



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2005)1710 final

Brussels, 20 July 2005

MINUTES
of the 1710th meeting of the Commission
held in Brussels
(Berlaymont)
on Wednesday 13 July 2005
(morning)

These minutes were approved by the Commission at its 1711th meeting, held in Brussels on 20 July 2005.

They contain 31 pages.

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Single sitting: Wednesday 13 July (morning)

The sitting opened at 0910 hours with Mr Barroso, President, in the chair.

Present:

Mr BARROSO	President	
Mr VERHEUGEN	Vice President	Except item 18
Mr BARROT	Vice-President	
Mr KALLAS	Vice-President	Items 1 to 11
Mr FRATTINI	Vice-President	Items 1 to 11
Mr DIMAS		
Mr ALMUNIA		
Ms HÜBNER		
Mr BORG		
Ms GRYBAUSKAITĖ		
Mr POTOČNIK		
Mr FIGEL'		
Mr KYPRIANOU		
Mr REHN		Except item 18
Mr MICHEL		Items 1 to 16
Mr KOVACS		Except items 11 to 15
Ms KROES		Items 11 to 18
Mr McCREEVY		Items 1 to 11
Mr ŠPIDLA		
Mr PIEBALGS		

Absent:

Ms WALLSTRÖM	Vice-President
Ms REDING	
Ms FISCHER BOEL	

Ms FERRERO-WALDNER

Mr MANDELSON

The following sat in to represent absent Members of the Commission

Ms CARPARELLI	Deputy Chef de cabinet to Ms Wallström
Mr STROHMEIER	Chef de cabinet to Ms Reding
Mr SØRENSEN	Chef de cabinet to Ms Fischer Boel
Mr CHILD	Chef de cabinet to Ms Ferrero-Waldner
Mr FRASER	Chef de cabinet to Mr Mandelson

The following also sat in

Mr PETITE	Director-General, Legal Service	
Mr VALE DE ALMEIDA	Chef de cabinet to the President	
Ms LE BAIL	Commission Spokeswoman	
Mr ROSCAM ABBING	Spokesman	
Ms CORUGEDO STENEGER	Press and Communication DG	
Ms MARTINHO	Chief Adviser in the President's Office	
Mr ANDRESEN GUIMARAES	A member of the President's staff	
Mr ELLIS	A member of the President's staff	
Mr LAITENBERGER	A member of the President's staff	Item 11
Mr RAHUOJA	A member of M. Kallas's staff	
Mr PRESENTI	Chef de cabinet to Mr Frattini	Item 11
Mr SALAZAR	A member of Mr Frattini 's staff	Item 11
Ms LAMELA	Chef de cabinet to Mr Almunia	Items 12 and 18
Mr ADAMIŠ	Chef de cabinet to Mr Figel'	
Mr SZÜCS	Chef de cabinet to Mr Kovács	Items 11 and 18
Mr SMULDERS	Chef de cabinet to Ms Kroes	
Ms SUTTON	A member of Ms Kroes's staff	Items 13 to 15

Mr MOAVERO MILANESI

Deputy Secretary-General

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

1. AGENDAS

(OJ(2005)1710/3; SEC(2005)930/2)

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

2. WEEKLY MEETING OF CHEFS DE CABINET

(SEC(2005)1710)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 11 July.

3. APPROVAL OF MINUTES AND SPECIAL MINUTES OF 1709th MEETING

(5 July)

(PV(2005)1709; PV(2005)1709, Part II)

The Commission approved the minutes of its 1709th meeting.

4. MONITORING THE APPLICATION OF COMMUNITY LAW: INFRINGEMENTS

4.1. CASES POSTPONED

(SEC(2005)975)

The Commission adopted the decisions in SEC(2005)975.

4.2. CASES POSTPONED (DOCUMENTS UNAVAILABLE)

(SEC(2005)946)

The Commission adopted the decisions in SEC(2005)946.

5. WRITTEN PROCEDURES AND EMPOWERMENT

5.1. WRITTEN PROCEDURES APPROVED

(SEC(2005)931 et seq.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 4 and 8 July.

5.2. SENSITIVE WRITTEN PROCEDURES

(SEC(2005)932)

The Commission took note of written procedures initiated between 4 and 8 July for the adoption of decisions with political implications.

5.3. EMPOWERMENT

(SEC(2005)933 et seq.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 4 and 8 July.

5.4. EMPOWERMENT IN THE FIELD OF ECONOMIC AND FINANCIAL AFFAIRS CONCERNING COMMUNITY AID AND BORROWINGS/LOANS PROVIDING ASSISTANCE FOR MEMBER STATES' BALANCES OF PAYMENTS AND REINFORCING MACRO-ECONOMIC FINANCIAL AID (MACRO-FINANCIAL AID) FOR NON-MEMBER COUNTRIES
(SEC(2005)885/2)

The Commission empowered the Commission Member responsible for economic and monetary affairs as set out in SEC(2005)885/2.

5.5. DELEGATION AND SUBDELEGATION OF POWERS

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 4 and 8 July, as archived on the "Greffé 2000" (Registry) website.

6. ADMINISTRATIVE AND BUDGETARY MATTERS
(SEC(2005)934/2)

ADMINISTRATIVE MATTERS
(PERS(2005)104)

6.1. OIB - A*14 POST OF CHIEF ADVISER (EU-10)
(PERS(2004) 240 to /4)

The Commission had before it applications under Article 29(2) of the Staff Regulations for the post of Chief Adviser in the Infrastructure and Logistics Office – Brussels, reserved for a national of one of the new Member States (PERS(2004)240 and /3).

The Commission took note of the opinions of the Consultative Committee on Appointments of 30 May and 14 June (PERS(2004)240/2, /3 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. On a proposal from Mr KALLAS, in agreement with the PRESIDENT, it then decided to appoint Mr Gábor ZUPKO to the post.

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

6.2. *DG RELEX - A*14 POST OF CHIEF ADVISER (EU-10)*
(PERS(2004) 241 to /8)

The Commission had before it applications under Article 29(2) of the Staff Regulations for the post of Chief Adviser in the External Relations DG, reserved for a national of one of the new Member States (PERS(2004)241, /2 to /5 and /8).

The Commission took note of the opinions of the Consultative Committee on Appointments of 4 and 28 April (PERS(2004)241/6 and /7).

The Commission proceeded to compare the applicants' qualifications for the post. On a proposal from Mr KALLAS, in agreement with the PRESIDENT and Ms FERRERO-WALDNER, it then decided to appoint Mr Janos HERMAN to the post.

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

6.3. *DG EAC/INFSO – POST OF DIRECTOR, EDUCATION, AUDIOVISUAL AND CULTURE EXECUTIVE AGENCY*
(PERS(2005)93 and /2)

The Commission had before it an application for the post of Director, Education, Audiovisual and Culture Executive Agency, published in

accordance with the Commission decision of 14 January on the establishment of the agency.

The Commission took note of the opinions of the Consultative Committee on Appointments of 31 May and 2 June (PERS(2005)93 and /2).

The Commission proceeded to consider the applicant's qualifications for the post. It also considered the applicant's ability, efficiency and conduct in the service. On a proposal from Mr KALLAS, in agreement with the PRESIDENT, Ms REDING and Mr FIGEL', it then decided:

- to appoint Mr Gilbert GASCARD Director, Education, Audiovisual and Culture Executive Agency;
- to second Mr Gilbert GASCARD in the interest of the service for the duration of the appointment, to perform the functions of Director as a member of the temporary staff.

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

**6.4. DG TRADE - A*15-A*16 POST OF DEPUTY DIRECTOR-GENERAL
(PERS(2005)12 to /5)**

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Deputy Director-General in the Trade DG (PERS(2005)12/3).

The Commission took note of the opinions of the Consultative Committee on Appointments of 11 and 27 May (PERS(2005)12/4 to /5).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr KALLAS, in agreement with the PRESIDENT and

Mr MANDELSON, it then decided to appoint Mr Karl Friedrich FALKENBERG to the post.

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

6.5. *OLAF – DESIGNATION OF A PERSON TO DEPUTISE IN THE ABSENCE OF THE DIRECTOR*

On a proposal from Mr KALLAS, in agreement with the PRESIDENT, the Commission decided to designate Mr Nicholas ILETT, an A*15 temporary staff member and Director, Directorate C (Intelligence, operational strategy and information technology) in the European Anti-Fraud Office, to deputise for the Director of the Office if he was prevented from exercising his duties.

This decision would take effect immediately.

6.6. *ESTAT - INITIAL COMMUNICATION UNDER ARTICLE 50 OF THE STAFF REGULATIONS*

The Commission decided to initiate the procedure laid down in Article 50 of the Staff Regulations with respect to an A*15 official.

**7. COMMISSION COMMUNICATION TO THE COUNCIL ON THE ACTION TAKEN BY HUNGARY IN RESPONSE TO THE COUNCIL RECOMMENDATION OF 8 MARCH 2005 IN ACCORDANCE WITH ARTICLE 104(7) OF THE EC TREATY UNDER THE EXCESSIVE DEFICIT PROCEDURE
(SEC(2005)951 to /3; SEC(2005)952)**

The Commission approved the communication from Mr ALMUNIA as set out in SEC(2005)951/3, for transmission to the Council.

**8. COMMISSION DECISION ON A PROCEEDING UNDER ARTICLE 8(1) OF
COUNCIL REGULATION (EC) No 139/2004 (CASE COMP/M.3625 -
BLACKSTONE/ACETEX)
(C(2005)2672 to /4)**

The Commission:

- took note of the opinion of the Advisory Committee on Concentrations of 22 June, as set out in C(2005)2672/2;
- took note of the final report of the Hearing Officer of 29 June in C(2005)2672/3;
- adopted, in the authentic language (English), the decision in C(2005)2672/4 declaring that the notified operation, whereby *Celanese Corporation* (controlled by *Blackstone Crystal Holdings Capital Partners*) acquired sole control of *Acetex Corporation*, was compatible with the common market and the functioning of the EEA Agreement;
- decided that the decision in C(2005)2672/4 would be notified to the companies concerned, together with the final report of the Hearing Officer and the opinion of the Advisory Committee on Concentrations;
- decided that the most important parts of the decision, together with the opinion of the Advisory Committee and the final report of the Hearing Officer, would be published in the official languages in the Official Journal (with business secrets removed);
- decided to publish the decision (with business secrets removed) on the internet.

**9. COMMISSION DECISION ON A PROCEEDING UNDER ARTICLE 8(2) OF
COUNCIL REGULATION (EEC) No 139/2004 (CASE COMP/M.3653 -
SIEMENS/VA TECH)
(C(2005)2676 to /5)**

The Commission:

- took note of the opinion of the Advisory Committee on Concentrations of 29 June, as set out in C(2005)2676/2;
- took note of the final report of the Hearing Officer of 6 July in C(2005)2676/3;
- adopted, in the authentic language (German), the decision in C(2005)2676/5, declaring that the notified operation, whereby *Siemens* acquires control of *VA Tech*, was compatible with the common market and the functioning of the EEA Agreement, subject to compliance by *Siemens* with the commitments made, as set out in the documents annexed to the decision;
- decided that the decision in C(2005)2676/5 would be notified to the companies concerned, together with the final report of the Hearing Officer and the opinion of the Advisory Committee on Concentrations;
- decided that the most important parts of the decision, together with the opinion of the Advisory Committee and the final report of the Hearing Officer, would be published in the official languages in the Official Journal (with all business secrets removed);
- decided to publish the decision (with business secrets removed) on the internet.

**10. COMMISSION DECISION AMENDING THE COMMISSION DECISION
OF 3 APRIL 2001 DECLARING A CONCENTRATION COMPATIBLE
WITH THE COMMON MARKET AND THE EEA AGREEMENT (CASE
COMP/M.2139 - BOMBARDIER/ADTRANZ)
(C(2005)2683 to /4)**

The Commission:

- took note of the opinion of the Advisory Committee on Concentrations of 29 June, as set out in C(2005)2683/2;
- took note of the final report of the Hearing Officer of 30 June in C(2005)2683/3;
- adopted, in the authentic language (English), the decision in C(2005)2683/4, amending Article 2 of the Commission decision of 3 April 2001 in case COMP/M.2139 – *Bombardier/ADtranz*;
- decided that the decision in C(2005)2683/4 would be notified to the companies concerned, together with the final report of the Hearing Officer and the opinion of the Advisory Committee on Concentrations;
- decided that the most important parts of the decision, together with the opinion of the Advisory Committee and the final report of the Hearing Officer, would be published in the official languages in the Official Journal (with business secrets removed);
- decided to publish the decision (with business secrets removed) on the internet.

11. OTHER BUSINESS

STATE OF PLAY FOLLOWING TERRORIST ATTACKS (SEC(2005)986)

Referring to the terrorist attacks in London on 7 July, the PRESIDENT opened the debate by emphasising the need to take stock of the situation as regards the fight against terrorism at Union level and the essential role the Commission had to play in this area. Noting that the Union action plan endorsed following the terrorist attacks in New York on 11 September 2001 and in Madrid on 11 March 2004 continued to be fully relevant, he emphasised the importance of pursuing implementation with all speed and determination. A special meeting of the Justice and Home Affairs Ministers was to be held that day at which the Commission would be represented by Mr FRATTINI. The PRESIDENT noted that while combating terrorism was a matter that fell mainly within the field of justice and home affairs, in close cooperation with external relations because of what was now its international dimension, the measures already adopted and those still to come nonetheless concerned a large majority of the Commission's portfolios and required increased coordination and coherence within the institution. The PRESIDENT also commented on the solidarity shown spontaneously by all the participants at the G8 summit in Gleneagles at the time of the attacks, which reflected the shared determination to face up to the global threat that terrorism represented for democratic societies.

Endorsing the PRESIDENT's remarks, Mr FRATTINI pointed out that while there was now a need to assess the situation jointly with the UK Council Presidency in order to reach the widest possible political consensus in response to the terrorist attacks, the anti-terrorism agenda now was to continue the medium- and long-term approach already decided, which was made up of a set of financial, judicial and police measures now in the process of being implemented. Referring to his

information note distributed as SEC(2005)986, he reviewed the priority anti-terrorism initiatives currently being prepared by his departments, which concerned both prevention and enforcement measures, and he highlighted those which might shortly be submitted to the Commission in order to help speed up implementation of the plan of action, including in the very near future the communication on explosives and firearms followed by the one on violent radicalisation and recruitment of terrorists. One of the Commission's roles in the fight against terrorism should be to strike a balance, with adequate safeguards, between the security measures and the protection of fundamental rights, the right to security constituting a genuine fundamental right. With reference in particular to the proposal for a Directive on the retention of telecommunications data (being prepared by the Commission departments), he drew attention to the importance of the institutional triangle and of the EC Treaty in the decision-making process on this sensitive matter. In conclusion, Mr FRATTINI reiterated the need to look carefully at the external dimension of European security and the importance of dialogue between cultures and religions as a permanent instrument to promote the integration of the various communities that live together within the Union.

The Commission went on to hold a detailed exchange of views on the issue, in which it focused particularly on the following points:

- the high expectations that the public placed in the European institutions to come up with a response to the terrorist attacks in London; in this connection, the negative message that would be sent should application of the Schengen agreement be suspended;
- the ambitious objective that completion of a genuine *European area of security* would constitute for the Union, since the scourge of terrorism in its current form transcended national borders and security was seen as one of the major concerns of European citizens and an area of action where the Community could provide

undoubted added value; in the debate on the future of Europe, whether thought should be given to an instrument, endorsed at the highest level, promoting a multisectoral European policy around security in its broadest sense; the central, driving role that the Commission could play here as guardian of the general interest;

- the importance of speedy and credible implementation of the agenda that had been approved to combat terrorism; without giving way to complacency, the Commission's substantial contribution by way of measures already carried out, in progress or programmed with respect in particular to the “prevention” aspect, the individual Members referring to their own areas of action such as customs (container security); energy (energy supply and non-proliferation of nuclear materials); the internal market (blocking terrorist financing); transport and communications (aviation security, protection of infrastructures); social affairs and education (violent radicalisation and recruitment of terrorists); health and the environment (bioterrorism); and research and development in security matters;
- the need for an overall strategy in view of the specific nature of international terrorism acting as a cross-border global movement linked to a fundamentalist interpretation of Islam; in this connection, the action and mechanisms that could improve dialogue between cultures and religions on a permanent basis;
- the external dimension of the terrorist phenomenon, including cooperation with non-member countries and full application of the principle of solidarity between the Member States of the Union.

After this exchange of views, the PRESIDENT highlighted the political dimension of the situation following the terrorist attacks and noted the evident need to revitalise European integration in this area, around concepts such as freedom, security and solidarity. He concluded by referring to the internal measures planned

following the special Council meeting that day in order to prepare for the future initiatives needed in the fight against terrorism and recalled the need for sound preparations and internal coordination.

12. COMMISSION COMMUNICATION TO THE COUNCIL, PARLIAMENT, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – PROPOSAL FOR A JOINT DECLARATION BY THE COUNCIL, PARLIAMENT AND THE COMMISSION ON THE EUROPEAN UNION DEVELOPMENT POLICY “*THE EUROPEAN CONSENSUS*” (COM(2005)311 to /5; SEC(2005)929; SEC(2005)936)

Mr MICHEL presented the proposal for a joint declaration which he was tabling in agreement with Ms FERRERO-WALDNER, emphasising that this was an opportune moment after the recent G8 summit. He noted its great political significance as the expression of a novel interinstitutional consensus on the broad lines of a Union development policy, shared by the institutions and all the Member States, and as a message to all the developing countries. The declaration would have to result in an active commitment, supported on the ground by all the players concerned, including the developing countries. The declaration laid down the framework of values, objectives and common principles which would shape development policy, among which he noted in particular the recommended rationalisation of work-sharing between the Member States and the Commission. This proposal constituted the second of a three-part initiative, the first having been the April package designed to speed up progress towards the millennium development goals (MDG), by increasing the volume and improving the effectiveness of European development aid, and the next would be adoption by the Commission of a communication setting out a new approach on Africa (planned for autumn 2005).

The PRESIDENT endorsed the comments of Mr MICHEL, emphasising the political importance of the dossier and the need to link development policy with trade policy. Referring to the future communication on Africa mentioned by Mr MICHEL, he outlined the possible timetable, taking into account the meeting the Commission would be holding in the autumn with the Organisation of African Unity.

In the light of this information, the Commission:

- reiterated its commitment to increasing trade-related aid and confirmed that in implementing this commitment, as in other areas of development policy, decisions about whether to act via multilateral mechanisms or initiatives would be taken on a case-by-case basis, within the framework and on the basis of the criteria laid down in the Section 3.4 of the communication ;
- approved the communication in COM(2005)311/5;
- decided to send this communication to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, together with the staff paper distributed as SEC(2005)929, the contents of which were noted.

**13. DRAFT COMMISSION DECISION ON THE APPLICATION OF
ARTICLE 86(2) OF THE TREATY TO STATE AID IN THE FORM OF
PUBLIC SERVICE COMPENSATION GRANTED TO CERTAIN
UNDERTAKINGS ENTRUSTED WITH THE OPERATION OF SERVICES
OF GENERAL ECONOMIC INTEREST
(C(2005)2673 to /3; SEC(2005)944; SEC(2005)945)**

- 14. COMMUNITY FRAMEWORK FOR STATE AID IN THE FORM OF PUBLIC SERVICE COMPENSATION**
(C(2005)2674 and /2); SEC(2005)944; SEC(2005)945)
- 15. COMMISSION DIRECTIVE AMENDING DIRECTIVE 80/723/EEC ON THE TRANSPARENCY OF FINANCIAL RELATIONS BETWEEN MEMBER STATES AND PUBLIC UNDERTAKINGS**
(C(2005)2675; SEC(2005)944; SEC(2005)945)

Ms KROES presented the three instruments she was tabling concerning the application of the Community State aid rules to public service compensation (viz.: a Decision on the application of Article 86(2) EC to State aid in the form of public service compensation granted to certain companies entrusted with the operation of services of general economic interest; a Community framework for amounts of State aid not covered by the Decision; and a Directive enabling the Commission to check that there was no overcompensation of public service costs and cross-subsidisation of commercial activities). These proposals constituted the first application of the plan of action on the monitoring of State aid adopted by the Commission on 7 June and followed up the judgment of the Court of Justice in the *Altmark* case and the Commission's White Paper on services of general interest of 12 May 2004. Since the Commission did not wish to interfere in the small but essential public services as determined by the local, regional and national authorities, the objective of the proposed Decision was to provide greater legal certainty regarding the compensation that these authorities pay for these services, which, as things stood, should for the most part be regarded technically as non-notified State aid. With the objective of guaranteeing the operation and financing of these public services without causing any unjustified distortion of competition, the arrangements proposed were based on large-scale block exemption, subject to compliance with certain conditions (in particular terms of award and non-overcompensation). The Commission Decision also exempted the social housing and hospital sectors,

whatever the amount of the compensation provided there was no overcompensation. Rules, based on the number of passengers, were also laid down for public transport services by sea and air. By reducing appreciably the number of notifications, the decision would significantly ease the administrative burden on the Commission and on the local and regional authorities. The framework clarified the principles that the Commission would apply when examining State aid not covered by the decision. Pointing out that the approach proposed had been given wide-ranging support by Parliament and the Member States during the consultation process, Ms KROES concluded by emphasising that with these measures, the Commission was delivering a strong and positive message about the importance it attached to public services and its determination to interfere less in local and regional affairs.

After taking note of these observations, the Commission held a brief exchange of views during which it congratulated Ms KROES on this important contribution to simplification and legal certainty, and emphasised the importance of the proposed arrangements for consumers and areas such as healthcare and air and sea transport.

After its discussions and having noted the importance of good communication on these matters, the Commission:

- adopted in principle the draft Decision, framework and Directive set out in C(2005)2673/2 and /3, C(2005)2674/2 and C(2005)2675 ;
- empowered the Commission Member responsible for competition to adopt definitively the texts in all the official Union languages.

16. RELATIONS WITH NON-MEMBER COUNTRIES

16.1. G8 SUMMIT (GLENEAGLES, 6-8 JULY)

The PRESIDENT reported on the main results of the G8 summit held at Gleneagles from 6 to 8 July. He emphasised the efficient preparation of the summit at sherpa level (with the help of the cabinets and departments concerned) and the Commission's active contribution to the success secured in the three priority aspects: aid for Africa, combating climate change and trade policy. The important commitment made for Africa would have to be implemented in a spirit of partnership with the beneficiary countries and would require efforts from them in terms of good governance, transparency and responsibility. The G8 results formed a good basis for the Union's position at the summit on the millennium development goals to be held in New York in September. Among the subjects covered by the discussions on climate change, the PRESIDENT highlighted the recognition by the United States of human responsibility for global warming and the urgent need for action and the approach concerning the emerging economies (Brazil, India, China, Mexico and South Africa) which involved launching a dialogue with these countries on climate change. The President concluded his presentation with a reference to the positive thrust of the statement on trade matters, the aim being to increase the chances of securing success at the WTO ministerial conference in Hong Kong in December.

The Commission took note of this information and congratulated the PRESIDENT on the success secured at Gleneagles. It held an exchange of views during which comments were made in particular on the following aspects:

- the importance of the statement on climate change and its binding nature;

- the need for a visible display of the role of the EU as the principal donor for Africa compared with other international bodies;
- the importance of developing dialogue and cooperation with the emerging countries in view of their development in certain sectors, particularly services, industry and efficient energy technologies;
- the initiatives that might be taken at Union level as regards relief from debts owed to the Community.

The PRESIDENT concluded by informing the meeting that energy and population, two subjects on which the Commission could make an important contribution, would be high on the agenda of the next G8 summit, to be chaired by Russia.

**16.2. EU-CHINA HIGH-LEVEL MEETING ON AIR TRANSPORT POLICY
(BEIJING, 29 JUNE TO 2 JULY)
(SEC(2005)977)**

Further to his information note on this subject, Mr BARROT briefed the Commission on the positive results of the first EU-China summit on civil aviation. Among the salient points of this meeting, he cited the joint declaration on beginning formal negotiations with a view to replacing the existing bilateral air service agreements. He also highlighted the intention of the two parties to start technical cooperation in matters of security, safety and air traffic management (SESAME). With reference to the next EU-China summit scheduled for September, Mr BARROT highlighted the need for strategic reflection on a sustainable partnership between the EU and China.

The Commission took note of this information and of the note distributed by M. BARROT.

16.3. VISIT BY MR PIEBALGS TO NORWAY (6 – 8 JULY)
(SEC(2005)982)

The Commission took note of the information note distributed by Mr PIEBALGS.

17. INTERINSTITUTIONAL RELATIONS

17.1. RELATIONS WITH PARLIAMENT

i) Plenary session of 4 to 7 July

(SP(2005)2820/2)

The Commission took note of the information supplied relating to Parliament's part-session of 4 to 7 July (SP(2005)2820/2).

ii) Action to be taken on Parliament's opinions

(SP(2005)2751)

The Commission approved the empowerment decisions relating to action to be taken on the amendments presented by Parliament under the codecision and consultation procedures requiring a single reading (SP(2005)2751).

17.2. RELATIONS WITH THE COUNCIL

(SI(2005)666)

iii) *Informal meeting of Employment and Social Policy Ministers (Belfast, 7 and 8 July)*

(SEC(2005)980)

The Commission took note of the information note distributed by Mr ŠPIDLA.

iv) *Economic and Financial Affairs (Brussels, 12 July)*

Financing of development

Mr KOVÁCS reported on the Council's discussions on the question of new sources of financing of official development aid. For the informal meeting of the Ministers of Economic and Financial Affairs in September, the Commission had been invited to prepare a new technical contribution taking further the study of alternative financing based on a voluntary (at Member State level) tax on air tickets, with two options involving either a voluntary contribution by air passengers or a compulsory levy.

Concluding a brief discussion by the Commission, the PRESIDENT tasked Mr KOVÁCS, in coordination with himself, with preparing a contribution looking more closely at the two options identified by the Council, with a view to consideration by the Commission at one of its first meetings after the summer recess. He also asked Mr KOVÁCS, in coordination with the Commission Members and departments concerned, including the Legal Service, to prepare a further document analysing any other possible alternatives.

Implementation of the stability and growth pact

Apart from other important topics tackled by the Council (Economic and Financial Affairs), in particular the strengthening of the action of the European Investment Bank in the Gaza Strip, Mr ALMUNIA noted that the Council had endorsed the Commission proposals concerning the excessive deficit situation of Italy and of Portugal, and reported on the procedures in progress concerning Germany and France.

v) ***Budget (Brussels, 15 July)***

Ms GRYBAUSKAITĖ reported on the latest developments concerning the 2006 budgetary procedure, a conciliation meeting being planned for Friday 15 July. She was concerned about the Council's intention to make swingeing cuts in some items including the Commission's administrative expenditure, which would have particularly serious consequences for new recruitments.

Furthermore, in the absence of agreement on the future financial perspective, Ms GRYBAUSKAITĖ foresaw difficulties arising if, within the Council and Parliament, large numbers of decisions were taken on financial allocations for individual sectors.

18. OTHER BUSINESS (CONTINUED FROM ITEM 11)

***18.1. KEY FIGURES 2005 ON SCIENCE, TECHNOLOGY AND INNOVATION
(SEC(2005)956)***

Mr POTOČNIK gave a brief explanation of the data set out in his information note reviewing research and development investment in Europe. Pointing out that these data had been discussed by the "Competitiveness" group of

Commissioners, he expressed concern about the low level of attractiveness of the European research area compared with the United States and other regions of the world. There was a need for an increased effort on the part of the EU in order to close the gap as soon as possible.

The Commission took note of this information and of the note distributed by Mr POTOČNIK.

18.2. LUXEMBOURG REFERENDUM ON THE CONSTITUTION

The PRESIDENT welcomed the positive outcome of the Luxembourg referendum on the Treaty establishing a Constitution for Europe, bringing to thirteen the number of Member States of the Union to have ratified the Constitutional Treaty. Reviewing the uncertainties concerning the future of the Constitution, he reiterated his firm conviction that the Union should not allow itself to be paralysed by institutional matters and should move forward. It was in that spirit, and in response to the call made by all the Member States at the European Council on 16 and 17 June, that the Commission had decided to give careful thought to the future of Europe and to make its own contribution to relaunching the European project. As announced, the Commission would begin this process with an initial exchange of views during a working lunch at its meeting on 20 July.

The Commission took note of this information.

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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 1220 hours.