



Vienna - 7th March 2006



Galileo

The first European infrastructure of which the European Union will be the **OWNER**

EU will have to take the associated responsibilities and foresee the necessary financial and budgetary commitments.





Galileo

Economic facts

The 2005 world wide market for satellite navigation products and services reached **€60 billions**.

The annual growth rate was of **25%** in the last 5 years

By 2020, the annual world wide market is estimated at **€300 billions**, with **3 billion** receivers in service.

Creation of **150.000 jobs**, within the EU alone, mostly related to high-tech research, applications and services.

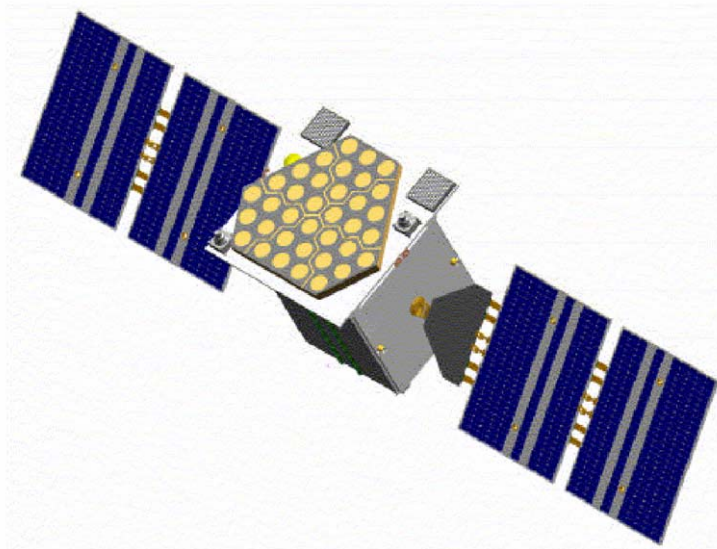


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International issues

European community and its Member States have entered into formal, bilateral Agreements with several non-EU Countries on their participation in the various phases of the European GNSS programmes.

Due to close cooperation of the Member States, the EU has been able to obtain the right of the use of the necessary radio-frequencies to operate Galileo.



- **Lift-off mass:** 450 kg
- **Power demand:** 660 W
- **Manufacturer:** SSTL

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“GIOVE-A”

- **Test & « frequency » satellite**
- **Launch from Baïkonour, Soyuz**
- **Launched 28 December 2005**
- **25 January 2006 all signals OK**





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Next Phases

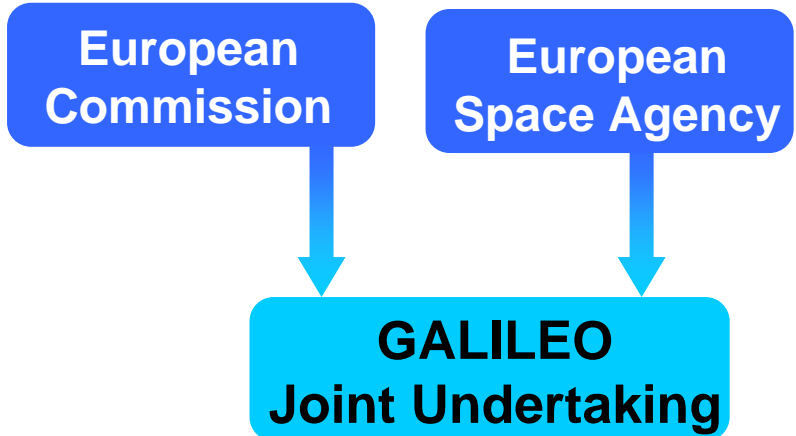
**Moving to the deployment
and operational phases of
the European Satellite
Radionavigation
Programmes
(Galileo/Egnos)**



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Next Phases

The European GNSS programmes will be realised through a **PPP scheme**, with a private concessionaire working under the control of a Supervisory Authority



Non-EU countries

Supervisory Authority

Respect of concession terms

System Operator: Concessionaire

Selection

Concession contact

Public side

Private side



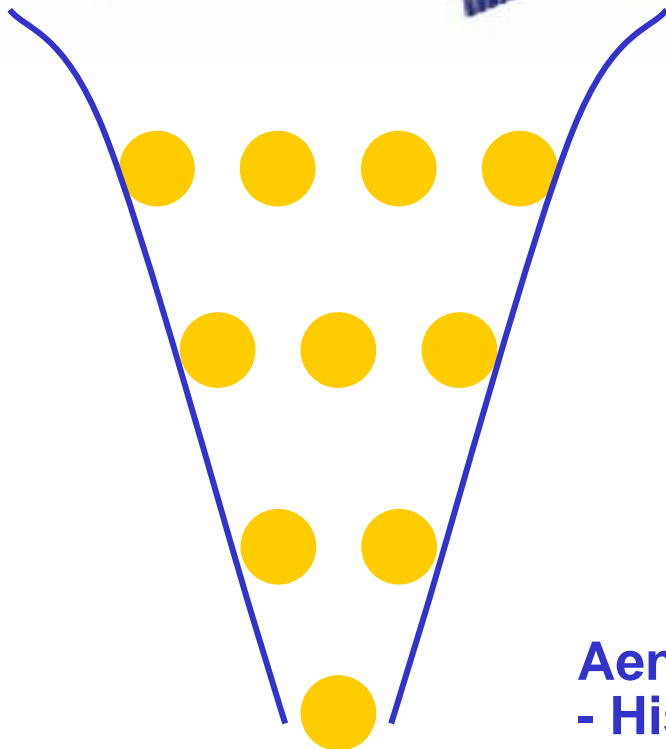
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Concession

« Galileo PPP structure »

The private sector, in exchange of a **public sector contribution**, will:

- co-finance,
- deploy, operate, exploit the Galileo System,
- operate and exploit the EGNOS system,
- collect market revenues for a period of 20 years.



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Concession

- Oct. 2003: Concession Call
- Dec. 2003: 4 candidates
- Feb. 2004: 3 shortlisted
- Sep. 2004: 2 bids
- Jun. 2005: merge
- Oct. 2005: 1 merged bid

**Aena - Alcatel - EADS - Finmeccanica
- Hispasat - Inmarsat - TeleOp - Thales**



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Concession

Industrial internal agreement

- Concessionaire in FR
- Operating Company in UK
- 1 Control Center in GE
- 1 Control Center in IT
- 1 SoL Center in SP

Creation of the “**Special Purpose Vehicle**”, i.e. the entity which will negotiate the concession contract



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Concession

Agreement between the public and the private is sought on 9 main issues:

- cost
- completion
- performance
- design
- revenue
- risk management
- deployment
- replenishment
- termination

- Presentation of first results to Council in March 2006
- Financial close before end of 2006



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Concession

In the frame of the PPP the public sector should put in place:

- the management structure
- the legal and financial framework



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Management structures

Council Regulation (EC)1321/2004

European GNSS Supervisory Authority

- **Owner of the Galileo/Egnos systems**
- **Concession Awarding Authority**
- **Licensing authority of the Galileo concession scheme**
- **Ensure, safety, security and certification**



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Legal and Financial framework

«Financial Regulation on Galileo»

Commission's proposal for a Regulation which defines the modalities of the financial contribution of the Community for the implementation of the deployment and commercial operating phases of the European satellite radionavigation programmes

Actual status: completion of the 1st Reading



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Legal and Financial framework

- **EU contribution for the financial period 2007-2013**
- **Financial autonomy (specific budget line)**
- **Specific reference to:**
 - **eventual financial guarantees and liability commitments in excess of the initial EU contribution**
 - **profit sharing mechanism**
 - **IPR exploitation**
- **Budgetary mechanisms related to the Community contribution granted to the Supervisory authority**



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Concession

Principles defined the Public Sector Contribution

- **Galileo infrastructure:
no pro rata down-sizing is possible**
- **Risk allocation and final costs
acceptable to the public sector**
- **The private sector to invest at least 2/3
of the total costs of the deployment
phase**



Galileo

Concession

Principles defined the Public Sector Contribution

- Maximise the revenues based on the exploitation of the IPRs
- Revenues sharing mechanism
- The investment (public and private) needs to be raised at the signature of the concession contract (end of 2006/beginning 2007)



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Concession

Public Funding Structure

- Capped financial contribution
- Grants and Availability payments
- (€1B) for the period 2007-2013
- Mechanisms for budget contingencies allowances will be considered



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Concession

Timeframe

**Public sector « budgetary commitment »
over three financial perspectives**

(2007-2026)

- **Article 76§3 Financial Regulation of the EC** (under evaluation)

“Budgetary commitments for actions extending over more than one financial year may be broken down over several years into annual instalments only where **the basic act so provides**. Where the budgetary commitment is thus divided into annual instalments, the legal commitment shall stipulate this.”



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Concession

Timeframe

**Public sector « budgetary commitment »
over three financial perspectives**

(2007-2026)

- **Basic Act: Galileo Financial Regulation**
- **Exception of the principle of yearly commitments**
- **Role of the budgetary authorities (EP and Council)**
- **Need to establish appropriate control mechanisms**



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Concession

Regarding the budgetary and timeframe constrains DG TREN is advised by:

- The EIB and the DG ECFIN on project financing issues including eventual development of adequate financial instruments to support the programme
- The DG BUDG and Legal service on regulatory and legal issues



Issues for today

- Financing commitments over 20 yrs
 - ◆ Concern
 - ☞ Concession contract
 - ☞ GSA responsibilities
 - Certification
 - Security installations/Security auditing
 - Etc
 - ◆ Cover 3 Financial perspectives
 - ◆ Require modalities (grants/AP's)
- Contingencies/liabilities
 - ◆ Budgetary reserves
 - ◆ Contingency arrangements
- Governance mechanisms
 - ◆ Approval processes
 - ◆ Reporting requirements
 - ◆ Control mechanisms
- Other issues
 - ◆ Taxes
 - ◆ ??