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INTERIM REPORT

drawn up on behalf of the Committee on Budgetary
Control

on the accommodation policy of the Community institutions

Rapporteur: Mr P.N. PRICE

1.2.1.

On 15 September 1980, the Parliament authorised the Committee on Budgetary Control to prepare a report on the accommodation policy of the Community institutions.

On 22/23 April 1981, the Committee on Budgetary Control appointed Mr Peter N. Price rapporteur.

The Committee considered the draft report at its meetings on 18/19 May 1981, 25/26 June 1981, 22/23 September 1981, 26/27 October 1981, 9/10 November 1981, 3/4 December 1981, 15/16/17 March 1982 and 1/2 April 1982.

At the meeting on 1/2 April 1982, the Committee adopted the motion for a resolution by 12 votes in favour with none against and six abstentions.

The following participated in the vote: Mr Aigner, chairman; Mr Cluskey, vice-chairman; Mrs Boserup, vice-chairman; Mr Price, vice-chairman and rapporteur; Mr Arndt (deputizing for Mr Lalumiere); Mr Battersby, Mr Cousté, Mr Früh, Mr Gabert, Mr Gontikas, Mr Irmer, Mr Jürgens, Mr Kellett-Bowman, Mr Key, Mr Mart, Mr Notenboom, Mr Konrad Schön, Mrs Van Hemeldonck.

Text not collated.

CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT of the Rapporteur	11
I. Introduction	11
II. The Court of Auditors' Report	12
III. Action taken by the Institutions	14
IV. Future Policy	15
Long-term planning	15
Cooperation between the Institutions	15
A policy of purchase	16
Taxation	17
Existing rental agreements	17
Common accommodation standards	18
V. Location Policy	19
Calculation of extra cost	20
Staff travelling and subsistence expenses	21
Additional staff	21
Rents	22
Additional furniture and equipment	22
Carriage of documents and equipment	22
Parliament's own vehicles	23
Telephone and Telex charges	23
The paper mountain	23
Incidental expenses	23
Transitional costs	24
The other institutions	24
Loss of efficiency	24
VI. Conclusion	24
ANNEX I Rent paid by the institutions	25

The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the accommodation policy of the Community institutions:

The European Parliament,

- recalling paragraph 16 of the 1977 discharge resolution (OJ no. L331 22.12.7
- having regard to the report of the European Court of Auditors (OJ no.C221 of 3 September 1979),
- noting the substantial and growing cost to the Community budget which the rent of buildings represents,
- conscious that the location of buildings in relation to the pattern of Community activities will greatly affect many other costs and the efficiency of the institutions,
- realising that enlargement of the Community and of its activities will increase the accommodation needs of the institutions,
- bearing in mind the long-term nature of most accommodation decisions,
- concerned that decisions taken in the next few years should provide a sound basis for the future,
- recalling its resolutions of 20 November 1980, 7 July 1981 and 16 December 1981 on the seat of the institutions,
- having regard to the interim report of its Committee on Budgetary Control (Doc. 1-104/82),

As regards the European Court of Auditors' report

1. Notes that the following defects in the accommodation policies of the Community institutions are disclosed in the report of the Court of Auditors:

- (a) uncertainty as to the permanent location(s) of the institutions, needing to be resolved in order to give a better background for a more effective and economic accommodation policy;
- (b) lack of adequate forward planning;
- (c) no regular contacts between the institutions to coordinate action on accommodation requirements;

- (d) duplication of facilities such as meeting rooms, restaurants and cafeterias, stores and shops, which might have been provided jointly at some locations;
- (e) renting being almost the only form of tenure of Community buildings, although purchasing or constructing would have been cheaper;
- (f) the terms of many rental agreements being relatively unfavourable, particularly as regards indexation of rent;
- (g) the lack of common standard conditions for rental or construction agreements entered into by Community institutions; and
- (h) property tax or value-added tax paid indirectly to the Belgian and Luxembourg governments, under the terms of certain rental agreements, even though the Community institutions are exempt from all national or local taxes;

2. Notes with approval that an inter-institutional group on accommodation policy has been established since the Court of Auditors' report was published and that the following action has resulted from its work:

- (a) it has recommended that buildings should be purchased or constructed by the Community rather than rented;
- (b) representations have been made to the Belgian government for exemption from the indirect payment of property tax; and
- (c) a standard document for rental agreements has been prepared;

As regards future policy generally

3. Regards long-term planning of accommodation requirements as essential for the provision of suitable conveniently-located buildings at the lowest possible cost;

4. Considers that cooperation between the Community institutions in planning their accommodation needs and in meeting those needs would benefit both the institutions themselves and the Community budget;

5. Urges the shared use of buildings, where two or more institutions have compatible needs which can be met in this way to the Community's advantage;

6. Regards the joint use of facilities and services, where this is practicable, as a desirable means of reducing costs and points out that increased cooperation of this kind will affect the accommodation policies of the institutions;

7. Considers that a policy of acquiring rather than renting buildings should be adopted, wherever this is practicable;

8. Calls for the preparation and regular up-dating of a five-year rolling plan for Community accommodation;

As regards taxation

9. Notes that the payment of national or local taxes is in conflict with the provisions of the Protocol on the Privileges and Immunities of the European Communities and, therefore, urges the national governments at present receiving such revenue in respect of Community buildings to make specific provision for exemption from taxes paid directly and either exemption or refund in respect of those paid indirectly;

As regards location policy

10. Points out that a settled policy as to location is a fundamental precondition for an accommodation policy which minimises cost to the Community budget and enables the Community institutions to work most effectively;

11. Emphasizes that if the governments of the Member States had fixed the seat of the Community institutions, in accordance with the Treaties, it would have constituted a long-term location policy;

12. Records that the extra costs incurred by Parliament as a consequence of its present division of activities between the three provisional places of work include:

- (a) staff travelling and subsistence expenses;
- (b) additional staff and overtime made necessary because a significant proportion of staff time is lost through travelling;
- (c) additional staff required to organise the deployment and travel of other staff;
- (d) rent of buildings which are used only part of each month;
- (e) cleaning and maintaining such buildings;
- (f) purchase and maintenance of additional furniture and equipment so that all three places are adequately furnished and equipped;
- (g) payments to carriers for the transport of large quantities of documents and equipment;
- (h) purchase, maintenance and running costs or hire charges of motor vehicles increased because of the distances travelled;
- (i) extra telephone and telex rental and calls between the three places of work; and
- (j) printing extra copies of documents because of the impossibility of individuals carrying large quantities from place to place;

13. Recognises that the efficiency of Parliament is impaired by the effects on Members and staff of, inter alia, the following:

- (a) the distance between its secretariat and those of the Commission and the Council;
- (b) the research and documentation facilities for Members being based where Parliamentary meetings are held;
- (c) the secretariats of Parliamentary committees, being based at a different place from the meetings of those committees;
- (d) the general secretariat being based away from the Members responsible for administrative decisions;
- (e) certain categories of staff spending most of their working time away from where they are based;
- (f) time wasted through excessive travelling, including making all ancillary arrangements;
- (g) the difficulty of knowing in advance which members of staff and what documents will be required at Brussels or Strasbourg;
- (h) Members' files and documents being dispersed at several different offices;
- (i) the impossibility of locating Members' research assistants and secretaries at a single office which the Members themselves could visit most working days;
- (j) uncertainty about the future location of Parliament's secretariat, part sessions and other meetings preventing permanent official and domestic arrangements being made;

14. Records that other institutions, particularly the Commission, incur substantial extra costs and suffer impairment of their own efficiency as a result of travelling between the Parliament's places of work;

15. Emphasises that this directly-elected European Parliament in its resolutions on the seat of the Community institutions has:

- (a) recognised the need for a single working place for the Parliament,
- (b) called upon the governments of the Member States to fix a single seat for the institutions of the Community,
- (c) asserted its right to meet and work where it chooses, and
- (d) called for the opening of a conciliation procedure so that it can express its views on the seat for the institutions;

16. Wishes both to quantify the additional costs to the people of Europe - through the Community budget - of the failure by the governments of the Member States to fix the seat of the institutions and to obtain better financial information as a basis for a decision to be taken now on Parliament's location;

17. Decides to instruct an independent firm of accountants of high international repute to conduct an analysis and to report to Parliament within six months from the date of this resolution on the present and likely future costs to the budgets of the Community institutions resulting from Parliament working in three places compared with the initial and recurrent costs if Parliament adopted a single working place at Luxembourg, Strasbourg or Brussels respectively, such analysis being on the assumption that all the other institutions would remain in their present locations;

As regards the role of the inter-institutional group on accommodation policy

18. Requests the inter-institutional group on accommodation policy forthwith to consider:

- (a) future methods of coordinating the accommodation policies of the institutions and their negotiations for premises where these might affect other institutions;
- (b) the most appropriate method of financing the acquisition or construction of Community buildings, including the possibility of using a lease-purchase arrangement;
- (c) standard terms for all the main types of contracts relating to the tenure of buildings and their maintenance; and
- (d) the facilities and services which might be shared by two or more institutions and the effects of such sharing upon the accommodation needs of the institutions;

19. Further requests the inter-institutional group to prepare a five-year rolling plan for Community accommodation, after consideration of:

- (a) the accommodation needs of all the Community institutions for the next five years and, if possible, the longer-term future; and
- (b) the ways in which these needs might be met including by joint action;

20. Asks the Commission to report to Parliament within six months on the results of the inter-institutional group discussions, to present the five year rolling plan promptly after it is prepared and thereafter to report annually on the accommodation policies of the Community institutions and any proposed modifications of the five-year rolling plan;

As regards forwarding this resolution

21. Instructs its President to forward this resolution to the Commission, the Council, the Court of Justice, the Court of Auditors, the Economic and Social Committee, the European Investment Bank and the governments of all the Member States.

B.

EXPLANATORY STATEMENT OF THE RAPPORTEUR

I. INTRODUCTION

This report is based on the investigation carried out by the European Court of Auditors, which gave rise to their Special Report on the accommodation policies of the institutions, dated 3 September 1979, and also reviews resulting action. The subject is important for two reasons. Firstly, the total amount paid in rent by the European institutions is now about 75m EUA annually¹. There are also many related expenses concerned with buildings. So the cost is substantial. Secondly, it is self-evident that the work of public administration is carried out in buildings. The nature and location of those buildings can have a marked effect upon the efficiency of the institutions. So accommodation policy is an important and basic subject.

Many administrative decisions are capable of being altered or even reversed fairly quickly and at little cost. However, decisions about buildings tend to be long-term, even where such decisions are taken for short-term reasons. This is even more true of growing and developing institutions, since the initial decisions tend to be extended to cover new situations as they arise. Thus, there have been no major changes in accommodation policy, insofar as it exists, despite the substantial enlargement of the Community in 1973 and the further enlargement in 1981. Probably no radical changes would have been made upon the prospective accession of Spain and Portugal. Furthermore, there has been a growth in the work of the institutions. Yet the decisions on obtaining accommodation, up to the time of the Court of Auditors' Report, have continued to reflect the attitudes of 20 years earlier, when there was an expectation of an overall accommodation policy for the institutions soon being adopted.

The creation of the European Community set the history of Europe on a new course. No doubt there will be many changes in its structure, its responsibilities and its methods of working in the years ahead. But there can be little doubt that there will be European institutions needing extensive buildings, many in close proximity, for centuries ahead. The earlier that fact is recognized as a basis for accommodation policy, the more successful the policy will be in ensuring that the Community has the buildings it needs as it develops.

¹ Annex I shows the growth of this expenditure and the figures for each institution.

The Treaties recognize the importance of an accommodation policy, although no doubt it was the political overtones of the policy which were of most concern to Member Governments at that time. Article 77 of the ECSC Treaty, signed in Paris on 18 April 1951, states

"the seat of the institutions of the Community will be determined by common accord of the Governments of the Member States."

Following a meeting of Ministers for Foreign Affairs on 24/25 July 1952, it was announced that, pending a further decision-making meeting, the High Authority and the Court would commence their work in Luxembourg and the Assembly would hold its first session in Strasbourg on 10 September 1952.

The Community is still waiting for that decision-making meeting. Article 216 of the EEC Treaty repeated Article 77 of the ECSC Treaty in almost identical words. In fact, the Governments of the Member States have never been able to agree upon a single seat and therefore those Treaty provisions are gaining the appearance of being extinct through non-implementation. Yet fundamental decisions on location are essential to a rational policy and become more difficult the longer they are delayed.

II. THE COURT OF AUDITORS' REPORT

It is this failure to fix a seat which underlies many of the criticisms in the Court of Auditors' Report. In Paragraph 7.1.2, the Court

"acknowledges that the continuing uncertainty as to the permanent location(s) of the institutions, and more recently the expectation of changes which might arise from the enlargement of the Parliament, are factors which must have acted considerably against acquisition of permanent buildings. The resolution of these problems would certainly give a better background for establishing a more effective and economic accommodation policy."

Later, in Paragraph 8.2, the Court indicates that most of the blame for the present situation does not lie with the institutions themselves. Thus, the Court says that its decision to examine accommodation policy

"was not taken with a view to criticizing them or without a full appreciation of the reasons underlying the policies they have adopted. The lack of any precise indication of how long they might remain in their present locations was not conducive to a policy of purchase. This had discouraged long-term planning of accommodation policy ..."

The most significant effect of the uncertainty over location has been to deter the institutions from considering purchasing rather than renting their accommodation. Thus, at the two main locations, Brussels and Luxembourg, the only buildings owned by the Community are at the sports facility at Overijse. Curiously, premises are owned in various cities outside the Community, such as Washington, Ottawa and Montevideo, which may indicate that in these cases there was less doubt about long-term location than for the main offices of the Community institutions.

The second important criticism was a lack of adequate forward planning. Again, the connection with the uncertainty over location is clear. Although the Commission reports annually to the Council concerning the accommodation of the institutions, these reports have referred mainly to the situation in the previous year and have reflected the obligation to report upon the position in Luxembourg. The first evidence of any long-term plan was in 1975 when the Commission prepared a five-year accommodation plan for its own needs, without regard to the needs and policies of the other institutions. The Council started to look ahead to its own longer-term needs in 1972, but there was no significant progress until 1978, and ultimately decisions of a rather more ad hoc nature were taken. The Court of Auditors quote no other examples of any attempts by any of the institutions to take a longer view. They conclude that there would be

"sounder financial management if the institutions and the budgetary authorities were to jointly agree forecasts of the accommodation needs, covering at least the next five years, to be updated annually."

(Paragraph 7.2.2)

The third area of concern is the lack of collaboration between the Community institutions in any aspects of accommodation policy. So far as procuring buildings is concerned, this is particularly important because they have had competing needs in the same area of Brussels and, to a lesser extent, in Luxembourg. It is contrary to the interests of the Community for the institutions to have been 'bidding up' rents against each other, but the Court of Auditors remarks that scarcity of offices and land in the relevant locality may have led to such competition.

Apart from agreeing on their respective needs and coordinating their approach, the institutions might also have found ways of meeting their needs by joint action. For instance, the possibility of a common conference centre in Brussels does not appear to have been examined. The meeting rooms used by the Community institutions, with facilities for interpretation into seven languages (possibly nine within a short time) are a highly specialized facility. Duplication of such facilities should be avoided where cooperation between the institutions offers an adequate alternative. Even if each institution needs primary facilities for its

sole use in its own building, some sharing of secondary facilities should be practicable. While joint use of a single building might be appropriate either on a temporary or a permanent basis in Brussels or Luxembourg, it is even more obviously desirable in the case of external offices. Yet in most of the capital cities of Europe, the Commission and the Parliament maintain separate information offices. Bearing in mind the duplication of documents and library facilities, as well as the potential saving on computer terminals and other expensive equipment, it is obvious that savings could be made by a joint approach in the case of these small offices.

A number of other detailed points emerged from the Court of Auditors' Report. They drew attention to the term of many rental agreements being relatively unfavourable and the lack of common conditions for various types of accommodation agreements entered into by Community institutions. They also raised the problem of property tax or value added tax being paid indirectly to the Belgian and Luxembourg Governments.

III. ACTION TAKEN BY THE INSTITUTIONS

Since the Court of Auditors' Report was published, an inter-institutional group on accommodation policy has been established. This is a major achievement, since it can act as a basis for making progress on a number of detailed issues.

One of the first issues which it has examined is whether Community buildings should be purchased rather than rented. It is recommended, taking up the suggestion of the Court of Auditors in their Report, that the future policy should be to purchase or construct buildings.

The inter-institutional group has also started to coordinate action concerning the payment of property tax and has arranged for all the institutions concerned to make representations to the Belgian Government.

Its most recent product is a standard form of rental agreement for use by all Community institutions.

IV. FUTURE POLICY

Long-term planning

Long-term planning is essential if the effects are to be those desired. A series of ad hoc decisions will almost certainly result in having to occupy scattered buildings, which happen to be available at the time concerned. They may not be conveniently located or designed for the purpose intended, or even obtainable at a favourable price, but an institution which has a pressing need for accommodation for which it has not planned has very little choice. Furthermore, collaboration with other institutions and the possibility of using shared facilities become secondary to the urgency of the situation. Thus, long-term planning must be regarded as essential.

The other aspect of long-term planning is whether the plans derive any authority beyond that of the institution making them. As one arm of the joint budgetary authority, Parliament should be aware of the future accommodation needs of the institutions and the ways in which they propose to meet them. It can then either explicitly or tacitly give its approval, carrying with it an implication of budgetary approval when the time comes. Since these plans should also be made by the institutions jointly, it seems appropriate for the Commission to act as the coordinating body to present the jointly-prepared plans to Parliament. A suitable basis for planning might be to look ahead for the next five years, which would allow for Spanish and Portuguese accession, and thereafter to have an annual review to take account of changes well ahead of the time when they will need to be put into effect. Thus it would be a five-year rolling plan.

Cooperation between the institutions

The establishment of an inter-institutional group on accommodation policy and the preparation of a joint long-term plan would introduce a structure to enable proper cooperation between the Community institutions. In preparing the joint plan, the group should not act simply as an information exchange, but should examine whether the needs of one institution might overlap or compete with those of another. Where there is overlapping, thought should be given to the possibility of some joint use of facilities, whereas in the case of competition, ways should be found of enabling complementary development. These are clearly not the sort of problems which can be dealt with adequately in an annual meeting, but should be the subject of continuing contacts between the institutions.

A question which the inter-institutional group should examine urgently is the extent to which facilities and services might be shared by two or more institutions. They should then consider what effects such sharing would have upon the accommodation needs of the institutions. It may be found that a somewhat different pattern of accommodation needs could result. Hence the need for this study to be undertaken fairly rapidly.

It should be emphasized that the sharing of facilities should give rise to some real benefit. It should not be undertaken simply as a demonstration of a will to put theory into practice. For instance, the Court of Auditors referred to the sharing of restaurants and cafeterias, as well as stores and shops. There are several such facilities at Luxembourg, for example, but the walking distance between the buildings would make it impracticable to centralize these facilities, even for the institutions which are virtually on the same campus. It is more in the direction of shared use of sophisticated equipment and very specialized facilities which are not fully utilized by one institution alone that the greatest savings could be made. Thus, the inter-institutional group will need to draw upon the expertise of their relevant officials in deciding what potential this idea of shared facilities may offer.

A policy of purchase

The studies conducted by the inter-institutional group since the Court of Auditors reported have demonstrated clearly that a policy of purchase rather than renting buildings is advantageous. As compared with renting from a commercial landlord, there are three obvious gains. The first is that such a landlord will borrow the money to finance the development at a substantially higher rate of interest than the Community would pay to borrow directly. The second is that the commercial landlord will then add on a profit element to his higher interest payments. The third is that the landlord will add into the rent a charge to cover his own administrative expenses. All these three elements in the rent can be totally eliminated if the Community borrows directly and either builds or buys the property it needs.

The savings are somewhat smaller if one compares with renting from a national government, acting as an intermediary on behalf of the Community, provided that national government buys the property and does not seek any profit element. Even then, however, the administrative expenses of the intermediary are involved and the Community is much more limited in its freedom of action. So even renting from a national government has disadvantages compared with a direct purchase.

At times it has been doubted whether the Community has the right to acquire property. No doubt this myth has become widespread simply because the Community has not made a practice of buying. However, Article 211 of the EEC Treaty provides :

"In each of the Member States, the Community shall enjoy the most extensive legal capacity accorded to legal persons under their laws; it may, in particular, acquire or dispose of movable and immovable property and may be a party to legal proceedings. To this end, the Community shall be represented by the Commission."

It is worth noting that the Commission have delegated their representational function, in the rare cases where property has been acquired, as well as in the more frequent situation of obtaining property by lease or rental agreement. Thus, all the institutions now execute their own deeds and contracts relating to property.

The only remaining question is how the money should be raised to finance the acquisition of buildings by Community institutions. The first possibility is to use the Community budget to cover interest and repayments and to borrow the money by the issue of new bonds specifically for the purpose. The second is to use the budget in the same way but borrow the money from the European Investment Bank. The third is to ask national governments for a special capital contribution each time a building is purchased.

It seems appropriate for the inter-institutional group to put forward specific proposals through the Commission to Member Governments directly, if the third option is regarded as the most favourable, or to the joint budgetary authority, if either of the other two is preferred.

Taxation

National taxes are being paid in respect of Community buildings both in Belgium and in Luxembourg. In the case of Belgium, certain rental agreements require the Community institutions to pay such taxes to the private landlord, who is in turn under a legal obligation to make the payment to the national authorities. However, the amount of the tax is separately identified in the payment. In Luxembourg, the value added tax on building costs is usually included in an overall rental and so the amount of tax paid is not known, but the principle remains the same.

The Protocol on the Privileges and Immunities of the European Communities exempts the institutions from payment of all national or local taxes. Whilst it might be argued that the private landlord is not thereby exempted and, in turn, that the institutions are contractually bound to reimburse to him, in reality it is a payment of tax by the institutions. It is important that a solution be found to this problem rapidly, before further contracts relating to buildings are made. There are a number of possible ways in which the problem can be overcome. Either the national authorities concerned should grant a general exemption to such landlords or other intermediaries from payment of the relevant taxes (by legislation or by administrative action) or the Community institutions should be refunded the amount concerned.

Existing rental agreements

Certain rental agreements are based on the cost of constructing a building to meet the needs of the institution. It allows for amortization of that cost over a period, plus a profit element and overheads. However, curiously some of these rental agreements also provide for indexation of the rent, so that a higher sum is being paid on a capital cost which is not increasing - indeed, it might even be said to be reducing in real terms. Since the Court of Auditors reported, the institutions have taken up the possibility of renegotiating these agreements. Where an option exists to terminate such an agreement, the full bargaining power of the institutions should be exerted to obtain more reasonable terms.

This is an example of the lack of a coordinated policy. In this field, it would be helpful if standard contracts were prepared by the inter-institutional group for use by all Community institutions. There might be standard contracts for purchase, construction of a building, long-term leasing, short-term rental and even for services commonly provided - right down to the window cleaning. The advantages of such an approach are partly that the full bargaining strength of the Community can be exerted better, and partly that it minimizes the risk of errors by individual officials.

Common accommodation standards

An issue on which the Rapporteur differs slightly with the Court of Auditors is that of the need for common accommodation standards. Whilst the size of rooms and standards of fitting out buildings might usefully be discussed in the inter-institutional group, any attempt to enforce rigid standards should be resisted. The idea that every Community official, wherever located, should have an almost identical sized room with almost identical fittings makes one wonder what sort of rabbits would come out of such hutches!