



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2002)1577 final

Brussels, 28 August 2002

MINUTES
of the 1577th meeting of the Commission
held in Brussels
(Breydel)
on Wednesday 24 July 2002
(morning)

These minutes were approved by the Commission at its 1578th meeting, held in Brussels on 28th August 2002.

They contain 38 pages.

CONTENTS

Attendance list **6-8**

1. AGENDAS (OJ(2002)1577/3; SEC(2002)828/2).....	9
2. WEEKLY MEETING OF CHEFS DE CABINET (SEC(2002)1577)	9
3. MINUTES	9
3.1. SPECIAL MINUTES OF 1575th MEETING (10 July) (PV(2002)1575, Part II)	9
3.2. MINUTES OF 1576TH MEETING (17 JULY) (PV(2002)1576 and /2).....	10
4. PARLIAMENT	10
4.1. PARLIAMENTARY AFFAIRS GROUP (SP(2002)2486).....	10
5. PERMANENT REPRESENTATIVES COMMITTEE (SI(2002)908)	13
COUNCIL AFFAIRS GROUP (SI(2002)908).....	13
6. MONITORING THE APPLICATION OF COMMUNITY LAW: STATE AID AND INFRINGEMENTS (C(2002)2605 AND /2; C(2002)2624 TO /3; SEC(2002)860)	14
6.1. STATE AID (C(2002)2605 and /2; C(2002)2624 to /3).....	14
6.2. INFRINGEMENTS - URGENT CASE (SEC(2002)860).....	14
7. WRITTEN PROCEDURES AND EMPOWERMENT	14
7.1. WRITTEN PROCEDURES APPROVED (SEC(2002)829 to /5)	14
7.2. SENSITIVE WRITTEN PROCEDURES (SEC(2002)830)	15
7.3. EMPOWERMENT (SEC(2002)831 to /6).....	16
7.4. DELEGATION AND SUBDELEGATION OF POWERS	16
8. DRAFT COMMISSION REGULATION LAYING DOWN DETAILED RULES FOR THE IMPLEMENTATION OF THE FINANCIAL	

REGULATION (COM(2002)402 AND /2; SEC(2002)835 TO /5; SEC(2002)816).....	16
9. PRELIMINARY DRAFT SUPPLEMENTARY AND AMENDING BUDGET NO 4/2002 (SEC(2002)851 TO /3).....	17
10. COMMISSION DECISION UNDER ARTICLE 81 OF THE EC TREATY AND ARTICLE 53 OF THE EEA AGREEMENT (<i>CASE COMP/29.373 - VISA INTERNATIONAL - MULTILATERAL INTERCHANGE FEES</i>) (C(2002)2698 TO /3)	17
11. COMMISSION DECISION UNDER ARTICLE 81 OF THE EC TREATY (<i>CASE COMP/E-3/36.700 - INDUSTRIAL AND MEDICAL GAS</i>) (C(2002)2782 TO /3)	18
12. COMMISSION DECISION UNDER ARTICLE 8(2) OF COUNCIL REGULATION (EEC) NO 4064/89 ON THE CONTROL OF CONCENTRATIONS BETWEEN UNDERTAKINGS (<i>CASE COMP/M.2698 - PROMATECH / SULZER</i>) (C(2002)2807 TO /3)	18
13. DECISION ON PARTIAL REMISSION OF IMPORT DUTIES (<i>DOSSIER REM/23/2001 - TELEVISION SETS FROM TURKEY</i>) (C(2002)2806 TO /3; SEC(2002)861)	19
14. WORK OF THE CONVENTION	19
15. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2002)832/2)	20
ADMINISTRATIVE MATTERS (PERS(2002)111)	20
15.1. APPOINTMENTS	20
15.2. DG FISH - APPLICATION OF ARTICLE 50 OF THE STAFF REGULATIONS (<i>INITIAL STAGE</i>) WITH RESPECT TO AN A1 OFFICIAL.....	26

15.3. DG AGRI - PUBLICATION OF VACANCY NOTICE FOR A1 POST OF DEPUTY DIRECTOR-GENERAL	26
16. SYNTHESIS OF THE ANNUAL ACTIVITY REPORTS AND DECLARATIONS OF THE DIRECTORS-GENERAL AND HEADS OF SERVICE (COM(2002)426 TO /4)	26
17. INTERNAL AUDITOR'S REPORT FOR 2001 INCLUDING ANNUAL ACTIVITY REPORT AND DECLARATION (SEC(2002)840 TO /4; SEC(2002)883; SEC(2002)838)	26
18. REPORT BY THE INTERNAL AUDIT SERVICE: PROCESS REVIEW ON THE ANNUAL ACTIVITY REPORTS AND DECLARATIONS RELATING TO 2001 (SEC(2002)841 TO /3; SEC(2002)838)	26
19. ANNUAL REPORT FOR 2001 BY THE FINANCIAL CONTROLLER OF THE COMMISSION IN ACCORDANCE WITH ARTICLE 24 OF THE FINANCIAL REGULATION (SEC(2002)839 TO /4; SEC(2002)838).....	29
20. AUDIT PROGRESS COMMITTEE ANNUAL REPORT (SEC(2002)852 TO /4; SEC(2002)838)	29
21. REFORM OF THE COMMISSION'S ACCOUNTING FRAMEWORK AND SYSTEM (SEC(2002)853 TO /3; SEC(2002)838)	30
22. COMMISSION DECISION UNDER ARTICLE 8(2) OF COUNCIL REGULATION (EEC) NO 4064/89 ON THE CONTROL OF CONCENTRATIONS BETWEEN UNDERTAKINGS (CASE COMP/M.2706 - CARNIVAL CORPORATION / P&O PRINCESS) (C(2002)2851 TO /4; SEC(2002)871)	30
23. PROPOSAL FOR A COUNCIL DIRECTIVE AMENDING DIRECTIVE 92/81/EEC AND DIRECTIVE 92/82/EEC TO INTRODUCE SPECIAL	

TAX ARRANGEMENTS FOR DIESEL FUEL USED FOR COMMERCIAL PURPOSES AND ALIGN THE EXCISE DUTIES ON PETROL AND DIESEL FUEL (COM(2002)410 TO /9; SEC(2002)849 AND /2).....	31
24. ECOPOINTS - 108% CLAUSE (SEC(2002)855 TO /4).....	33
25. COMMUNICATION TO THE COMMISSION ON THE AID SCHEME FOR COTTON IN GREECE (SEC(2002)811 TO /5)	34
26. COUNCIL MEETINGS (SI(2002)902)	35
26.1. <i>ECONOMIC AND FINANCIAL AFFAIRS (BRUSSELS, 19 JULY) AND GENERAL AFFAIRS (BRUSSELS, 22 and 23 JULY): DRAFT BUDGET FOR 2003</i>	35
26.2. <i>GENERAL AFFAIRS: RELATIONS WITH ZIMBABWE</i>	36
27. OTHER BUSINESS.....	37
27.1. <i>BUDGET SITUATION IN PORTUGAL</i>	37
27.2. <i>MPA HORMONE (SEC(2002)881)</i>	37
ARRANGEMENTS FOR MINUTES AND SPECIAL MINUTES OF THIS MEETING	38

Single sitting: Wednesday 24 July (morning)

The sitting opened at 0925 hours with Mr Prodi, President, in the chair.

Present:

Mr PRODI	President
Mr KINNOCK	Vice-President
Ms de PALACIO	Vice-President
Mr MONTI	
Mr FISCHLER	
Mr LIIKANEN	
Mr BOLKESTEIN	
Mr BUSQUIN	
Mr SOLBES	
Mr NIELSON	
Mr VERHEUGEN	
Mr BARNIER	
Ms REDING	
Ms SCHREYER	
Mr VITORINO	
Ms DIAMANTOPOULOU	

Except items 22 to 27

Absent:

Mr PATTEN
Mr LAMY
Mr BYRNE
Ms WALLSTRÖM

The following sat in to represent absent Members of the Commission

Mr CARY	Chef de cabinet to Mr Patten	
Mr JACOB	Chef de cabinet to Mr Busquin	Items 22 to 27
Ms VIGNAL	A member of Mr Lamy's staff	
Mr POWER	Chef de cabinet to Mr Byrne	
Mr ANNERBERG	Chef de cabinet to Ms Wallström	

The following also sat in

Mr MARENCO	Deputy Director-General, Legal Service	
Mr MANSERVISI	Chef de cabinet to the President	
Mr FAULL	Commission Spokesman	
Ms HOUTMAN	Deputy Chef de cabinet to the President	
Mr de LECEA	Adviser in the President's Office	Items 8, 16 to 20, 25 and 26
Mr SMULDERS	A member of the President's staff	Items 10, 12, 14 and 26
Mr KOOPMAN	Chef de cabinet to Mr Kinnock	
Mr LUCHNER	Deputy Chef de cabinet to Mr Kinnock	Items 16 to 18
Mr VAN BALLEKOM	Deputy Chef de cabinet to Mr Bolkestein	
Mr GUTH	Chef de cabinet to Ms Schreyer	Items 16 to 20
Ms CARPARELLI	Deputy Chef de cabinet to Ms Wallström	Items 23 to 27
Mr GALEROS	A member of Ms Diamantopoulou's staff	Item 25
Mr MUIS	Director-General, Internal Audit Service	Items 16 to 18
Mr CARVOUNIS	Director in the Press and Communication DG	
Mr TODD	Spokesman	Item 23
Mr MAMER	Spokesman	Items 8, 15 and 16
Mr KREUZHUBER	Spokesman	Items 16 to 18
Ms CONTINO	Secretariat-General	Item 16
Mr SERVOZ	Secretariat-General	Item 16
Mr PIRAO	Secretariat-General	Item 16

Secretary: Mr O'SULLIVAN, Secretary-General, assisted by Mr BISARRE, Director in the Secretariat-General.

Before embarking on the agenda proper, the PRESIDENT stated that the meeting on 28 August and the seminar on 13 and 14 September would be devoted to discussions on general strategy in the short term (priority activities for the second half of 2002) and the medium term (particularly the Commission's internal organisation with an eye to enlargement).

1. AGENDAS

(OJ(2002)1577/3; SEC(2002)828/2)

The Commission took note of the agenda for that day's meeting and of the tentative agendas for forthcoming meetings.

2. WEEKLY MEETING OF CHEFS DE CABINET

(SEC(2002)1577)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 22 July.

3. MINUTES

3.1. SPECIAL MINUTES OF 1575th MEETING (10 July)

(PV(2002)1575, Part II)

The Commission approved the special minutes of its 1575th meeting.

3.2. MINUTES OF 1576TH MEETING (17 JULY)
(PV(2002)1576 and /2)

The Commission approved the minutes of its 1576th meeting.

4. PARLIAMENT

4.1. PARLIAMENTARY AFFAIRS GROUP
(SP(2002)2486)

The Commission took note of the record of the meeting of the Parliamentary Affairs Group held on Thursday 18 July.

It paid particular attention to the following:

- a) **Interinstitutional relations**
(point 1 of the record)

Action taken on the annual policy strategy 2003 (APS+)
(COM(2002)427 and /2)

The Commission noted that this item would be entered on the agenda for its 1578th meeting on 28 August, and finalised in the light of the general discussion that the Commission would be holding on the political prospects for the autumn, for transmission by the PRESIDENT to Parliament and the Council.

- b) **Preparations for September I part-session**
(point 2 of the record)

The Commission, in accordance with the rules in force, authorised the Commission Members responsible, in agreement with the PRESIDENT,

Ms de PALACIO and any other Members associated, to take a position on Parliament's amendments to its proposals.

It paid particular attention to the following:

2nd reading

- KORHOLA report, Environment: public participation in the drawing-up of certain plans and programmes, COM(2000)839 - 00/0331 (COD)

The Commission adopted the line set out in SP(2002)2430 involving the rejection of some amendments.

Empowerment

Under Article 13 of its Rules of Procedure, the Commission empowered Ms WALLSTRÖM, in agreement with the PRESIDENT, the Member responsible for relations with Parliament and any other Members associated, to adopt its opinion on the amendments, together with any amended proposals, on the basis of the line set out in SP(2002)2430, once Parliament had given its opinion, and transmit them to the Council in accordance with Article 251(2)(c) of the Treaty for the following:

- KORHOLA report, Environment: public participation in the drawing-up of certain plans and programmes, COM(2000)839 - 00/0331 (COD)

1st reading and simple consultation

- FAVA report, Framework for creation of the single European sky, COM(2001)123 - 01/0060 (COD)

The Commission adopted the line set out in SP(2002)2446/2.

- SANDERS-TEN HOLTE report, Air navigation services in the single European sky,
COM(2001)564 - 01/0235 - 0236/0237(COD)

The Commission adopted the line set out in SP(2002)2471/2.

- MAES report, Safety of third-country aircraft using Community airports,
COM(2002)8 - 02/0014 (COD)

The Commission adopted the line set out in SP(2002)2445/2.

- BEYSEN report, Sales promotions in the internal market,
COM(2001)546 - 01/0227 (COD)

The Commission adopted the line set out in SP(2002)2431/4.

c) **Action taken on Parliament's opinions and resolutions**
(point 5 of the record)

The Commission adopted SP(2002)2442/2 on the action taken on Parliament's opinions and resolutions adopted at its June part-session.

d) **Other matters**
(point 8 of the record)

Transmission of pre-legislative documents to Parliament

The Commission agreed to the approach set out in SP(2002)2401.

5. PERMANENT REPRESENTATIVES COMMITTEE
(SI(2002)908)

COUNCIL AFFAIRS GROUP
(SI(2002)908)

The Commission took note of the Secretariat-General's reports on recent meetings of the Permanent Representatives Committee.

It paid particular attention to the following:

a) Specific programmes implementing the sixth RTD framework programme
(point 1 of the record)

If the Council, in order to enable a decision by qualified majority, confirmed its choice of a regulation committee to deal with ethical questions, the Commission empowered Mr BUSQUIN, in agreement with the PRESIDENT, to accept such an approach.

In that case, the Commission would use a recital or, if necessary, a statement to reaffirm the line it had already taken as regards committee procedure, particularly before the Court of Justice.

b) Bunkers Convention and HNS Convention; Paris Convention on civil liability in the field of nuclear energy
(point 4 of the record)

Given the situation, the Commission decided to accept the comprehensive compromise package agreed at the meeting of Justice and home affairs advisers on 18 July and to make the statement set out in Annex 3 to the record of the CAG, the text to be finalised by Ms de PALACIO and Mr VITORINO, in agreement with the PRESIDENT and in cooperation with the Legal Service.

**6. MONITORING THE APPLICATION OF COMMUNITY LAW: STATE AID
AND INFRINGEMENTS**

(C(2002)2605 and /2; C(2002)2624 to /3; SEC(2002)860)

6.1. STATE AID

(C(2002)2605 and /2; C(2002)2624 to /3)

The Commission adopted the decisions in C(2002)2605/2 and
C(2002)2624/3.

6.2. INFRINGEMENTS - URGENT CASE

(SEC(2002)860)

2002/2188 BELGIUM

Aircraft noise

(SEC(2002)860)

Decision: Held over pending contacts with the Belgian authorities.

7. WRITTEN PROCEDURES AND EMPOWERMENT

7.1. WRITTEN PROCEDURES APPROVED

(SEC(2002)829 to /5)

The Commission took note of the Secretariat-General's memoranda recording
decisions adopted by written procedure between 15 and 19 July.

7.2. SENSITIVE WRITTEN PROCEDURES
(SEC(2002)830)

The Commission took note of the following written procedures initiated between 15 and 19 July for the adoption of decisions with political implications:

Time limit: 24.07.2002

E/2002/1445 - C(2002)2866 DG AIDCO

Commission decision on projects and programmes to be financed from the resources of the EU budget: EC support to the OSCE-ODIHR election observation mission of the parliamentary elections in FYROM, 2002.

Time limit: 25.07.2002

E/2002/1389 - C(2002)2810 DG AIDCO

Commission decision on food aid allocations and support actions for food security: refugees from Palestine.

E/2002/1418 - COM(2002)429 DG DEV

Commission communication *Fighting rural poverty: European Community policy and approach to rural development and sustainable natural resources management in developing countries.*

Time limit: 26.07.2002

E/2002/1414 - COM(2002)431 DG TAXUD

Commission communication on taxation of passenger cars in the European Union.

7.3. EMPOWERMENT

(SEC(2002)831 to /6)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the empowerment procedure between 15 and 19 July.

7.4. DELEGATION AND SUBDELEGATION OF POWERS

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 15 and 19 July, as archived on the "Greffé 2000" (Registry) website.

**8. DRAFT COMMISSION REGULATION LAYING DOWN DETAILED
RULES FOR THE IMPLEMENTATION OF THE FINANCIAL
REGULATION**

(COM(2002)402 and /2; SEC(2002)835 to /5; SEC(2002)816)

The Commission adopted the draft Regulation in SEC(2002)835/5 for transmission for an opinion to Parliament, the Council, the Economic and Social Committee, the Committee of the Regions, the Court of Auditors, the Court of Justice and the Ombudsman.

**9. PRELIMINARY DRAFT SUPPLEMENTARY AND AMENDING BUDGET
No 4/2002
(SEC(2002)851 to /3)**

The Commission adopted preliminary draft supplementary and amending budget No 4/2002 as set out in SEC(2002)851/3, for transmission to Parliament and the Council.

**10. COMMISSION DECISION UNDER ARTICLE 81 OF THE EC TREATY
AND ARTICLE 53 OF THE EEA AGREEMENT
(CASE COMP/29.373 - VISA INTERNATIONAL - MULTILATERAL
INTERCHANGE FEES)
(C(2002)2698 to /3)**

The Commission:

- took note of the opinion of the Advisory Committee on Restrictive Practices and Dominant Positions of 17 June as annexed to C(2002)2698;
- took note of the final report of the Hearing Officer annexed to C(2002)2698;
- adopted the decision in C(2002)2698/3 in the authentic language (English);
- decided to publish the decision in the Official Journal, with business secrets removed, in all the official languages;
- empowered Mr MONTI to approve the independent accountants who would audit the cost study, as indicated at Article 1 of the decision.

11. COMMISSION DECISION UNDER ARTICLE 81 OF THE EC TREATY
(CASE COMP/E-3/36.700 - INDUSTRIAL AND MEDICAL GAS)
(C(2002)2782 to /3)

The Commission:

- took note of the opinion of the Advisory Committee on Restrictive Practices and Dominant Positions of 15 and 22 July as annexed to C(2002)2782 and /2;
- took note of the final report of the Hearing Officer in C(2002)2782/2;
- adopted the decision in C(2002)2782/3 in the authentic languages (English and Dutch);
- decided to publish the decision in the Official Journal, with business secrets removed, in all the official languages.

12. COMMISSION DECISION UNDER ARTICLE 8(2) OF COUNCIL
REGULATION (EEC) No 4064/89 ON THE CONTROL OF
CONCENTRATIONS BETWEEN UNDERTAKINGS
(CASE COMP/M.2698 - PROMATECH / SULZER)
(C(2002)2807 to /3)

The Commission:

- took note of the final report of the Hearing Officer in C(2002)2807/2;
- took note of the opinion of the Advisory Committee on Concentrations of 15 July as set out in C(2002)2807;
- adopted, in the authentic language (English), the decision in C(2002)2807/2 and /3, declaring the planned merger to be compatible with the common market

and the EEA Agreement, subject to fulfilment of the undertakings set out in the decision;

- empowered Mr MONTI to take all the measures necessary for the fulfilment of these undertakings;
- decided to publish the decision in the Official Journal, with business secrets removed, in all the official languages.

13. DECISION ON PARTIAL REMISSION OF IMPORT DUTIES
(DOSSIER REM/23/2001 - TELEVISION SETS FROM TURKEY)
(C(2002)2806 to /3; SEC(2002)861)

The Commission adopted, in the authentic language (English), the decision in C(2002)2806/3.

14. WORK OF THE CONVENTION

Mr BARNIER and Mr VITORINO reported on the discussions of the Presidium of the European Convention (Brussels, 18 July), and commented on a press article by the President of the Convention, Mr Valéry GISCARD D'ESTAING.

Mr BARNIER pointed to the importance of the discussions in the working groups, which had reached an intermediate point between the "listening" stage, now being completed, and the stage of drawing up draft constitutional texts.

Four new working groups had been set up, covering external relations (chair: Mr DEHAENE), simplification of procedures (chair: Mr AMATO), justice and home affairs (chair: Mr BRUTON), and defence (chair: Mr BARNIER).

15. ADMINISTRATIVE AND BUDGETARY MATTERS

(SEC(2002)832/2)

ADMINISTRATIVE MATTERS

(PERS(2002)111)

15.1. APPOINTMENTS

DG FISH - A1 post of Director-General

The Commission had before it applications under Article 29(1)(a) of the Staff Regulations for the A1 post of Director-General for Fisheries (PERS(2002)76 to /4 and /6).

The Commission took note of the opinions of the Consultative Committee on Appointments of 27 June and 5 and 8 July (PERS(2002)76/5 and /7).

The Commission proceeded to compare the applicants' qualifications for the post. Mr FISCHLER pointed to the importance and scale of the tasks facing the new Director-General, particularly in negotiations with the Council on the reform of the fisheries policy.

He referred to the specific aptitudes called for in the vacancy notice: "*The successful candidate must be able to demonstrate negotiation, communication and management skills at the highest level and be able to succeed in a highly politicised environment. He/she must be able to develop and maintain good working relations with negotiation partners. The Director General must be able to develop and implement strategies. A strong analytical mind and ability to judge is important.*" He confirmed that these qualities were essential

and that, of the candidates emerging from the selection process,
Mr HOLMQUIST best met all these requirements.

Mr HOLMQUIST had held, both in Sweden and at the Commission - where he had been successively Director in the Agriculture DG and Deputy Director-General in the Budget DG - senior posts requiring political judgement, a capacity for negotiation, and an aptitude for finding constructive solutions and working with a large number of partners. In these posts he had acquired a wide knowledge of Community policies, forging and maintaining constructive working relations with the other institutions, and demonstrating excellent management skills.

In the light of this opinion the Commission, on a proposal from Mr KINNOCK, in agreement with the PRESIDENT and Mr FISCHLER, decided to appoint Mr Jörgen HOLMQUIST to the post.

This decision would take effect from 1 September.

DG TRADE - A1 post of Deputy Director-General

The Commission had before it applications under Article 29(1)(a) of the Staff Regulations for the A1 post of Deputy Director-General in the Trade DG (PERS(2002)92 to /4).

The Commission took note of the opinions of the Consultative Committee on Appointments of 8 and 9 July (PERS(2002)92/5 and /6).

The Commission proceeded to compare the applicants' qualifications for the post. Mr LAMY noted that both shortlisted candidates were outstanding, but he had finally chosen the one whose experience would be most useful to DG TRADE in the years ahead, given that the priorities were North-South

relations in the Doha development agenda, the post-Cotonou negotiations with the ACP, and the Mercosur negotiations.

In the light of this opinion the Commission, on a proposal from Mr KINNOCK, in agreement with the PRESIDENT and Mr LAMY, decided to appoint Mr Pierre DEFRAIGNE to the post.

This decision would take effect from a date to be fixed later.

DG COMP - A1 post of Deputy Director-General (State aid)

The Commission had before it applications under Article 29(1)(a) of the Staff Regulations for the A1 post of Deputy Director-General in the Competition DG (State aid) (PERS(2002)78 to /3).

The Commission took note of the opinions of the Consultative Committee on Appointments of 10 and 11 July (PERS(2002)78/4 and /5).

The Commission proceeded to compare the applicants' qualifications for the post. Mr MONTI pointed to the specific qualities and aptitudes of Mr Claude CHENE. He reminded the meeting of Mr CHENE's varied professional career within the Commission and in particular his posts of Adviser and then Chef de cabinet to Mr Karel VAN MIERT, Commission Member in charge of transport policy and then of competition policy, as well as his posts as Director in the Personnel and Administration DG and in the Transport DG before heading the task force for administrative reform.

In this career he had acquired in-depth knowledge of the competition policy in general and state aid in particular, and demonstrated management and negotiating skills of the highest order. Moreover, his active role in the process of developing and implementing the internal administrative reform gave him

a special advantage in overseeing a change of management culture within departments.

In the light of this opinion the Commission, on a proposal from Mr KINNOCK, in agreement with the PRESIDENT and Mr MONTI, decided to appoint Mr Claude CHENE to the post.

This decision would take effect from a date to be fixed later.

Secretariat-General - A1 post of Deputy Secretary-General

The Commission had before it applications under Article 29(1)(a) of the Staff Regulations for the A1 post of Deputy Secretary-General (PERS(2002)80 to /3).

The Commission took note of the opinions of the Consultative Committee on Appointments of 11, 13 and 27 June (PERS(2002)80/4 and /5).

The Commission proceeded to compare the applicants' qualifications for the post. The PRESIDENT pointed to the special qualifications of Mr Eckart GUTH, with his wide-ranging and detailed experience of the various Community policies, acquired in posts in the field of external relations and as Director of expenditure in the Budget DG, and his proven negotiating skills both at international level (trade relations, bilateral and multilateral relations) and between the institutions (budgetary procedure).

In the light of this opinion the Commission, on a proposal from Mr KINNOCK, in agreement with the PRESIDENT, decided to appoint Mr Eckart GUTH to the post.

This decision would take effect from 1 September.

The Commission also noted the special qualifications of Mr VERSTRYNGE and Mr DE OLIVEIRA E SOUSA.

It warmly thanked Mr Philip LOWE, who had agreed to stand in as Deputy Secretary-General and to represent the Commission at Coreper (Ambassadors) meetings since 1 February, and whose performance in these roles had met with general acclaim.

DG ECFIN.R - A2 post of Director

The Commission had before it applications under Article 29(1)(a) of the Staff Regulations for the A2 post of Director of Directorate R (Resources) in the Economic and Financial Affairs DG (PERS(2002)99).

The Commission took note of the opinions of the Consultative Committee on Appointments of 17 and 18 July (PERS(2002)99/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. It also examined the reports on their ability, efficiency and conduct in the service. On a proposal from Mr KINNOCK, in agreement with the PRESIDENT and Mr SOLBES, it then decided to appoint Ms Alexandra CAS GRANJE to the post.

This decision would take effect from 1 October.

DG SDT.TR - A2 post of Director

The Commission had before it applications under Article 29(1)(a) of the Staff Regulations for the A2 post of Director of Directorate TR (Translation) in the Translation Service (PERS(2001)301 and /3).

The Commission took note of the opinions of the Consultative Committee on Appointments of 13 and 21 March (PERS(2001)301/2 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. It also examined the reports on their ability, efficiency and conduct in the service. On a proposal from Mr KINNOCK, in agreement with the PRESIDENT, it then decided to appoint Mr George VLACHOPOULOS to the post.

This decision would take effect from 1 September.

DG BUDG.C - A2 post of Director and Commission Accounting Officer

The Commission had before it applications under Articles 29(1)(a) and 29(1)(c) of the Staff Regulations for the A2 post of Director of Directorate C (Budget execution) in the Budget DG (PERS(2002)88 and /2).

The Commission took note of the opinions of the Consultative Committee on Appointments of 17 and 18 July (PERS(2002)88/3 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. It also examined the reports on their ability, efficiency and conduct in the service. On a proposal from Mr KINNOCK, in agreement with the PRESIDENT and Ms SCHREYER, it then decided to appoint Mr Marc OOSTENS to the post of Director of Directorate BUDG.C and Commission Accounting Officer.

This decision would take effect from 1 August for the post of Director of Directorate BUDG.C, and from 1 September for the post of Commission Accounting Officer.

**15.2. DG FISH - APPLICATION OF ARTICLE 50 OF THE STAFF
REGULATIONS (INITIAL STAGE) WITH RESPECT TO AN A1
OFFICIAL**

The Commission's discussions on this item are recorded in the special minutes.

**15.3. DG AGRI - PUBLICATION OF VACANCY NOTICE FOR A1 POST OF
DEPUTY DIRECTOR-GENERAL**

On a proposal from Mr KINNOCK, in agreement with the PRESIDENT and Mr FISCHLER, the Commission approved the vacancy notice in PERS(2002)110/2 and asked DG ADMIN to publish it.

**16. SYNTHESIS OF THE ANNUAL ACTIVITY REPORTS AND
DECLARATIONS OF THE DIRECTORS-GENERAL AND HEADS OF
SERVICE**

(COM(2002)426 to /4)

**17. INTERNAL AUDITOR'S REPORT FOR 2001 INCLUDING ANNUAL
ACTIVITY REPORT AND DECLARATION**

(SEC(2002)840 to /4; SEC(2002)883; SEC(2002)838)

**18. REPORT BY THE INTERNAL AUDIT SERVICE: PROCESS REVIEW ON
THE ANNUAL ACTIVITY REPORTS AND DECLARATIONS RELATING
TO 2001**

(SEC(2002)841 to /3; SEC(2002)838)

The Commission held a general discussion on all three reports.

The PRESIDENT introduced the debate by reminding the meeting that the internal administrative reform process had highlighted the need to improve the Commission's internal management and control systems. By undertaking to analyse the strengths and weaknesses of a system already in the throes of transformation, the Directors-General, by their annual activity reports, and the Commission, by approving a summary document of these reports and an action plan (in 18 points), showed their determination to implement the reform, identify certain problems and remedy any shortcomings.

Mr KINNOCK concurred with this general assessment of the purpose and results of this first annual activity reports exercise. He referred more particularly to the two reports presented by the Internal Audit Service:

- one examining the process of drawing up the annual activity reports and declarations relating to 2001;
- the other being the annual report of the Internal Audit Service, which also contained the IAS's annual activity report and declaration.

The lessons from this initial experience must, in agreement with the Internal Auditor himself, be learned for the organisation of the next year's exercise, viz.:

- in future, the IAS annual report would be presented separately from its own annual activity report;
- the IAS annual report would be the subject of interdepartmental consultation;
- it should be finalised by March each year so as to give the Commission more time to draw any conclusions and draw up the summary report;
- the basic replies and comments of the Directorates-General and departments audited on the individual audit reports would be more fully reflected in the IAS annual report.

On the substance, Mr KINNOCK pointed out that all the systemic findings of the Internal Auditor matched the precise actions set out in the summary report, which represented a considerable advance on past practice. He also noted that the Internal Auditor's concerns about the composition and powers of the audit progress committee could be assuaged in the short term by adopting simple procedural measures.

The Commission held an in-depth exchange of views on the concrete results and the internal and external implications of this fundamental critical analysis of the internal operation of departments and their transparency vis-à-vis the outside world.

Following this exchange of views, the Commission:

Item 16:

- approved the summary of annual activity reports and declarations of the Directors-General and department heads, set out in COM(2002)426/3 and /4, for transmission to Parliament, the Council and the Court of Auditors;
- took note of the annual activity reports and declarations submitted by the Directors-General and, in accordance with its communication adopted on 27 June 2001 (SEC(2001)875/6 - item 4.1.1), asked the Secretary-General to send them to his counterparts in Parliament, the Council and the Court of Auditors;
- approved the actions set out in the synthesis, asked Directors-General to draw up the missing action plans by September 2002, and also asked them to submit the detail of the action plans to the Commission Member responsible, who should, on the basis of the annual report and any other appropriate information, accept the final version of the detailed action plan. The various Commission Members would then monitor the implementation by the Directors-General concerned of the measures agreed;

- decided to measure the progress made in the actual implementation of the action plans when the next synthesis of annual activity reports was considered;
- authorised the Commission Members responsible for administrative reform and the budget to present the synthesis to the competent bodies of Parliament, in particular the Committee on Budgets and the Committee on Budgetary Control.

Item 17:

- took note of the report of the Internal Audit Service, including the annual activity report of the IAS, set out in SEC(2002)840/3 and /4.

Item 18:

- took note of the report of the Internal Audit Service on the process of drawing up the annual activity reports, as set out in SEC(2002)841/3.

**19. ANNUAL REPORT FOR 2001 BY THE FINANCIAL CONTROLLER OF
THE COMMISSION IN ACCORDANCE WITH ARTICLE 24 OF THE
FINANCIAL REGULATION**

(SEC(2002)839 to /4; SEC(2002)838)

The Commission took note of the report set out in SEC(2002)839/4, for transmission to Parliament, the Council and the Court of Auditors.

20. AUDIT PROGRESS COMMITTEE ANNUAL REPORT

(SEC(2002)852 to /4; SEC(2002)838)

The Commission took note of the report in SEC(2002)852 to /4.

21. REFORM OF THE COMMISSION'S ACCOUNTING FRAMEWORK AND SYSTEM

(SEC(2002)853 to /3; SEC(2002)838)

Ms SCHREYER presented an information note on the reform of the Commission's accounting system, which would have to cover both the amendment of the rules for presenting the accounts (transition from purely budgetary accounting to general accounting) and improvements in the computerised tool supporting it (SINCOM2).

Detailed proposals would be put before the Commission in good time for a decision to be taken before the end of 2002. They would be accompanied by a timetable for implementing the project, and an estimate of its cost and of the allocation of resources that the Budget DG would need for it.

The Commission took note of this information, as set out in SEC(2002)853 to /3.

22. COMMISSION DECISION UNDER ARTICLE 8(2) OF COUNCIL REGULATION (EEC) No 4064/89 ON THE CONTROL OF CONCENTRATIONS BETWEEN UNDERTAKINGS

(CASE COMP/M.2706 - CARNIVAL CORPORATION / P&O PRINCESS)

(C(2002)2851 to /4; SEC(2002)871)

Mr MONTI described the proposed merger between two cruise operators (Carnival Corporation and P&O Princess Cruises) and, following a detailed analysis, concluded that it would neither create nor strengthen a dominant position on the relevant markets.

The Commission therefore:

- took note of the final report of the Hearing Officer in C(2002)2851/3;
- took note of the opinion of the Advisory Committee on Concentrations of 22 July as set out in C(2002)2851/3;
- adopted, in the authentic language (English), the decision in C(2002)2851/3, declaring the merger to be compatible with the common market and the EEA Agreement;
- decided to publish the decision in the Official Journal, with business secrets removed, in all the official languages.

**23. PROPOSAL FOR A COUNCIL DIRECTIVE AMENDING DIRECTIVE 92/81/EEC AND DIRECTIVE 92/82/EEC TO INTRODUCE SPECIAL TAX ARRANGEMENTS FOR DIESEL FUEL USED FOR COMMERCIAL PURPOSES AND ALIGN THE EXCISE DUTIES ON PETROL AND DIESEL FUEL
(COM(2002)410 to /9; SEC(2002)849 and /2)**

Mr BOLKESTEIN presented a proposal for a Directive on the excise duty applicable to diesel fuel for commercial use and to petrol, which sought to remedy distortions of competition on the international road transport market, encourage environmental protection and meet the requirements of the transport policy and make it possible for those Member States which so wished to increase excise duty on non-commercial diesel fuel to the level applied to petrol.

He reminded the meeting that Article 93 of the Treaty provided expressly that "*the Council shall, acting unanimously, ... adopt provisions for the harmonisation of legislation concerning ... excise duties ... to the extent that such harmonisation is necessary to ensure the establishment and the functioning of the internal market*".

There were real distortions of competition on the international road transport market, and this harmonisation proposal was in line with the guideline agreed by the Commission when the White Paper on transport policy had been adopted.

Mr BOLKESTEIN explained the key elements of the proposal:

- uncouple the taxation of commercial diesel fuel from that applicable to diesel fuel for private use;
- gradually harmonise by 2010 the excise duty on commercial diesel fuel by setting a central rate from 2003 (€350 per 1000 l, thereafter indexed annually) and by reducing the margins of fluctuation in the rates applied (€100 above and below the central rate in 2003, to be reduced to zero in 2010);
- approximate the minimum rates of excise duty on non-commercial diesel fuel and petrol by 2006, and maintain the rate for non-commercial diesel fuel at least at the same level as for commercial diesel fuel.

The Commission held an exchange of views on:

- the need for and advisability of fixing by 2010 a single rate of excise duty on commercial diesel fuel in order to remove market distortions;
- the level at which the central rate should be set;
- the implications of this proposal for Member States which currently apply higher rates, and would therefore be obliged to reduce them, which could work against the options chosen for environmental protection.

The Commission noted that this proposal was closely connected to and consistent with the White Paper on the common transport policy, and particularly the future proposal on charging, and it was important to make sure these proposals did not produce negative effects for certain Member States.

Following this exchange of views, the Commission approved the proposal for a Directive in COM(2002)410/8 for transmission to the Council, Parliament and the Economic and Social Committee.

24. ECOPOINTS - 108% CLAUSE

(SEC(2002)855 to /4)

Ms de PALACIO reminded the meeting of the rules in Protocol No 9 to the Act of Accession of Austria concerning transit traffic through Austria of lorries weighing more than 7.5 tonnes (ecopoints system).

She explained that, according to the Austrian authorities, the statistics for entry into Austria in 2001 revealed an excess over the 108% threshold compared with the base year (1991), and therefore the need for a reduction in the ecopoints to be distributed in 2002, but that the accounting of transit journeys by Austria was not sufficiently reliable to justify such a reduction.

The ecopoints Management Committee had delivered a negative opinion on the reduction in the number of ecopoints for 2002.

The Commission therefore approved the approach proposed by Ms de PALACIO in SEC(2002)855/4 of informing the Austrian authorities that the Commission would not present a proposal to reduce the number of ecopoints for 2002.

**25. COMMUNICATION TO THE COMMISSION ON THE AID SCHEME FOR
COTTON IN GREECE
(SEC(2002)811 to /5)**

The PRESIDENT took note of the differences of view between the Greek authorities and Commission departments on the notion of "actual production" to be taken into account in calculating the amount of aid to be granted in the cotton sector in Greece, and also the quantity of cotton to be considered eligible for such aid.

In the light of the opinion of the Legal Service, he proposed opting for the least penalising option for the reduction in aid to be granted (option 3a) in the proposal from Mr FISCHLER in SEC(2002)811).

The Commission therefore decided:

- a) to opt for solution 3a);
- b) to present the Natural Fibres Management Committee, before the end of July, with a draft Commission Regulation on the aid scheme for cotton in Greece for the marketing year 2001/02 that would:
 - fix, in accordance with Article 19 of Regulation (EC) No 1051/2001, the reduction in the guide price on the basis of actual production resulting from the solution chosen,
 - adjust, as necessary, certain management rules and arrangements for granting the aid, in line with Articles 18 and 21 of Regulation (EC) No 1051/2001;
- c) to empower Mr FISCHLER, in agreement with Ms SCHREYER and the PRESIDENT, to adopt the draft outlined in (b) above, if the Management Committee agreed;

- d) to amend Commission Regulation (EC) No 1591/2001 to clarify the eligibility criteria for production aid and to indicate that the stabiliser mechanism was based on actual sound, competitive and commercial production from land not made ineligible for aid under Article 17(3) of Regulation (EC) No 1051/2001;
- e) to invite the cotton-producing Member States, particularly Greece, to strengthen the system of national penalties applicable to producers who make false statements of land area;
- f) in order to avoid these difficulties recurring in future, to present a proposal to the Council and Parliament for reform of the cotton aid scheme, to take effect from 1 September 2003 if at all possible.

26. COUNCIL MEETINGS

(SI(2002)902)

26.1. ECONOMIC AND FINANCIAL AFFAIRS (BRUSSELS, 19 JULY) AND GENERAL AFFAIRS (BRUSSELS, 22 and 23 JULY): DRAFT BUDGET FOR 2003

The Commission continued its discussions on this item, begun at its previous meeting (PV(2002)1576, item 18).

Ms SCHREYER confirmed:

- that the Council and Parliament, meeting in conciliation, had refused to allow the flexibility instrument to be used to cover the Commission's administrative requirements in 2003;
- that the rate of increase in administrative expenditure was twice as high for the Council's budget (7%) as for the Commission's budget (3.5%);

- that the reductions made by the Council affected not only the number of nationals of the applicant countries that could be recruited as temporary staff in 2003 (265 instead of 500), but also the allocation of appropriations for staff for existing posts (357 posts not covered by appropriations), as well as the appropriations for training, the European Schools, etc.;
- that the possibility of prefinancing from 2002 certain expenditure normally earmarked for 2003, in order to create room in the 2003 budget to cover administrative expenditure, was still being mentioned but remained highly uncertain.

The PRESIDENT reported on the thrust of his intervention on this subject at the Council meeting (General affairs) of 22 July (unrealistic nature of the solution of prefinancing in 2002 expenditure earmarked for 2003; need for a guarantee straight away for the financing of 500 temporary posts over six months to prepare for enlargement).

Following an exchange of views, the Commission decided to re-examine the situation in the light of the outcome of the budgetary procedure.

26.2. GENERAL AFFAIRS: RELATIONS WITH ZIMBABWE

Mr NIELSON reported on the Council's discussions on the situation in Zimbabwe and particularly on the decision to extend the list of persons subject to a ban on visas.

However, Member States did not wish to extend the confrontation to the whole region, particularly with a view to the ministerial-level meeting of the SADCC, and the negotiations in September for economic partnership agreements with the ACP regions and States.

27. OTHER BUSINESS

27.1. BUDGET SITUATION IN PORTUGAL

Mr SOLBES outlined possible developments in the budgetary position in Portugal and the procedures that the Commission might have to initiate.

27.2. MPA HORMONE (SEC(2002)881)

The Commission took note of the information communicated by Mr BYRNE in SEC(2002)881 on the contamination of the human and animal food chains by pharmaceutical waste.

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The Commission's other discussions on certain agenda items are recorded in the special minutes.

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The meeting closed at 1340 hours.

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ARRANGEMENTS FOR MINUTES AND SPECIAL MINUTES OF THIS MEETING

In view of the urgency of the publication or notification of certain acts adopted at the present meeting, the Commission took note that the ordinary and special minutes thereof would stand approved on Wednesday 31 July at 1700 hours. Any requests for amendments must reach the Registry by 1800 hours on 30 July. Approval of these minutes would be reported in the minutes of the 1578th meeting.