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1. Mission statement

The mission of the Directorate General for Competition is to enforce the competition rules of the Community Treaties, in order to ensure that competition in the EU market is not distorted, thereby contributing to the welfare of consumers and to the competitiveness of the European economy.

Open and competitive markets are an important means to increase the competitiveness of industry, stimulate technological development and innovation, and to provide consumers with lower prices, larger choice and better quality goods. European Competition policy in particular is also a key instrument to avoid that public barriers to trade, which are abolished by the Community, are re-established in the form of private agreements, self regulation, public regulation or State aids that interfere with the principle of an open market economy with free competition. This is crucial for the creation of a single market.

The principal instruments available to DG COMP for accomplishing its mission are the enforcement of the competition rules on anti-trust, merger control and control of State aid, as well as developing competition legislation and guidance. In addition to the actual enforcement of competition rules, a key aspect of DG COMP’s future mission is to contribute to the shaping of other EU policies and national regulatory frameworks in order to promote a regime favorable to competition (competition advocacy).

2. Framework and General Objectives

2.1 Framework.

The year 2004 was one of major changes which directly affect the strategic priorities of DG COMP: enlargement of the EU to 25 members, the modernization of competition rules, the arrival in November of a new Commission, and the internal re-organization of the DG as a consequence of modernization. It is against this backdrop that DG COMP defines its general objectives for 2005, taking into account the Annual Policy Strategy Decision (APS) of the Commission for 2005 and the political priorities defined by the new Commission.

In its APS 2005 decision, which was welcomed by the European Parliament and the Council during its review in September 2004, the Commission highlighted an upturn in growth as the central policy objective, striving to improve the competitiveness of the European model while maintaining prosperity, employment, cohesion and environmental protection. The accession of ten new Member States has added a further geographical dimension to the goal of improving economic growth in the internal market.

To that purpose the key objective in the political agenda of the new Commission is to reinvigorate the Lisbon process launched by the European Council in 2000, whose overall aim is to make the EU the most dynamic and competitive knowledge-based economy in the world. The Commission will take into account the recommendations made by the High Level Group chaired by Mr. Wim Kok regarding the attainment of the Lisbon objectives.¹

In support of the competitiveness framework laid down in the APS 2005, the Commission will make progress with its ambitious legislative review process in competition policy, particularly in the field of State aid, and will pursue the modernization of anti-trust rules and substantial reforms on merger control started in 2004. In this context, the Commission intends to take forward pro-active enforcement of competition rules across the EU.

Together with the rigorous application of competition policy, the screening of European legislation in various economic sectors, such as liberalized network industries and financial services, in order to gauge its competitive impact, can have a very positive influence on the competitiveness and growth of

the European economy and on the functioning of the internal market, reinforcing the interests and confidence of consumers.

Competition policy can make an important contribution to making the EU economies more dynamic and delivering the Lisbon objectives. Among the five priority policy areas identified in the Kok report as being key to the realization of the Lisbon objectives, competition policy can make important contributions in three respects:

**Promoting the knowledge society.** A strong competitive pressure provides powerful incentives for companies to continuously engage in innovation and research and development (R&D). By strengthening the incentives for innovation while focusing on those restrictions that can seriously hinder competition, competition policy can contribute to making the EU economies more dynamic and thus help to deliver the Lisbon objectives. In particular State-aid policy may contribute to the knowledge society by better targeting the possibilities of public supports in fields like research and development, innovation and training.

**Fostering the internal market.** Twelve years after its completion on paper, the internal market has not yet realized its full potential. One reason is that there is no automatic link between removal of barriers to cross-border trade and effective competition. Both the regulatory framework and its enforcement have to create an environment which actually induces and favors competition, new entry and innovation. Competition policy can contribute to the better functioning of the internal market by way both of enforcement and competition advocacy. These can be particularly relevant in sectors which are key to the Lisbon agenda, because they concern essential inputs for the European economy. Open and competitive European markets will make European companies more competitive internationally to the benefit of European consumers and European employment. The very enforcement of competition rules, which is intended to remove the major obstacles to market competition, helps to create sound conditions for growth.

**Promoting a favorable business climate.** Competition policy can make a significant contribution to creating conditions that are favorable to business. State aid rules play an important role in the efforts to increase the availability of risk capital for start-ups and small and medium-sized enterprises. Also, international competition policy helps develop global coherence and the predictability that business needs. Finally, competition principles can allow screening new and existing regulatory frameworks in other important policy areas, so as to ensure that regulation does not unnecessarily curb competition. Competition advocacy can thus help shape EU and national regulatory frameworks to promote a regime favorable to competition and competitiveness.
2.2 General objectives.

In view of the key contribution that competition policy can make to the Lisbon process, DG COMP will define its priorities and focus its actions with a view to attaining the Lisbon objectives, particularly that of economic growth, taking into account enlargement of the EU to 25 members and the recommendations made in the “Kok Report”. Consequently, in the next years DG COMP will pursue the following general objectives:

2.2.1 To define enforcement priorities and focus enforcement actions on the most harmful anti-competitive practices for the European economy. The new Anti-trust and Merger Regulations will allow DG COMP to better prioritize its enforcement activity, in order to focus on the most harmful practices and mergers in terms of impact on consumer welfare. In the field of anti-trust, the new Regulation n° 1/2003, has created a new enforcement system where the Commission and Member States are both competent to fully apply EU competition rules. To that effect, the Commission and the 25 Member States have created a European Competition Network (ECN) where DG COMP has a central role. This creates a substantial potential for a more effective and proactive enforcement of the EU Competition rules. However, it will require a better surveillance of markets in order to identify those practices which are likely to create the greatest harm to competition and the consumer. The new Regulation was also the first step to strengthen private enforcement before national courts by giving them the power to also apply Article 81(3).

Enforcement shall continue to concentrate on cartels, abuses of dominant position, incompatible State aid and enforcement of competition rules in recently liberalized and other regulated sectors of the economy. In the field of Merger Control, the new Regulation has enhanced the possibilities to refer cases from Member States to the Commission and vice versa, which should facilitate the Commission’s focusing its enforcement activities on cases that have a clear cross-border impact. Moreover, the new substantive test for a “significant impediment to effective competition” has clarified that all anti-competitive mergers are covered by the new Regulation.

Further development of competition policy instruments will allow DG COMP to optimize enforcement. In this regard, DG COMP should strive to improve the transparency of its competition policy and predictability of its enforcement activities. In the field of State aid, DG COMP will particularly focus on the enforcement of negative decisions and the reimbursement on incompatible State aid. Moreover, improved international cooperation, both bilateral and multilateral, will continue to be crucial to guarantee the effectiveness of European competition policy towards anti-competitive practices having an international scope.

2.2.2 To enhance competitiveness within the EU by helping to shape the regulatory framework. Regulation, at both Community and national level, may unnecessarily and unintentionally hold back competition and curb the potential of the internal market (for instance through excessive “red-tape” or through legislation that has been instituted in order to pursue other public policy objectives). Competition advocacy and policy screening should be used to influence national and EU legislation in order to ensure that safeguarding competitive markets is given due consideration.

Competition rules in the field of State-aid control should be reviewed to ensure that they better take into account the specific market failures affecting the level of EU investment in R&D and access to risk capital, on the one hand, and the persistence of disparities in regional development, on the other. The results of this work could concretely support the Commission’s efforts to favor innovation. The adaptation of the regulatory regime regarding State aid control will provide a direct contribution to the priorities highlighted by the Kok report.

2.2.3 To focus action on key sectors for the internal market and the Lisbon agenda. In particular, emphasis should be put on removing obstacles to competition in the recently liberalized sectors’
as well as certain other regulated sectors. The recently liberalized sectors, notably telecommunications, postal services, energy, and transport, provide essential inputs to many other economic sectors and are of key importance for Europe’s competitiveness. Liberalization has a positive effect on the consumer, opening up the possibility for an increased number of service providers to compete, which should normally lead to a larger choice, better quality and lower prices for consumers. A good example of the benefits of liberalization for the citizen is the evolution of the telecommunications sector in the last 10 years.

The recently liberalized sectors, however, are affected by various distortions to competition, ranging from harmful commercial behavior of the undertakings concerned to inadequate regulation or even State aids. Due consideration should be given to the fact that these sectors may be characterized by public service obligations, as regards the provision of services of general economic interest (SGEI), which must be ensured. Nevertheless, the Commission has to ensure that subsidies granted for the functioning of these public services do not exceed what is needed. Moreover, it is necessary to be more explicit in identifying which problems are most appropriately solved through the application of competition law. In this regard it is important to strive for an integrated regulatory and enforcement policy to sectors.

Furthermore, leaving traditional monopolies aside, a number of other sectors that are important for the global competitiveness of Europe's economy feature considerable self-regulation or a mix of self-regulation and regulation by the State. This is the case in particular of financial services. Creating an efficient and liquid capital market is one of the key objectives of the Financial Services Action Plan². A number of internal market policy initiatives, culminating in the new Investment Service Directive, were launched during the last Commission term to remove barriers to cross-border securities trading and facilitate competition between investment firms. Competition policy constitutes an important complement to this liberalization process. In addition, retail financial services play a major role in the everyday life of European Union citizens. These services must be provided under competitive conditions, which means that the individual consumer has a larger choice of products and services of a higher quality at the best possible price.

3. Resources

After 4 years of significant reinforcements in human resources between 2000 and 2004, a relative stabilization of our staff levels is now evident. This new trend can only be sustained through new working methods, especially in view of the increased workload that will necessarily follow enlargement. In 2005, DG COMP will receive approximately 30 extra staff in relation to enlargement.

As to financial resources, in 2005 DG COMP has been allocated 13,845,408 Euros for administrative expenditure. This budget can be considered sufficient to support DG COMP's operations, in the framework of the general budget constraints. Budget execution has traditionally been close to 100%. New needs can only be met through strict financial management and constant redeployment of resources towards the priorities. In 2005, another 800,000 Euros have been allocated to DG COMP under operational expenditures. They are intended for the training of national judges and the creation of networks among them. Improving cooperation amongst judges handling EU competition law cases is of great importance in view of the aim of Regulation 1/2003 to ensure greater involvement of Member States’ courts in the application of Articles 81 and 82.

The tables below summarize the resources, human and financial, that DG COMP will dispose of in order to fulfill its tasks in 2005. It should be underlined that, although it is not its primary objective, as a byproduct of its enforcement activities, DG COMP generates resources that contribute to the Community's finances and which may amount to hundreds of millions of Euros in a given year.

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### Human Resources (person years)

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</tr>
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<td>Competition</td>
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<tr>
<td><strong>Total</strong></td>
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<td>14,645,408</td>
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4. Activity-Based Budgeting (ABB) Activities

According to the structure used for Activity Based Management (ABM), DG Competition’s work is divided into the following activities:

- Mergers, anti-trust, market liberalisation and cartels.
- Control of State aid
- International co-operation
- Policy, strategy and coordination
- Administrative support

After the reorganization of the DG in 2003/2004, these activities are carried out by ten directorates. Directorate A is the horizontal directorate dealing with competition policy, coordination, the European Competition Network, international affairs and relations with other Institutions. Directorates B to F deal with anti-trust and merger cases. Directorates G, H and I deal with State aid. Directorate R is in charge of strategic planning, resources and information/communication.

4.1 Activity "Anti-trust, mergers, liberalization and cartels"

This activity involves the application of Articles 81, 82 and 86 of the Treaty Establishing the European Community (TEC) and derived legislation, notably the Anti-trust Regulation and the EC Merger Regulation. It is important to note that for formal reasons, this title groups three areas that together make up the majority of the work of DG COMP, namely anti-trust (which includes cartels and other anticompetitive practices), mergers and liberalization.

The aim of anti-trust law enforcement under Articles 81 and 82 is to ensure that companies compete on their merits rather than engaging in anti-competitive conduct. Article 81 prohibits anti-competitive agreements in the common market. One of DG COMP’s priorities in this area will be to identify, investigate, dismantle and impose fines on firms participating in cartels.

Cartels are illegal arrangements between competing firms designed to limit or eliminate competition between them with the objective of raising prices and profits, without producing any objective countervailing benefits. Cartels usually involve agreements to fix prices, limit output, share markets, allocate customers and/or territories among firms, rig bids and/or a combination of any of these, and as such represent the most pernicious form of violation to Article 81, since they have a direct negative effect on consumers.

Article 82 forbids the abuse of a dominant position within the common market or a substantial part of it. Firms that abuse their dominant position may restrict access to a certain market and limit competition by other firms, a conduct that may result in higher prices, less variety and/or lower quality of products, to the detriment of consumers.

Merger control is primarily aimed at preventing the emergence of market structures which are not conducive to effective competition, or the deterioration of market structures which are already less than effectively competitive. In terms of procedure the EC Merger Regulation guarantees efficient enforcement by providing a “one-stop-shop” service for merging companies, which involves a rapid assessment and clearance of non-problematic mergers.

Liberalization involves the application of article 86 TEC, which establishes the applicability of competition rules to public undertakings and those to which Member States grant special or exclusive rights, including undertakings entrusted with the operation of services of general public interest. The application of this article, together with articles 81 and 82 TEC, also plays an important role in sectors which have recently been liberalized by complementing the regulatory reforms. In particular competition policy prevents incumbents from raising new barriers or protecting themselves against emerging competition after State barriers have been removed.
Specific objectives for this ABB activity.

Expected impact of the ABB Activity in 2005:

- Increased competition in the common market.
- Increased consumer welfare
- Enhanced competitiveness of European industry
- Enhanced effectiveness of action at EU level

Impact indicators:

- Number of leniency applications by firms: indicates success of COM’s leniency policy in motivating firms to denounce cartels. May be monitored on a yearly basis.
- Evolution of number of providers or of consumers changing suppliers in the recently liberalized sectors: indicates positive effect of enhanced competition for consumers. Monitored on a multi-annual basis.
- Turnover of markets affected by anti-trust decisions: indicates the scope of the policy.
- Turnover of markets affected by corrective merger decisions (remedies or prohibitions). Indicates scope of policy.
- Turnover of markets affected by regulatory initiatives. Idem.
- Turnover of product markets affected by cartel decisions. Idem.

4.1.1 Objective “Concentrate on enforcement actions that have a high impact in terms of safeguarding/restoring effective competition within the EU”.

Anti-competitive practices that hinder effective competition and keep prices artificially high, such as cartels, inflict a direct damage on consumers as well as industries purchasing the overprized products as inputs, which in turn endangers their competitiveness. Restoring effective competition to the markets is essential in order to prevent companies from keeping prices at artificially high levels, to provide an incentive for innovation, better quality and service.

This specific objective is related to General Objective 2.2.1 “To focus enforcement on the most harmful anti-competitive practices for the European economy”.

Major actions contributing to the objective:

- Investigating, as a priority, cartels, abuses of dominant positions and other anticompetitive practices that have a clear impact on consumer welfare.
- Carrying out sector inquiries where there are signs of dysfunctional markets.
- Contributing to the good functioning of the European Competition Network (ECN), ensuring that the Community competition rules are applied consistently throughout the internal market.

Output indicator(s):

(Cartels)
- Review of the Leniency Notice, including an Annex on procedures for handling corporate statements
- Methodology to launch ex-officio cartel investigations.
- Approximately 15 Statements of objections and/or decisions adopted in cartel cases.

(Abuses of dominant position)
- Investigation in the pharmaceutical sector.
- Investigation in the information industries.
- Investigation on the behavior of dominant players in the chemical sector.
(Other anti-competitive behavior in anti-trust)
- Investigation of restrictive practices in the pharmaceutical sector.
- Investigation of international mobile telecommunications services (voice, SMS, MMS).
- Investigation in the media markets.
- Investigation into impediments to EU wide on-line licensing by competing collecting societies.
- Investigation into obstacles to parallel trade in the car sector.
- Investigations regarding obstacles to parallel trade and to multi-branding in the car sector as well as artificial entry barriers to the authorized repair network.
- Investigation into restrictive agreements in the rough diamond sector.

(Sectoral enquiries and market monitoring activities)
- Analysis of the European pharmaceutical sector and the new media markets.

The specific output indicators concerning liberalized network industries and financial services are listed under specific objective 4.1.3 below.

4.1.2 Objective “Use the instruments provided by the new Merger Regulation in order to prevent the anti-competitive effects of mergers and further increase the effectiveness and efficiency of merger control.”

Under the Merger Regulation the Commission has exclusive competence to assess concentrations with a Community dimension. Mergers that do not have Community dimension are in principle dealt with at Member State level. However, recent changes to the Merger Regulation have improved the scope for re-allocating cases from the national competition authorities (NCA) to the Commission and vice versa. In order to facilitate the operation of this new framework which entered into force on 1 May 2004, a Merger Network has been created, comprising the Commission and the NCA. Besides the core assessment function, DG COMP’s activities in the field of mergers will continue to focus on providing guidance for the legal and business community and on enhancing the transparency and predictability of merger control as essential factors for business in Europe.

This specific objective is related to General Objective 2.2.1 “To focus enforcement on the most harmful anti-competitive practices for the European economy”.

Major action(s) contributing to the objective:
- Focus enforcement action on concentrations that are likely to impede effective competition and provide rapid assessment of remaining cases, using simplified procedures when appropriate.
- Ensure effective remedial action of anti-competitive mergers and monitor effective compliance with remedies submitted.
- Make appropriate use of the new referral mechanisms of merger cases between the Commission and Member States to reduce the number of multiple notifications and ensure that the Commission enforcement action focuses on cases with cross-border effects.
- Co-operate with NCA to ensure coherent approaches between EU and national merger procedures, both within the EU and at international level.
Output Indicator(s):

- On the basis of the activity in 2004 it is forecast that the Commission might have to make about 200 first phase (Article 6.1) decisions in 2005, of which about 15 may require corrective intervention ("remedies") by the Commission.
- On the basis of the activity in 2004 it is forecast that the Commission might have to make up to 8 (Article 8) decisions in phase II cases.
- 18 contributions to the defense in CFI or ECJ cases.

4.1.3 Objective “Focus action on the liberalized network industries and financial services.”

The liberalization of certain markets where competition is restricted or even excluded by exclusive or special rights granted to undertakings – such as those for energy, transport, telecommunications and postal markets, but also financial services -- has become an important priority in the last decade. The aim of liberalization is to turn these into competition-driven markets that will enhance competitiveness and innovation in the EU to the benefit of consumers and the European economy as a whole. At the same time, universal public services, to which all citizens should have equal access at affordable prices, must be safeguarded in areas where market forces are inadequate.

This specific objective is related to General Objective 2.2.3 “To focus action on key sectors for the internal market and the Lisbon agenda”.

Major action(s) contributing to the objective:

- Address key issues to improve competition in the liberalized network industries and financial services, in particular non-discriminatory access to infrastructure, and full and proper transposition of legislation.
- Cooperation with National Regulatory and Competition Authorities to deal with regulatory and other competition issues.

Output indicator(s):

Energy markets:

- Conclusion of proceedings on territorial restrictions in long-term gas supply agreements and access to flexibility instruments and definition of a general approach to deal with such clauses in gas contracts in the new Member States.
- Sector inquiry into the electricity market.

Telecommunications and postal markets:

- Investigations into high-speed internet access.
- Investigations into the conduct of incumbent postal operators in non-reserved markets.
- Examine approximately 120 notifications pursuant to article 7 of Directive 2002/21 EC in the electronic communications industries.

Transport markets:

- Investigations into passenger air travel alliances.
- An amended regulation to replace Regulation 1617/93 concerning agreements and concerted practices in the air transport sector.
- Bring together National Competition Authorities and Regulatory Bodies to encourage best practices for cooperation and identify concrete cases for enforcement in the railways sector.

Financial markets:

- Sector inquiry into consumer banking and insurance.
- Investigation against a cartel in the banking sector.
- Article 82 investigations on cross-border competition in securities trading.
4.1.4 Objective “Helping to shape the regulatory framework to promote competition.”

Regulatory obstacles to competition have the potential of causing considerable harm to consumers. DG COMP must therefore engage in competition advocacy so as to ensure that regulatory measures do not unduly and disproportionately interfere with the competitive process of markets. Moreover, it is an important task for the Commission to adopt general competition policy instruments such as guidelines and block exemptions, that provide guidance to the legal and business community, thereby improving predictability in the application of the Community competition rules. Such general instruments may be sector specific or of a general nature. The latter are dealt with in section 4.4.1 below.

This specific objective is related to General Objective 2.2.1 “To focus enforcement on the most harmful anti-competitive practices for the European economy” and to General Objective 2.2.2, “To enhance competitiveness within the EU by helping to shape the regulatory framework”.

Major action(s) contributing to the objective within particular sectors:

- Contributing to the drafting of legislative proposals, Commission notices and guidelines, and general publications originating from other services of the Commission.
- Contributing to shaping national regulatory frameworks.

Output Indicator(s):

- Adoption of a Commission Services’ Working Paper reviewing the application of the competition and internal market rules to the water sector.
- A Commission proposal to the Council for abolishing the block exemption Council Regulation 4056/86 laying down detailed rules for the application of Articles 81 and 82 to the maritime sector (“the price fixing Regulation”).
- DG Competition will report on progress as regards removing unjustified restrictions governing professional services in the EU, both within Member States’ legislation and in the professions’ own rules, on the basis of the exercise launched in 2004.
- An amended block exemption Council Regulation 823/2000 to replace the consortia block exemption that will expire in April 2005 concerning certain categories of agreements, decisions and concerted practices between liner shipping companies (consortia).
- Rules incorporating competition oriented principles in the upcoming reforms of several agricultural Common Market Organizations.
- Contribution to the revision of the “Crop protection” Directive 91/414 EEC and to the Reach Programme.

The specific output indicators concerning liberalized network industries and financial services are listed under section 4.1.3 above.

Resources by ABB activity

**Human Resources (person years)**

<table>
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<tr>
<th>Type</th>
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<th>D</th>
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<th>Other</th>
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### Financial Resources (€)

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<td>Competition</td>
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<td>Management and support (Centrally managed)</td>
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<td>Management and support (DG managed)</td>
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4.2 ABB Activity "Control of State Aid"

The control of State aid focuses on the negative effects on trade and competition which may result from aid granted by Member States to undertakings. In line with the policy objectives of the European Council, the Commission seeks to ensure that aids which most distort competition in the internal market are progressively eliminated, and that where aid is granted it is in proportion to its aims and focused on horizontal objectives of Community interest, in particular those contributing to the Lisbon agenda such as cohesion, employment, environmental protection, promotion of research and development and development of small and medium-sized enterprises (SMEs). Particular attention is given to ensuring that the beneficial effects of liberalization are not undermined by State-aid measures. Control of State aid involves case-handling activity and the elaboration of regulatory instruments such as Council or Commission Regulations, as well as other legal texts.

**Specific objectives for this ABB activity.**

*Expected impact of ABB activity (impact indicator/s):*

- Less and better-focused State aid in an enlarged Union: the target is to progressively reduce the overall level of State aid expressed as percentage of GDP with a view to making state intervention in the form of state aid the clear exception.

- Achieve a larger proportion of State aid that can be accepted despite its distortive effects on competition and intra-community trade because it enhances cohesion, employment, environmental protection, promotion of research and development and development of small and medium-sized enterprises. Target: to increase the percentage of State aid granted for horizontal objectives from 73% of total aid granted in 2002 to close to 100% in 2010.

**4.2.1 Objective “Effective enforcement actions in the enlarged EU, with particular focus on the most distortive types of aid.”**

While facilitating well-targeted aid in support of the Lisbon priorities, the enforcement activity in the field of State aid must be stepped up and focus on those aid measures that may lead to the largest misallocation of resources. Particular attention will be paid to delayed re-orientation of aid to horizontal objectives in the new Member States, aid to ailing firms, investment aid to large enterprises under the multi-sectoral framework (MSF), and certain fiscal measures. In order to maintain the credibility of the Commission’s State aid policy DG COMP will strengthen its ex-post monitoring of the Commission’s State aid decisions and its actions to ensure an effective execution of recovery decisions.

This specific objective is related to General Objective 2.2.1 “To focus enforcement on the most harmful anti-competitive practices for the European economy”

*Major action(s) contributing to the objective:*

- Focus enforcement action on cases that are most likely to distort competition and intra-community trade.
- Ensure effective remedial action in cases of incompatible State-aids and monitor effective compliance with decisions and measures.

*Output indicator(s):*

- Adoption of at least 5 decisions implementing the new framework for rescue and restructuring.
- Decisions on notified Multi-Sectoral Framework cases and monitoring of compliance with decisions.
- Investigations into off-shore and inter-group fiscal aid cases.
- Finalization by end of 2005 of all the cases relating to transitional measures in the steel and ship building sectors in the new Member States.
4.2.2 Objective “Focus State aid control on sectors that are key to the development of the internal market and the competitiveness of the EU economy”

Particular attention should be devoted to State intervention in recently liberalized sectors and network industries that largely contribute to the effective working of the internal market and the overall competitiveness of the EU economy, such as energy and telecommunications, with special regard to those that involve public service obligations.

This specific objective is related to General Objective 2.2.3 “To focus action on key sectors for the internal market and the Lisbon agenda”.

Major action(s) contributing to the objective

- Focus enforcement action on key cases for the Lisbon agenda.

Output indicator(s):

- Closing all pending stranded cost cases in the energy sector in the EU 25 by end of 2005.
- Adoption of at least three decisions on the financing of postal public service operations.
- Various cases in the field of broadband.
- Adoption of 2 final decisions on other cases of aid to telecommunications companies by end of 2005.
- Preliminary or final decisions in 8 of the open broadcasting cases.

4.2.3 Objective “Review the EU and national regulatory framework, including in new Member States, to reduce overall aid levels and promote better targeted aid in the pursuit of the Lisbon objectives.”

In line with the Lisbon objectives and taking account of enlargement, a simplified and consistent legislative framework will be developed to facilitate aid measures that better respond to sound economic principles and are well targeted at increasing cohesion in the EU and at correcting market failures – particularly in the field of innovation, R&D, and access to risk capital for SMEs. The revision of substantive rules must also include a framework for State intervention in the field of services of general economic interest (SGEI). An effective contribution of competition policy to shaping the regulatory framework must place particular emphasis on the new Member States, enhanced transparency in State interventions and vigorous competition advocacy.

This objective is related to the two General Objectives 2.2.2 “To enhance competitiveness within the EU by helping to shape the regulatory framework”.

Major actions contributing to the objective:

- Undertake a review of the legislative and regulatory framework in a number of areas, including administrative rules and practices to enhance the economic analysis of cases.
- Contribute to environmental policy development in the post-Kyoto process.
- Continued monitoring of compliance with the acquis and the enforcement record of candidate countries.
- Contribute to enhancing the transparency of State interventions.

Output Indicator(s):

- Communication on the future of State aid control.
- Review of Regional Aid Guidelines and Research & Development Guidelines.
- Communication on State aid and Innovation, to review the system of State aid control and identify the need for changes to make it more innovation-friendly.
- Review of the Communication on risk capital.
- Adoption of a framework on SGEI and an exemption for small-scale services of general interest
- A draft single consolidated block exemption Regulation.
- Amendment of the Commission Regulation on de minimis State aid to take account of inflation.
- A review summarising the experience with environmental State aid.
Establishment of criteria for the treatment of recovery cases.
Finalization by end of 2005 of all cases initially submitted under the *interim* mechanism in the new member States.
Further development of benchmarking of the effectiveness of aid in co-operation with Member States and other services, including the State-aid scoreboard.

**Resources by ABB activity**

**Human Resources (person years)**

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<th>Type</th>
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**Financial Resources (€)**

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<td>Management and support (DG managed)</td>
<td>Competition</td>
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4.3 Activity "International Cooperation"

The increasing integration of the world economy makes it essential for the Commission to cooperate with competition authorities outside the EU, as reflected by the rise in multi-jurisdictional mergers and anti-competitive conduct across borders. By creating tools for bilateral and multilateral co-operation, the Commission aims to promote international convergence of competition policy in general, with the aim of ensuring the effective enforcement of the EU competition rules in an international environment and avoiding conflicts with the competition authorities of other countries. Cooperation also takes place in the framework of enlargement, where the main objective is to assist the candidate countries to meet the conditions for EU accession in the competition policy area.

**Expected impact of ABB activity (impact indicator/s):**

- More effective enforcement of merger control and anti-cartel rules through international cooperation.
- Easier international transactions and cooperation to the benefit of European business.
- Building up of a competition legislative framework, well-functioning competition authorities and an efficient enforcement practice compatible with EU rules in the candidate countries.

4.3.1 Objective “Strengthening international cooperation in enforcement activities.”

International cooperation in the fight against cartels is essential, since in a global market, cartels and other anticompetitive practices often have an international dimension and affect consumers in different countries. This specific objective is related to General Objective 2.2.1 “To focus enforcement on the most harmful anti-competitive practices for the European economy”.

**Major action(s) contributing to the objective:**

- Strengthening co-operation with major jurisdictions.
- Participating in international fora such as the International Competition Network (ICN) and the Organization for Economic Cooperation and Development (OECD).

**Output Indicator(s):**

- Progress towards a mandate to start negotiations with the United States on a “Second Generation Agreement” to allow exchanging confidential information necessary to detect and prove serious competition infringements.
- A comprehensive report on “effective institutions” for the fight against cartels, in the framework of ICN.
- Finalisation and adoption by the OECD Council of the Recommendation on Merger Review
- Preparation of the OECD recommended practices for information exchange in hard-core cartel investigations.

4.3.2 Objective “Promote convergence of competition policy instruments across different jurisdictions.”

European firms active outside the EU need to be able to benefit from effective competition in foreign markets. Promoting greater convergence of competition policy instruments across different jurisdictions is therefore important and contributes to ensuring a level playing field for European companies in the international arena. This specific objective is related to General Objective 2.2.2 “To enhance competitiveness within the EU by helping to shape the regulatory framework”.

**Major action(s) contributing to the objective:**

- Take the lead in international fora such as the OECD and the ICN.
- Work bilaterally with jurisdictions which have expressed a desire to achieve convergence between competition regimes.

**Output Indicator(s):**
DG COMP 2005 ANNUAL MANAGEMENT PLAN

- Chair the ICN Cartel Working Group and contribute to the ICN Merger Working Group.
- Conference on EU-China Competition Policy in Beijing (together with DG RELEX).
- Implementation of the competition provisions in the EU-Russia action plan for a Common Economic Space.

4.3.3 Objective “Contribute to the enlargement process as regards competition policy.”

DG COMP plays a major role in the competition policy aspects of accession negotiations with candidate countries, also helping them to achieve the necessary conditions in the field of competition to prepare for further integration and ultimately full accession to the EU. In 2005, this work will focus on the current candidate and applicant countries. This specific objective is related to General Objective 2.2.2 “To enhance competitiveness within the EU by helping to shape the regulatory framework”.

Major action(s) contributing to the objective:
- Conducting negotiations with DG ELARG in relation to competition issues with Bulgaria, Romania, Croatia and Turkey.
- Assistance in the strengthening of the competition regimes in the candidate and applicant countries.

Output Indicator(s):
- Preparation of competition chapters for Accession Treaty for Bulgaria and Romania.
- Screening of competition chapters for Croatia and Turkey.
- Preparing Commission Opinion on Macedonia’s competition chapter.

Resources by ABB activity

Human Resources (person years)

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Financial Resources (€)

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<td>Competition</td>
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</table>
4.4 Activity "Policy, Strategy and Coordination"

This activity relates to giving the necessary impulse to policy definition, preparation and implementation in order to achieve the overall mission of DG COMP as well as to contribute to the coherence of the different activities within DG COMP, while promoting a good management culture in line with the systems adopted as a consequence of the reform of the Commission.

This ABB activity involves:

- General policy issues and institutional relations
- Annual and ongoing reporting, reporting systems and public information.
- Overall management of the DG, strategy, planning and monitoring (including evaluation).
- Economic analysis and economic policy (Chief Economist functional area).
- Relations with interest and consumer groups and the work of the Consumer Liaison Officer.
- Inter-departmental relations and consultations on general issues.
- Library and staff information services and internal communication.

**Expected impact of ABB activity (impact indicator/s):**

- More effective enforcement of competition rules for the benefit of consumers.
- An efficient division of work within the DG and between DG COMP and other DGs and Services.
- Consistent application of EU competition rules by DG COMP and within the ECN.
- Clear guidance to businesses about application of competition law.

4.4.1 Objective “Policy development and communication”

It is essential to continuously shape and revise policy so that it corresponds to market realities and contemporary economic and legal thinking. The present objective relates in particular to actions concerning the development of legal instruments and the relationship with important interlocutors for DG COMP. The objective also includes actions concerning the communication of the Commission’s competition policy to the other European institutions and to the broader public in order to increase transparency. This specific objective is related to all three General Objectives.

**Major actions contributing to the objective:**

- Reviewing and updating policies and technical guidelines**
- Setting up networks with other DGs to improve cooperation on policies**.
- Contributing to the development of general policy instruments and guidance on legal and economic issues in the application of EU competition rules**.

**Output Indicator(s) for the anti-trust, mergers, liberalization and cartels field:**

- Green paper on how to increase the scope for private enforcement.
- Discussion papers on a review of Article 82.
- Draft Notice on anti-trust remedies.
- Finish the review of the Commission’s policy regarding remedies in merger cases.
- Update the rest of the technical guidelines on the scope of the Merger Regulation.
- Access to file Notice.
- Annual Competition Report.

**Major actions and output indicators for the field of State aid: See specific objective 4.2.3 under ABB activity 4.2, “Control of State aid”.

**
4.4.2 Objective “Policy coordination”

This objective involves the coordination of enforcement activities in anti-trust including cartels, mergers, liberalization and State aids in order to ensure a consistent approach to cases across legal instruments and sectors. Priority setting in the field of anti-trust is an issue of growing importance, as the abolition of the notification system has increased the Commission’s scope for setting priorities when dealing with individual cases. In the field of State aid, DG COMP must ensure the coherence with policy objectives of investigations carried out by other DGs. This activity also involves providing input to cases pending before the Community Courts. The policy coordination activity is supported by the Chief Economist function, the scrutiny panels in particularly difficult cases, and by the Consumer Liaison Officer.

The objective is related to all three General Objectives.

Major action(s) contributing to the objective:
- Priority setting and input into Annual Planning Tools.
- Coordination and scrutiny of enforcement actions, including organization of Peer Review Panels.
- Support and coordination of court litigations.

Output Indicator(s):
- Approximately 10 Peer Review Panels.
- Involvement in court litigations.
- Replies to inter-service consultations.

4.4.3 Objective “Ensure the good functioning of the enforcement system provided by the new regulation, in particular of and through the European Competition Network (ECN).”

Under the new Anti-trust Regulation 1/2003 both Member States and the Commission are competent to apply EU competition law. Functional since 1 May 2004, the ECN has been established to ensure the consistent application of EU competition law and an appropriate case allocation between Member States and the Commission. This objective relates to the coordination of the ECN. It is related to general Objective 2.2.1 “To focus enforcement on the most harmful anti-competitive practices for the European economy”.

Major action(s) contributing to the objective
- Contribute to the effective allocation of cases within the ECN.
- Contributing to the maintenance of a coherent application of EU competition law by the 25 NCA and courts.
- Organization of the ECN plenary meetings and related working groups and meetings with the Directors General of the 25 Member States.

Output indicator(s):
- Approximately 100 consultations examined pursuant to Article 11(4) and 11(5) of Regulation 1/2003 with a view to ensure consistent application within the ECN.
- Replies to NCA pursuant to Article 11(3) of Regulation 1/2003 on the application of EU competition law.
- Replies to requests for opinions by National Courts.
- Electronic communication system for the ECN (ECN Interactive II and CIRCA website) operational by mid-2005

4.4.4 Objective “Helping to shape the regulatory framework”

This objective relates to the need to ensure that the regulatory frameworks governing economic sectors are sufficiently taking into account the need to safeguard effective competition in the European economy. In particular it is necessary to avoid restrictions not strictly necessary for the public interest.
The objective is related to General Objective 2.2.2 “To enhance competitiveness within the EU by helping to shape the regulatory framework”.

**Major action(s) contributing to the objective**
- Screening of regulatory initiatives at EU level from a competition point of view.
- Preparing the ground work for a later harmonization of leniency programs and possibly other procedural aspects of enforcement at national level.
- Coordinate the follow-up to the white paper on SGEI.

**Output indicator(s):**
- Increased cooperation with other DGs to achieve a more integrated policy approach.
- Preparation of documents following the Altmark ruling on Services of General Economic Interest.

4.4.5 Objective “Strategic Planning”

In the framework of Activity-Based Management (ABM) and Strategic Planning and Programming (SPP) adopted by the Commission as part of its reform process, horizontal units have been charged with planning functions with the aim of ensuring the timely delivery of inputs to the ABM and SPP cycles and the regular review of management procedures.

Related to all three General Objectives.

**Major action(s) contributing to the objective:**
- Preparing the management plan and coordinating the DG’s contribution to the Commission’s Annual Policy Strategy decision, to its Legislative and Work Programme, and to the Preliminary Draft Budget.
- Monitoring operations and ensuring the effectiveness of systems of internal control.
- Coordinating the evaluation plan for the DG.

**Output indicator(s):**
- Annual Activity Report 2004 and contributions to the SPP cycle 2006 (including contribution to APS decision and PDB 2006).
- Statistics on access to documents requests: estimated 380 requests in 2005.

**Resources by ABB activity**

**Human Resources (person years)**

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4.5 Activity "Administrative Support"

This activity relates to the internal management of the DG and includes the following actions:

- Human Resources policy and Personnel administration at DG level
- Finance, procurement and contracts
- Administration of the central registry and mail distribution
- Security and local management of buildings and office supplies
- Development and maintenance of local IT applications and management of IT infrastructure
- Internal audit
- Quarterly resource reporting

Expected impact of ABB activity (impact indicator/s): Smooth functioning of the DG; increased efficiency in resources use; increased cost/effectiveness of the DG’s operations.

4.5.1: Objective “Optimizing the allocation of available resources to the DG’s activities”

In order to ensure the most efficient and effective allocation of resources, it is necessary to constantly review priorities and make the best use of the management tools at the DG’s disposal, while ensuring the legality and transparency of financial transactions. Human resources management plays a key role in this process, as these represent DG COMP’s main asset.

Major actions contributing to the objective:

- Obtaining the right level of resources to meet the DG’s needs and linking resources to priorities and activities within the DG.
- Implementing the Commission’s Staff Policy to the benefit of all staff and of the DG.
- Ensuring an optimal cost/effectiveness in financial management.
- Developing IT tools effectively supporting the DG’s activities.

Output Indicator(s):

- 5 internal audit reports in 2005.
- Good allocation of resources among operational units as measured by number of vacant posts filled, number of transfers within the DG and ability of units to achieve their objectives throughout 2005.
- DG COMP to conclude the 2005 CDR exercise among the first across the Commission.
- 100% replacement rate for staff on maternity leave in 2005.
- Reduction by 25% of carry over leave going beyond the foreseen 12-day automatic limit in 2005.
- Two surveys on equal opportunities carried out in 2005 (see annex 2 “DG COMP’s Action Plan for Equal Opportunities 2004-2008”) and equal opportunities scoreboard.
- 20-day limit for the payment of outstanding bills.
- 10 training days per person in DG COMP in 2005.
- All electronic case-planning systems (for the three operative areas and for the DG as a whole) to be fully operational in 2005.

4.5.2: Objective “Development and improvement of the DG’s internal management tools.”

In order to ensure effective and efficient management, it is necessary to constantly review and develop the tools available to management, all this in the framework of the ABM and SPP systems adopted by the Commission. The implementation and monitoring of an internal-control framework suited to the DG’s tasks and working environment plays a key role in this process.

Major actions contributing to the objective:
Monitoring the effective implementation of internal control.
Developing local human resources policy to increase job satisfaction and staff efficiency.
Improving document management and active implementation of the e-Domec project
Developing tools for effective communication of competition policy to the general public.

Output indicator(s):
- Review at the top management level of 2 Internal Control Standards per month.
- At least 1 in-house seminar on internal control for middle managers in DG COMP in 2005.
- At least 1 in-house seminar on equal opportunities in DG COMP in 2005 (see also annex 2).
- One in-house survey on staff satisfaction in 2005.
- Increased synergies of the existing three registries by harmonized methods and tools.
- Improved registration system linked to DG COMP’s case-management systems.
- Implementation of the filing system developed in the framework of e-Domec at DG level by end of 2005.

Resources by ABB activity

**Human Resources (person years)**

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Annex 1: DG COMP’s Evaluation Plan

Annex 2: DG COMP’s Action Plan for Equal Opportunities