

14 September 2005

DG Competition  
State Aid Register  
SPA 3, Office 6/5  
1049 Brussels

Dear Sir or Madam,

### **European Commission Consultation on the State Aid Action Plan**

RICS – The Royal Institution of Chartered Surveyors – is the world's leading professional organisation for property, construction and land. It promotes best practice across the industry and related environmental sectors. As an independent and self-regulated chartered body, RICS regulates its members in the public interest. This unique combination allows RICS to fulfil vital advocacy and counselling roles.

RICS welcomes the opportunity to comment on the Commission's proposals for the future state aid regime. RICS' views and experience of the state aid rules stem from our, and our members', experience in urban regeneration and the role that state aid can play in realising regeneration projects across the Union. Indeed, with many of our members working on the frontline of urban regeneration across the EU, RICS is in a unique position to offer solutions to ensure the sustainability and viability of Europe's urban areas.

RICS believes that the state aid regime has a central role to play in the continued regeneration of Europe's urban areas. This is particularly important in the face of recent changes to the structural fund regime. The continued development of Europe's urban space as places where people want to work and live are vital to the economic and social success of Europe as a whole, and vital to achieving the Lisbon targets (a primary reason for the present review of state aids).

In the following response, we will outline our views on where state aids should be used to promote sustainable urban development in the EU.

### **General comments**

RICS supports the Commission's overall goal of reorientation of state aid away from distorting firm-based aid towards more horizontal recipients, as well as the four driving principles of the present review (less and better targeted aid; a refined economic analysis of aid; more streamlined administrative procedures; and a shared responsibility). The simple fact of economics is that unwarranted and large amounts of state aid distort the market and harm both consumers and Europe's economic health. However, market failure happens. In

these cases it is often left to government and state agencies to provide public goods and financial support to correct these failures.

It is often through state aids that the Member States are able to provide goods and services in the common interest. Therefore, a correctly functioning state aid regime at the European level needs to ensure that the Member States have the ability to provide aid to correct market failures in a non-distorting manner.

As the Commission rightly notes in its review of current trends and challenges, state aid needs to focus upon horizontal aims such as training and education, whilst moving away from propping up failing firms. RICS believes that one key strategy to underpin this focus on horizontal aids should be the regeneration of our urban areas. RICS is disappointed that this obvious fact is not explicitly mentioned in the recently published Regional State Aid Guidelines, especially when there is a growing realisation, not least in other parts of the Commission itself, of the vital role Europe's urban areas can play in helping to reach the goals set out in the Lisbon agenda.

### **Specific comments on the Commission proposal**

#### **1. Reducing the administrative burden**

RICS welcomes the proposals from the Commission to reduce the administrative burden of the state aid regime. We welcome the recognition that small scale, locally focused activities should be spared from the full bureaucracy of the current regime. This is especially important when support is offered to non-profit bodies, or bodies such as social enterprises acting in the public interest. Reducing bureaucracy will allow those receiving aid to concentrate on delivery in the most efficient manner, achieving value for the tax-payer and Europe as a whole.

#### **2. General block exemption regulation**

One key part of this drive to reduce the bureaucracy surrounding the current system is the creation of a general block exemption regulation, which should bring together current regulations. RICS welcomes this simplification as a positive step – it will allow the Commission to focus its efforts on more distortive aids and relieve public bodies from the need to notify several forms of aid.

It is of course particularly important that the proposed general block exemption is sufficiently wide-ranging and flexible to allow the full range of aids which are compatible with the treaty and fulfil the goals of the new regime. New limitations should not be unwittingly introduced. In this light, the general exemption, when drafted, should be proofed against previously granted permissions. RICS believes that the integration of regional, environmental and regeneration aids into a general block exemption would be particularly beneficial. Regeneration efforts have been hampered by a lack of legal certainty. The proposals from the Commission would appear to provide the opportunity to provide EU-wide legal certainty, and go some way towards achieving the 'single regeneration framework' mooted in recent years.

### 3. Services of general economic interest

RICS welcomes the approach adopted by the Commission with regard to services of general economic interest. In particular, the proposals to grant exemptions from notification for social housing projects will play a crucial role in providing legal certainty and thereby in helping them to play a role in the regeneration of our urban areas.

### 4. Regional policy goals

RICS notes with interest the Commission's commitment to use the state aid regime to promote the Union's regional policy goals. We will be commenting separately on the forthcoming guidelines for regional state aid rules when they are officially published. In the meantime, RICS would like to reinforce its message: Europe's urban areas are key to our economic prosperity and to social cohesion. This should be reflected in the regional aid rules allowing Member States to easily fund regeneration efforts.

### 5. *De minimis* aid threshold

RICS welcomes the proposals to increase the *de minimis aid* threshold. However, we question whether an increase to €150,000 (over three years) constitutes a sufficient increase. Rather, the Commission should consider a threshold of at least €300,000 for capital projects.

### 6. Other policy proposals

As for the other policies proposed by the Commission in the action plan, RICS can only state its overall support. As previously noted RICS believes that any new state aid regime should concentrate upon horizontal goals and that many of the proposals put forward will help shift state aid away from failing firms into those areas where aid can make a real difference for Europe's growth and competitiveness. These policies cannot ignore the centrality of urban regeneration and we urge the Commission to take account of this fact.

These comments have been developed after consulting our membership, many of whom have direct experience of the present state aid regime. Overall, RICS is positive towards the suggestions put forward by the Commission and looks forward to seeing many of them put into action. However, we believe that the potential of these measures will not be fully realised unless full account is taken of the role of urban areas, and the need to regenerate them, in Europe's economy and society.

The need for a well functioning state aid regime is key for the future. We would therefore be happy to discuss with the Commission any of the issues raised here.

Yours faithfully,



Jill Craig  
Head of Policy - Europe

**About RICS**

RICS (The Royal Institution of Chartered Surveyors) is the largest organisation for professionals in property, land, construction, and related environmental issues worldwide. We promote **best practice**, regulation, and consumer protection to business and the public. With 110,000 members, RICS is the leading source of property related knowledge, providing independent, **impartial advice** to governments and global organisations.

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