

COMMISSION OF THE EUROPEAN COMMUNITIES

GENERAL BUDGET - FINANCIAL YEAR 1981
SECTION III - COMMISSION

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Brussels, 23rd March 1981

TRANSFER OF APPROPRIATIONS No 3/81
(non-compulsory expenditure)

GENERAL BUDGET - FINANCIAL YEAR 1981
SECTION III (COMMISSION)

TRANSFER OF APPROPRIATIONS No 3/81

(non-compulsory expenditure)

FROM CHAPTER 100

Line 10 - Article 206

PROVISIONAL APPROPRIATIONS

TO CHAPTER 20

Article 207

IMMOVABLE PROPERTY INVESTMENTS,
RENTAL OF BUILDINGS AND
ASSOCIATED EXPENSES

Construction of buildings

526 000 ECU

The Financial Controller endorsed this proposal in accordance with Article 21(4) of the Financial Regulation, certifying that the appropriations are available, on 17 February 1981.

GROUNDS

1. In October 1979 the Council approved the principle of a Commission Delegation being opened in Canberra, Australia. In July 1980, when both the 1980 budget and the memorandum of agreement between the Commission and the Australian Government had been signed, the local authorities and a number of embassies assisted investigations into the question of siting the Delegation.

- (a) The Department of the Capital Territory exercises strict planning control over Canberra: the national institutions and government departments are sited in what is commonly known as the "parliamentary triangle", the south-west extension of which is reserved for diplomatic missions which may not, under any circumstances, be located in the residential areas.
- (b) Chancelleries may, however, be situated in business areas although this has been difficult as Canberra was planned as an administrative city of 25 000 inhabitants. The economic difficulties which have since arisen have delayed the development of these areas, though rents and property prices have risen sharply as a result of recent government decisions aimed at stimulating economic activity.
- (c) Since the Federal Government has only recently dropped its policy of reserving almost all the dwelling houses (generally in the suburbs) for its own employees, houses are not available except in the very rare cases where civil servants on a two- or three-year posting move on. Nevertheless, the commissioning of a new development programme has given rise to a speculative market on which small prefabricated houses are being offered for sale at exorbitant prices.

2. None of the buildings visited was suitable for the Commission Delegation. The most advanced building projects would not be completed until 1982. With the assistance of the local authorities, the Commission succeeded in renting an area of some 1 100 sq m in a small building under construction which had originally been intended for business use. It should be finished at the end of February 1981. The lease runs for five years from 1 March 1981 and the position with regard to the offices is now settled for the time being.

The Head of Delegation must be provided with a residence, but we must avoid renting a vast property at a prohibitive price and having to do a considerable amount of work on it.

3. The Australian Government usually provides diplomatic missions in Canberra with plots of land on a ninety-nine year lease, the mission being obliged to build its Chancellery or the residence of its Head of Delegation or both on that site within 18 months to three years. The mission is also responsible for laying out and maintaining the gardens.

Of the ten Member States, Belgium, France, Germany and Italy already have large areas on which both chancellery and residence are sited, and Greece has just acquired a plot. The Department of Foreign Affairs and the embassies of the Member States agree that, even in the short term, this is the most economic solution.

The Australian Government has informed the diplomatic missions sited in the residential zones of the Australian Capital Territory (ACT) that they are in breach of regulations and will not be allowed to remain after 1987. This affects, inter alia, Denmark.

4. For the sake of efficiency, the Delegation of the Commission and the residence should be sited in one of the areas close to the embassies and the parliamentary triangle. Land in that area is at a premium because the new Australian Parliament buildings will be built there before 1990.

The Commission took advantage of the Australian Government's offer of a 7 553 sq m plot at an annual rent of about \$A 6 000 (about 5 400 ECU) subject to review every twenty years. This area is similar to that occupied by the Netherlands, smaller than those of Ireland and Greece, about half the size of that rented by Germany and a quarter of the size of those occupied by France and Belgium.

5. The Commission's first obligation is to have a building constructed within eighteen months of signing the lease. In view of the difficult and uncertain nature of the rented market in Canberra, the Commission intends to build both offices and a residence for the Head of Delegation. One of the largest Australian building firms has prepared studies which show that:

- (a) a building of 1 100 sq m for the Delegation would cost \$A 650 000 (584 000 ECU at December 1980 rates);
- (b) a building with 550 sq m of living space would cost \$A 538 000 (483 000 ECU at December 1980 rates) including preparation of the land.

The annexed comparison between renting and building costs shows that the investment would be amortized in under five years from the completion of construction in the case of the offices and in under six years in the case of the residence. These periods are to be extended by two years if the loss of interest on the money spent is included.

The Commission will, in any event, continue its efforts to find the most advantageous solution.

6. Since office space for the Delegation has been secured until February 1986, the Commission proposes to build a residence for the Head of the Delegation in 1981. This should take eight months. In 1983, it will begin work on the building to house the Delegation offices.

Since at Chapter 100 of the budget for 1981 there is a provisional appropriation of 1 500 000 ECU for the purchase of building land or buildings, the Commission proposes that the budgetary authority authorize the transfer of 526 000 ECU to Article 207 (construction of buildings), which at present has only a token entry.

Comparative costs of renting and building (in ECU)I. Residence

Year	Cost of rent ¹		Total building costs			
	per year	cumulative total	Expenditure		Compound interest ²	Cumulative grand total
			per year	cumulative total		
1981	75 000	75 000	606 400(3)	606 400	34 541	640 941
1982	82 500	157 500	5 400	611 800	63 549	709 890
1983	90 700	248 200	5 400	617 200	60 721	776 011
1984	99 800	348 000	5 400	622 600	56 343	837 754
1985	109 800	457 800	5 400	628 000	50 096	893 250
1986	120 800	578 600	5 400	633 400	40 006	938 656
1987	132 800	711 400	5 400	638 800	24 428	968 484
1988	146 000	857 400	5 400	644 200	12 230	986 114
1989	160 600	1 018 000	5 400	649 600	- 2 781	988 733

¹ Assuming that rents rise by 10% per year.

² Assuming a notional loss of interest at the following rates: 13% to 1985, 12.5% in 1986 and 10.5% from 1987.

³ Breakdown: Rent for the residence 75 000
 Ground rent 5 400
 Building costs 362 000
 Approaches 164 000
 531 400
 606 400

Building costs are based on 109% of December 1980 prices.

Comparative costs of renting and building (in ECU)II. Delegation

Year	Cost of rent ¹		Total building costs ²			
	per year	cumulative total	Expenditure (including rent)		Compound interest ³	Cumulative grand total
			per year	cumulative total		
1981	131 500	131 500	131 500	131 500	-	131 500
1982	131 500	263 000	131 500	263 000	-	263 000
1983	157 800	420 800	321 800	584 800	21 320	606 120
1984	157 800	578 600	515 300	1 100 100	70 566	1 191 986
1985	157 800	736 400	515 300	1 615 400	126 215	1 833 501
1986	189 400	925 800	-	1 615 400	113 462	1 946 963
1987	189 400	1 115 200	-	1 615 400	87 335	2 034 298
1988	189 400	1 304 600	-	1 615 400	76 618	2 110 916
1989	227 000	1 531 600	-	1 615 400	60 828	2 171 744
1990	227 000	1 758 600	-	1 615 400	43 380	2 215 124
1991	227 000	1 985 600	-	1 615 400	24 100	2 239 224
1992	272 000	2 257 600	-	1 615 400	- 1 929	2 237 295

¹ Assuming a rent increase of 20% after the first two years and of 20% every three years from 1983.

² Building costs based on December 1980 prices (584 000 ECU) plus 12% per year until 1983 and 9% in 1984. Payment: 20% (164 000 ECU) in 1983, 40% (357 000 ECU) each in 1984 and 1985.

³ Assuming a notional loss of interest at the following rates: 13% to 1985, 12.5% in 1986 and 10.5% from 1987.

Calculation of compound interest

I. Residence

		<u>ECU</u>
<u>1981</u>	531 400 x 0,13 x 0,5 =	34 541
<u>1982</u>	531 400 + 34 541 + 5 400 - 82 500 = 488 841 x 0,130 =	63 549
<u>1983</u>	488 841 + 63 549 + 5 400 - 90 700 = 467 090 x 0,130 =	60 721
<u>1984</u>	467 090 + 60 721 + 5 400 - 99 800 = 433 411 x 0,130 =	56 343
<u>1985</u>	433 411 + 56 343 + 5 400 - 109 800 = 385 354 x 0,130 =	50 096
<u>1986</u>	385 354 + 50 096 + 5 400 - 120 800 = 320 050 x 0,125 =	40 006
<u>1987</u>	320 050 + 40 006 + 5 400 - 132 800 = 232 656 x 0,105 =	24 428
<u>1988</u>	232 656 + 24 428 + 5 400 - 146 000 = 116 484 x 0,105 =	12 230
<u>1989</u>	116 484 + 12 230 + 5 400 - 160 600 = -26 486 x 0,105 =	- 2 781
	<u>Total interest</u>	<u>339 133</u> =====

II. Delegation

<u>1981</u>	(zero)	
<u>1982</u>	(zero)	
<u>1983</u>	164 000 x 0,130	21 320
<u>1984</u>	164 000 + 21 320 + 357 500 = 542 820 x 0,130 =	70 566
<u>1985</u>	542 820 + 70 566 + 357 500 = 970 886 x 0,130 =	126 215
<u>1986</u>	970 886 + 126 215 - 189 400 = 907 701 x 0,125 =	113 462
<u>1987</u>	907 701 + 113 462 - 189 400 = 831 763 x 0,105 =	87 535
<u>1988</u>	831 763 + 87 535 - 189 400 = 729 698 x 0,105 =	76 618
<u>1989</u>	729 698 + 76 618 - 227 000 = 579 316 x 0,105 =	60 828
<u>1990</u>	579 316 + 60 828 - 227 000 = 413 144 x 0,105 =	43 380
<u>1991</u>	413 144 + 43 380 - 227 000 = 229 524 x 0,105 =	24 100
<u>1992</u>	229 524 + 24 100 - 272 000 = -18 376 x 0,105 =	- 1 929
		<u>621 895</u> =====