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PROGRAMME BUDGET FOR THE BIENNIUM 1986-1987

Programme budget performance of the United Nations
for the biennium 1986-1987

Report of the Secretary-General

Addendum

Income section 3. Revenue-producing activities

Table IS3.1

(Thousands of US dollars)

| Approved estimates | Increase (decrease) | Projected income programme |
|--------------------|------------------------|-------------------------------|
| 7 685.0 | 2 587.3 | 10 272.3 |

Table IS3.2

Summary of estimates of net revenue by programme and
programme component: estimates of net revenue

(Thousands of US dollars)

| Programme and programme component | Approved estimates 1986-1987 | Increase (decrease) | Projected income performance 1986-1987 |
|---|------------------------------------|------------------------|---|
| A. <u>Activities under the supervision of the Commercial Management Service:</u> | | | |
| 1. Sale of postage stamps (Headquarters, Geneva and Vienna) | | | |
| Gross revenue | 27 354.5 | (2 814.5) | 24 540.0 |
| Less expenses against revenue | 18 399.4 | (2 810.4) | 15 589.0 |
| Net revenue | 8 955.1 | (4.1) | 8 951.0 |
| 2. Newsstand (Headquarters) | | | |
| Gross revenue | - | 143.5 | 143.5 |
| Less expenses against revenue | - | - | - |
| Net revenue | - | 143.5 | 143.5 |
| 3. United Nations Gift Centre (Headquarters) | | | |
| Gross revenue | 4 684.1 | 235.8 | 4 919.9 |
| Less expenses against revenue | 3 451.7 | (297.8) | 3 153.9 |
| Net revenue | 1 232.4 | 533.6 | 1 766.0 |
| 4. Catering services | | | |
| Gross revenue | 16 289.0 | (16 289.0) | - |
| Less expenses against revenue | 16 289.0 | (16 289.0) | - |
| Net revenue | - | - | - |
| 5. Royalty: income | 450.0 | - | 450.0 |
| 6. Garage operation | | | |
| Gross revenue | 1 139.2 | 635.3 | 1 774.5 |
| Less expenses against revenue | 839.5 | (69.2) | 770.3 |
| Net revenue | 299.7 | 704.5 | 1 004.2 |

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Table IS3.2 (continued)

| Programme and programme component | Approved estimates 1986-1987 | Increase (decrease) | Projected income performance 1986-1987 |
|---|---------------------------------|------------------------|--|
| 7. Less expenses for supervisory and administrative staff charged against revenue | 1 224.9 | (0.1) | 1 224.8 |
| Net revenue A | 9 712.3 | 1 377.6 | 11 089.9 |
| <u>B. Sale of publications</u> | | | |
| Gross revenue | 9 483.6 | 13.6 | 9 497.2 |
| Less expenses against revenue | 8 772.8 | 182.1 | 8 954.9 |
| Net revenue B | 710.8 | (168.5) | 542.3 |
| <u>C. Services to visitors</u> | | | |
| (Headquarters, Geneva and Vienna) | | | |
| Gross revenue | 2 751.5 | 799.2 | 3 550.7 |
| Less expenses against revenue | 5 489.6 | (579.0) | 4 910.6 |
| Net revenue C | (2 738.1) | 1 378.2 | (1 359.9) |
| <u>Summary (A, B and C)</u> | | | |
| Total gross revenue | 62 151.9 | (17 276.1) | 44 875.8 |
| Less total expenses against revenue | 54 466.9 | (19 863.4) | 34 603.5 |
| Total net revenue | 7 685.0 | 2 587.3 | 10 272.3 |

Table IS3.3

Regular budget: expenses against revenue: distribution of revised estimates by programme

(Thousands of US dollars)

| Programmes | Estimated additional requirements | | | | | | | Projected expenditure performance 1986-1987 |
|---|-----------------------------------|-----------|-------------------|------------------|-----------------------------------|---------------|------------|---|
| | Revised appropriations 1986-1987 | Inflation | Rates of exchange | Economy measures | Decisions of policy-making organs | Other changes | Total | |
| | | | | | | | | |
| A. Activities under the supervision of the Commercial Management Service: | | | | | | | | |
| Sale of postage stamps (Headquarters, Geneva and Vienna) | 18 399.4 | 25.8 | 470.1 | (819.6) | - | (2 486.7) | (2 810.4) | 15 589.0 |
| United Nations Gift Centre (Headquarters) | 3 451.7 | 33.8 | - | (108.2) | - | (223.4) | (297.8) | 3 153.9 |
| Catering services | 16 289.0 | 160.6 | - | - | - | (16 449.6) | (16 289.0) | - |
| Garage operation | 839.5 | (1.9) | 15.3 | (39.9) | - | (42.7) | (69.2) | 770.3 |
| Expenses for supervisory and administrative staff charged against revenue | 1 224.9 | (3.7) | - | (65.3) | - | 68.9 | (0.1) | 1 224.8 |
| Total | 40 204.5 | 214.6 | 485.4 | (1 033.0) | - | (19 133.5) | (19 466.5) | 20 738.0 |
| B. Sale of Publications | 8 772.8 | 30.8 | 123.6 | (202.5) | - | 230.2 | 182.1 | 8 954.9 |
| C. Services to visitors | 5 489.6 | 19.4 | 106.9 | (356.5) | - | (348.8) | (579.0) | 4 910.6 |
| Grand total | 54 466.9 | 264.8 | 715.9 | (1 592.0) | - | (19 252.1) | (19 863.4) | 34 603.5 |

Regular budget: expenses against revenue: distribution of estimated additional requirements by programme and by main object of expenditure

(Thousands of US dollars)

| Programmes | Salaries and common staff costs | Travel | Printing | Contractual services | Other operating expenses | Supplies, materials, furniture and equipment | Other | Total |
|--|---------------------------------|----------------|------------|----------------------|--------------------------|--|------------------|-------------------|
| A. Activities under the supervision of the Commercial Management Service: | | | | | | | | |
| Sale of postage stamps | | | | | | | | |
| (Headquarters, Geneva and Vienna) | (1 760.3) | (141.3) | - | (634.8) | 66.9 | (149.5) | (172.4) | (2 800.4) |
| United Nations | | | | | | | | |
| Gift Centre (Headquarters) | (320.1) | - | - | (16.5) | 16.4 | (54.6) | 77.0 | (297.8) |
| Catering services | (6 156.1) | - | - | (242.0) | - | (1 052.2) | (8 838.7) | (16 289.0) |
| Royalties-commemorative medals | - | - | - | - | - | - | - | - |
| Garage operation | (49.9) | - | 8.5 | - | - | (4.5) | (23.3) | (69.2) |
| Administrative costs | (23.4) | - | - | - | 1.7 | 6.4 | 15.2 | (0.1) |
| Total | (8 309.8) | (141.3) | 8.5 | (893.3) | 85.0 | (1 273.4) | (8 942.2) | (19 466.5) |
| B. Sale of publications | | | | | | | | |
| | (231.0) | (9.6) | - | (189.9) | 235.0 | 10.4 | 367.2 | 182.1 |
| C. Services to visitors | | | | | | | | |
| | (419.7) | - | - | 32.3 | 1.5 | 13.3 | (206.4) | (579.0) |
| Grand total | (8 960.5) | (150.9) | 8.5 | (1 050.9) | 321.5 | (1 249.7) | (8 781.4) | (19 863.4) |

A. Activities under the supervision of the Commercial Management Service

1. Sale of postage stamps (Headquarters, Geneva and Vienna)

IS3.1 As indicated in table IS3.2, gross revenue is expected to decrease by \$2,814,500, from \$27,354,500 to \$24,540,000, which after a deduction of expenses amounting to \$15,589,000 (and showing a decrease of \$2,810,400) results in an overall reduction in net revenue of \$4,100. The decrease in revenue is mainly attributable to an overestimation of the gross revenue in respect of Geneva. The anticipated reduction of overall expenditure projections in the amount of \$2,810,400 is explained in the following paragraphs.

IS3.2 A decrease of \$1,760,300 in staff-related objects of expenditure relates to savings under established posts (\$554,200) and common staff costs (\$417,600) as a result of unfilled vacancies and lower-than-standard salary rates. Savings are also recorded under general temporary assistance (\$587,000) and overtime (\$201,500), which reflect a reduction in the number of temporary staff required due to computerization and the consolidation of some functions; the abolishment of the practice of recruiting short-term peak-work-load employees for the affixing of Flag Series "first-day covers, which is now done by home-workers; a reduction in the number of orders processed by the United Nations Postal Administration (UNPA) at Vienna; a change-over in the use of overtime for cancellations, now being carried out during regular working hours; a reduction in the number of exhibitions attended by UNPA; and the use of hourly paid staff to serve as sales clerks during the weekends and holidays.

IS3.3 The decrease under travel of staff (\$141,300) results from the reduced participation in philatelic exhibitions; reductions in the number of UNPA staff attending stamp exhibitions due to the marginal profits earned from these activities; the delayed implementation of the United Nations Postal Administration Automated Service (UNPAAS) at Vienna, the change in location of the co-ordination meetings from New York to Geneva and the cancellation of several planned trips due to economy measures.

IS3.4 The reduction of \$634,800 under other contractual services results is due to savings under external data-processing contracts resulting from the delayed implementation of UNPAAS in UNPA/Vienna and the new policy instituted by the International Atomic Energy Agency in 1987 whereby computer users are charged a fixed charge in Austrian schillings; under advertising and promotion due to economy measures in respect of UNPA/New York and Geneva which were slightly offset by an increase in expenditures for sales promotion campaigns in order to attract more customers at Vienna; and under printing, due to the decrease in the quantities of postage stamps printed.

IS3.5 Under general operating expenses, the increase of \$66,900 is attributable to additional requirements of \$45,900 under communications due to the utilization of meter cancellation instead of manual affixation as a time-saving measure; and of \$144,200 under miscellaneous services due to the redeployment of resources from general temporary assistance to provide for stamp-affixing charges in Geneva and

payment to home-workers for work previously done by temporary staff in New York. These additional requirements were partially offset by savings under rental and maintenance of data-processing equipment due basically to the delayed implementation of the UNPAAS at Vienna (\$117,400); and reduced requirements under hospitality (\$5,800).

IS3.6 The reduction of \$168,500 under supplies, materials, furniture and equipment relates to reduced requirements in respect of supplies (\$133,200) as a result of reduced utilization of prior-year stocks, and in respect of equipment (\$35,300) due in part to the postponement of the replacement of the stand for UNPA exhibitions as well as the sales counter at Vienna.

IS3.7 The reduction of \$172,400 under other expenses relates entirely to reduced requirements under staff assessment.

2. Newsstand (Headquarters)

IS3.8 Effective 1 April 1986, the newsstand was separated from the catering operations and a new contract entered into which provided for guaranteed net income to the Organization of \$6,000 monthly. Under a formula in the contract, the Organization would earn additional income of 16.5 per cent of any gross sales in excess of \$400,000 per annum.

IS3.9 In the first three months of 1986, while the newsstand was still part of the catering operations, a deficit of \$4,200 was experienced. Taking this initial deficit into account, the 1986 overall net income amounted to \$49,800. As a result of the formula described above, a base income of \$72,000 and additional income of \$3,100 were earned in 1987. A further \$18,600 was earned in 1987 after the introduction of the tax rebates, increasing total earnings to \$93,700 during 1987.

3. United Nations Gift Centre (Headquarters)

IS3.10 An increase of \$533,600 in the net revenues of the United Nations Gift Centre reflects the continuation of improved merchandising techniques, low product costs, reduced payroll expenses and the addition of more attractive items. These improvements are a direct result of the joining for administrative purposes of the Souvenir Shop and the Gift Centre on 1 April 1986, when the management contract expired and the operation was brought under the direct management of the Commercial Management Service.

4. Catering services (Headquarters)

IS3.11 In respect of catering services, the total amount appropriated for the 1986-1987 biennium can be reported as a saving, since the catering and related services are managed and operated by a concessionaire under contract with the United Nations on a no-profit, no-loss basis. The Organization has therefore eliminated the risk of operating deficits and has thus ensured adherence to General

Assembly resolution 39/67 of 13 December 1984, in which the Assembly confirmed that the catering operation at Headquarters should be financially self-supporting to the extent possible.

5. Royalties

IS3.12 Income from the sale of medals and guaranteed royalties from the manufacturer, Franklin Mint, is estimated at \$450,000.

6. Garage operation

IS3.13 An increase of \$704,500 in net revenue is projected for the garage operation. The estimated increase of \$645,500 in the gross revenues from the garage operations in New York is offset in part by a decrease of \$10,200 in the gross revenue at Geneva. Under the arrangements existing prior to and continuing after the conversion of the United Nations Industrial Development Organization (UNIDO) into a specialized agency, the administration of the garage facilities at the Vienna International Centre was entrusted to UNIDO by a common agreement. Consequently, no gross revenue for Vienna was earned during the biennium. The increase in the gross revenue for New York is due to the increase in the parking rates from \$20 to \$40 per month and from \$1.25 to \$2.50 per day effective September 1986. Although Geneva experienced an increase in its parking rates from SwF 48 to SwF 65 effective 1 January 1987, the decrease in gross revenue is attributable to an overestimation of the gross revenue in the first performance report; hence the decrease of \$10,200.

IS3.14 Reductions of \$13,600, \$29,600, and \$26,000 are anticipated in the expenditures at New York, Geneva and Vienna respectively. The decrease with respect to New York relates basically to economy measures. The decrease with respect to Geneva relates basically to salary-related costs and to economy measures. Of the amount made available for garage operations in Vienna, \$26,000 can be reported as a saving.

7. Supervisory and administrative staff

IS3.15 The small net reduction of \$100 in administrative costs of the service relates exclusively to salary related objects of expenditure, which proved lower than standard costs.

B. Sale of publications

IS3.16 The increase of \$13,600 in gross revenue is due mainly to better advertising and promotion of the publications of the United Nations.

IS3.17 The following paragraphs contain a detailed analysis of variances in direct expenses which involve decreases under salaries and common staff costs (\$231,000),

travel (\$9,600) and other contractual services (\$189,900), offset by increases under general operating expenses (\$235,000), supplies, materials, furniture and equipment (\$10,400) and other (\$367,200).

1. Salaries and common staff costs (Decrease: \$231,000)

IS3.18 A net decrease of \$231,000 under this object reflects decreases under general temporary assistance (\$4,200), overtime (\$10,400), temporary posts (\$50,000) and common staff costs (\$179,000). The overall decreases are offset by an increase under established posts (\$12,600) due to actual requirements being higher than budgeted standard rates and the general service reclassification exercise.

2. Travel (Decrease: \$9,600)

IS3.19 Savings of \$9,600 are due basically to economy measures.

3. Other contractual services (Decrease: \$189,900)

IS3.20 As part of special efforts to promote sales, additional requirements of \$213,400 arose under advertising and promotion resulting primarily from increased production costs for catalogues, brochures and journal advertisements, offset entirely by reduced requirements (\$403,300) for management fees.

4. General operating expenses (Increase: \$235,000)

IS3.21 An increase of \$235,000 under this heading relates to additional requirements under rental and maintenance of equipment (\$4,500), communications (\$200,900) and miscellaneous services (\$95,600), partially offset by reductions under rental of premises (\$65,400) and hospitality (\$600) due to economy measures.

IS3.22 The increase under communications reflects an increase in postage rates and pouching fees, while the increase in miscellaneous services relates to freight costs as a result of increases in charges per unit of shipping.

IS3.23 The net increase (\$4,500) in rental and maintenance of office equipment is basically attributable to the maintenance costs of new word-processing equipment and an antique IBM photocopier.

5. Supplies, materials, furniture and equipment (Increase: \$10,400)

IS3.24 This increase reflects in part increases for data- and word-processing supplies (\$21,400), offset by decreased requirements resulting from the judicious trade-ins of old equipment and purchase of some used items (\$11,000).

6. Other (Income: \$367,200)

IS3.25 The net increase (\$367,200) reported under this heading reflects additional requirements of the production costs of United Nations and related books (\$419,800), partially offset by reduced requirements for staff assessment (\$52,600).

C. Services to visitors

IS3.26 A net decrease of \$1,378,200 is expected in the overall deficit in respect of services to visitors. Details of variations by location are given below.

1. Headquarters

IS3.27 The number of visitors at Headquarters during the 1986-1987 biennium is estimated at 950,000, a decrease of 10,000 over the initial estimate. This decrease reflects the impact of the closure of Headquarters to visitors around the Christmas and New Year's holidays and on week-ends in January, as a cost-saving measure. Notwithstanding, gross revenue is expected to increase by \$729,000 from the approved estimate of \$2,201,700 due to the increases in ticket prices instituted in 1986 and 1987, to a total of \$2,930,700. The adoption of economy measures, such as the recruitment freeze, the institution of flexible staffing arrangements and an increased work-load for tour guides, offset in part by the increase in salaries due to the implementation of the reclassification exercise, is projected to reduce expenses against revenue by \$579,000 from \$5,489,600 to \$4,910,600, resulting in a decrease in the net deficit of \$1,359,900.

IS3.28 The estimated decrease in expenses against revenue (\$120,600) relates to reduced requirements with respect to established posts (\$233,200), common staff costs (\$113,100) and general temporary assistance (\$20,700), supplies and materials (\$33,600) and staff assessment (\$41,500), offset in part by increases under salaries and common staff costs for public information assistants (\$225,900), overtime (\$18,200), advertising and promotion (\$32,100), rental and maintenance of equipment (\$1,500) and furniture and equipment (\$43,800). The reductions under established posts result from higher-than-anticipated vacancies. The additional requirements under salaries of public information assistants result from the increase in salary rates for public information assistants, tour co-ordinators and supervisors.

2. Geneva

IS3.29 The number of visitors for the biennium 1986-1987 is estimated at 225,500, a decrease of 54,500 over the previous estimates of 280,000 as a result of the closure of the Palais des Nations to the public during week-ends and public holidays effective from March 1986 to April 1987 and from 1 November to 19 December 1987 due to austerity measures; the reduction of public visiting hours, except for reserved group visits; the general decline of tourism in 1986; and the closure of the Palais for security reasons for a total of some 20 days during the peak period on account of the Seventh United Nations Conference on Trade and

Development and official visits of heads of State to the Palais. Although the number of visitors decreased, an increase of \$31,000 is projected under gross revenue. This results mainly from the favourable rate of exchange of the Swiss franc vis-à-vis the United States dollar and the increase in the rates for guided tours. Total expenses against revenue are estimated at \$886,700, reflecting a decrease of \$333,500 in comparison to the previous estimate of \$1,220,200.

IS3.30 The estimated decrease (\$333,500) in expenses relates to decreases under salary-related objects of expenditure; temporary assistance (\$113,100) due to the optimal use of hourly contracts for guides; overtime (\$62,000) due to the reduction in service and the closure of the Palais on weekends; and common staff costs (\$9,500) and staff assessment (\$162,400) due to lower costs than the budgeted standards, which are slightly offset by additional requirements for established posts (\$13,300). Additional requirements of \$1,100 are also reflected under furniture and equipment to provide for the acquisition of automated office equipment utilized for making reservations, for which a reduction of \$900 has been made from supplies and materials to provide for same.

3. Vienna

IS3.31 The number of visitors for the biennium 1986-1987 is estimated at 175,404, a decrease of 9,459 over the previous estimates of 184,863. The impact of this decrease on gross revenue was largely offset by the favourable rate of exchange of the Austrian schilling vis-à-vis the United States dollar and by the increase in ticket prices; hence an increase in \$39,200 in gross revenue is reported.

IS3.32 The estimated decrease (\$124,900) in expenses relates to savings under general temporary assistance (\$147,700), supplies and materials (\$14,100), staff assessment (\$2,700) and overtime (\$600), offset in part by additional requirements for establishment posts (\$22,500), common staff costs (\$300), contractual services (\$200), rental and maintenance of equipment (\$17,000) and contributions to joint printing and reproduction services (\$200).
