Mid-term review of the European satellite navigation programmes: implementation assessment, future challenges and financing perspectives

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PURPOSE: present of the report from the Commission on the mid-term review of the European satellite radio navigation programmes.

CONTENT: in accordance with Regulation (EC) No 683/2008, the Commission presents a report constituting the annual report and **mid-term review of the European satellite radio navigation programmes**. It takes stock of the progress made on the programmes and sets out the challenges ahead.

(1) The development of programmes since 2007: when the Commission took over responsibility for managing the Galileo and EGNOS programmes in 2008, they were experiencing significant cost overruns and delays, as well as serious governance problems. Significant progress has been made over the last three years: the EGNOS open service officially became operational on 1 October 2009. The system has operated since then in accordance with the requisite specifications. It is operated by a service provider (hereinafter'ESSP') under contract to the Commission. The main subject of the contract is the uninterrupted provision of the open service and of the safety-of-life ('SoL') service.

A milestone was reached in July 2010 with the certification of ESSP under the regulations governing the single European sky. The period for finalising the EGNOS system should be completed in the near future and the SoL service for the needs of civil aviation should be declared open in early 2011. In addition, it is planned to extend the area covered by EGNOS services gradually to include all the countries belonging to the European Civil Aviation Conference. Studies are also continuing into extending coverage into Africa, the Arab countries and the countries immediately to the east of the EU.

Where the **development phase** is concerned, the two experimental satellites, Giove A and Giove B, are operating very satisfactorily. In addition, the assembly of the first four satellites in the future constellation, which will be launched in 2011-2012, as ESA has confirmed, is currently being completed.

Work on the **deployment phase** was launched in 2008 and is proceeding actively. This work has been divided up essentially into six packages, each of which is the subject of a public procurement procedure. Competitive dialogue with the tendering firms is a key element in the procedures which have been launched.

As a result, the first four contracts, **with a total value of around EUR 1 250 million**, were awarded in 2010; they are for the packages covering system engineering support, satellite construction (**with an initial order for 14 satellites**), launchers (for the launch of 10 satellites, but with options for additional launches) and operations, respectively. The other two packages, relating to ground infrastructure, will be awarded in 2011. The contracts for additional equipment and facilities will also need to be awarded in the course of 2011. For those contracts where there was competitive supply, savings have been possible with respect to original estimates, whereas this was not the case in monopoly situations.

Horizontal measures: the report discusses several horizontal measures flanking the deployment of the infrastructure, which have been taken on the regulatory front, with regard to international aspects and in

respect of future uses. These include the **compatibility and interoperability of the systems**, which are the focus of complex discussions with China, the United States, Russia, India and Japan, and also within the United Nations. Where the development of downstream markets is concerned, in June 2010, the Commission adopted a GNSS Applications Action Plan to promote the use of satellite radio navigation in what it considers to be priority fields.

(2) New challenges: However, the programmes are now faced with fresh challenges arising from the materialisation of a number of risks which were previously identified by the Commission, and the **organisation of the programmes must be further fine-tuned** in order to increase their efficiency.

The project has experienced **cost overruns** attributable in particular to the increased cost of the development phase, the increased price of the launchers, the lack of competition for the award of some packages and additional costs associated with the programme. The report notes that the additional cost of the development phase amounts to some EUR 500 million in total. The price of launch services has entailed an additional cost of more than EUR 500 million by comparison with the original budget.

The assessment shows that average annual operating costs amount to some EUR 800 million at 2010 prices, not adjusted for inflation, of which EUR 110 million is accounted for by EGNOS.

The estimates made to date point to a requirement for around EUR 1 900 million in funding over the period 2014-2019 to complete the infrastructure associated with the Galileo programme. Added to this will be the operating costs of the system once it has become operational, i.e. as from 2014-2015.

Furthermore, the **economic situation** of the EU and its Member States has led the Commission not to seek, up to now, the allocation of additional resources within the current multiannual financial framework, even though this is causing delays in completion of the full deployment of Galileo and an increase in overall costs.

A new basis for the work on the European satellite radio navigation programmes needs to be established so that progress can continue without compromising the objectives laid down by the European Parliament and Council. Accordingly, the Commission recommends an approach which envisages the present organisation being maintained and improved over at least 10 years, although it will have to evolve in line with the needs of the exploitation phase.

On the **political front**, several decisions still need to be taken. In a context in which Europe's economic and social progress is heavily dependent on mastering and using leading-edge technologies such as those relating to nuclear fusion, space, air traffic management and life sciences, it is important to reach decisions about the means, including budgetary means, of coping with the risks inherent in such technologies. Conclusions also need to be reached on the development of the EU budget and on how the risks are to be apportioned between the EU and its Member States. The decisions laying down the budgetary and financial principles governing the continuation of the European satellite radio navigation programmes will need to be taken in parallel with those concerning the governance framework. This must seek to make all the players more aware of their responsibilities, in order to ensure an orderly transition to future governance arrangements while at the same time enhancing control of the project and of its associated costs.

The adoption of such political decisions requires time and thought. **Detailed proposals will be drawn up by the Commission at a later stage** on the basis of the guidelines to be laid down by the European Parliament and the Council in the light of this report.