



Brussels, 23 May 2006

**DRAFT**

**BACKGROUND NOTE<sup>1</sup>**

**COMPETITIVENESS COUNCIL**

**Brussels, 29/30 May 2006**

*The Council session under the chair of the **Mr. Martin Bartenstein**, Federal Minister for Economic Affairs and Labour of Austria will start on Monday 29 May at 9.30. **Ms Ursula Haubner**, Federal Minister for Social Security, Generations and Consumer Protection, will chair the session for consumer protection issues. On Tuesday 30 May, the meeting will start at 10.00 under the chair of **Ms Elisabeth Gehrler**, Federal Minister for Education, Science and Culture of Austria (for Research), and continue under the chair of **Mr. Hubert Gorbach**, Vice Chancellor of Austria (for Space).*

*The Council will deal with horizontal issues and internal market topics on Monday.*

*The main issue on the agenda is the **services directive** on which the Council will try to reach a political agreement following the first reading of the European Parliament and the modified proposal tabled by the Commission early April.*

*The Council will hold a political debate on **sustainable development revised strategy** and on some issues of the **credit for consumers directive**. The Council will hold a public exchange of views on **better regulation** in the EU.*

*The research related items will be taken on Tuesday 30 May, starting with a policy debate aimed at reaching an agreement on a general approach on the EU's **7th research framework programme** for 2007-2013. Over lunch, EU research ministers will have an exchange of views with professor Kafatos from the EU Scientific Council. In the afternoon the Council will take note on recent developments on **European space policy**.*

*The Presidency will hold press conferences before lunch and at the end of each meeting.*

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<sup>1</sup> This note has been drawn up under the responsibility of the Council press office.

## **HORIZONTAL QUESTIONS**

### **➤ *Review of the EU Sustainable Development Strategy***

The Council will hold a policy debate on the review of the EU Strategy for Sustainable Development (SDS review)<sup>2</sup> on the basis of a questionnaire submitted by the Presidency.

The outcome of the debates in the concerned Councils will be the basis for the reviewed Community's sustainable development strategy.

From the six questions put forward by the Presidency, the three following one are addressed specifically to this formation of the Council:

- Have international competition and the risk of delocalisation faced by European industrial locations been sufficiently considered in the revision of the EU's sustainability strategy?
- Has it been ensured that ambitious sustainability and environmental standards will be discussed at a multilateral level and on a broad basis to provide for a level international playing field and to what extent is a coherent policy suited to answer to questions with regard to ecological efficiency?
- How can it be ensured that climate protection and economic growth can be reconciled?

- In December 2005, the European Council noted the presentation of the Commission's Communication on the review of the Sustainable Development Strategy (SDS) for the next five years and looked forward to adopting in June 2006 an ambitious and comprehensive strategy, comprising targets, indicators and an effective monitoring procedure, which should integrate the internal and external dimensions and be based on a positive long-term vision, bringing together the Community's sustainable development priorities and objectives in a clear, coherent strategy that could be communicated simply and effectively to citizens.

### **➤ *Better Regulation* (public debate)**

The Council will take note of a progress report on better regulation which will also serve as a basis for a public exchange of views on future priorities for work.

The Austrian Presidency has taken forward better regulation in all relevant Council formations in line with the six-Presidency initiative on regulatory reform (Ireland, Netherlands, Luxembourg,

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<sup>2</sup> This package consists of:

- A Commission's Communication proposing six priority issues, the integration of the external dimension into internal policy making, as well as an effective monitoring procedure and follow-up process;
- Guiding Principles for Sustainable Development adopted in June 2005 by the European Council;
- An annex with the objectives, targets, policies and actions;
- A Commission Communication adopted in February 2005, taking stock of progress made and proposing first orientations.

United Kingdom, Austria and Finland) of December 2004, following up the Competitiveness Council Conclusions of 28-29 November 2005<sup>3</sup>.

The report gives a short account of work in progress under the Austrian Presidency as regards impact assessments, simplification of legislation, screening of pending legislative proposals and assessing and reducing administrative costs.

- Impact assessment

Among other progress made on this issue, the Presidency produced a practical handbook entitled "Handling Impact Assessments in Council - Indicative Guidance for Working Party Chairs", in consultation with the Council Secretariat, Member States and the Commission in response to the need for clarity about how Commission Impact Assessment should be analysed in Council.

- Simplification

Simplification means making regulation less burdensome, easier to apply and thereby more effective, without changing its goals. Simplification is not about unpicking the acquis communautaire.

In the progress report, the Presidency notes the ongoing implementation of the Commission's rolling programme of simplification as announced in October 2005. 54 simplification initiatives are listed in the Rolling Programme for 2006. By early 2006, 16 simplification proposals had been presented, representing actions programmed for 2005 and for early 2006, 3 of which have been completed in Council, while 19 Commission simplification proposals are pending before the legislator.

The 2006 Spring European Council also called on Member States to complement this work with national programmes, as a number of Member States are doing in the context of their National Reform Programmes.

- Screening of pending legislative proposals

The progress report notes that the Commission's 2005 screening exercise was concluded in March 2006 with publication in the official journal of 67 proposals that the Commission has withdrawn. At the same time, the Presidency invites the Commission to continue to screen pending proposals and to consider repeating this exercise.

- Administrative burdens

In response to a European Council request, the Commission has launched a pilot project to measure administrative costs associated with EU rules in specific areas. The Commission was invited to explore options for establishing measurable targets in specific sectors for reducing these costs and will report to Council by the end of 2006. Preliminary results will be available in the autumn.

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<sup>3</sup> Doc. 14531/05

## **INDIVIDUAL POLICY FILES**

### **INTERNAL MARKET**

#### ➤ *Services in the internal market* (public deliberation)

The Council will endeavour to reach a political agreement on a draft directive on services in the internal market.

The text on which the Council is expected to agree amends this draft directive as modified by the Commission<sup>4</sup> early April following the first reading opinion of the European Parliament<sup>5</sup>.

This proposal is aimed at improving the basis for economic growth and employment in the EU, achieving a genuine internal market in services by removing legal and administrative barriers to the development of service activities, strengthening the rights of consumers as users of services and establishing legally-binding obligations for effective administrative co-operation between Member States.

Negotiations within the Council have been guided by the European Council conclusions both of March 2005 and March 2006 where it has stressed "that the internal market for services must be made fully operational, while preserving the European social model" and the need to secure a broad consensus on the Services Directive.

Since the informal meeting of Competitiveness Ministers organised in Graz by the Austrian Presidency on 22 April, intensive work has been carried out by the Committee of permanent representatives (Coreper) in order to reach a balanced compromise text that must be clear, avoiding differences of interpretation and application so as to offering the necessary legal certainty to consumers and economic operators throughout the EU.

The last discussion at Coreper level before the Competitiveness Council meeting will take place on Wednesday 24 May. Based on the outcome of this discussion, the Presidency will submit for decision to the Council a new compromise text.

At this stage, the main outstanding issues are the scope of application of this proposal, namely the services to be excluded and the scope of their exclusion, and the provisions of articles 16 and 17 on freedom to provide services.

Legal basis: Article 95 of the EC Treaty establishing co decision procedure with the European Parliament and requiring qualified majority at the Council.

#### ➤ *Credit agreements for consumers*

On the basis of a Presidency note, the Council will hold a policy debate on a draft directive on credit agreements for consumers amending Council Directive 93/13/EC.

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<sup>4</sup> COM 2006 (160) final

<sup>5</sup> Doc. 6275/06

This proposal is aimed at establishing the conditions for a genuine internal market, ensuring a high level of consumer protection and improving the clarity of EC regulation by recasting the three existing Directives on consumer credit (87/102/CE, 90/88/CE and 98/8/CE).

The existing Consumer Credit Directive (87/102/EC) is based on minimum harmonisation. Since its adoption, Member States have adopted measures exceeding the Directive's provisions by differing degrees according to needs at national level. As the relevant provisions of the Directive are mostly of a mandatory nature, these differences in national legislation are considered as obstacles to the internal market. Consequently, in September 2002 the Commission proposed a Directive with a view to achieving full harmonisation.

In the light of the European Parliament first-reading opinion of April 2004<sup>6</sup>, the Commission presented a modified proposal in October 2005 on the following considerations:

- full harmonisation as the only way to establish a genuine single market for consumer credit while at the same time guaranteeing an appropriately high level of consumer protection;
- a certain degree of leeway in national implementation should be given in a restricted number of provisions, taking into account existing heterogeneity as regards national markets or national legislation and the principles of better regulation.

At this stage of the procedure and in the light of discussions held by the Working Party, the Austrian Presidency has considered that a policy debate at the Council level would be useful in order to give guidance on how the work in the Working Party should progress in the coming months.

The Presidency suggests in its note to Ministers to concentrate the debate on the following three issues:

- 1) The full harmonisation approach taken by the Commission combined with the mutual recognition clause in order to achieve the objectives of the single market in the area of consumer credit while providing a high level of consumer protection.
- 2) The provisions relating to early repayment of credit as the existing mechanisms in Member States differ significantly. In fact, specific obligations for creditors exist in some Member States but not in others. The Commission proposal foresees a fair and objective indemnity for early repayment, leaving Member States some leeway for their implementation.
- 3) Provisions allowing the cross-border comparability of consumer credit agreements as credit agreements are concluded under rules governing the contract which may differ significantly from one Member State to another. This may imply that the costs for a credit agreement of the same amount and subject to the same conditions may differ among Member States.

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<sup>6</sup> The European Parliament preferred that this Directive should provide for a level of harmonisation that would permit stricter provisions in order to achieve optimum protection for the consumer.

## RESEARCH

### ➤ *7th research framework programme: EC and Euratom*

The Council will hold a policy debate on the 7th framework programme (FP7) for research and technological development for the period 2007 to 2013 (*9187/06 and 9481/06*), with a view to reaching an agreement on a general approach pending the European Parliament's opinion, expected for next June.

The Council deliberations will take place on the basis of the agreement on a partial general approach reached by the Council last November for the whole of FP7, including the separate Euratom decision (which runs until end of 2011).

Debate in Council will include notably the budget breakdown for both EC and Euratom framework programmes.

Following the recent inter-institutional agreement on the EU's budget for the 2007-13 period<sup>7</sup>, a total of EUR 54.5 billion will be allocated for the FP7.

The FP7 (EC) is organised in four specific programmes, corresponding to four major objectives of European research policy:

- "Cooperation": on collaborative research, with more than EUR 32 billion;
- "Ideas": which includes the establishment of a European Research Council, that would receive EUR 7.5 billion;
- "Capacities": dealing with potential research capacities of EU small and medium-sized enterprises, with approximately EUR 4.2 billion; and
- "People": for human resources, receiving around EUR 5 billion.

The Euratom programme would get an allocation of EUR 2.7 billion for five years.

The new FP7 is aimed at helping to implement one of the EU's priority goals of increasing the potential for economic growth and of strengthening European competitiveness by investing in knowledge, innovation and human capital.

The EC programme is to be adopted within the Council by qualified majority and together with the Parliament under the co-decision procedure, as set out in article 166 of the EC Treaty; whereas the Euratom programme requires the unanimity of the Council members in accordance with article 7 of the Euratom Treaty.

### ➤ *Rules for participation under the FP7*

The Council will hold a debate on a draft regulation laying down the rules for the participation of undertakings, research centres and universities in actions under FP7 and for the dissemination of research results for the period 2007-2013, with a view to reaching an agreement on a general approach.

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<sup>7</sup> The new inter-institutional agreement reached in April between the Parliament, the Council and the Commission, increases in EUR 300 million (in 2004 prices) the FP7 budget for the whole period in relation to the consensus reached by the European Council on 16 December.

Since the Council held, on 13 March, a preliminary discussion on the proposal, a broad consensus has been reached at Council preparatory bodies' level regarding the broad principles about the conditions for participation in projects, on the evaluation, selection and award process, as well as on the rules for dissemination and use and access rights. The Parliament is still due to deliver its opinion according to the co-decision procedure.

The rules on participation define conditions, rights and obligations of legal entities wishing to take part in FP7 and establish principles for the use and dissemination of research results.

The Commission presented its proposal, which is part of the legislative package of the FP7, on 4 January (5057/06).

On 7 February, the Commission also submitted a proposal for the corresponding rules on participation in the 7<sup>th</sup> "Euratom" framework programme (6185/06). This proposal will be examined at a later stage.

### ➤ *European space policy*

The Council will take note of information by the Presidency on the main results of the GMES (Global monitoring for environment and security system) conference held in Graz, Austria, on 19-20 April, as an input for the future elaboration of the European space programme.

The Council will also take note of information by the Commission on the state of play concerning developments towards the European space policy and the roadmap up to the German Presidency in 2007.

### *Other business*

#### (a) Promotion of industrial growth

The Council will take note of information by the Commission on competitiveness clusters to promote industrial growth and to strengthen the regions in Europe.

#### (b) REACH

The Council will be informed by the Presidency on the conference "REACH at the second reading" which was held in Vienna, 30-31 March 2006.

#### (c) Conferences related to consumer protection held during the Austrian Presidency

The Council will be informed by the Presidency on three events regarding consumer protection: 1) Workshop on Alternative Dispute Resolution on 23 February 2006, 2) Conference on "Effective legal redress - The consumer protection instruments of actions for injunctions and group damages actions" on 24 February 2006 and 3) European Consumer Day, 15 March 2006.

#### (d) Community action in the field of Health and Consumer protection 2007-2013

The Council will take note of a progress report (8828/06) on work ongoing concerning consumer protection aspects of the draft decision establishing a Programme for a Community action in the field of Health and Consumer protection 2007-2013.

Moreover the Commission will present a modified proposal of the Programme.

(e) Tariffs on aluminium imports

The Council will take note of information from the Polish delegation on EU import duties on primary aluminium (9560/06).

(f) Public procurement directives

The Council will take note of information given by the Austrian, French and German delegations on the Commission interpretative communication on "Community law applicable to contract awards not or only partially covered by the Public Procurement Directives".

(g) Tourism

The Council will take note of oral information from the Presidency on the Tourism ministerial conference held in Vienna on 20-21 March. It will also hear a presentation on the Commission's communication "A new tourism policy: towards a stronger partnership for European tourism" (7669/06).

(h) Euro V

The Council will take note of information from the French delegation concerning "Euro V".

(i) Modernisation of universities

The Council will take note of information from the Commission on its recent communication: "Delivering on the modernisation agenda for universities: education, research and innovation" (9166/06).

(j) Fusion energy: ITER

The Council will listen to a report by the Commission on the state of play concerning the ITER project, following the finalisation of negotiations on the international agreement.

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