



Seventeenth session
Agenda item 62

BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1963

REPLACEMENT OF THE CENTRAL TELEPHONE
EXCHANGE OF THE PALAIS DES NATIONSSeventeenth report of the Advisory Committee on Administrative and Budgetary
Questions to the General Assembly at its seventeenth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered a report by the Secretary-General (A/C.5/935) concerning the replacement of the central telephone exchange and the renewal and extension of the whole telephone system in the Palais des Nations at Geneva.

General comments

2. As the Advisory Committee has in the past consistently recommended long-range planning for needs of this kind, it feels bound to express its regret that this request has not been submitted earlier together with the programme of the modernization of the facilities of the Palais des Nations. Had this been done, the General Assembly would have been in a better position to evaluate, on the basis of priorities, the relative importance of the various components of the over-all plan of modernization of which the replacement of the central telephone exchange is but one element, now presented singly and out of context.

3. As a further observation, the Advisory Committee would call the attention of the General Assembly to the fact that it anticipates the possibility of requests by the Secretary-General for appropriations amounting to some \$100,000 annually for the next five years for what are considered priority projects to maintain and improve premises at Geneva;^{1/} in addition to this programme some

^{1/} See section 7, chapter IV, of the budget estimates for the financial year 1963, Official Records of the General Assembly, Seventeenth Session, Supplement No.5 (A/5205), p.65.

sizable capital expenditures will probably have to be incurred over several years starting in 1965, as part of the major maintenance and capital improvement programme now being prepared for Headquarters in the framework of the architectural and engineering survey proposed for submission to the Assembly at its eighteenth session.

4. In paragraph 2 of his report (A/C.5/935), the Secretary-General indicates that, during the past few years, progressively greater difficulties have been experienced with the telephone system of the Palais des Nations, owing to the ever-aging of the equipment (the present system was installed in 1935 and is handicapped by many deficiencies and frequent mechanical failures) and the overburdening of existing lines (in recent months the situation is said to have worsened: according to the Secretary-General's report, there was a complete saturation of the system during June 1962, especially during the weeks when the International Labour Conference was being held in the Palais. Since that time, overloading has continued to exist in all sectors of the Palais, involving the conference area and the offices alike).

5. The Advisory Committee is informed that the Secretary-General has consulted technicians from the International Telecommunication Union and the Swiss telephone authorities, who, after a detailed survey, have recommended that the whole system be replaced with modern equipment and considerably expanded. In their opinion, a telephone system like that of the Palais des Nations could not be expected to have a longer life than twenty-five years and the Organization would incur increasingly heavy expenditure for maintenance and repair of an obsolete system, prone to ever more frequent breakdowns.

6. Aside from the obsolescence factor, the continually growing use of telephones in the Palais would, in the view of the experts, require a substantial expansion of the system merely to meet immediate needs (approximately 1,970 extensions, as against 1,450 at present). In this regard, it appears that it would not be practicable to attempt to link in any additional equipment which would supply the extra lines needed. Furthermore, because any subsequent expansion of the switchboard capacity to accommodate a greater number of extensions at a later date would entail engineering difficulties and probably involve substantial expenditure, the experts have concluded that provision ought to be made for a 2,500-line switchboard which would leave a margin of some 500 lines for future needs.

7. The Advisory Committee agrees that a case has been made in principle for the replacement of the telephone system in the Palais des Nations. While some expansion of the present facilities is required, the question arises as to its scope, and particularly as to whether the provision for 500 lines out of 2,500 as a reserve for the future is really necessary. The Committee has enquired closely into this question, having had some doubt as to whether the Secretary-General's estimate of 1,970 to meet "immediate needs" would not in fact provide a sufficient margin for the foreseeable future. However, the Committee has been informed that the cost of providing additional lines on the new switchboard over and above the present figure of about 1,500 is of the order of \$50,000 per bank of 500 lines. This represents a relatively modest amount compared with the total cost of the programme and, if not approved, might involve somewhat higher expenditure later if and when a pressing need for additional lines arose. The Advisory Committee has therefore concluded that it would on balance be wiser to accept the provision of this extra capacity on the switchboard.

Cost estimates and financing

8. In paragraph 8 of his report, the Secretary-General indicates that the total cost of the programme is estimated at about \$500,000^{2/} on a cash basis. If so desired, it could be payable by instalments at a higher figure. The Swiss PTT are prepared to arrange for amortization over an agreed period of time. The possibilities which are offered by the Swiss PTT, subject to final confirmation at the time the order is placed, fall into three broad categories:

(a) A subscription fee of about \$4,000 per month covering maintenance and full amortization over a period of ten years: total cost \$597,000;

^{2/} This figure includes approximately \$50,000 for connecting and installing the equipment and \$50,000 for the cost of constructing the premises for it (including air conditioning) and about \$17,000 for the installation of a third wire on all existing extensions to make possible the transferring of calls to another extension in order to obtain a maximum yield (see A/C.5/935, footnote 3 to paragraph 9).

- (b) Payment of 80 per cent of the cost of the equipment (about \$240,000) at the time of completion of installation, followed by a subscription fee of \$1,300 per month for ten years covering the amortization of the remaining 20 per cent and maintenance: total cost \$513,000;
- (c) Payment of the full value of the equipment (about \$300,000) plus charges of about \$650 per month covering maintenance only: total cost \$495,000.

The Secretary-General would leave it to the General Assembly to decide which of these three financing plans should be adopted.

9. The Advisory Committee notes that, in paragraph 13 of his report, the Secretary-General explains that all three of the estimates represent the total cost during the coming years and not merely the additional cost as compared with the expenditures incurred with the present equipment, which is becoming progressively more costly to maintain. While it is difficult to determine the true increase in expenditure due to this obsolescence factor, there is no doubt, in the opinion of the experts, that the maintenance of the present equipment would cost more than that of the proposed new equipment which would provide for more lines - 2,500 against 1,450. On that showing, the additional expenditure would not exceed \$400,000, in exchange for which the Palais des Nations would have adequate telephone facilities for the next twenty-five to thirty years.

The time element

10. Attention should be called to the fact that between two-and-a-half and three years would elapse between the placing of the order for the new equipment and the time the new telephone can enter into operation. In fact, the Advisory Committee understands that the target date of mid-1965 given in paragraph 2 of the Secretary-General's report, on the assumption that the order would be placed early in 1963, might prove somewhat optimistic and that a more realistic date might be early 1966. This being so, the experts consider that, in view of the expected deterioration of the present system, prompt action is essential.

Recommendations of the Advisory Committee

11. For the various considerations stated in the preceding paragraphs, the Advisory Committee recommends that the General Assembly approve at its seventeenth session the proposed programme of replacement of the telephone system at the Palais des Nations, so that the order for new equipment could be placed with the Swiss PTT as soon as possible and the new exchange could start functioning by mid 1965 or early 1966 at the latest. Concerning the number of lines to be provided, the Committee has indicated in paragraph 7 above why it considers the 2,500 figure as reasonable. As regards the financing formula, the Advisory Committee would be in favour of plan (c) which represents a saving of \$102,000, or 20.6 per cent as compared with plan (a). This plan, as indicated in paragraph 10 of the Secretary-General's report, would entail the following expenditure:

	\$
1963	nil
1964	33,000
1965	386,600
1966-1974 inclusive	
Normal maintenance costs	
at \$7,800 per year	70,200
1975 normal maintenance for	
eight months	5,200
	<u>\$495,000</u>

However, as it seems likely that the new system would not be in operation before early 1966 (see paragraph 9 above), the heaviest annual expenditure shown in the above table as taking place in 1965 might well be spread over the two years 1965-1966. Moreover, some income might be realized from the disposal of the present equipment.
