

Resolution on the Galileo concession contract negotiations

2007/2548(RSP) - 16/05/2007

The European Commission has adopted a communication on the implementation of the European GNSS programmes.

The European satellite navigation programmes Galileo and EGNOS have come to a crossroad. A political choice is required on how to proceed. The concession negotiation which should have led to the deployment and exploitation of Galileo has stalled. The delays accumulated so far and the absence of any sign of progress on the concession negotiation is a risk for the delivery of the project within the timeline and foreseen budget.

In view of the situation, and following the letter of Vice President Barrot to the Council Presidency of 14 March 2007, the Council of Transport Ministers of 22 March 2007 requested the Commission to: i) assess and report by the June Council on overall progress of the Galileo project; ii) submit as soon as possible for discussion possible solutions for securing the long-term public financial obligations; iii) assess the progress in the concession negotiations and to submit alternative scenarios, also assessed for costs, risk and affordability.

The European Parliament, in its Resolution of 24 April 2007, reiterated its support for the Galileo programme, expressed its concerns about the progress, and called on the Commission to come forward with appropriate proposals, based in part on the same points as mentioned by the Council and, in particular, for a strengthening of public governance by ensuring political responsibility and leadership of the Commission (see [CNS/2001/0136](#)).

This Communication responds to the requests of the Council and the European Parliament and is complemented by a Commission staff working document.

The Commission considers that the **current situation** is a result of the combined effects of continuous, unresolved disputes over share of industrial work, a misjudgement that market risk could be transferred to the private sector, an unresolved negotiation with respect to the transfer of design risk, the technical complexity of the programme, and insufficiently strong and clear public governance.

The Commission invites the Council and the European Parliament to take note of the failure of the current concession negotiation and to conclude that, on this basis, the current PPP negotiations should be ended.

Consequently, the Commission invites the Council and the European Parliament to:

- to reaffirm the necessity to put in place an autonomous satellite navigation system, to endorse the continuation of the Galileo programme as a strategic asset for the European Union, and to recognise its economic value;
- to recognise that the Galileo system characteristics remain fully compatible with the ambitions of the European Union for this strategic asset, namely a 30 satellites constellation offering five different services with an excellent quality of the signal in space.

Alternative scenarios: the Commission has pursued the public-private partnership (PPP) approach for the implementation of Galileo but has re-profiled it through scenarios with a more appropriate moment at which a private partner assumes programme responsibility.

The following two scenarios are retained:

- **initial operational capacity (IOC) procurement followed by a PPP:** under this scenario, the public sector finances and procures an operational system with limited performances. This core infrastructure is composed of 18 satellites with the associated ground segment. The remaining 12 satellites are procured by the private sector under the PPP concession scheme which also contains the operations and exploitation activities. The IOC will be ready by end 2011, with users having access only to early services at that time. Full deployment and service availability can be achieved by end-2013, provided that the PPP contract is signed in time. The PPP contract would cover the period 2010-2030;
- **full operational capability (FOC) procurement followed by PPP:** in this scenario the public sector finances and procures the complete operational system with full performances. This infrastructure is composed of 30 satellites with the associated ground segment. It allows the provision of all Galileo services for all targeted users and provides full confidence of design robustness to the future concession holder. The PPP contains operations and exploitation activities. The public sector is gradually able to increase the capability to provide services. In an intermediate step the infrastructure reaches a constellation of initial operational capability by end-2011 and the full deployment is achieved by the end of 2012. The PPP concession contract covers the period 2010-2030.

In this context, the Commission invites the Council and the European Parliament to confirm that it is necessary, appropriate, and in the interest of the European GNSS programmes to proceed with their implementation through an alternative scenario.

On the basis of its assessment, the Commission invites Council and European Parliament to conclude that the preferred option and **only scenario** providing a satisfactory way forward is a re-profiled, two-step PPP approach:

Step 1: start with the immediate implementation of EGNOS, through a specific concession, as a precursor to Galileo with initial service availability by early 2008, and complement the current public procurement of the initial satellites and infrastructure by deploying the first full Galileo constellation under a public procurement with a target of Full Operational Capability by end 2012.

Step 2: in parallel, negotiate and put in place a PPP for the subsequent EGNOS and Galileo exploitation phase from 2010-2030.

The Commission also invites the Council and the European Parliament to recognise that EGNOS will achieve operational capability by early 2008 and that immediate action is required to implement its services as a pre-cursor to Galileo.

As regards the **financing of the recommended scenario**, the Commission invites the European Parliament to:

- secure, as a first step, the progress of the EGNOS and Galileo projects, to advance rapidly with the adoption of the currently proposed EU Programme Regulation;
- examine the possibilities for additional financing;

- discuss and agree, on the basis of a proposal that the Commission will present by September 2007, the modalities on how to proceed in view of the financing gap, including, if necessary, a financing mechanism which will cover the entire period until 2030.