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MEETING**

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Chairman: Sir Claude COREA (Ceylon).

AGENDA ITEM 44

**Budget estimates for the financial year 1959 (A/3825
and Corr.1, A/3860, A/C.5/748, A/C.5/749, A/C.5/
L.514) (continued)**

First reading (continued)

SECTION 18. SPECIAL EXPENSES

The Advisory Committee's recommendation (A/3860,
para. 208) for an appropriation of \$2,649,500 under
section 18 was unanimously approved on first reading.

REVENUE-PRODUCING ACTIVITIES

1. Mr. BLANCO (Cuba) said he agreed with the Advisory Committee's observation in paragraph 228 of its report on the budget estimates for 1959 (A/3860) that, apart from the Postal Administration and the Gift Centre, the revenue-producing activities of the United Nations were intended to provide essential services at a reasonable cost rather than to yield a profit. His delegation was glad to note from the budget estimates (A/3825, p. 63) that early in 1959 the operation of the United Nations Gift Centre would be placed under the same management contract as the catering and related services. However, as the Advisory Committee suggested, attention might be given to the possibility of a greater degree of central direction of the administration of those activities which were subject to internal United Nations management. He asked why the newsstand on the fourth floor of the Secretariat building was not included in those arrangements. With regard to the sale of publications, the figure for salaries and wages seemed too high in relation to revenue; perhaps that activity, too, should be brought under central management.

2. Mr. PAREJA (Peru) complained that the quality of the service in the delegates' dining-room was constantly deteriorating; that increasing prices had

been accompanied by a decline in the quality of the food served; and that such services as tea in the delegates' lounge were not available when most representatives attending committee meetings were free to use them, namely, after 5.30 p.m. The prices charged in the dining-room and lounge were comparable with those charged in New York City generally, and it was right and proper that the catering operations should show a profit; a more important consideration, however, was good service, and he would suggest that an advisory committee composed of members of the staff of permanent missions at Headquarters should be appointed to serve as a channel for the communication of complaints and suggestions to the Secretary-General.

3. Mr. KEATING (Ireland) asked for an explanation of the change in management of the Gift Centre, which had disappointed the World Federation of United Nations Associations (WFUNA). His delegation understood that the Gift Centre had been well managed in the past, and hoped that the standard would be maintained.

4. He disagreed with the Peruvian representative's strictures on the catering services; he had always found the management of the dining-room courteous and helpful, though the space available was perhaps too small. He agreed with the Peruvian representative that the prices compared reasonably with those prevailing outside.

5. Mr. URABE (Japan) said he had noticed that Federal tax was charged on articles sold at the Gift Centre. He wondered if that was in accordance with the terms of the Headquarters Agreement between the United Nations and the United States of America. He did not advocate reducing the price by the amount of the Federal tax, since that would constitute unfair competition with commercial undertakings in the area, but he suggested that the sums involved should be treated as United Nations revenue instead of being paid to the United States Government.

6. Mr. MANGASHA (Ethiopia) supported that suggestion, emphasizing that the intention was not to reduce prices at the Gift Centre but rather to credit the United Nations budget with the equivalent of the Federal tax on articles sold. The United Nations should take every opportunity of increasing its revenue. He was sure that the United States Government would not object.

7. Mr. KWEEDJIEHOO (Indonesia) said that the representative of Japan, as a United Nations diplomat, need not pay Federal tax either at the Gift Centre or outside United Nations Headquarters. The question of unfair competition therefore did not arise.

8. Mr. VAN ASCH VAN WLJCK (Netherlands) agreed with the views of the representative of Ireland on the standard of service in the dining-room and the delegates' lounges, which he considered excellent. Any difficulties experienced by delegates were due partly

to the increase in their number, and partly to the layout of the bar; if that layout could be changed, the situation might be improved.

9. Mr. OPRESCU (Romania) thought that it might be possible not only to provide better service for delegates, but also to obtain more revenue for the United Nations. In that connexion it would be useful to know the volume of sales of drinks and cigarettes at the bar. He believed that, as United Nations representatives were entitled to exemption from import duties the prices of those articles were too high, and that if duty-free spirits and cigarettes were sold in the bar, prices could be reduced by 25 per cent and revenue increased by approximately \$50,000.

10. The same principle might be applied to articles sold at the Gift Centre. He understood that similar articles from different countries were subject to import duties at very different rates. The Secretary-General might be asked to discuss the matter with the United States authorities concerned with a view to applying the privileges accorded to United Nations diplomats to articles sold at the Gift Centre.

11. Mr. CZARKOWSKI (Poland) said that his delegation hoped that the assortment of articles in the Gift Centre could be made more representative of all Member States.

12. He asked what effect revenue was likely to have on the assessments of Member States for 1959 as compared with 1958, and whether there would be any substantial decrease in assessments as a result of the position of the Tax Equalization Fund.

13. Mr. VAUGHAN (Director of General Services) said, in reply to a point raised by the representative of Cuba, that the item under discussion did not include all revenue-producing activities. Revenue from the sale of publications and documents and from the guided tours was excluded, because the Secretary-General considered that those activities were primarily public relations activities. That question might be discussed when the Committee was considering the activities of the Office of Public Information as a whole.

14. With regard to the news-stand on the fourth floor, it had been decided that since the sales were almost exclusively to United Nations staff, whereas sales at the Gift Centre were mainly to the public, it would be more appropriate if the United Nations Co-operative gave up the management of the Gift Centre and received in exchange the right to operate the news-stand. That change would take effect at the beginning of 1959. The price levels and items sold would therefore be determined by the staff.

15. He regretted that the representative of Peru was dissatisfied with the United Nations catering services. However, it should be remembered that the dining-room was not a small exclusive restaurant, but a large-scale catering undertaking. The eighty-one Member States had delegations varying in number from five to 150, all of whom could come to the dining-room and bring guests with them. As a result, the dining-room served 1,500 to 3,000 meals a day. In an undertaking of that magnitude it was hardly possible to meet the wishes of every individual customer, but he considered, and his opinion was supported by the results of several independently conducted surveys of comparable hotels and restaurants in the area, that the dining-room provided good

food and service at prices that compared favourably with those of outside concerns.

16. It was not true to say that any existing shortcomings were due to the fact that the service was managed by a commercial firm which made substantial profits. The United Nations could not afford to run the operation. Only one meal a day was served and the catering arrangements were often disorganized because of the convening or cancellation of meetings at short notice. The outside organization received only a token management fee; the United Nations determined the number of staff, hours of work, salaries and prices. No doubt other organizations would gladly take over the operation if they were free to determine those conditions, but it was considered that the United Nations must be able to establish fair prices to cover costs without making a large profit that would have to come out of the pockets of the representatives of Member States. Prices had fluctuated, but increases drew more attention than reductions. Although the catering services were revenue-producing activity, they could not be regarded as a profit-making activity.

17. With regard to the hours at which various services were available, it should be remembered that staff were engaged on the understanding that United Nations working hours were 9 a.m. to 6 p.m. Staff could be, and were, kept on after working hours, but that meant extra expenditure.

18. The representative of Ireland had raised the question of the change in the management of the Gift Centre. A change in the management arrangement had been recommended by the Advisory Committee (see A/3860, para. 244), and it had been agreed between the Secretary-General and the United Nations Cooperative that the operation would be transferred to the United Nations at the end of 1958, the intention being to include it in the responsibilities of the Commercial Management Service in the Office of General Services. The President of WFUNA had subsequently sent a cable to the Secretary-General asking that his organization should be permitted to operate the Gift Centre, and the Secretary-General was now studying the question. He understood that if WFUNA were to take over the operation, it would have to establish itself as a corporation in the United States. It would also have to be paid a fee by the United Nations; the amount of \$12,000 in respect of the fee paid to the United Nations Cooperative, which had been deleted from the budget estimates, would then have to be restored.

19. If the United Nations took over the operation, every effort would be made to meet criticisms that the articles sold were not fully representative of all Member States.

20. The representative of Japan had asked whether Federal tax should be paid on articles sold at the Gift Centre. That tax had to be paid to the United States by any purchaser who was not exempted from it by reason of his diplomatic status, but United Nations delegates with diplomatic exemption cards could always avoid paying the tax at the Gift Centre by presenting those cards.

21. Tax-free spirits and tobacco were not at present being sold in the bar because, although the United Nations was legally entitled to buy tax-free spirits and tobacco, it was not possible to assure the United States Government that such goods were sold only to persons

with diplomatic immunity. It was questionable whether the United Nations was entitled to make large profits from the sale of such articles. The whole matter was now being studied by the Office of Legal Affairs. The present price policy was to sell drinks in the bar at slightly below the prevailing prices in the area; the Committee would agree that services to delegates need not include the provision of bars selling drinks at prices much lower than those elsewhere in the area.

22. Commenting on the observation made by the representative of Indonesia, he said that the Office of Legal Affairs had hitherto always maintained that Federal tax had to be paid on spirits brought into Headquarters for sale to delegates and their friends.

23. The representative of the Netherlands had referred to the layout of the bar. That point and others concerning the convenience of delegates had been discussed with the Advisory Committee; it had been suggested that they should be further studied and that an architectural survey might be made of arrangements at Headquarters with a view to improving the service to delegates. One of the first areas to be considered would be the delegates' lounges and the adjacent areas.

24. The representative of Romania had asked for information on sales of spirits and tobacco in the bar; the daily averages were \$390 for drinks and \$10 to \$15 for cigarettes. That representative had also suggested the prices were too high, but they were slightly below those elsewhere in the area.

25. Mr. RYBAR (Czechoslovakia) suggested that a Gift Centre should be established at Geneva similar to the one at Headquarters. That would be a very interesting project from a number of points of view, of which the budgetary was not the least important.

26. Mr. BLANCO (Cuba) suggested that consideration should be given to the possibility of concentrating all the revenue-producing activities in a single office. That arrangement might prove both more economical and more efficient.

27. He paid a tribute to the constant efforts of the Director of General Services to improve facilities in the dining-room and the cafeteria and agreed with his remarks on that score.

28. Mr. PAREJA (Peru) wished to make it clear that he had intended no criticism of the staff of the dining-room, the cafeteria or the bar; they did their best and he was very grateful to them. His remarks had been directed primarily at the organization of the catering services. A comparison of the figures for gross sales (\$1,680,000) and gross revenue (\$898,000) in the Secretary-General's budget estimates indicated that the catering services were expected to make a profit of almost 50 per cent in 1959. He was sure that, at the expense of a slight reduction in those very high profits, the service could be speeded up by hiring more staff, some changes could be introduced in the menu and cheaper drinks could be served at no additional cost to Member States.

29. Mr. VAUGHAN (Director of General Services) pointed out that after deducting salaries and wages and other direct operating expenses the net revenue from the catering services was only \$2,300 and not \$898,000, the figure given by the Peruvian representative.

30. He assured the Czechoslovak representative that the Secretariat would look into the possibility of setting up a Gift Centre at Geneva.

31. Mr. KEATING (Ireland) thanked the Director of General Services for explaining why the management of the Gift Centre was to be transferred to the United Nations. The new arrangements contemplated by the Secretary-General would appear to be more satisfactory from the administrative point of view and would lead to savings, inasmuch as no management fee would have to be paid.

32. Mr. GEORGIEV (Bulgaria) wondered whether the sale of certain objects by the United Nations should legally be considered a commercial activity. If so, the United Nations - as a corporate body - would be in the position of a seller and it was open to question whether, as such, it could be exempt from Federal taxes on the same footing as a member of the diplomatic corps, who was exempt as a purchaser. He asked whether the Secretariat was studying that particular question. Changes in the Headquarters Agreement might well be involved.

33. Mr. REINA (Honduras) observed that the statement by the Director of General Services that the United Nations could not purchase articles duty-free for subsequent sale to the public raised the very interesting point of the tax situation in regard to publications sold by the United Nations. As for the contention that the United Nations should not compete unfairly with commercial enterprises in the area, it could logically be argued that the fairly lengthy television and radio programmes which it made available free of charge already constituted such competition. Nonetheless, however, he suggested that any revenue from television and radio programmes should be included in the United Nations budget or that any taxes should be paid to the United States Government in respect of such programmes. He hoped the Office of Legal Affairs would bear those points in mind in the study it was making.

34. Mr. Cecil KING (Liberia) agreed that it might be difficult for the United Nations to import articles duty-free for the Gift Centre for the purpose of sale to the public. In the case of liquor sold at the delegates' bar, however, the emphasis was on sales to delegates. It would therefore seem to be splitting hairs to argue that import duties must be paid because representatives, who were entitled to buy liquor tax-free, brought to guests who did not enjoy that privilege.

35. Mr. KWEEDJIEHOO (Indonesia) asked what percentage of the liquor and cigarettes sold in the bar went to delegates.

36. Mr. VAUGHAN (Director of General Services) regretted that he was unable to answer that question as such records were not kept.

37. He would like to make it quite clear that the question of tax exemption for delegates making purchases in the Gift Centre was quite separate from the question of selling duty-free liquor in the bar. All delegates with tax exemption certificates received the appropriate exemption in the Gift Centre. In the bar, however, it was impossible to prove that the liquor was sold exclusively to delegates. The Secretariat wished to give full recognition to the diplomatic privileges and immunities enjoyed by delegates but it also had to protect the interests of Governments by seeing that those privileges and immunities were not abused.

The recommendations of the Advisory Committee (A/3860, para. 224 to 252) on the estimates of income and expenditure for revenue-producing activities were approved on first reading by 58 votes to none, with 2 abstentions.

ESTIMATES OF INCOME

38. The CHAIRMAN pointed out that the Advisory Committee, in paragraph 223 of its report, recommended a reduction of \$30,000 in the estimated income from staff assessment in consequence of its recommendation in paragraph 120 (section 6) that no additions should be made to the total number of established posts in 1959, a recommendation which the Committee had approved.

39. Mr. AITKEN (United Kingdom) drew attention to the new feature in the 1959 estimates, to which reference was made in paragraphs 217 and 218 of the Advisory Committee's report: the estimates of income other than from staff assessment included funds provided from extra-budgetary accounts. It seemed to his delegation desirable to make those estimates as high as possible. The Secretary-General's estimate of the provision from the Special Account for Technical Assistance - \$1.1 million - seemed too low.

40. His delegation had arrived at that conclusion as follows. According to paragraph 59 of the Advisory Committee's report, the administrative and operational services costs of the Technical Assistance Administration for 1959 were estimated at \$1,671,500, which was \$19,365 below the approved estimate for 1958. The net amount for 1959, after deduction of income from staff assessment, was estimated at \$1,426,500.

41. In 1958 the credit from the Special Account for Technical Assistance had been \$1,147,000. His delegation calculated that the 1959 figure should be \$1,133,000, or \$33,000 above the Secretary-General's figure. That calculation took into account the reduction of 2.2 per cent in administrative and operational services costs in 1959 as compared with 1958.

42. He also asked whether the new principles for the allocation of administrative and operational services costs adopted by the Economic and Social Council in its resolution 702 (XXVI) would affect the calculation for each member of the United Nations family, including the United Nations itself, of the credits due to the regular budget.

43. Mr. POWERS (Secretariat) referred the United Kingdom representative to the introduction to part VI of the budget estimates - Technical programmes. It would be seen that the administrative and operational services costs for 1959 were estimated at \$564,245 and \$1,107,255 gross respectively, totalling together \$1,671,500 gross. The corresponding net total was \$1,426,700. The difference between the gross and the net figure was the estimated allowance for staff assessment - \$244,800 - which was included in the staff assessment estimate now before the Committee.

44. In 1958 and previous years the General Assembly, on the Fifth Committee's recommendation, had approved a grant-in-aid of \$386,700 towards total expenditure on technical assistance. However, under the new consolidation of the estimates for technical assistance, the entire gross costs of the appropriation were included in the United Nations budget for 1959, and the

income estimates included the estimate for technical assistance staff assessment. In previous years the amount of tax reimbursement, instead of being charged to the Tax Equalization Fund, had been charged against the staff assessment credits, and the remaining balance had been returned to the Special Account.

45. The Secretariat had calculated as follows. The gross figure of costs for 1959 was \$1,671,500; after deduction of the proposed allocation of \$1.1 million from the Special Account, \$571,500 was left. From that amount the Secretariat had then deducted the amount then credited to staff assessment - \$244,800. That left a net total of \$326,700 for 1959 as compared with the previous appropriation of \$386,700.

46. A complication was that the amount of tax reimbursement would be charged to the Tax Equalization Fund. Exact calculation was difficult, but in the light of the facts he had just given, \$1.1 million seemed a reasonable estimate of the income to be received from the Special Account.

The estimate of \$6,056,000 recommended by the Advisory Committee (A/3860, para. 223) for income from staff assessment in 1959 was unanimously approved on first reading.

The estimate of \$5,267,880 recommended by the Advisory Committee (A/3860, para. 219) for income in 1959 other than from staff assessment was unanimously approved on first reading.

AGENDA ITEM 45

Appointments to fill vacancies in the membership of subsidiary bodies of the General Assembly:

(e) United Nations Administrative Tribunal (A/3842, A/C.5/747, A/C.5/L.515)

47. The CHAIRMAN invited the Committee to recommend candidates to fill the vacancies which would occur in the United Nations Administrative Tribunal on the expiry, at the end of 1958, of the terms of office of three members (A/3842).

At the invitation of the Chairman, Mr. de las Bárcenas (Spain) and Mr. Agerberg (Sweden) acted as tellers.

A vote was taken by secret ballot.

Number of ballot papers:	61
Invalid ballots:	0
Number of valid ballots:	61
Abstentions:	0
Number of members voting:	61
Required majority:	31
Number of votes obtained:	

Mrs. Paul Bastid (France)	60
Mr. Omar Loutfi (United Arab Republic).	58
Mr. R. Venkataraman (India)	57
One other candidate	3

Mrs. Paul Bastid (France), Mr. Loutfi (United Arab Republic) and Mr. Venkataraman (India) having obtained the required majority, the Committee recommended that they should be appointed members of the United Nations Administrative Tribunal for a three-year term beginning on 1 January 1959.

48. The CHAIRMAN invited the Committee to recommend a candidate to fill the vacancy in the Adminis-

trative Tribunal resulting from the resignation of Mr. J. M. Lashly (United States of America) (A/C.5/747).

At the invitation of the Chairman, Mr. de las Bárcenas (Spain) and Mr. Agerberg (Sweden) acted as tellers.

A vote was taken by secret ballot.

<u>Number of ballot papers:</u>	56
<u>Invalid ballots:</u>	0
<u>Number of valid ballots:</u>	56
<u>Abstentions:</u>	1
<u>Number of members voting:</u>	55

Required majority: 28

Number of votes obtained:

Mr. Harold Riegelman (United States of America) 55

Mr. Riegelman (United States of America) having obtained the required majority, the Committee recommended that he should be appointed to the United Nations Administrative Tribunal for the unexpired portion of the term of office of Mr. J. M. Lashly.

The meeting rose at 5.50 p.m.