



Brussels, 7 October 2005

BACKGROUND NOTE¹

COMPETITIVENESS COUNCIL

Luxembourg, 11 October 2005

The Council session under the chair of the Rt Hon Alan Johnson MP, Secretary of State for Trade and Industry, and Lord Sainsbury of Turville, Parliamentary Under-Secretary of State, Minister for Science and Innovation, of the United Kingdom, will start on Tuesday 11 October at 10.00.

The Council will hear the presentation of the 2005 Internal Market Scoreboard by Commissioner McCreevy, then it will take stock of progress concerning the 'Better Regulation' agenda, including information from Vice president Verheugen on actions undertaken by the Commission, in particular the outcome of its screening exercise.

The Council will hold a political debate on some key issues of the UK Presidency compromise text on REACH.

In the afternoon, the Council will hold an orientation debate on the 'Ideas' and 'Capacities' sections of the seventh framework for research and development proposal.

The Presidency will hold a press conference at the end of the morning (13.30) and at the end of the Council session on research items (around 17.30)

¹ This note has been drawn up under the responsibility of the Council press office.

HORIZONTAL QUESTIONS

Implementation of legislation - Internal Market Scoreboard

The Council will take note of the information provided by Commissioner for Internal Market Charlie Mc Creevy on the Internal Market Scoreboard from July 2005.

The Scoreboard examines the records of Member States in ensuring that the conditions are there for the internal market to function well. It does so by first examining how quickly and how well each of the Member States transposes internal market directives into national law and highlighting the number of infringement proceedings initiated by the Commission against each Member State. It also reports on the transposition records of the national standards organisations and on price dispersion as it is a good indicator of how the internal market is functioning in practice.

The 2005 Internal Market Scoreboard shows, among other that:

- The transposition deficit - the average percentage per Member State of Internal Market Directives in force that have not been written into national law - is now 1.9% for EU-25 Member States, compared to 7.1% last year which is the second best result ever.
- The transposition deficit is slightly higher for EU-25 at 2.1%, which is 0.1% down from June 2004. The new Member States thus perform better than the EU-15 Member States, despite having to absorb the whole *acquis* in a short timeframe.
- 245 or 15% of Internal Market Directives have not been transposed on time into national law in one or more of those Member States. In some cases, transposition is over two years overdue.
- The Internal Market Strategy 2003-2006 called for a reduction of 50% by 2006, but only 4 EU-15 Member States have actually managed to reduce the number of infringement cases against them. No Member State is even close to achieving a 50% reduction by 2006.
- Package meetings are an efficient tool in solving infringement proceedings at an early stage: results were booked within 6 months in over 50% of cases (35% were solved within 6 months of the package meeting and a decisive procedural step was taken within the same time frame in a further 20% of cases).
- Solvit, the online problem resolution network for complaints about the incorrect application of EU rules by public authorities seen its case flow double over the last year. France, Germany and Spain handled the most cases.
- Despite the importance of European standards for industry, many national standards organisations are failing to transpose European standards on time. Ten Member States have a transposition deficit of over 1,000 standards. However, most Member States have dramatically improved their record compared with last year.
- The long-term trend seems to indicate that price dispersion consistently decreases. The longer countries are a member of the EU, the more prices for tradable goods have converged across Member States.

Better Regulation

The Council will take note of a Presidency's progress report on ongoing actions regarding the "Better Regulation" agenda. The report gives a short account of work in progress as regards impact assessments, simplification of legislation, screening of pending legislative proposals, the Commission's pilot project on a methodology to measure administrative costs and consultation of stakeholders.

The Council will be also informed by Vice president Verheugen on the latest developments of the Commission Communication "Better regulation for growth and jobs in the EU" adopted in March 2005 including information on the screening activities and the upcoming simplification Communication.

The UK Presidency has put this topic on the top of its priorities and organised an in-depth discussion on this issue at the informal meeting of Competitiveness Ministers and Vice president Verheugen in Cardiff on 11 and 12 July. The Council will return to this issue at its meeting on 28-29 November.

- Impact assessment

The Commission's new guidelines on impact assessment were published on 15 June. The Commission has announced that it intends to apply these guidelines progressively for key proposals and major policy initiatives set out in the Commission's Legislative and Work Programme for 2005 and 2006. At the same time, the UK Presidency is seeking to facilitate better use of Commission impact assessments to inform Council discussions. Besides, progress is underway regarding impact assessments on Council amendments with a view of an agreement with the EP and Commission on a common approach for impact assessment.

- 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 February 2003 the Commission proposed a policy for "Updating and simplifying the Community Acquis" which aimed to secure a clear, understandable, up-to-date and user-friendly body of EC secondary law for the benefit of citizens, economic operators, public administrations etc. At the 25 November 2004 Competitiveness Council, the Dutch Presidency established 15 Council priorities for simplification².

The Commission's Communication of March 2005 foresaw a new, approach to simplification with a Communication in October 2005 followed by the launching of a new phase of the simplification programme in 2006. Vice President Verheugen wrote to member states in April 2005, asking them for suggestions, by the end of June for simplification priorities.

1 COM (2005)97, published 16 March 2005.

2 Contained in Doc 15017/04

- Screening of pending legislative proposals

The Commission has undertaken a screening exercise with regard to the impact of pending legislative proposals before the legislator with regard to their general relevance, their impact on competitiveness and other effects. The objectives, process and outcomes of such exercise are presented in the Commission's Communication of 27 September 2005³.

- Administrative Burdens

The ECOFIN Council is taking the lead on this work stream. The Council will monitor progress on the Commission's pilot phase and aim to produce council conclusions to agree an EU level common methodology for measuring administrative burdens of legislation in December.

INDIVIDUAL POLICY FILES

REACH

The Council will hold a policy debate on the draft Regulation for the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and establishing a European Chemicals Agency.

The debate will take place on the basis of the UK Presidency compromise text which was tabled on 6 September 2005. This compromise text aims to design a workable system, which can fulfil the overall objectives of REACH and get the broadest possible support. It is based closely on discussions of Council preparatory bodies and among Ministers at the Council.

In particular, the Presidency has identified the following issues, relating to the registration regime of the REACH proposal, which will serve as a basis for the debate:

- The information requirements for substances produced in quantities of 1-10 tonnes per year. In order to reduce the impact on SME's, the Presidency compromise proposes targeted information requirements for low volume substances. Manufacturers or importers would only have to submit available data with regard to these substances unless the substances were identified as meeting simple criteria highlighting them as of potential concern.
- The information to be submitted at registration concerning substances produced in larger quantities than 10 tonnes per year. The Presidency suggests that only one test for reproductive toxicity (as opposed to two in the original Commission proposal) would be compulsory for substances manufactured or imported above 10 tonnes per year. The Presidency compromise does not change significantly the information requirements for substances manufactured or imported above 100 tonnes per year.
- The Presidency compromise provides for the principle of "one substance one registration" (OSOR) in cases where there is more than one registrant for the same substances. This would be achieved through the sharing and joint submission of a core data set. However, mechanisms have been included to protect commercial confidentiality, for example, information on the use of substances need not be shared.

³ COM (2005) 462

7th Research Framework Programme

The Council will hold an orientation debate on the Commission proposal for the 7th Framework Programme (FP7) for research and technological development for the period 2007 to 2013. The debate will focus in the sections of the proposal dealing with "Ideas" and "Capacities" (*doc. 12521/1/05*). The other two parts of the proposal, "Cooperation" (collaborative research) and "People" (human resources), were examined by the Council last June.

In the light of the discussions, the Presidency envisages to draw up a revised draft text covering the whole Framework Programme proposal as a basis for future work with the objective of reaching a partial general approach⁴ by the end of November.

The new FP7 is aimed at helping to implement one 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 Commission envisage that the bulk of the funds would continue to go to collaborative, applied research as under FP6 but several new elements have been added. The main new actions proposed by the Commission are funding for basic research through a European Research Council run by eminent scientists; support for large-scale public-private partnerships to take forward industrial projects; and funding for new research infrastructures.

Another difference as regards the precedent multiannual programme, is that the Commission has introduced measures with the intention to rationalise administrative and financial proceedings and to simplify requirements for the functioning of programmes. The budget proposed in the field of the research for the period 2007-2013 amounts to € 72 726 million⁵.

The Presidency suggests to concentrate interventions of ministers on a limited number of issues related to the ideas and capacities sections of the FP7:

- under "Ideas": on the modalities for setting up the envisaged European Research Council (ERC) that would, amongst other things, oversee decisions on types of research to be funded at European level, and its organisation and governance structures. To this respect a number of delegations agree to the outlined structure proposed by the Commission, whereas other delegations consider at this stage that the ERC should be set up as a more autonomous entity where its scientific council would dispose of wider powers;
- under "Capacities": on innovative and potential research capacities of EU small and medium enterprises and the selection criteria for the funding of new research infrastructures;
- arrangements for monitoring and evaluating the outputs of FP7 according to its objectives.

It is recalled that the FP7 proposals are to be considered in parallel with the proposal concerning the Competitiveness and Innovation Programme (*doc. 8081/05*) and that detailed modalities for the implementation of the FP7 are set out in the Specific Programmes adopted by the Commission on 21 September 2005. Both the Framework Programme and the Specific Programmes have to be adopted within the Council by qualified majority, as set out in Article 166 of the EC Treaty.

⁴ A partial general approach is a way of fixing Council discussions on non-budgetary elements which are linked to the pending negotiation on the financial perspective for the period 2007-2013. It leaves open the possibility of adjusting agreed parts of a proposal should that be necessary following agreement on budgetary amounts.

⁵ The FP6 for research currently undergoing covers the four years period 2003-2006 and corresponds to 3,9% of the EU's budget.

Other business

The Commission will provide information to delegations on the following issues:

- *The State Aid Action Plan* is a Commission public consultation document launched on 7 June 2005 proposing an overhaul of the current state aid guidelines and procedures during Commissioner Kroes' time in office. Proposals within the Action Plan include a further move towards less and better targeted state aid, suggestions on how to revise the existing state aid guidelines, a refined economic approach, more effective and transparent procedures and shared state aid responsibilities between the Commission and Member States. The opportunity for stakeholders to comment closed on the 15th September and the Commission is now considering the numerous responses received before proposing any specific revisions.

- In its *Communication on State Aid for Innovation* adopted by the Commission on 21 September 2005, the Commission launches a consultation on improvements to EU state aid rules as regards projects encouraging innovation, inviting comments from stakeholders before adopting final measures. The Communication sets out a clear methodology for the elaboration of state aid measures for innovation activities.

The suggested improvements include rules for aid that funds innovation, criteria to help public authorities to target aid more effectively, clarifying the rules to increase legal certainty and simplification of the regulatory framework. The proposals for innovation aid cover six broad areas: innovative start-ups; risk capital; the integration of innovation into existing rules on state aid for research and development (R&D); innovation intermediaries; training and mobility between university research personnel and SMEs; and poles of excellence for projects of common European interest.

- *The introduction of the European Enterprise Awards*. The Commission will provide information about their new awards scheme, which aims to recognise and reward initiatives to support entrepreneurship at local and regional levels across the EU.

- *Life Sciences and biotechnology*⁶, the Commission adopted its third progress report and future orientations on 29 June 2005. In this report, the Commission sets out the priorities for future actions which will consist firstly, in carrying out an independent study aimed at providing a comprehensive assessment and cost-benefit analysis of the consequences, opportunities and challenges that applications of modern biotechnology present for Europe in terms of economic, social and environmental aspects. Secondly, the Commission will draw on both the study and an in-depth assessment of the progress achieved since 2002 to update the Community Strategy on Life Sciences and Biotechnology in good time for the 2007 Spring European Council.

⁶ In January 2002, the Commission adopted a Strategy for Europe on Life Sciences and Biotechnology, consisting of two parts – policy orientations and a 30-point plan to transform policy into action. It sets out what is needed from the Commission and the other European Institutions, while also recommending actions for other public and private stakeholders. The Commission reports regularly on the progress made.