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BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1956

Revenue-producing activities of the United Nations

Fifth report of the Advisory Committee on Administrative and Budgetary
Questions to the tenth session of the General Assembly

1. In a previous report (A/2921, paragraphs 16 to 21^{1/}), the Advisory Committee commented on a preliminary note submitted to it by the Secretary-General concerning the revenue-producing activities of the United Nations.
2. As the report which the Secretary-General has now made in document A/C.5/623 does not differ essentially from his earlier submission, the Advisory Committee now confines itself to supplementary comments, to be read in conjunction with those offered in document A/2921.
3. The Advisory Committee takes note of the fact that the statements of estimated income and expenditure (both identifiable and indirect) would form an integral part of the annual budget estimates and, as such, would come under review by the Committee and the General Assembly; and that, while none of the powers at present exercised by those bodies (including that of examining and revising proposed Manning-tables) would be diminished, fuller information regarding the revenue-producing activities would be available in a clearer and more convenient form.

1/ See Official Records of the General Assembly, Tenth Session, Supplement No. 7.

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4. In its earlier report on this subject, the Advisory Committee concurred in the broad outline of the Secretary-General's proposals. It did so on the understanding, which appears to be confirmed in paragraphs 4 and 8 of the Secretary-General's second report (A/C.5/623), that the continuance of the present management arrangements for the activities in question is proposed as a provisional measure, subject to careful review at appropriate intervals. In this respect, the Committee agrees that "the Secretariat should not normally undertake direct management responsibility for functions where specialized commercial techniques are required" (A/C.5/623, paragraph 8). It suggests, however, that this proposition does not apply with equal force to each of the three activities now remaining under contractual management; and that, whereas the catering operations could not suitably be brought under direct United Nations management, a case might be made - less on financial grounds than on grounds of principle - for taking such action in respect of the Bookshop and possibly also the Gift Centre.

5. It is moreover the view of the Advisory Committee that there is need for a detailed study embracing, in addition to the points mentioned in the preceding paragraph, such questions as the differing rates of management fees, the possibility of consolidating several revenue-producing activities within a single contractual arrangement, and the scope and nature of the Gift Centre operation. Even from the purely budgetary and accounting standpoint, it seems desirable to develop a fuller analysis of the statements of estimated income and expenses, so that in the case, for example, of the catering and related services, the extent of the subsidy to the cafeteria or of the profit from other parts of the operation may be clearly shown. The Committee has not found it possible, during its sessions of the present year, to devote the necessary time to a study of the above matters, which should be of an exhaustive character. It proposes, however, to undertake such a study at an early opportunity, in the light of the comments of the Fifth Committee.

6. A further point that merits special attention concerns the sums to be credited to miscellaneous income in respect of each revenue-producing activity. Under the Secretary-General's proposals, the regular budget appropriations would exclude only part of the costs of the operation concerned, viz. those expenses such as salaries of guides which, being readily identifiable with the Visitors'

Service, can be charged in the accounts directly against the operation as they are incurred. Other costs which, though directly attributable to the activity concerned cannot so readily be segregated, would, as at present, be included in the regular estimates and appropriations - for example, common staff costs (section 15), overtime payable to guards, elevator operators, etc. (section 12) and, with stated exceptions, utilities (section 16).

7. The Advisory Committee feels some doubt about such an arrangement since it would, in its view, tend to give an incorrect impression of the amount of the net income from the activities in question. The point is illustrated by reference to the Statement of Estimated Income and Expenses for 1956 suggested in annex B, part 2, b, of document A/C.5/623, which reads as follows:

Visitors' Service

Statement of estimated income and expenses for 1956

	\$	\$
1. <u>Gross sales</u>		615,000
Deduct:		
Travel Agency discounts, refunds, etc.		<u>15,000</u>
		600,000
2. <u>Net sales</u>		
<u>Identifiable expenses</u>		
Salaries, wages, established posts	155,800	
Overtime and night differential	6,000	
Salaries and wages of guides, etc.	230,000	
Contractual printing	12,500	
Purchase and maintenance of uniforms	12,000	
Miscellaneous supplies and services	<u>12,300</u>	<u>428,600</u>
<u>Excess of net receipts over identifiable expenses, for credit to miscellaneous income</u>		<u><u>171,400</u></u>

Statement of estimated income and expenses for 1956 (cont'd)

	\$	\$
<u>Memorandum only</u>		
3. Additional expenses accounted for under regular budget appropriations (estimates)		
Common staff costs (section 15)	31,000	
Overtime etc. costs for guards, elevator operators, information desk clerks and other staff not in Visitors' Service (section 12)	42,000	
Cleaning and utilities (entire costs of week-end opening (section 16))	75,000	
Additional wear and tear	<u>9,000</u>	<u>157,000</u>

8. Under this suggested arrangement miscellaneous income would be credited with the sum of \$171,400, whereas the true net income from the Visitors' Service would be only the difference between \$615,000, the gross receipts, and \$600,600, viz. the sum of all the expenses (i.e. including those listed under sub-heading 3 above) incurred in the operation of the Visitors' Service. Thus the true net income - on the basis of the figures shown in document A/C.5/623 - is only \$14,400.

9. The Committee appreciates that the arrangement proposed in document A/C.5/623 is suggested because the expenses shown under sub-heading 3 of the table, although directly attributable to the operation of the Visitors' Service, will have been charged against the appropriate budgetary accounts as not being readily separable from similar expenses incurred in connexion with other United Nations activities. It would nevertheless be improper to ignore these expenses in arriving at the amount of the profit from the commercial activities concerned. The Advisory Committee accordingly suggests that the statements of estimated income and expenses of the revenue-producing activities should be recast on the following lines, taking the Visitors' Service as a typical example:

b. Visitors' Service

Statement of estimated income and expenses for 1956

	\$	\$
1. <u>Gross receipts</u>		615,000
2. <u>Directly identifiable expenses not charged in regular budget accounts</u>		
Travel Agency discounts, refunds, etc.	15,000	
Salaries, wages, established posts	155,800	
Overtime and night differential	6,000	
Salaries and wages of guides, etc.	230,000	
Contractual printing	12,500	
Purchase and maintenance of uniforms	12,000	
Miscellaneous supplies and services	12,300	
3. <u>Other expenses charged in regular budget accounts</u>		
Overtime etc. costs for guards, elevator operators, information desk clerks and other staff not in Visitors' Service (section 12)	42,000	
Cleaning and utilities (entire costs of week-end opening (section 16))	75,000	
Additional wear and tear	9,000	
Common staff costs (section 15)	<u>31,000</u>	
	Total	<u>600,600</u>
4. <u>Net income from Visitors' Service to be credited to miscellaneous income</u>		<u>14,400</u>

10. It would, of course, be necessary under this arrangement to show elsewhere in the accounts a counter credit in respect of those expenses of the commercial activities which have already been charged in the regular budget appropriation. On a minor point, too, the Committee would suggest that the amount charged against the gross income from the Visitors' Service in respect of cleaning and

utilities might be reduced (and the figure of net profit increased) by the extent (say \$15,000) to which these costs can be attributed to the necessity for week-end opening of the Assembly Building for committees, etc. during the period of the General Assembly.

11. Subject to what is said above, the Advisory Committee recommends the adoption, on an experimental basis, of the system proposed by the Secretary-General, as well as the approval of the detailed procedure suggested in paragraph 16 of his report (A/C.5/623).
