

## ICB response to the funding restrictions for SESAR deployment in the Connecting Europe Facility Legislation

In October 2011 a draft regulation of the European Parliament and of the Council COM(2011)665 2011/0302 (COD) was published regarding the establishment of the Connecting Europe Facility (CEF).

Public funds in the CEF framework are essential to realise SESAR deployment. Early investments in SESAR components are required to ensure the successful realisation of SESAR deployment. The European Parliament has proposed the introduction, in the CEF regulation, a 5% ceiling for grants awarded for deployment of on-board ATM components. This is detrimental to the timely and synchronised deployment of SESAR. Approximately 80% of the deployment costs of SESAR relate to airborne equipment. The ceiling of 5% could equate to Airspace Users being eligible for only 1.4% of the required funds. Capping the provision of public funding for on-board components in this manner would deprive the airlines of an essential source of finance at a time when they are struggling to survive.

This 5% ceiling will put not only the realisation of SESAR deployment, but also the realisation of Single European Sky (SES) as a whole, in jeopardy. This is unacceptable considering that SES is an essential flagship programme for Europe and a high priority for the EU common transport policy, and can only be realised if sufficient public funding is made available.

The ICB therefore request decision makers to remove the funding ceiling from on-board ATM equipment and to evaluate all ATM proposals, for airborne and ground equipment on their individual merit.

This paper sets out the detail of the ICB's understanding and views on this important topic.

## 1 INTRODUCTION

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### 1.1 Importance of public funding for SESAR Deployment

The Single European Sky (SES) aims to improve the overall efficiency of the way in which European airspace is organised and managed. The technological arm of SES is the so-called SESAR (Single European Sky ATM Research), which supports the development of air transport in a safe and cost-efficient manner whilst limiting the impact on the environment and contributes substantially to growth in the EU.

The timely and synchronised deployment of the €32bn SESAR programme requires at least €3bn provided by the Connecting Europe Facility (CEF). Public funds are of paramount importance to achieving the expected benefits of SESAR, which comprise:

- Benefits over €400bn to the EU 27 GDP from 2013 to 2030;
- The creation of 328 000 additional jobs;
- Flight duration being shortened by between 8 and 14 minutes, leading to a reduction of 50m tonnes of CO<sub>2</sub> emissions.

The CEF is a proposed integrated instrument for investing in EU infrastructure priorities in Transport, Energy and Telecommunications during the next Multi-annual Financial Framework. The CEF will run from 2014-2020.

Public funds in the Connecting Europe Facility framework are essential to maintain the SESAR timelines and to ensure synchronisation. All actors in European air transport industry are committed to work together to deliver SESAR for the benefit of passengers and the EU. Political commitment and public funding for SESAR are a pre requisite for the timely and successful realisation of the SES.

This paper sets out the restrictions imposed by a recent proposed amendment to the CEF legislation and the detrimental impact that such restrictions would have on SESAR deployment and the establishment of the SES.

The ICB stresses the need to remove this restriction for ATM and to consider all proposals for funding SESAR initiatives on their individual merits.

## 2 DETAILS OF THE COMPROMISE AMENDMENT

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### 2.1 Restrictions for funding SESAR deployment

A joint draft report by the TRAN and ITRE Committees of the European Parliament on the proposal for a regulation of the European Parliament and of the Council establishing Connecting Europe Facility<sup>1</sup> proposed amendments to the draft legislation on the Connecting Europe Facility.

<sup>1</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-491.110+02+DOC+PDF+V0//EN&language=EN>

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A compromise amendment changed the text of Article 10 paragraph 2 point c point ii (see Annex A) and has two key impacts on CEF funding for SESAR deployment:

- For ground systems, Union funding is limited to 50% of the eligible cost.
- For onboard equipment, Union funding is limited to 20% of the eligible cost. In addition to this limit, the compromise amendment sets a combined ceiling of 5% of the CEF budgetary resources on funding for onboard equipment for ERTMS, RIS, VTMISS, SESAR and ITS (see Annex B for further information).

In particular, the 5% ceiling is of major concern to the ICB, as it significantly restricts the use of the CEF funding for on-board components of SESAR.

## 2.2 Impact of ceiling to fund onboard equipment

The ICB notes that the proposed budgetary resource for transport related projects is €23.174bn, including the Cohesion Fund<sup>2</sup>.

The ceiling of 5% of the budgetary resource would limit the funding of on-board systems to €1.159bn. This €1.159bn would be the combined ceiling for funding onboard equipment for ERTMS, RIS, VTMISS, SESAR and ITS.

Assuming an equal split of funding between the transport projects, SESAR could expect to receive a total of approximately €231m (approximately €0.23bn) of public funding towards onboard systems, as presented in

Figure 1.

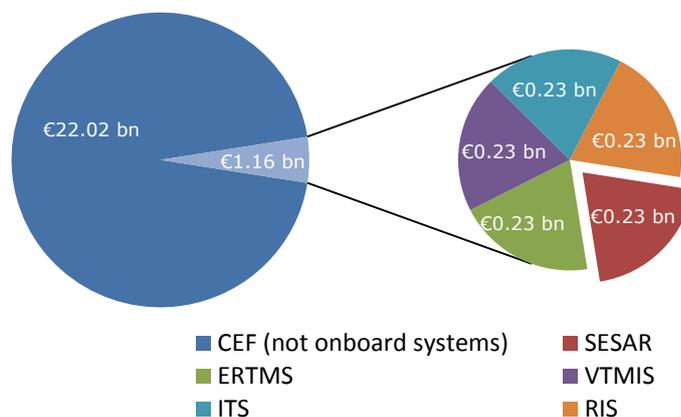


Figure 1: Potential breakdown of the 5% ceiling for onboard systems

ICB Members have previously stated that public funding of €3bn is the absolute minimum required to support SESAR deployment. A sum of €231m for on-board systems would only equate to approximately 8% of this minimum requirement. The ICB draws attention to the fact that this level of public funding would not enable the

<sup>2</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/135344.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf)

timely, efficient and synchronised deployment of SESAR. It is to be noted in particular that this calculation does not even consider the worst case scenario.

Furthermore, the ICB notes that projects relating to ERTMS may receive up to 40% contribution for eligible costs from the CEF. The ICB is concerned that this additional allowance will mean that SESAR will actually receive less than the equal allocation of €231m, which is already insufficient to enable SESAR deployment.

The 5% ceiling on the public funding of on-board systems will put not only the realisation of SESAR deployment, but also the realisation of SES as a whole, in jeopardy.

### 2.3 Impact on the overall funding of SESAR

The European ATM Master Plan<sup>3</sup> estimates the total cost of implementing the SESAR target concept (Deployment Baseline, Step 1 and Step 2) at between €23.2bn and €32.0bn between 2014 and 2030<sup>4</sup>, the majority of which is associated with implementing the Deployment Baseline and Step 1.

Therefore, focussing on the Deployment Baseline and Step 1, the ATM Master Plan estimates the following costs for the main operational investors in SESAR:

- Costs for Airspace Users are estimated at €13.4bn – €17.1bn for onboard equipment, with the majority of the cost incurred between 2014 and 2024.
- Costs for ANSPs and the Network Manager are estimated at €3.6bn – €6.5bn.
- Costs for Airport Operators are estimated at €3.1bn – €5.3bn.

Public funding of €231m equates to 1.4-1.7% of the estimated total costs of onboard equipment. The legislation sets a limit of 20% funding of eligible costs for onboard systems. Therefore, the €231m of funding has the potential to leverage in the region of €1bn towards onboard systems, which still only equates to 6-7% of the estimated total cost for Airspace Users.

ICB Members have previously stated that €3bn of public funds is the absolute minimum required to support the deployment of SESAR. Assuming this level of financial support, and given the estimated allocation of €231m to on-board systems, then the amount of public funds available for ground systems would be in the region of €2.8bn. Given the 50% limit, this could yield €5.6bn of total investment in ground systems, or approximately 50-80% of the total cost of implementation for ANSPs and airports.

The ICB notes that ANSPs already have easier access to financing and funding through their regulated status with their investments recovered through Air Navigation charges, such that the eventual costs are borne by Airspace Users. It is therefore more essential that Airspace Users are supported through public funding than ANSPs for their ATM investments.

<sup>3</sup> <https://www.atmmasterplan.eu/download/25>

<sup>4</sup> Excluding costs to the military

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The 5% ceiling for grants awarded for deployment of on-board ATM components would add a significant risk to the timely deployment of SESAR and would deprive the airlines of billions of Euros at a time when they are struggling to survive. The Commission has always highlighted the need for coordinated and synchronised deployment of ground-based and on-board components. Studies on the macro-economic impact of SESAR have demonstrated that an un-synchronised deployment of these “essential operational changes” will lead to significant delays that will generate substantial negative impacts on air transport and the European economy in general. In this context, we refer to the Commission’s Communication on external aviation policy, which underlines the importance of air transport for the European Union’s economy.

### 3 CONCLUSION

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Airspace Users are currently under enormous financial pressure. They do not have access to the funds required to invest in SESAR deployment. Therefore, investment and financing needs to be supported by more substantial levels of public funding and guarantees. The proposed ceiling of 5% could equate to Airspace Users receiving only 8% of the €3bn of public funding that the ICB has stated is the minimum required to support SESAR Deployment. If this ceiling is not removed and no other means of funding and financing are made available then deployment of SESAR will be impossible for Airspace Users. SESAR, and the European flagship programme SES as a whole, will fail.

## A COMPROMISE AMENDMENT

Article 10 paragraph 2 point c point ii

<i>Text proposed by the Commission</i>	<i>Compromise Amendment</i>
<p>(c) with regard to grants for traffic management systems and services:</p> <p>(i) the European Rail Traffic Management System (ERTMS): the amount of Union financial aid shall not exceed 50% of the eligible cost;</p> <p>(ii) <b>traffic management systems</b>, freight transport services, secure parkings on the road core network, <b>as well as actions to support the development of Motorways of the Seas</b>: the amount of Union financial aid shall not exceed 20% of the eligible cost.</p>	<p>(c) with regard to grants for traffic management systems and services</p> <p>(i) the European Rail Traffic Management System (ERTMS), <b>river information services (RIS), Vessel Traffic Monitoring and Information Systems (VTMIS), SESAR and road traffic management systems (ITS): for land-based components</b> the amount of Union financial aid shall not exceed 50% of the eligible cost; <b>for onboard equipment the amount of Union financial aid shall not exceed 40% of the eligible cost for ERTMS and 20% of the eligible cost for RIS, VTMIS, SESAR and ITS for the road sector up to a combined ceiling of 5% of the budgetary resources referred to in Article 5(1)(a);</b></p> <p>(ii) freight <b>and combined</b> transport services <b>and</b> secure parkings on the road core network: the amount of Union financial aid shall not exceed 20% of the eligible cost;</p> <p><b>(iia) actions to support the development of Motorways of the Sea: the amount of Union financial aid shall not exceed 30% of the eligible cost;</b></p> <p><b>(ca) with regards to grants for actions supporting new technologies and innovation for all modes of transport: the amount of Union financial aid shall not exceed 20% of the eligible cost.</b></p>

## B OTHER TRANSPORT PROJECTS

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Table 1 presents a brief description of the other transport projects that are included within the combined ceiling of 5% of CEF funding for onboard systems.

ERTMS	<p>European Rail Traffic Management System</p> <p>The European Rail Traffic Management System (ERTMS) is an initiative backed by the European Union to enhance cross-border interoperability and the procurement of signalling equipment by creating a single Europe-wide standard for train control and command systems</p>
RIS	<p>River Information Services</p> <p>River Information Services (RIS) are information technology (IT) related services designed to optimise traffic and transport processes in inland navigation, i.e. to enhance a swift electronic data transfer between water and shore through in-advance and real-time exchange of information. RIS aims to streamline the exchange of information between waterway operators and users.</p>
VTMIS	<p>Vessel Traffic Monitoring &amp; Information Systems</p> <p>VTMIS is a marine traffic monitoring system established by harbour or port authorities, similar to air traffic control for aircraft.</p>
ITS	<p>Intelligent Transport Systems</p> <p>Intelligent transport systems (ITS) are advanced applications which aim to provide innovative services relating to different modes of transport and traffic management and enable various users to be better informed and make safer, more coordinated, and 'smarter' use of transport networks.</p>

*Table 1: Other transport projects included within the 5% ceiling for funding onboard systems*