



Fourth annual progress report on the implementation of the capital master plan

**Statement by Mr. Warren Sach, Acting Under-Secretary-General for Management
to the Fifth Committee of the General Assembly
at its 61st session**

Thank you, Mr. Chairman, and please allow me also to thank the members of the Fifth Committee for this opportunity to present to you the Secretary-General's fourth annual progress report on the implementation of the capital master plan.

This report provides the latest information on the status of the **design and pre-construction work**, as well as the current **schedule for the project**. The paper provides options for leasing office and library **swing space** and recommends **additional items in the scope of the project**. The **projected cost** of the capital master plan and the **financing options are presented** with the status of **appropriations and expenditures**. And finally, you are asked to **approve the capital master plan including the scope options**, to approve funding and the method of financing for it, and by doing so to turn the capital master *plan* into the capital master *project*.

Mr. Chairman, the construction documents for the major design contracts for the renovation of the General Assembly and Conference buildings, the basements, the North Lawn extension building, the Secretariat and South Annex will be completed by the end of 2007. In the next two months, we anticipate selecting a construction manager as general contractor for pre-construction advisory services and construction management for the overall project.

The schedule of the capital master plan had to be slightly re-phased, since a decision about which strategy to follow for the refurbishment of the Headquarter complex unfortunately could not be reached, as we had hoped and planned for, during the main part of the sixtieth session of the General Assembly. While work on the various parts of the project will now start later, the date for its completion, early 2014, remains the same.

The delay in the schedule means that costs will be incurred later than previously anticipated. However as the capital master plan is operating in a booming commercial real estate and construction market, costs for construction, and especially for swing space, keep climbing. We are estimating that every month of delay causes a cost increase of approximately \$9-\$10 million.

The budget for the base project, for construction, professional fees and management, increased, but only slightly by \$8.3 million, or 0.6 %. These costs have been contained by meticulously applying value engineering. However, the cost escalation for the rental and outfitting of swing space is much harder to contain. These costs increased by \$50.2 million, an increase of almost 31 %. Office vacancy rates in Midtown Manhattan are quickly decreasing and have now reached 6.4 %. Rents for space are rising steeply, along with the costs for outfitting rental space, and it is more difficult to find the large space we need to accommodate the roughly 1,000 staff we have to move out of the secretariat building and the library by the end of 2007. These market forces are beyond our control. We have to move fast and sign contracts for renting swing space as soon as possible. Then costs for swing space can be fixed where they are now, before the market moves up further. Mr. Chairman, allow me in this context to stress how important it is to make a decision about the capital master plan and its financing before the end of this year.

The Secretary-General strongly recommends approving scope options in the total amount of \$230.4 million to be included in the capital master plan. The bulk of this amount, more than two thirds, would be invested in security measures. Also recommended is strengthening the redundancy of building operations in case of equipment or utility failure, so the UN Headquarters could continue to function during technical emergencies. And finally, for an organization advocating sustainability, it is a good idea to include a number of highly visible advanced technologies to underline the environmentally responsible efforts in this project. These items have been carried along as options to the base project for some time and are arranged in two tiers based on the length of time they have been studied. To implement these items alone at a later point would be a very costly undertaking. To include them in the capital master plan would bring the total budget to \$1,876.7 million, but it would be a financially prudent thing to do.

Mr. Chairman, the Secretary-General recommends that the General Assembly approve the funding of the capital master plan through assessments on member states, an internationally syndicated letter of credit facility for the duration of the construction contract, and a working capital reserve fund to cover temporary cash flow deficits.

Mr. Chairman, the capital master plan renovation is important for the safety of all occupants at the United Nations Headquarters, for those living and working in our vicinity. It is now critical for the General Assembly to decide on the overall budget and funding mechanisms. Once this decision has been made, the renovation work will continue on the projected schedule.

Let me assure you, Mr. Chairman, that the Secretariat is looking forward to assist the Committee in its deliberations:

Thank you very much.