Cumulative interest on loan.</i>
Total: Non-recurrent charges		61.6	

All buildings	Total annual cost	6.97 per annum	- CHF 4.9 million per year without any improvement in the Union's assets, plus charges related to the rented offices - CHF 1.8 million per year for 30 years, plus average interest of CHF 0.27 million as from the date of completion of the works.
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All buildings	Long-term maintenance	1.3 per annum	1% of fire-insurance value per annum.
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8 Option 4: Relocation

8.1 The purpose of this section is to estimate the cost of transferring the Union's headquarters in its entirety to an as yet unspecified destination. For the reasons previously stated (§ 3), it is considered important that the headquarters of the Union shall remain in one city of a single Member State, with a strong preference for a single connected site.

8.2 In order to make an informed decision on relocation, as a minimum the following stages are to be completed: receipt of comprehensive offers; assessment and preliminary negotiations on feasibility; discussions on offered Headquarters Agreement and comparative assessment of current and offered locations; preparation and approval of the necessary constitutional amendment. These steps cannot be completed before PP-14, and, once started, are likely to take at least one full Plenipotentiary cycle.

8.3 At this stage, no feasibility study has been carried out to determine the benefits and financial and operational risks of such relocation. Similarly, in the absence of any formal proposals for a specific location, it is not possible to carry out any analysis of potential new locations. Nevertheless, any future location will have to take account of the following criteria:

- Political stability;
- Local labour costs and salary post adjustment for staff in the Professional and higher categories;
- Training of the local workforce, including the language aspect;
- Local staff turnover;
- Logistical accessibility of the location;
- Quality and cost of communication infrastructure and technologies;

- Infrastructure provided, including free use of a conference centre (at the level similar to currently provided at CICG);
- Financial and fiscal arrangements with the Host Country (in particular Article 17 of the Financial Regulations and Financial Rules of the Union concerning advances of funds to meet temporary cash requirements, under conditions to be stipulated, by the government of the Host Country);
- Conditions of provision and use of premises in the Host Country;
- Social infrastructure such as schooling, healthcare system, facilitating access to the labour market for spouses of staff members.

8.4 If the relocation option were to be adopted, a detailed feasibility study would have to be carried out in order to optimize the relocation conditions, minimizing the impact on the activities of the Union as far as possible.

8.5 It should also be noted that the cost estimates relating to the relocation option are not included in the draft financial plan submitted to PP-14.

8.6 The costs of potential legal appeals leading to cases before the ILO Administrative Tribunal (ILOAT)⁶ and any judgments finding in favour of the complainant(s) are not taken into account.

8.7 With this in mind, scenarios and hypotheses have been identified in order to make an initial estimate of the cost of such a project. These scenarios and hypotheses are of a strictly indicative nature, and have been summarised for simplicity of presentation. The estimates are based on:

- The costs of separation from service of staff at headquarters in Geneva in line with the Staff Regulations and Staff Rules.
- An estimate of the cost of moving premises and installation at the new location. This estimate draws on the study carried out by UNHCR when it relocated part of its activities.

8.8 Notwithstanding the formal lack of any specific new location(s), the following incompressible costs may be identified:

A. Cost of the project

a) Costs of separation from service of staff in Geneva

8.9 The costing of this option has been based on ITU's Staff Rules and Regulations as well as on a similar scenario executed by another UN Organization (UNHCR). The following hypotheses have been used for staff holding permanent or continuous contracts:

- For staff in the General Services category, an offer would be made to rehire them in the country of relocation on contracts at local conditions;
- For a staff member who refuses the offer, the basic end-of-contract support measure is 12 months' salary, with an average salary range of CHF 150 000 to CHF 180 000;
- The additional support measure on separation consists of an additional six months' compensatory salary, with an average range of CHF 75 000 to CHF 90 000 of compensation;

⁶ For information, the administrative cost of any case brought before the ILOAT, irrespective of whether the case is upheld, is CHF 20 000

- Three months' compensation for training and outplacement costs have been estimated at CHF 40 000 per staff member leaving the Union;
- 75% to 100% of administrative staff would not go with the relocation;
- 25% to 50% of Professional staff would not go with the relocation;
- Average removal costs amount to CHF 50 000;
- Average installation costs comprise 30 days of DSA on the basis of CHF 380 per day and the rental subsidy which stands at up to CHF 1 000 per month for five years.

8.10 The following hypotheses have been used for staff on contracts other than permanent or continuous:

- Three months of compensation for staff who do not go with the relocation;
- The same hypotheses as for staff on permanent or continuous contracts are used to determine the number of staff in the General Services and Professional and higher categories who go with the relocation.

8.11 On the basis of the above hypotheses, the costs of staff separation and relocation are as follows:

Scenarios	Separation ratio (%)	Thousand CHF
1	100% for G staff (255) and 50% for P & D staff (114)	Low estimate: 110'278
		High estimate: 126'883
2	100% for G staff (255) and 25% for P & D staff (57)	Low estimate: 105'325
		High estimate: 119'365
3	75% for G staff (191) and 50% for P & D staff (114)	Low estimate: 96'744
		High estimate: 110'469
4	75% for G staff (191) and 25% for P & D staff (57)	Low estimate: 91'792
		High estimate: 102'952

8.12 Staff separation and relocation costs would thus fall within a range of CHF 92 to 127 million. The scenarios chosen were considered as the most plausible. However, the identity of the new location could have a significant impact on this estimate.

b) Costs of relocating activities and staff costs at the new location

8.13 In the absence of any identified new location, the costs of relocating the Union other than staff separation costs can only be estimated very approximately.

8.14 The costs to be taken into account to assess the overall financial impact of relocation are as follows:

- Additional staff costs during the transition period (period during which the Geneva headquarters remains operational and the new location is set up): These are the staff costs for staff unwilling to relocate, for missions at the new headquarters during the transition period (estimate based on 30% of the G staff and 100% of these P and D staff who would separate at the end of the transition period)

- Cost of recruiting new staff (based on an estimated CHF 55 000 per P and D staff member - entry into service, air tickets and removals – and CHF 1 000 for local G staff)
- Infrastructure costs for implementation and start-up at the new location: These are the costs of equipment, IT hardware, general costs of equipping offices and the building to make the new premises operational
- Operating costs for implementation and start-up at the new location: Travel and accommodation costs, costs of recruiting new staff and of managing the relocation project.

8.15 In order to obtain an estimate, the costs established for relocation of part of the UNHCR staff in 2007 have been used as a reference, adjusted to take account of differences of scale (relocation of the Union in its entirety) and the evolution of costs since 2007.

8.16 The following costs have been identified:

Type of costs	Estimate in thousand CHF			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Staff costs during the transition period	22'860	16'020	20'556	18'300
Recruitment and training costs	5'750	3'550	5'690	3'490
Infrastructure costs for implementation and start-up at the new location	4'950	4'950	4'950	4'950
Operational costs for implementation and start-up at the new location	14'001	14'001	14'001	14'001
Total	47'561	38'521	45'197	37'630

8.17 A more detailed cost estimate would have to be based on a comparative study of several selected relocation sites on the basis of objective comparison criteria.

8.18 The total cost of separation, restructuring and installation expenses would thus come to an amount between CHF 130 million and CHF 175 million, depending on the scenario retained.

8.19 The costs incurred by the loss of the institutional memory and operational experience due to the departure of staff as well as the cost of process disruptions are difficult to estimate and have not been included in this document. However, the impact of these costs is potentially significant since the training of new staff would be time consuming.

c) Operating costs after installation

8.20 Post-installation operating costs would be different according to the chosen place of relocation. The following costs would vary depending on the country in which the Union's HQ was established:

- Staff costs, the calculation of which is linked to:
 - post adjustment rate for P and D staff;
 - local cost of G staff;
 - variation of cost of home leave for P and D staff;
 - variation in education grant costs for P and D staff.
- Costs of renting and maintaining premises occupied by the Union, which depend on the conditions negotiated with the Host Country.

d) Future of the ITU premises in the event of relocation

8.21 The net accounting value of all the Union's buildings at 31 December 2013 stood at CHF 108 million, a portion of which is still financed by a loan from the Host Country, broken down as follows:

Building	Net accounting value at 31.12.2013 In thousand CHF	Outstanding Host Country loans at 31.12.2013 In thousand CHF	Repayment term	Estimated annual rental value in 2010 In thousand CHF
Varembé	12'996	-	-	5'470
Tower and basements	41'494	12'227	2039	3'677
Montbrillant	45'221	34'525	2051	4'527
Cafeteria and Extension C	8'935	1'520	2051	445
Total	108'646	48'273		14'120

Extension C comprises the area of the buildings linking Varembé with Montbrillant.

8.22 In the event of ITU leaving Geneva, the most probable scenario would be transfer of the "droit de superficie" and sale of the buildings to a third party, subject to the legal right of first refusal enjoyed by the State of Geneva, except in case of a buyer that enjoys the same or similar legal status to that of the Union (see legal aspects under § 8.4.4).

8.23 In the event of such a transaction, it should be taken into account that ITU has received several loans from the Host Country for the construction and renovation of its premises, with annual repayment periods scheduled to end in 2039 and in 2051. At 31 December 2013, outstanding amounts under Host Country loans came to a total of CHF 48.3 million. The Union repays this loan at zero interest in instalments of approximately CHF 1.5 million per year. Sale of the Union's HQ buildings would generate net revenue for the Union. The residual amount of the Host Country loans to be reimbursed would be deducted from the funds yielded by this sale.

8.24 If the buildings were to be rented out, the annual rental value estimated in the Appraisal Report on the ITU Buildings carried out by the Acanthe company in 2010 stands at a total of CHF 14.1 million for rental of all the buildings in their current condition. To rent out our premises at market rates, improvements would have to be made. These improvements would entail an additional cost that has to be taken into consideration.

B. Scheduling of the project

8.25 If PP-14 took a decision to relocate ITU, implementation of the project might take place during the period covered by the 2016-2019 financial plan. It may be estimated that the removal and installation phase would take two years, plus the procurement time for the new HQ building. These costs are not included in the draft financial plan for 2016-2019 submitted to PP-14.

C. Long-term impact

8.26 This option entails significant financial and human resources costs in the very short term. The longer-term financial benefits are strongly dependent on the conditions offered by the Host Country and on the new location.

Summary table of the cost of relocating ITU HQ		
Type of cost	Annual cost in CHF	Period
Separation indemnities	CHF 92 to 127 million	One-off costs. Depend on schedule selected.
Installation costs	CHF 38 to 48 million	Costs spread over two to three years, depending on schedule selected.
Total	CHF 130 to 175 million	

These costs do not include purchase, rental and/or maintenance costs of the Headquarters premises in a new Host Country. However it cannot be confirmed that buildings would be provided to the Union free of these charges until an acceptable offer might be received. A realistic estimation of these costs cannot be made without information about the potential future site.

D. Legal aspects

8.27 The legal aspects to be taken into account in contemplating relocation of ITU headquarters outside Geneva are of four main types.

8.28 First, the need to amend the Constitution.

8.29 Second, the imperative need to negotiate a new headquarters agreement with the Host Country, and to secure the facilities and privileges deriving from the agreement.

8.30 The need to renegotiate the majority of service contracts concluded for headquarters.

8.31 Finally, transfer of the Union's "droit de superficie".

8.32 The legal implications of a possible transfer of Union headquarters on its staff are not examined in this section, but in the section on human resources implications.

a) Amendment of the Constitution

8.33 Article 30 of the Constitution stipulates that "The seat of the Union shall be at Geneva" (No. 175).

8.34 This particularity is specific to ITU, insofar as none of the major UN family organizations have such a provision in their constituent act.

8.35 This stipulation, inserted in 1947, appears to indicate that at that time the drafters wished to anchor the Union in Geneva.

8.36 If it were decided to transfer ITU headquarters elsewhere, then Article 30 of the Constitution would have to be amended beforehand. To do so, pursuant to No. 227 of the Constitution, a majority of at least two-thirds of the delegations accredited to the Plenipotentiary Conference which have the right to vote would be required.

b) Negotiation of a new headquarters agreement

8.37 In order to regulate ITU's legal status in any Host Country, it would be imperative to negotiate and sign a new headquarters agreement and, where appropriate, a supplementary administrative arrangement.

8.38 Although it is not necessary at this stage to enter into all the details of the provisions that such an agreement would have to include, it is important to identify the main features on which the agreement in question would necessarily have to be founded.

8.39 First and foremost, there is the question of recognition of ITU's independence vis-à-vis the Host Country and, more specifically, institutional independence and jurisdictional independence.

Institutional independence

8.40 The Union's independence and freedom of action must be fully recognized, as must its absolute freedom, and that of its Member States, to meet, discuss and take decisions.

8.41 This independence also requires that the Host Country recognize the Union's legal personality, and its legal capacity (capacity to enter into contracts, capacity to engage in legal proceedings, capacity to acquire and use movable and immovable property, capacity to adopt its own rules, procedures and legal processes, etc.).

8.42 This institutional independence also implies that the headquarters agreement shall recognize the inviolability of the premises occupied by the Union and, as an indispensable corollary thereto, the Union's freedom to ensure policing, security and safety within its premises, as well as the inviolability of its archives and any documents (content on any medium) intended for its official use.

Jurisdictional independence

8.43 The ultimate objective of any rule concerning the international organizations is to enable them to fulfil their functions and achieve their goals with complete independence. To this end it is imperative that the Union, by virtue of its inherent character as an international organization, enjoy immunity from criminal, civil and administrative jurisdiction that is formally recognized in the headquarters agreement, and that, in parallel, the buildings and spaces occupied by the Union and the property owned or used by the Union may not be subject to any requisition, search, seizure or enforcement action. All of these features must also be included in the headquarters agreement.

Freedom of communication and publication

8.44 The Union's publications are one of its main means of expression. Accordingly, the principle that the Union's publications are not subject to any restriction of any nature whatsoever on the part of the Host Country must also be enshrined in the headquarters agreement.

8.45 Similarly, the inherently transborder nature of the functions of an international organization and, more particularly ITU, requires that its communications be both free and effective. Currently, the status of the communications of international organizations, including ITU, is defined by reference to the rights, privileges and facilities granted in this respect to the United Nations and, where appropriate, the diplomatic representations. It is on this regime that the inviolability of ITU communications is currently founded. This regime must imperatively be maintained through a relevant provision in the headquarters agreement.

Privileges and immunities in relation to fiscal, financial and customs matters and, more generally, unrestricted freedom of circulation of goods and capital

8.46 The exemption for the Union, its assets, revenues and other property, from any direct tax, whether national, regional or local, must be laid down in the headquarters agreement, as well as exemption from any indirect tax, such as value-added tax and registration or stamp duties, particularly those commonly levied on real-estate transactions.

Financial privileges and immunities

8.47 ITU must enjoy broad freedom of exchange and, in this regard, it must be able to freely receive and hold, transfer or convert currencies. The same shall apply in respect of gold, cash and other securities. These elements must also be reflected in the headquarters agreement.

Customs privileges and immunities and no prohibition or restriction on import and export

8.48 The free circulation of articles for the Union may not be hampered by any increase in purchase price through the imposition of customs duties on import or export. Otherwise, the Union's freedom would be affected, insofar as the application of customs duties could lead to a situation where the organization is obliged to source from within the Host Country.

8.49 Neither must this freedom be undermined by administrative obstacles. The circulation of articles for the Union must not be prohibited or restricted by administrative stipulations liable to force the Union to buy on the local market of the Host Country.

8.50 Consequently, it is important for the headquarters agreement to clearly stipulate that the Union's articles are exempt from customs duties and may not be subject to any prohibition or restriction on import or export.

8.51 In addition to the privileges, immunities and facilities granted to ITU as a legal entity, the headquarters agreement must also contain precise and detailed provisions on the privileges, immunities and facilities granted to physical persons participating in its work and to its staff.

Privileges, immunities and facilities accorded to participants in the Union's activities

8.52 In this connection, the headquarters agreement shall identify the privileges, immunities and facilities granted to representatives (permanent or other) of Member States of the Union, members of RRB and experts on mission for the Union.

8.53 Without entering into detail or drawing up an exhaustive list at this stage, it must be remembered that, in substance, permanent representatives enjoy diplomatic immunities and privileges while other representatives enjoy functional privileges and immunities (immunity from arrest or detention for acts performed, words spoken or material written in the discharge of their duties, exemption from jurisdiction, inviolability of the person and place of residence, exemption from restrictive measures in respect of entry to and sojourn in the territory, customs facilities, facilities concerning monetary or exchange regulations, etc.).

8.54 With respect to members of RRB, the headquarters agreement should contain provisions consistent with No. 142A of the Convention.

8.55 Experts performing missions for the Union at headquarters shall also enjoy, throughout the whole period of their mission, such privileges and immunities as are necessary for the independent exercise of their functions. Such privileges and immunities recognized by the headquarters agreement include, *inter alia*, exemption from immigration restrictions on the territory of the Host Country, immunity from personal arrest or detention and from seizure of their personal baggage, immunity from jurisdiction for acts performed, words spoken and material written in the course of their missions, inviolability of all documents, facilities in respect of currency or exchange regulations, etc.

Privileges, immunities and facilities accorded to staff of the Union

8.56 The five elected officials and certain categories of appointed staff (grade P5 and above) shall enjoy in the Host Country, by virtue of the headquarters agreement, the privileges, immunities, exemptions and facilities granted to diplomatic agents under international law and practices.

8.57 Furthermore, all staff members, irrespective of their grade and nationality, including nationals of the Host Country, shall be given, through the headquarters agreement, at least the following privileges, immunities and facilities: immunity from jurisdiction in respect of acts performed, words spoken and material written in the discharge of their duties; exemption from all (national, regional, local) taxes on salaries, emoluments and indemnities paid to them by the Union, capital sums paid to them by a pension fund or a provident fund operating for the benefit of staff members, on any indemnity for sickness or accident; exemption from national service in the Host Country (except for nationals of the Host Country itself); no immigration restrictions or aliens' registration formalities (including for their spouses and family members); currency exchange facilities; repatriation facilities in the event of international crisis (including for members of their families and their domestic staff); customs facilities, etc.

8.58 In parallel, the headquarters agreement shall provide, in respect of both participants in ITU activities and the Union's staff members, simplified and expeditious procedures for issuing visas, without the payment of any charges, and free issue for staff members and members of their families of a document constituting a residence permit in the Host Country. Finally, simplified and non-restrictive mechanisms for access to the labour market in the Host Country for spouses of staff members must also be included in the headquarters agreement or its executing arrangement.

Social insurance

8.59 To complete this quick overview, which is no way intended to be exhaustive, it is important to point out that the headquarters agreement must also contain provisions exempting the Union from all compulsory contributions to general social insurance funds in the Host Country.

Conclusion

8.60 The negotiation of a headquarters agreement is a process that may be protracted and complex (depending on the legal and institutional framework and economic and social structure of the Host Country), all the more so if the Host Country is not party to the 1947 Convention on privileges and immunities of the specialized agencies.

c) Termination and renegotiation of agreements and contracts for services provided at Union headquarters

8.61 It is likely that a transfer of the Union's headquarters would also mean that most of the contracts for services provided at headquarters would have to be terminated, the process of awarding the contracts redone in accordance with the organization's internal procurement rules and the contracts renegotiated with new successful bidders.

d) Possible transfer of the "droit de superficie" held by ITU

8.62 In the event that the Union's headquarters were moved away from Geneva, the Union would have no other option than to relinquish the "droit de superficie" granted to it by the State of Geneva.

What is the "droit de superficie"?

8.63 In substance, the "droit de superficie" is an easement affording the holder, in this case ITU, the right to have buildings and installations to house its services on a specified plot of land.

8.64 In other words, the "droit de superficie" is the right for ITU to own one or more buildings built on land belonging to a third party, in this case the State of Geneva.

8.65 This easement was initially granted to the Union free of charge by an authentic act signed before notary on 22 December 1967. The area covered was subsequently modified on several occasions as the Union's different buildings were constructed.

8.66 The right is not conferred permanently, and expires for ITU on 31 December 2079. However, the easement is renewable and, moreover, transferable.

8.67 If the "droit de superficie" were not renewed in 2079, the buildings built on the plots subject to the easement would revert to the owner of the land, namely the State of Geneva, subject to possible payment of an indemnity if ITU has carried out any expansion, transformation or renovation works on the buildings entailing significant investment that are not completely depreciated at the time of expiry.

Procedures and conditions for transfer of the "droit de superficie"

8.68 As mentioned above, the easement may be transferred at any time.

8.69 Thus, the Union may hand over its "droit de superficie", in other words sell its buildings to a third party, subject to the legal right of first refusal which is enjoyed by the State of Geneva.

8.70 It should be pointed out, however, that this legal right of first refusal would not be enforceable in the case of a purchaser having the same or similar legal status as that of the Union, i.e. another international or intergovernmental organization that already has or is establishing headquarters in Geneva.

8.71 The State of Geneva would have six months from the date on which ITU notified its decision to transfer the "droit de superficie" to state its intention to exercise its right of first refusal and, having so stated, a further six months to exercise the right. In other words, it is likely that any sale process would take at least 18 to 24 months.

9 Overview and comparison of the options considered

9.1 It is important to take into account that the cost of the different options is not included in the draft financial plan for 2016-2019. The choice of option and the associated implementation schedule will have financial implications for the Union.

9.2 The impact of the choice of option has been evaluated on the basis of the following criteria:

- Impact on the functioning of the Union during implementation of the selected option
- Impact on the staff and know-how acquired by the existing staff
- Financial impact, with an estimate of short-term and long-term savings
- Overall impact on the work and image of the Union.

Impact on regular budget

Options	Total estimated cost of the option	Short-term impact (Financial plan 2016-19)	Long-term financial impact
Replacement	CHF 207.5 million	None. Repayment will begin in 2021.	<p>Annual cost: CHF 4.95 million, of which:</p> <ul style="list-style-type: none"> - CHF 3 million per year for 50 years as from 2021 for the new building - CHF 1.7 million per year for 30 years, plus average interest of CHF 0.25 million as from (as a potential date) 2025 for the renovations of the Tower and Montbrillant <p>Savings:</p> <ul style="list-style-type: none"> - Savings in utilities of CHF 100k annually from 2021 - Savings in on-going maintenance costs during the initial use of the new Varembe II and renovated Tower and Montbrillant (2021-2050), expected to total CHF 30 million.
Renovation	CHF 138 million	Depending on the selected schedule, there could be some impact on the financial plan 2016-19.	<p>Annual cost: CHF 4.6 million, of which:</p> <ul style="list-style-type: none"> - CHF 4.0 million per year for 30 years, plus average interest of CHF 0.6 million as from the date of completion of the renovations <p>Savings:</p> <ul style="list-style-type: none"> - Savings in utilities of CHF 100k annually from 2021 - Savings in on-going maintenance costs during the initial use of the renovated buildings (2021-2050), expected to total CHF 30 million.
Rental	Annually: CHF 4.9 million including charges Renovation: CHF 61.1 million	Depending on the selected schedule, there could be some impact on the financial plan 2016-19.	<p>Annual cost: CHF 6.97 million, of which:</p> <ul style="list-style-type: none"> - CHF 4.9 million per year without any improvement in the Union's assets, plus charges related to the rented offices - CHF 1.8 million per year for 30 years, plus average interest of CHF 0.27 million as from the date of completion of the works.
Relocation	Between CHF 130 and 170 million (relocation costs, not including costs of provision of new buildings) CHF 48 million (mortgage repayments) Some costs will be offset by the revenue from any sale of all the current HQ buildings (cannot be estimated at this point)	Depending on the selected schedule, there could be some impact on the financial plan 2016-19.	<ul style="list-style-type: none"> - Costs of use of buildings in a new location would have to be taken into account - Saving on staff costs, to be estimated according to the new location

Strategic considerations

Options	Advantages	Disadvantages	Potential short-term savings	Potential long-term savings
Replacement	<ul style="list-style-type: none"> - Maintains the Union's historical seat - Minimal impact on ITU's activities - Potential for re-appraising the building, with a positive impact on the Union's assets - Meeting space increase of 400 delegate places 	<ul style="list-style-type: none"> - Cost and financing of the project: CHF 3 million per year for 50 years, to be included in the regular budget. 	<p>No impact on the financial plan 2016-19. Repayment would begin in 2021</p>	++
Renovation	<ul style="list-style-type: none"> - Less expensive solution than replacement 	<ul style="list-style-type: none"> - Solution with no technical advantages insofar as the structure of the building remains that of the old building. - Expensive solution whose total envelope is still to be determined (cost of rehousing staff during works to be estimated). - Loan at preferential interest rate rather than interest-free. - In terms of the overall impact of the project, difficult to put a figure of in terms of savings. - Significant impact on operation of the services housed in the building during the works. - Reduced useful surface area on each floor, or including of meeting rooms (for compliance with standards, safety, fire, evacuation, accessibility). 	-	+
Renting	<ul style="list-style-type: none"> - No maintenance work or depreciation to be managed 	<ul style="list-style-type: none"> - Expensive solution without any potential for long-term savings. - Significant impact on operations during and after staff moves. - No positive impact on the Union's assets. 	--	---
Relocation	<ul style="list-style-type: none"> - Potential long-term savings (break-even after 5-10 years) depending on the place of relocation 	<ul style="list-style-type: none"> - Significant impact on operations during and after relocation. - Significant impact on retaining the know-how and institutional memory. - Depending on the new location, ITU would no longer benefit from the proximity of the European headquarters of UN, the proximity of a very large number of intergovernmental and non-governmental organizations and the presence of diplomatic missions of most of its 193 Member States. 	<p>--- (dependent on Host Country offers)</p>	<p>+++ (dependent on Host Country offers)</p>

9.3 While the financial impact of a possible relocation can be estimated, the impact on staff members and their families cannot. Those who will not be able to relocate will attempt to find alternative employment depending on the economic situation of their home country or on the international market. There will also be some impact on children who may be at various stages of their education and could be required to change schools. It can be assumed that the general impact on staff will be significant, from the documented experience of other agencies and private-sector companies that have undertaken relocation or outposting exercises. A partial or temporary relocation would exacerbate this negative impact by putting in place a prolonged situation of instability where families may be required to keep a dual household which would bring with it additional expenses and stress.

9.4 In the light of the information presented, the Plenipotentiary Conference is invited to **decide** on one of the four options elucidated in this document.