



European Economic and Social Committee

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Galileo:
European GNSS
programmes

Brussels, 11 July 2007

OPINION

of the

European Economic and Social Committee

on the

**Communication from the Commission to the European Parliament, the Council, the European
Economic and Social Committee and the Committee of the Regions**

GALILEO at a cross-road:

the implementation of the European GNSS programmes

COM(2007) 261 final

On 16 May 2007, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - GALILEO at a cross-road: the implementation of the European GNSS programmes
COM(2007) 261 final.

On 29 May 2007, the Committee Bureau instructed the Section for Transport, Energy , Infrastructure and the Information Society to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr Buffetaut as rapporteur-general at its 437th plenary session, held on 11 and 12 July 2007 (meeting of 11 July), and adopted the following opinion with 95 votes in favour and one abstention.

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1. **Conclusions and recommendations**

- 1.1 The European Economic and Social Committee (EESC) welcomes the realism and courage displayed by the European Commission in its Communication entitled *GALILEO at a cross-road: the implementation of the European GNSS programmes*, COM(2007) 261 final, in which it draws the conclusions from the stalled negotiations over the concession contract for the Galileo system.
- 1.2 The EESC fully agrees that these deadlocked negotiations should be brought to an end and that an alternative strategy should be implemented.
- 1.3 The EESC wholly endorses the desire of the Council, the European Parliament and the Commission to carry the Galileo project through to a successful conclusion, whilst maintaining the scope and initial definition of the project.
- 1.4 The EESC takes the view that the Galileo project represents a strategic project for the European Union and a project which is able to demonstrate the capacity of the EU to harness its resources in the pursuit of a remarkable human, scientific, technical and economic venture.
- 1.5 The EESC believes that it would be disastrous for the EU to abandon the project.

- 1.6 The EESC highlights the fact that the scenario proposed by the Commission constitutes an interesting and realistic proposal for enabling the Galileo project to be brought to a successful conclusion and takes the view that entrusting the public sector with the responsibility for the development and deployment phase and with the financing of this phase shows that the Commission is taking a realistic view of the situation.
- 1.7 As the proposed scenario would have important financial consequences and would require an undoubted effort on the part of public funding, the EESC stresses the need to consider, without any preconceived ideas, the possibility that the EU Member States may make use of the Galileo system for military purposes, in particular defensive purposes, and also to consider the possibility of introducing a small levy on the price of terminals for this system in order to help to ensure the financial balance of the project.
- 1.8 The EESC urges that the terms and the manner of awarding the concession for the EGNOS system, which complements, at European regional level, the services provided by the American GPS system, be clarified without delay and calls for the implementation of this programme to be properly coordinated with that of the Galileo programme.
- 1.9 The EESC approves the selection of the European Space Agency (ESA) as the "procurement agent and designing authority" for the project.
- 1.10 The EESC warns against the temptation to make the Galileo project subject to the constraints of the "fair return" principle, even though it understands the justified concerns of the Member States in respect of scientific, technical and economic development.
- 1.11 The EESC draws attention to the fact that when matters relating to governance and the distribution of economic and technical responsibilities are poorly controlled, a very dangerous situation may arise, as was demonstrated by the recent Airbus affair.
- 1.12 The EESC calls upon the EU Member States to do their utmost to ensure that the Galileo project is brought to a successful conclusion.

2. **The background to the Commission's Communication**

- 2.1 Five months after the publication of the Green Paper on satellite navigation applications, the Commission has published a new Communication with the alarmist title of *Galileo at a cross-road: the implementation of the European GNSS programmes*.
- 2.2 This shock title was provoked by the fact that the negotiations over the concession contract have ground to a halt. It has not proved to be possible to reach any agreement with the industrial consortium seeking to be awarded the contract. There were fundamental differences of opinion with regard to the economic model to be adopted by the project.

- 2.3 The European Commission therefore had no other option but to take note of this set-back which, following in the wake of a series of delays in the implementation of the Galileo project, made it necessary to carry out a major re-orientation of the project from both an economic and legal standpoint.
- 2.4 Furthermore, the Council of Transport Ministers, meeting on 22 March 2007, asked the Commission to assess the situation and put forward detailed alternative scenarios with regard to the concession contract and a scenario for the earliest possible provision of the EGNOS satellite navigation system – which complements, at regional level, the services provided by the American GPS system – as a forerunner of the Galileo project.
- 2.5 The European Parliament, whilst reiterating its support for the Galileo project, expressed its alarm over the repeated delays in developing the project and called upon the Commission to put forward proposals for redressing the situation.
- 2.6 The Commission has put forward the Communication under review in response to this double request from the decision-making institutions of the European Union.

3. **Gist of the Communication**

- 3.1 The first important point is that the Commission invites the Council and the European Parliament to take note of the failure of the current concession negotiations and, consequently, to end the negotiations. As the negotiations have become deadlocked, the Commission did, in reality, have scarcely any other option.
- 3.2 The Commission does, however, request the Council and the European Parliament forthwith to reaffirm their commitment to put in place an autonomous satellite navigation system and to support the continuation of the Galileo programme. The present failure of the negotiations over the concession contract must not therefore imply that the Galileo project is to be abandoned. On the contrary, the Commission wants the strategic nature of the project for the European Union, together with its economic importance, to be reaffirmed.
- 3.3 In the Commission's view, the Galileo programme should be continued, along identical lines to those of the present blueprint. The technical characteristics of the programme should remain the same, namely a constellation of 30 satellites offering five different services with an excellent signal quality.
- 3.4 There should, therefore, be no question of making do with a cut-price Galileo project.
- 3.5 The Commission proposes two alternative scenarios:
- a) Under Scenario A, the public sector would initially finance and procure an operational system with limited performances. This core infrastructure would be composed of

18 satellites with the associated ground segment. Under this scenario it would be possible to achieve a level of positioning accuracy and coverage sufficient to introduce services on the market but without capitalising on Galileo's technical value-added.

The remaining 12 satellites would be deployed by the private sector under a concession contract.

- b) Under Scenario B, the public sector would finance and procure the complete operational system with full performances. The infrastructure would be composed of 30 satellites with the associated ground segment. This scenario would allow the provision of all Galileo's services for all targeted users and provide confidence in respect of design robustness to the future concession holder. The public-private partnership (PPP), under the form of a service concession contract, would cover operations, exploitation activities and the maintenance of the constellation of 30 satellites. Full deployment would be achieved by the end of 2012 and the PPP concession contract would cover the period 2010-2030.

3.6 The Commission recommends the adoption of the second scenario, in two stages:

- start with the immediate implementation of EGNOS by means of a specific concession, as a precursor to Galileo, by 2008. Following the deployment of the full Galileo constellation, the system should be operational by the end of 2012;
- in parallel, negotiate and put in place a PPP, in the form of a concession, for the EGNOS and Galileo exploitation phase from 2010-2030.

3.7 The Commission urges the Council and the European Parliament to support these two programmes by affirming a number of principles:

- making the EGNOS system operational from 2008;
- deciding that the European GNSS programmes are to be defined, agreed, managed and overseen at the level of the European Union, in the interests of all its Member States;
- recognising the strategic nature of the Galileo programme;
- designating the European space Agency (ESA) as the "procurement agent and designing authority" **on behalf of the European Union and acting under the latter's authority and rules;**
- introducing fair competition into the programme wherever possible;
- strengthening and restructuring the public governance of the programme by entrusting the European Commission with political responsibility and leadership;
- creating confidence amongst investors.

- 3.8 Such a programme would make it necessary to mobilise considerable financial resources. There is a need not only to commit the sums provided for under the financial perspectives in respect of the programme as currently proposed but also to provide additional funding.
- 3.9 For the financial period 2007-2013, it would be necessary to make available the sum of EUR 2.4 billion in order to carry out the present scheme, with additional measures being required to reduce risks. In order to finance the procurement of the first complete constellation (30 satellites) and the ensuing PPP for the exploitation phase from 2010 to 2030, there would be a need to mobilise EUR 3.4 billion.

4. **General comments**

- 4.1 It is right and proper for the Commission to take note of the stalled negotiations over the concession contract under the current arrangements and to recommend that the negotiations be ended. The adoption of sham solutions would have served only to prolong a disturbing situation and would have further delayed the implementation of the programme.
- 4.2 On this point, the Council has reached the same conclusions as the Commission and has decided to end the negotiations and to make a fresh start on a new basis. The Council also wished to reaffirm the priority status of the Galileo project, an observation which is welcomed by the EESC.
- 4.3 Furthermore, a recent survey carried out by Eurobarometer (May/June 2007) on the Galileo programme - a survey which was commissioned by DG TREN - indicates that 80% of the population of the EU supports the idea of having an autonomous satellite navigation system and 63% of the population would endorse the provision of complementary funding in order to ensure that this project is carried to a successful conclusion. The assessment as to the impact which abandoning the Galileo project would have on the image of the EU demonstrates somewhat contrasting opinions. 44% of the people questioned took the view that it would have a damaging impact, whereas 41% of those questioned were of the opinion that it would have no impact at all.
- 4.4 The EESC welcomes the support for the Galileo project provided by the Council and public opinion but believes that abandoning this project would have a disastrous impact on the image of the European Union and on the confidence that can be placed in European projects. It would be indicative of the fact that the European Union is not capable of carrying to a successful conclusion a promising scientific and technical project which could mobilise the best of our abilities in the fields of research, innovation and technical expertise and provide opportunities for securing major contracts.
- 4.5 The Communication does, nonetheless, leave a number of questions unanswered. Strong emphasis is placed on the EGNOS system and the need to exploit it as soon as possible but the Commission fails to address the question as to who is to operate this system. The

Commission confines itself to pointing out that a procedure for awarding a concession will be launched but provides no indication as to the form of such a procedure and the possible partners (enterprises or a consortium of bodies or companies responsible for air traffic management?). Are we talking here about a public or a private operator? What procedures will be followed in awarding the concession and what deadlines will be set?

- 4.6 The augmentation systems which make it possible to enhance the quality of the GPS service are regionally-based. (In addition to ENGOS, there is a North American system - WAAS - and a system based in India). What connections exist between these regional systems and what international agreements do they require?
- 4.7 Turning to the difficulties encountered with the consortium which is seeking to be awarded the Galileo concession contract, care must be taken to avoid being confronted with similar difficulties in respect of the proposed new scenarios. National directives were, in fact, frequently in evidence behind the consortium members. Many of the companies concerned depend on public-sector orders or are public corporations; it would be naive to believe that the consortium in question is the standard type of "private" consortium. This type of case could occur under the new scenarios. In view of such a prospect, the organisation of genuine competitive bidding must be strictly adhered to.
- 4.8 The EESC welcomes the fact that the general blueprint for the project has not been modified, in particular in the case of the range of proposed services. The proposal put forward by the Commission is the most reasonable proposal. Changing the structure of the project would have entailed additional delays, increased financial costs and unnecessary risks.
- 4.9 The EESC also considers that the Commission is right to point out that: "Whilst maintaining the system as a civil system, significant revenues could also come from military uses". Recognising the sensitive nature of this issue, the EESC takes the view that discussions on this matter should be carried out between the Member States. The EESC believes that the EU Member States should have the freedom to decide whether to use the Public Regulated Service (PRS) for defensive military purposes if they so wish, and in return for appropriate funding.
- 4.10 Since the financing of the project is a matter of fundamental importance, the EESC wonders whether consideration should be given to the introduction of a very small levy on the sale of terminals to help finance the Galileo project.
- 4.11 Whilst the EESC supports the idea of appointing the European Space Agency (ESA) as the "procurement agent and the designing authority" for the Galileo project, it would stress that this must not imply that the project has to comply with the "fair return" rule, even though it is fully aware of the fact that the agreements between the Member States under the previous scenario came about because fine economic balances were struck between the States. The EESC draws attention to the need to avoid jeopardising, because of fears over the economic

consequences for the main participatory Member States, a project which is essential and symbolic in equal measure to the EU. The EESC points out that the difficulties currently being experienced by EADS derive from such apprehensions. The desire to strike an economic balance between partners is indeed a legitimate goal but if it leads to de facto paralysis or delays in the implementation of projects, the whole of this emblematic European project, with its industrial and scientific dimensions, would be called into question, as would the knock-on economic effects.

- 4.12 In conclusion, the EESC assumes that it is the Commission's desire to preserve the principles of Community governance which have led it to be insistent - and perhaps a little undiplomatic - in its claim to political control over the project, underestimating, as it does, the important role played by the European Space Agency.

Brussels, 11 July 2007.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
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