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Committee on Budgets

2011/0392(COD)

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DRAFT OPINION

of the Committee on Budgets

for the Committee on Industry, Research and Energy

on the proposal for a regulation of the European Parliament and of the Council
on the implementation and exploitation of European satellite navigation
systems
(COM(2011)0814 – C7-0464/2011 – 2011/0392(COD))

Rapporteur: Maria Da Graça Carvalho

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SHORT JUSTIFICATION

The EU is responsible for the setting up of the European Global Navigation System (GNSS) and is the owner of the Galileo and EGNOS systems. The EU ownership and responsibility for the Galileo and EGNOS programmes have been confirmed on a number of occasions by the European Parliament and the Council. Even more, the Galileo and EGNOS programmes are recognised as flagship projects of the Union and represent an integral part of the Europe 2020 strategy. Your rapporteur fully endorses, therefore, the Commission proposal to continue funding these programmes within the next Multiannual Financial Framework 2014-2020.

In its proposal for a Council Regulation laying down the MFF for the years 2014-2020, the Commission includes a maximum amount of EUR 7 billion in commitment appropriations at 2011 prices (about EUR 7.9 billion in current prices) for these programmes. It also emphasises that no additional appropriations will be made available from the EU budget. In the event of cost overruns, the programmes would either need to be adapted to the actual amounts available, or the MFF Regulation would need to be amended by a unanimous Council decision with the consent of the European Parliament. This amount is, therefore, "ring-fenced" in the EU budget, while no flexibility within the headings will apply to these programmes.

It should be reminded that the MFF 2007-2013 was revised for the amount of 1.3 billion (current prices) for the Galileo programme at the end of 2007, following long and strenuous negotiations between the European Parliament and the Council. This revision was deemed necessary due to significant cost overruns of the programme that had to be covered partially by an MFF revision.

In order to minimise the possibility of cost overruns in the future, the current Commission proposal includes in the financial envelopes of these programmes EUR 1005 million (current prices) to cover potential deployment and exploitation risks. Your rapporteur also notes the Commission's conviction that the deployment and exploitation phase, which the Galileo programme has now reached, bear, by definition, less risk for cost overruns than what was the case previously during the development phase. However, in the event of additional unforeseen financial obligations, and in order to confirm the EU identity of the programmes, your rapporteur believes that those should be covered by the margin available between the MFF ceilings and the own resources ceiling.

Your rapporteur proposes a number of additional modifications to the Commission proposal, notably the need for the budgetary authority to be kept promptly informed on several stages of the implementation of this Regulation (instead of only a Committee of Member States representatives) in order to being able to fully exercise its budgetary control and planning prerogatives. In this respect, particular emphasis is put on the need for the Commission to inform sufficiently in advance the European Parliament and the Council in the event of uncontrollable risks that could cause significant programme deviations in terms of cost or schedule. Your rapporteur sets out the minimum elements that should be part of the annual report of the Commission to the European Parliament and the Council on the implementation of the programmes, including an update on the evaluation and control of risks and an assessment of their possible impact on cost and time deviations.

AMENDMENTS

The Committee on Budgets calls on the Committee on Industry, Research and Energy, as the committee responsible, to incorporate the following amendments in its report:

Amendment 1

Draft legislative resolution

Paragraph 1 a (new)

Draft legislative resolution

Amendment

1a. Points out that the financial envelope specified in the legislative proposal constitutes only an indication to the legislative authority and that it cannot be fixed until agreement is reached on the regulation on the Multiannual Financial Framework;

Or. en

Justification

Pursuing work on an individual policy basis or specific issues should not lead to a loss of overview of what has to remain a global MFF negotiation, where nothing can be considered as agreed until everything is agreed. After agreement on the regulation on the MFF, the EP and Council will agree on the individual legislative proposals, including their financial envelopes, pending before the EP and Council and proceed to their final adoption.

Amendment 2

Draft legislative resolution

Paragraph 1b (new)

Draft legislative resolution

Amendment

1b. Recalls its resolution of 8 June 2011 on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and

inclusive Europe¹; reiterates that sufficient additional resources are needed in the next MFF to enable the Union to fulfil the existing policy priorities and the new tasks provided for by the Treaty of Lisbon, as well as to respond to unforeseen events; challenges the Council, in case it does not share this approach, to clearly identify which of its political priorities or projects could be dropped altogether, despite their proven European added value;

¹ *Texts adopted, P7_TA(2011)0266.*

Or. en

Amendment 3

Proposal for a regulation Recital 13

Text proposed by the Commission

(13) The deployment and exploitation phases of the Galileo programme and the exploitation phase of the EGNOS programme should, in principle, be entirely financed by the Union. However in accordance with Regulation (*EC, Euratom*) No 1605/2002 of 25 June 2002 on the financial regulation applicable to the general budget of the European Communities, the Member States should be able to provide additional funding to the programmes or a contribution in kind, on the basis of appropriate agreements, in order to fund additional programme elements requested by them, e.g. concerning the system architecture or particular security needs. Third countries and international organisations should also be able to contribute to the programmes.

Amendment

(13) The deployment and exploitation phases of the Galileo programme and the exploitation phase of the EGNOS programme should, in principle, be entirely financed by the Union. However in accordance with Regulation (*EU*) No XXX/2012 of the European Parliament and of the Council of ... 2012 on [the financial rules applicable to the annual budget of the Union], the Member States should be able to provide additional funding to the programmes or a contribution in kind, on the basis of appropriate agreements, in order to fund additional programme elements requested by them, e.g. concerning the system architecture or particular security needs. Third countries and international organisations should also be able to contribute to the programmes *in*

accordance with the principle of mutual interest.

Or. en

Justification

Alignment with new Financial Regulation.

Amendment 4

Proposal for a regulation

Recital 14

Text proposed by the Commission

(14) In order to guarantee the continuation of the programmes, an appropriate financial framework must be established to allow the Union to continue to finance them. It is also necessary to *indicate* the amount of money required between 1 January 2014 to 31 December 2020 to finance completion of the deployment phase of the Galileo programme and operation of the systems.

Amendment

(14) *Given the long lead times involved and the levels of capital investment already committed to these projects, sufficient and consistent financial commitments over financial planning periods are required in order to ensure the planning continuity and organisational stability of the programmes.* In order to guarantee the continuation of the programmes, an appropriate financial framework must be established to allow the Union to continue to finance them. It is also necessary to *specify* the *maximum* amount of money required between 1 January 2014 to 31 December 2020 to finance completion of the deployment phase of the Galileo programme and operation of the systems.

Or. en

Amendment 5

Proposal for a regulation Recital 17

Text proposed by the Commission

(17) It is important to note that the investment and operating costs of the systems as estimated for the period 2014-2020 do not take account of unforeseen financial obligations which the Union may be obliged to bear, in particular those relating to non-contractual liability arising from the public ownership of the systems, especially with regard to force majeure and catastrophic failure. These obligations are the subject of a specific analysis by the Commission.

Amendment

(17) It is important to note that the investment and operating costs of the systems as estimated for the period 2014-2020 do not take account of unforeseen financial obligations which the Union may be obliged to bear, in particular those relating to non-contractual liability arising from the public ownership of the systems, especially with regard to force majeure and catastrophic failure. These obligations are the subject of a specific analysis by the Commission. ***Any such unforeseen financial obligations should be covered by the margin between the own resources and the MFF ceilings.***

Or. en

Amendment 6

Proposal for a regulation Recital 19

Text proposed by the Commission

(19) In addition the revenue generated by the systems should accrue to the Union in order to compensate for the investments that it has made previously. A revenue-sharing mechanism might also be provided for in contracts concluded with private sector companies.

Amendment

(19) In addition the revenue generated by the systems should accrue to the Union in order to compensate for the investments that it has made previously. ***In accordance with Article 294 of the Treaty on the functioning of the European Union (TFEU) a revenue-sharing mechanism might also be adopted and provided for in contracts concluded with private sector companies.***

Amendment 7**Proposal for a regulation****Recital 20***Text proposed by the Commission*

(20) In order to avoid the cost over-runs and delays which have affected the progress of the programmes over the last few years, efforts **need to** be stepped up to control risks which might lead to excess costs as requested by the Council and the Parliament in their respective conclusions and resolutions of 31 March 2011 and 8 June 2011, and as shown by the Commission's Communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions of 29 June 2011 entitled 'A budget for Europe 2020'.

Amendment

(20) In order to avoid the cost over-runs and delays which have affected the progress of the programmes over the last few years, efforts **will** be stepped up to control risks which might lead to excess costs as requested by the Council and the Parliament in their respective conclusions and resolutions of 31 March 2011 and 8 June 2011, and as shown by the Commission's Communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions of 29 June 2011 entitled 'A budget for Europe 2020'.
Deployment and exploitation risks have been estimated to represent about EUR 1 005 million (at current prices) and have been included in the financial envelope of the programmes. Should additional financial resources be needed for these programmes, they should not be found at the expense of smaller successful projects that are financed by the Union budget. Any additional financial resources derived from these risks should be covered by the margin between the own resources and the MFF ceilings.

Amendment 8

Proposal for a regulation Recital 24

Text proposed by the Commission

(24) *The Union should* conclude a multiannual delegation agreement with the European Space Agency covering the technical and planning aspects of the programmes. In order for the Commission, ***representing the Union***, to exercise its power of control fully, the delegation agreement should include the general conditions for managing the funds entrusted to the European Space Agency. Concerning activities exclusively financed by the Union, these conditions must ensure a degree of control comparable to that required if the European Space Agency was an Agency of the Union.

Amendment

(24) ***In accordance to Article 290 of the TFEU, power should be delegated to the Commission to conclude, on behalf of the Union***, a multiannual delegation agreement with the European Space Agency covering the technical and planning aspects of the programmes. In order for the Commission to exercise its power of control fully, the delegation agreement should include the general conditions for managing the funds entrusted to the European Space Agency. Concerning activities exclusively financed by the Union, these conditions must ensure a degree of control comparable to that required if the European Space Agency was an Agency of the Union.

Or. en

Amendment 9

Proposal for a regulation Recital 27

Text proposed by the Commission

(27) In order to allocate the Union funds attributed to the programmes with a ceiling total that the Commission must not exceed, effective public procurement procedures must be applied and, in particular, contracts negotiated so as to ensure optimum use of resources, satisfactory services, smooth running of programmes, good risk management and compliance with the proposed schedule. The contracting authority must make every

Amendment

(27) In order to allocate the Union funds attributed to the programmes with a ceiling total ***within the MFF*** that the Commission must not exceed, effective public procurement procedures must be applied and, in particular, contracts negotiated so as to ensure optimum use of resources, satisfactory services, smooth running of programmes, good risk management and compliance with the proposed schedule. The contracting authority must make every

effort to meet these requirements.

effort to meet these requirements.

Or. en

Amendment 10

Proposal for a regulation

Recital 36

Text proposed by the Commission

(36) Assessments should be carried out by the Commission in order to evaluate the effectiveness and efficiency of the measures taken to achieve the objectives of the programmes.

Amendment

(36) Assessments, ***based on agreed indicators***, should be carried out by the Commission in order to evaluate the effectiveness and efficiency of the measures taken to achieve the objectives of the programmes.

Or. en

Justification

Appropriate indicators need to be fixed to properly assess the progress of the programme.

Amendment 11

Proposal for a regulation

Article 1 – paragraph 4 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

The following indicators and targets shall be used, inter alia, to measure the degree of attainment of the specific objectives of the Galileo programme:

(a) cumulative number of operational satellites: 18 satellites by 2015, 30 by 2019;

(b) terrestrial infrastructure deployed version: version 2 by 2015;

(c) number of services implemented: 3

initial services by 2015, 5 services by 2020.

Or. en

Justification

Appropriate indicators and targets need to be fixed to properly assess the progress of the programme. The proposed indicators are the ones included by the Commission in the legislative financial statement.

Amendment 12

Proposal for a regulation

Article 1 – paragraph 5 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

The following indicator and target shall be used, inter alia, to measure the degree of attainment of the specific objectives of the EGNOS programme:

- number of changes in services presented to the certification authorities: 3 in 2014-2020.

Or. en

Justification

Appropriate indicators and targets need to be fixed to properly assess the progress of the programme. The proposed indicators are the ones included by the Commission in the legislative financial statement.

Amendment 13

Proposal for a regulation

Article 7 – paragraph 2 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

That expenditure shall not exceed 1% of the total Union appropriations assigned to

the programmes.

Or. en

Justification

EUR 70 million should be sufficient to carry out these tasks.

Amendment 14

Proposal for a regulation
Article 7 – paragraph 3

Text proposed by the Commission

3. In order to allow the costs of the programmes and of the different phases of the programmes to be clearly identified, the Commission, in accordance with the principle of transparent management, shall inform the *Committee referred to in Article 35(1)* annually of the allocation of Union funds to each of the activities specified in paragraphs 1 and 2.

Amendment

3. In order to allow the costs of the programmes and of the different phases of the programmes to be clearly identified, the Commission, in accordance with the principle of transparent management, shall inform the *budgetary authority* annually of the allocation of Union funds to each of the activities specified in paragraphs 1 and 2.

Or. en

Amendment 15

Proposal for a regulation
Article 8 – paragraph 2

Text proposed by the Commission

2. The Member States may provide additional funding to the Galileo programme. The revenue arising from these contributions shall constitute assigned revenue in accordance with Article 18(2) of the Regulation (*EC, Euratom*) No 1605/2002. In accordance with the principle of transparent management, the Commission shall

Amendment

2. The Member States may provide additional funding to the Galileo programme. The revenue arising from these contributions shall constitute assigned revenue in accordance with Article XX of the Regulation (*EU*) No XXX/2012 of the European Parliament and of the Council of ... 2012 [on the financial rules applicable to the annual

communicate any impact on the Galileo programme resulting from the application of this paragraph to the ***Committee in accordance with Article 35 (1) of this Regulation.***

budget of the Union]. In accordance with the principle of transparent management, the Commission shall communicate any impact on the Galileo programme resulting from the application of this paragraph to the ***budgetary authority.***

Or. en

Amendment 16

Proposal for a regulation Article 10 – paragraph 2

Text proposed by the Commission

2. The appropriations shall be implemented in accordance with the provisions of this Regulation and Regulation (*EC, Euratom*) No 1605/2002.

Amendment

2. The appropriations shall be implemented in accordance with the provisions of this Regulation and Regulation (*EU*) No XXX/2012 [*New Financial Regulation*].

Or. en

Justification

Alignment with new Financial Regulation.

Amendment 17

Proposal for a regulation Article 11 – paragraph 2

Text proposed by the Commission

2. A revenue-sharing mechanism may be provided for in contracts concluded with private sector entities.

Amendment

2. ***Any revenue-sharing mechanism shall be adopted in accordance with Article 294 TFEU. This*** revenue-sharing mechanism may be provided for in contracts concluded with private sector entities.

Amendment 18

Proposal for a regulation Article 16 – paragraph 1

Text proposed by the Commission

1. The Commission shall conclude a multiannual delegation agreement with the European Space Agency on the basis of a delegation decision adopted by the Commission in accordance with **Article 54(2) of Regulation (EC, Euratom) No 1605/2002**. This agreement shall cover the execution of tasks and the budget subject to the delegation in accordance with the implementation of the programmes, in particular completion of the infrastructure under the Galileo programme.

Amendment

1. The Commission shall conclude, **by means of a delegated act**, a multiannual delegation agreement with the European Space Agency on the basis of a delegation decision adopted by the Commission in accordance with **Article XX of Regulation (EU) No XXX/2012 [New Financial Regulation]**. This agreement shall cover the execution of tasks and the budget subject to the delegation in accordance with the implementation of the programmes, in particular completion of the infrastructure under the Galileo programme.

Or. en

Justification

The agreement with the European Space Agency is a critical factor for the successful completion of the programmes. Its terms and conditions could be laid down in the legislative act but, for the sake of legislative economy, it is appropriate to delegate this power to the Commission.

Amendment 19

Proposal for a regulation Article 16 – paragraph 3

Text proposed by the Commission

Amendment

3. The Committee referred to in Article 35(1) shall be consulted on the delegation decision referred to in paragraph 1 of this Article, in accordance with the consultation procedure referred to in Article 35(2). The Committee shall be informed of the multiannual delegation agreement to be concluded by the Commission and the European Space Agency.

deleted

Or. en

Justification

No Committee procedure for a delegated act.

Amendment 20

Proposal for a regulation Article 16 – paragraph 4

Text proposed by the Commission

Amendment

4. The Committee referred to in Article 35(1) shall be informed by the Commission of the interim and end results of the evaluation of the procurement tenders and of the contracts with private sector entities to be concluded by European Space Agency.

4. The *budgetary authority* shall be informed by the Commission of the interim and end results of the evaluation of the procurement tenders and of the contracts with private sector entities to be concluded by European Space Agency.

Or. en

Amendment 21

Proposal for a regulation Article 32

Text proposed by the Commission

The Commission shall ensure the implementation of this Regulation. Each year, when it presents the preliminary draft budget, it shall present a report to the European Parliament and to the Council on the implementation of the programmes.

Amendment

The Commission shall ensure the implementation of this Regulation. Each year, when it presents the preliminary draft budget, it shall present a report to the European Parliament and to the Council on the implementation of the programmes.

That report shall include, inter alia:

(a) an assessment of the implementation of the programmes and of the progress made in achieving the targets established pursuant Article 1(4) and (5);

(b) an update of the evaluation and control of risks and an assessment of their possible impact in terms of cost and time deviations;

(c) a summary of all information submitted to the budgetary authority under Articles 7(3), 8(2), 9(2) and 16(4));

(d) an evaluation of the functioning of the multiannual delegation agreement concluded pursuant to Article 16(1).

Or. en

Amendment 22

Proposal for a regulation Article 32 –paragraph 1a (new)

Text proposed by the Commission

Amendment

1a. In order to follow closely the implementation of the European GNSS programmes, the European Parliament, the Council and the Commission shall

meet on a regular basis in the Galileo Interinstitutional Panel in accordance with the Joint declaration on the Galileo Interinstitutional Panel of 9 July 2008.

Or. en

Amendment 23

Proposal for a regulation Article 32 –paragraph 1b(new)

Text proposed by the Commission

Amendment

1b. The Commission shall inform the European Parliament and the Council sufficiently in advance if it considers that there could be non controllable risks or other factors that could cause significant programme deviations in particular in terms of cost and schedule.

Or. en