



Brussels, 28 May 2013

Background note¹
COMPETITIVENESS COUNCIL
Brussels, 29 and 30 May 2013

*The sessions will be chaired by Mr **Richard Bruton**, Ireland's Minister for Jobs, Enterprise and Innovation, and Mr **Sean Sherlock**, Ireland's Minister of State responsible for the Research and Innovation portfolio.*

*On **Wednesday 29 May** (10.00), the Council will hold public debates on **audit reform** and on the modernisation of the **state aid rules** and their impact on EU competitiveness.*

*Ministers will also exchange views on several aspects of **copyright law** in the EU, including on a set of recommendations on private copying and reprography levies.*

*At a public session, ministers will assess the current difficulties that are facing several **industrial sectors** in Europe as a consequence of the economic crisis. They will also be informed by the Commission on the follow-up to initiatives carried out in support of those sectors.*

*Pursuing its efforts to relieve regulatory burden for the benefit of the competitiveness of EU companies, the Council is expected to adopt conclusions on **smart regulation**.*

*Furthermore, the Council will take stock of progress made regarding the **Single Market Act** actions, which is a set of priority measures aimed at increasing confidence and stimulating growth and jobs creation.*

*On **Thursday 30 May** (09.30), the morning meeting will be devoted to **space policy**, which will include the adoption of conclusions on space industrial policy and the consideration of a draft decision on a space surveillance programme.*

*In the afternoon, the Council will take note, during a public session, of the progress made on the ongoing negotiations of the multi-annual research programme "**Horizon 2020**". It will follow an update by the Irish presidency on the most outstanding issues that will contribute to pave the way for an early agreement with the European Parliament.*

*Ministers will hold a policy debate on **joint programming activities** carried out in the field of research. "Joint programming" is a process designed to ensure the optimisation of research efforts. It is a part of the new **European Research Area** landscape.*

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

*The Council is due to endorse a new EU strategy for enhancing **international cooperation** in the field of research and will be invited to approve conclusions on **high performance computing**.*

*Finally, it is expected to update the **mandate of the European Research Area Committee**.*

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Press conferences:

- *internal market and industry: Wednesday 29/5 at +/- 18.30;*
- *research, innovation and space: Thursday 30/5 at +/- 18.30.*

Press conferences and public deliberations can be followed by video streaming:

<http://video.consilium.europa.eu/>

INTERNAL MARKET and INDUSTRY

Modernisation of copyright laws

The Council will hold a public debate on several aspects contained in the EU's strategy to modernise copyright laws ([10667/11](#)). In particular, the debate is expected to focus on three key elements of the strategy: the copyright framework across the digital single market, the different national policies on private copying levies, and the collective management of copyright and multi-territorial licensing of online music.

- The copyright framework in the digital single market

Ministers will assess the progress made on the steps for establishing a modern copyright framework for the content of the digital single market that were put forward by the Commission in its communication of December 2012 ([17983/12](#)). The review of the copyright environment in Europe is deemed essential in order to achieve a well-functioning digital single market. It involves facilitating the creation of digital business models, providing with appropriate protection to creators and producers and ensuring certainty to commercial users and online consumers.

- Private copying levies

The debate will be based on a report commended by the Commission and a set of questions put forward by the Irish Presidency.

The report on private copying and reprography levies² was delivered by António Vitorino, former European commissioner for justice and home affairs, who will make a presentation to the ministers.

The report recommends two main streams of action: first, to foster increased reliance on licences and contractual arrangements as the best way to ensure that right holders are properly remunerated for their creative efforts and investments. Second, to considerer measures aimed at reconciling disparate national levy systems within the single market.

In order to structure the debate, the Presidency will invite delegations to elaborate on three aspects regarding: recent developments in the field of private copying and reprography in individual member states; the definition of the private copying exception and possible measures aimed at reducing the fragmentation of the internal market in this field ([9253/13](#)).

- Draft directive on collective management of copyright and multi-territorial licensing of rights in musical works for online uses

This draft directive is currently under examination by national experts within the Council.

² http://ec.europa.eu/internal_market/copyright/docs/levy_reform/130131_levies-vitorino-recommendations_en.pdf.

It pursues two complementary objectives: firstly, it aims to put in place an appropriate legal framework for the collective management of authors' rights by providing for rules ensuring improved governance and greater transparency of all collecting societies; secondly, it aims to facilitate the multi-territorial and multi-repertoire licensing by collecting societies of the rights of authors in their musical works for online uses within the internal market.

The Irish Presidency will provide Ministers with an update as well as present its progress report ([9281/13](#)).

Audit reform

Following a presentation by the Irish Presidency of a progress report, ministers will be invited to express views on outstanding issues of the ongoing reform aimed at improving audit rules in the EU. The outcome of the debate will provide political guidance for taking the reform forward.

The reform is being carried out on the basis of two Commission proposals covering on the one hand a revision of the Audit Directive ("Eighth Company Law Directive") ([16971/11](#)) and on the other a regulation on specific requirements regarding statutory audit of public-interest entities ([16972/11](#)).

During the public deliberation, the Presidency will invite ministers to elaborate on three main outstanding issues:

1. Mandatory rotation of auditors and audit firms of public interest entities

Having regard to the need to ensure the high quality of audit, including independence and objectivity of auditors in particular of public interest entities, the Commission in the regulation proposed provisions requiring the mandatory rotation of auditors and audit firms after a maximum period of 6 years which could, under certain exceptional circumstances, be extended to 8 years. It was also proposed that where a public-interest entity has appointed two or more statutory auditors or audit firms (joint audit), the maximum duration of the engagements will be 9 years and that on an exceptional basis, such duration may be extended to 12 years.

2. Restriction on the provision of related financial audit services and prohibition of non-audit services

In order to address the need to reinforce independence, the Commission proposed to limit the services that statutory auditors and audit firms of public interest entities are allowed to carry out emphasising that the auditor should focus on audit. To this end, it proposed to differentiate certain categories of services.

It proposed to limit the provision of related financial audit services to no more than 10 % of the fees paid by the audited entity for the statutory audit.

3. Cooperation of national audit oversight bodies

The draft regulation envisages EU-wide cooperation on auditor oversight between the national competent authorities take place within the European Securities and Markets Authority (ESMA).

The financial crisis highlighted weaknesses in the statutory audit especially with regard to public-interest entities, which are of significant public interest because of their business, their size, their number of employees or their corporate status.

The reform is intended to improve quality and independence of audits, to increase transparency and reinforce investors' confidence. It also seeks to reduce the current market concentration and lack of choice within the audit market.

Single Market Act

The Council will examine the state of play concerning pending legislation included in the *Single Market Act* packages, which are made up of priority measures aimed at the completion of the single market by increasing confidence and stimulating growth and jobs creation.

For this purpose, the Irish presidency will present an overview of the state of play regarding the measures of the Single Market Act I and II packages ([9365/13](#)).

These measures, to be adopted in co-legislation by the European Parliament and the Council, are currently at a different stage of the legislative process.

The *Single Market I* package includes actions such as the modernization of the public procurement and the review of the professional qualifications directive.

In April 2011, the Commission presented its communication "Single Market Act - Twelve levers to boost growth and strengthen confidence" ([9283/11](#)), which contains the identified actions to address the objective of re-launching the single market.

The *Single Market Act II* package is the second wave of priority proposals presented by the Commission in October 2012³ in order to supplement the first set of measures of the Single Market Act I. It includes the modernisation of EU insolvency rules, the deployment of high-speed broadband and the review of the product safety directive.

The Council looks forward to rapidly examining them, in close co-operation with the European Parliament and the Commission, in order to allow their adoption by the end of the current parliamentary cycle at the latest so as to bring new impetus to the internal market.

The Council adopted conclusions on the Single Market II last December ([16617/12](#)). In the conclusions, the Council highlights the necessity for the single market to rest upon a strong economic and social basis.

³ http://ec.europa.eu/internal_market/smact/docs/single-market-act2_en.pdf

All these instruments of growth, competitiveness and social progress will contribute to reducing barriers and to improving efficiency on the single market for businesses, citizens, consumers and workers.

EU heads of state and government are closely monitoring the process in the wider context of the European Growth Agenda.

Smart regulation

The Council is due to adopt conclusions on smart regulation, as a follow up to the communication on “EU regulatory fitness”, presented by the Commission on 12 December 2012 ([17784/12](#)) and the communication “Smart regulation: responding to the needs of small and medium-sized enterprises”, presented on 7 March 2013 ([7268/13](#)).

The conclusions ([9533/13](#)) will urge the implementation, by all actors involved, of measures contained in the communications leading to tangible reductions in the overall burden of regulation for businesses, especially small ones, as well as simplification for end-users.

Among other things, the conclusions will also call for drawing practical lessons from the online survey on the top ten EU most burdensome legislative acts for SMEs carried out by the Commission⁴.

At the last spring summit, EU heads of state or government called for action to reduce the overall burden of regulation at EU and national levels, whilst preserving the proper protection of consumers and employees. They instructed the member states and the Commission to take the work forward on smart regulation in the light of the Commission's communications, with a specific emphasis on the needs of SMEs.

Modernisation of state aid policy

During a public session, the Council will try to reach a political agreement on an update of two main regulations governing the EU's state aid rules: the “procedural regulation” and the “enabling regulation”.

These are a part of the broader reform initiated after the presentation of the Commission communication on the EU state aid modernisation ([10266/12](#)). The communication puts the single market at the centre of the reform and calls for more effective and efficient use of public finances to better sustain research and innovation, sustainable development, cohesion and other growth-oriented policies. It foresees the completion of the reform by the end of 2013.

The “procedural regulation⁵” sets out the rules concerning state aid investigations.

⁴ http://ec.europa.eu/enterprise/policies/sme/public-consultation-new/index_en.htm

⁵ [regulation 659/1999](#)

The update of the procedural regulation with regards to complaint-handling and market information tools seeks to better focus the Commission actions on cases with a significant impact on competition and trade in the internal market.

The “enabling regulation⁶” enables the Commission to adopt so-called “block exemption regulations for state aid”. Under these regulations, the Commission can declare specific categories of state aid compatible with the EU treaty if they fulfil certain conditions, thus exempting them from the requirement of prior notification and approval.

The changes to the enabling regulation will allow the Commission to apply a simplified control of certain categories of aid without weakening efficient supervision and monitoring. The enabling regulation would also cover new types of aid such as the aid granted to culture or the aid to repair the damage caused by natural disasters.

At its meeting of 10 December 2012, ministers agreed on the need to modernise state aid policy by setting objectives that support growth, employment and EU competitiveness, while contributing to member states' efforts towards more efficient use of public finances. They stressed that state aid should be designed to sustain and improve the competitiveness of European industry, taking into account the economic crisis and the worldwide context.

Monitoring of the industrial policy

At a public session, ministers will assess the situation of the European industry. They will also be informed by the Commission on the follow-up to initiatives carried out in support of certain industrial sectors that are facing particular difficulties as a result of the economic crisis.

Last December, the Council adopted conclusions on an update to industrial policy and its contribution to growth and economic recovery ([17566/12](#)).

The conclusions laid emphasis on four pillars: stimulating investment in innovative and new technologies; allowing EU companies to derive maximum benefit from the internal market and international markets; improving access to finance; and increasing investment in people and skills.

To this regards, the Council has underlined the importance of speeding up actions in strategic sectors with strong potential for underpinning competitiveness and job creation.

The conclusions were based on the Commission communication ([15168/12](#)) updating the flagship initiative on industrial policy and the ensuing ministerial discussions. The strategy of the Europe 2020 industrial policy flagship⁷ aims at strengthening Europe's industrial competitiveness and facilitating the transition to a low-carbon and resource efficient economy.

⁶ [regulation 994/1998](#)

⁷ "An integrated industrial policy for the globalisation era", 28 October 2010 ([15483/10](#)).

RESEARCH and INNOVATION

Horizon 2020: the framework programme for research and innovation (2014-2020)

The Council will take note of a progress report by the Presidency of the state of play of negotiations concerning the different parts of the Horizon 2020 programme ([9534/13](#)). It will follow an update by the Irish presidency on the most outstanding issues that will contribute to pave the way for an early agreement with the European Parliament.

Intensive work has been carried out during the past months by the Irish Presidency with EU national experts and the Commission with the purpose to facilitate an agreement in first-reading with the European Parliament before the end of June.

On 31 May 2012, the Council reached an agreement on a partial general approach on the "Horizon 2020 framework programme" ([10663/12](#)). At that occasion, the Council also took note of a report ([10219/12](#)) on the progress made concerning the other three parts of the package: the specific programme implementing Horizon 2020, the rules of participation in research projects and the Euratom programme.

On 10 October 2012, the Council reached an agreement on a partial general approach on the rules for participation, as well as on an amended regulation of the EIT.

Horizon 2020 will replace the EU's 7th research framework programme (FP7), which runs until the end of 2013. The new framework for research is expected to eliminate fragmentation in this field and to ensure more coherence. Horizon 2020 builds upon the current FP7 concept, the Competitiveness and Innovation Programme and the EIT.

As compared to FP7, Horizon 2020 has a number of new features that make it fit for purpose to promote growth and tackle societal challenges.

The Commission presented the several components of the Horizon 2020 on 30 November 2011: http://ec.europa.eu/research/horizon2020/index_en.cfm

EU international cooperation in research and innovation

By means of conclusions, the Council will endorse a new EU strategy for enhancing international cooperation in research and innovation ([9701/13](#)).

The new strategy, which was presented by the Commission during the Council meeting of 11 December 2012, will focus on: 1) Strengthening the Union's excellence and attractiveness in

research and innovation as well as its economic and industrial competitiveness; 2) Tackling global societal challenges; and 3) Supporting the Union's external policies ([14000/12](#)).

The conclusions will call on for its implementation by, *inter alia*, developing strategic roadmaps for cooperation with third countries and regions and associating those roadmaps with the implementation of the Horizon 2020 research framework programme.

The EU's framework programmes for research have already played an important role in supporting research and innovation cooperation between the EU and its member states and countries outside the Union. However, as the mid-term review of the 7th research framework programme pointed out, Europe's efforts in the field of international cooperation need to be intensified and more strategically focused.

For this reason, many delegations have underlined the need to apply a more strategic vision for the future development of international partnerships under the next framework programme Horizon 2020.

Joint Programming of research projects

The Council will hold a policy debate on joint programming activities carried out in the field of research.

Joint programming is a process designed to ensure the optimisation of research efforts. It aims to reinforce cross-border cooperation and the coordination and alignment of national publicly funded research programmes. It is a part of the new European Research Area landscape (ERA).

In order to structure the debate, the Presidency will submit a discussion note ([9258/13](#)) and will invite ministers to express views on:

- national plans and commitments to take joint programming initiatives forward;
- how to ensure that joint programming initiatives achieve a maximum societal impact, and
- how to implement swiftly the joint programming strategic research agendas.

Since 2009, 10 joint programming initiatives have been launched in order to address specific societal challenges facing Europe such as neurodegenerative diseases, climate change, urban development, etc.

The Presidency organized a conference on Joint Programming in Dublin on 28 February and 1 March, gathering national policy makers, programme managers and institutional representatives to discuss the achievements so far and the steps for the future. A copy of the final report of conference will be delivered to the Council⁸.

Last December, the Council adopted conclusions on the ERA and the key elements that should lead to its successful achievement, thereby creating a single market for knowledge and improving the mobility of researchers and the attractiveness of Europe for foreign researchers.

⁸ http://jpic2013.conference-websites.co.uk/files/2013/05/DublinReport_final.pdf

The European Council called for the completion of the ERA by 2014.

High performance computing

The Council will be invited to adopt conclusions related to the Commission communication entitled "High Performance Computing: Europe's place in a Global Race".

In its conclusions of 17 May 2010 ([9451/10](#)) on various issues related to the development of the ERA, the Council asked for further development of computing infrastructures, such as PRACE⁹;

In its conclusions of 3 December 2009 ([17190/09](#)) the Council invited the member states to have more coordinated investments in HPC and invited the Commission to propose financial incentives for jointly developing and sharing research infrastructures in computing, to pool their investments in HPC under PRACE, and to strengthen the position of European industry and academia in the use, development and manufacturing of advanced computing products, services and technologies.

European Research Area Committee: updated mandate

The Council will update the mandate of the European Research Area Committee by means of a resolution.

This committee is a policy advisory body whose mission is to provide strategic input to the Council, the Commission and the member states on any research and innovation issue relevant to the development of the ERA¹⁰.

The Council will entrust the committee with the implementation of the recommendations included in the committee's report of 18 April 2013 ([ERAC 1201/13](#)).

The Committee will also change its name to European Research Area and Innovation Committee in order to reflect the growing importance of research-related innovation.

⁹ PRACE (Partnership for Advanced Computing in Europe) is a project to create a pan-European research infrastructure for high performance computing: <http://www.prace-ri.eu/>

¹⁰ <http://www.consilium.europa.eu/policies/era/erac?lang=en>

SPACE POLICY

EU space industrial policy

The Council will be invited to adopt conclusions on space industrial policy.

In the draft conclusions, the Council welcomes the communication from the Commission entitled “EU Space Industrial Policy: releasing the potential for economic growth in the space sector” ([6950/13](#)), released on 28 February, as a useful basis for upcoming discussions.

The communication indicates five objectives upon which the EU space industrial policy should be centred:

- establish a coherent and stable regulatory framework;
- further develop a competitive, solid, efficient and balanced industrial base in Europe and support SME participation;
- support the global competitiveness of the EU space industry by encouraging the sector to become more cost-efficient along the value chain;
- develop markets for space applications and services, and
- ensure technological non-dependence and an independent access to space.

The conclusions will acknowledge the success of the European space industry in the global commercial market and the achievements of the European Space Agency (ESA¹¹) and the EU member states in the development of a strong space sector. However, they will also highlight a number of challenges which need to be addressed in the context of the development of a world-class, globally competitive European space industry.

Moreover, the conclusions will reaffirm the commitment to ensuring an effective space situational awareness capability at European level.

European space policy governance is based on three main actors: the EU, the ESA and their respective member states. The EU competence in space established by the entry into force of the Lisbon Treaty in December 2009 strengthens the political dimension of space in Europe.

In its conclusions of 31 May 2011 “Towards a space strategy for the EU that benefits its citizens”, the Council stated that space industrial policy should be drawn up, in close cooperation with the ESA and the member states, to promote a competitive space industry in Europe. It also emphasized that space activities and applications constitute a significant and concrete contribution to the Europe 2020 strategy for the creation of growth and the promotion of new job opportunities.

¹¹ <http://www.esa.int>

Space surveillance and tracking programme

The Council will take note of a report on the progress made concerning a draft decision aimed at establishing a surveillance and tracking support programme for the space.

Last February, the Commission transmitted to the Council and the European Parliament the proposal setting out an organisational framework for the setting up and operation of a European space surveillance and tracking service ([6952/13](#) + [ADD1](#)).

Space infrastructures are increasingly threatened by collision risks due to the growing population of satellites or the increasing amount of space debris.

In order to mitigate the risk of collision it is necessary to identify and monitor satellites and space debris, catalogue their positions, and track their movements when a potential risk of collision has been identified so that satellite operators can be alerted to move their satellites. This activity is known as space surveillance and tracking (SST).

As operational SST services at European level do not exist, European satellite operators rely today to a large extent on US SST information. The need for a proper SST capability to improve the provision of SST information at European level has been highlighted in several Council conclusions.

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