

TEXTILE DISTRICT ORGANISATION AND INCONSISTENCY OF THE EU REGULATION ON ENERGY-CONSUMING WHICH EXCLUDES THE N.A.C.E. 13 30 CODE.

The productive systems implemented in the industrial districts are characterised by remarkably deep and well-structured supply chains, but also by very low levels of vertical integration. In these systems, end enterprises, which represent the connection with the external markets, delegate most of the production activity to subcontracting enterprises which, from the juridical point of view, are independent and whose operative range is almost ever limited within the geographical boundaries of the district.

In the industrial district of Prato, this type of organization has been historically and still is conveyed in one of the purest ways, as a constant and effective result of the need for a remarkable flexibility, imposed by the variable fashion markets, as well as of the specific social and community milieu within the district; that allowed to keep the transaction costs very low as for the relations between the end enterprises and the subcontracting ones.

In Prato T&C district the end enterprises accomplish the function of commercial promotion, of design, of purchase for the raw materials, of production coordination; the physical processing, instead, is carried out by subcontracting enterprises which are qualified in each macro-phase of the very multifarious and complex textile production process (spinning enterprises, warping ones, weaving factories, dyeing and finishing plants; but other specialisations could be added and the sequences of combinations may be defined in various ways depending on the production features). Therefore, the end enterprises are, for all intents and purposes, "production enterprises", but they seldom execute the "physical processing" (their capital is, apart from the real estates, mainly used as "current entries") while the subcontracting enterprises are "enterprises which carry out physical processing services" of the raw materials belonging to the end enterprises using, as an input, personnel with technical and productive skills as well as highly energy consuming plants and machineries. The subcontracting enterprises work with customers who are, in almost all cases, from the district of Prato and the same applies, mutually, for the end enterprises.

In the industrial district of Prato there are 412 companies with NACE 13 30 code. These employ more than 5.000 employees, for a total of about 495 million euros of production value and about 11 million euros of purchases of energy products.

This introduction allows us to understand the reasons for the objectively illogical and unreasonably penalizing effects the EU Regulation “Regulation on State aids for the environment and for the energy 2014 – 2020 (2014/C 2000/01)” causes in the industrial district of Prato, in terms of costs competitiveness, when it provides “aids in the form of reduction of burden of the funding to support the production of energy from renewable sources” excluding the Nace 13 30 code from the “List of admissible sectors pursuant to section 3.7.2”. This code characterises the contractor enterprises which act during the phase of the textile ennobling and which are those with medium dimensions in most of the cases, with the greater endowment of fixed assets, with the greater energy consumptions and with the greater energy intensity.

Elements to substantiate our thesis:

- The “end” enterprises of the district of Prato have facilitating codes, but these special terms are, for them, just theoretical because their consumptions are very moderate in almost all cases and for the above described reasons related to their efficient organization;
- Special terms can have significant consequences in terms of energy cost reduction and consequently of greater price competitiveness of the district of Prato only if the sub-contracting enterprises are helped (the competitive structure of our district makes the exercise of the market power be very unlikely both for subcontracting enterprises and for the end ones);
- many sub-contracting enterprises (which obviously do not export) have the 13 10 or 13 20 codes (spinning subcontracting, warping subcontracting, weaving subcontracting) and are theoretically helped by the EU regulation, but these are the subcontracting enterprises with the most modest dimensions and therefore with low energy consumption levels.
- The sub-contracting enterprises in the district of Prato with greater consumptions and greater energy intensity are the ones for the ennobling (sub-contracting dyeing and finishing plants) BUT these enterprises are given the NACE 13 30 code which is not included in the category “admissible sectors pursuant to section 3.7.2”.
- Therefore, this exclusion clearly entails two illogical and unreasonably penalizing effects for the above mentioned organisation and production structure in the district of Prato:
 - ❖ a lower competitiveness of the sub-contracting enterprises having the 13 30 code and consequently a lower price competitiveness for the end

enterprises of the district of Prato compared with other enterprises with different levels of vertical integration; in addition to that, consequently, a lower competitiveness of the whole Prato production system compared to national and especially international competitors;

- ❖ a different treatment for the sub-contracting enterprises having the 13 30 code compared to those having the 13 10 and 13 20 codes, even if the role they play in the productive chain is absolutely identical.

This distortion must be absolutely rectified by including the 13 30 code among those that can be facilitated and listed in Annex 3 to the Guidelines on state aid for Environmental protection and Energy 2014-2020 (EEAG).

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