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NPES news

THE ASSOCIATION FOR SUPPLIERS OF PRINTING, PUBLISHING AND CONVERTING TECHNOLOGIES

First NPES Industry Summit Explores Optimistic View of Print's Prospects

Sustained economic growth and smart adoption of technologies to create new value-added services have helped put the U.S. printing industry in its strongest position in many years, speakers concurred at the first NPES Industry Summit, held recently in Chicago.

The Summit brought together for the first time the long-standing economic forecasting conference PRINT OUTLOOK®, plus the NPES Spring Board of Directors Meeting and a meeting of PRIMIR℠, the Print Industries Marketing Information and Research Organization.

"These three gatherings gained an impact and value from being held together that greatly exceeded their separate importance, even though each event already enjoyed a high reputation for serving the industry well," said NPES President **Ralph Nappi**.

Opening the PRINT OUTLOOK conference, the 26th in the series, NPES Vice President **William K. "Kip" Smythe** commented on the print industry's bright prospects for the near future.

"I don't think I have been this optimistic in at least 15 years," Smythe said. "The last time we met, we had seen from 2004 that it looked like the industry was starting to come back. Now, it is clear we have had sustained growth."

Ronnie Davis, chief economist at PIA/GATF, agreed, noting that U.S. printers' sales reached $171 billion in 2006, a gain of 3.3 percent over the previous year and a major rebound from a low point of about $156 billion in 2002.

Davis said PIA/GATF forecasts increases of about 1.5 percent in 2007 and 2.5 percent in 2008. Significant growth is coming from new digital and "ancillary" services printers are adding to their portfolios, Davis said, adding, "This is still an opportunity industry."

"Demand specifier" panelists Moe Desmarais, Smith Bucklin Associates (l); Doug Traxler, Webb/Mason (c); and, Gary Nemcek (r), Four51, discuss the role of print today.

Keynote speaker **Dr. Joseph Webb** noted that "all media are experimental today because the relationships between them have changed so dramatically." He said the challenge for printers was not only to be "modern" today but to "figure out how to be modern 18 months from now. It's not your competitors you have to worry about, it's your clients. You have to find a way to stay ahead of them." Providing an overall context for the industry presentations, NPES Consulting Economist **Michael Evans** predicted there will be a significant slowdown in the national economy in 2007, but no recession. He said the media coverage of the recent reverses in mortgage lending was overstated and these developments did not represent a major threat to the total economy.

Joseph Truncale, president of NAPL, reported that "sales grew at their fastest rate in eight years in 2006 and will continue to grow, although at a noticeably slower pace, in 2007. Volume has finally regained pre-recession levels, and we've

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INSIDE:

president's perspective

There's Gold in Them Hills

Tens of thousands of Americans took part in the California Gold Rush of 1849. At that time, everyone in our fledgling country could envision the seemingly limitless opportunities available in the great, untamed West. Fewer were actually willing to venture out into that wild territory to mine those hills, and fewer still were prepared with the knowledge, mindset and tools to overcome the challenges of doing so. While there was no doubt gold was in those hills – it was only the well-prepared and well-informed who ultimately struck it rich!

For NPES members, today's global business opportunities are not unlike the 1849 California Gold Rush. Actually, in many ways, it's much easier since life and limb aren't threatened by failure, and the journey is a lot easier. But the road to success is the same, beckoning with the same promise of adventure (or venture), and requiring proper advance preparation to overcome what lies ahead.

In December, while flying back from my first visits to the NPES offices in China and India, I considered this similar potential for NPES members. After a 16-day trip to Shanghai, Beijing, Mumbai and New Delhi, it became apparent to me that opportunities and, indeed challenges, exist for companies willing to venture out into those territories. I'll spare you the multitude of photo ops of me cutting ribbons and gripping n' grinning, because it was during my one-to-one discussions at shows, visits to equipment manufacturers, printers and designers, that I realized if NPES doesn't do a better job of engaging members internationally, both members and NPES will be completely left out of *this* "gold rush."

There should be no doubt that a gold rush is already occurring and will continue to grow in our industry. In 2006 the worldwide market for print was $610 billion; in 2011 it is forecast to be $721 billion, an 18.2% increase. In the area of equipment and consumables (substrates excluded) the market in 2006 was $47.8 billion and it is forecast to grow to $57.8 billion in 2011, which is a 21% increase. When we consider the forecast for the next five years for China and India, you can see at right how leaving them out of your future market mix would exclude you from the largest growth areas our industry has seen in our lifetime.

The opportunity is clear, and the data on more specific areas is available for the asking – but I would be remiss if the challenges weren't also considered and vetted. First and foremost are the cultural and structural obstacles that exist in both countries, from the language to physically getting people and product from "point A" to "point B." Yet both could be effectively managed with the assistance of a strong master importer or distribution network. The real challenges exist in the areas of intellectual property, tariffs and currency fluctuations. After visiting NPES's offices in both countries, and spending time with the partner organizations that are there to assist us in overcoming these challenges, I truly believe that NPES has the best resources available to assist members in dealing with them. While it won't make the challenges go away, these resources will help increase the potential of your success in these countries.

I was struck by many things during my trip in December. I have ten pages of notes on personal observations and business opportunities, but two stand out in particular. During all my visits and discussions, the recurring theme conveyed from both countries is their keen and genuine desire to work with U.S. companies. Our counterparts in both China and India have great respect for our sense of innovation and business acumen. And although many other countries have had an earlier, larger and more successful presence in both countries, the desire to do business with us remains strong. From my perspective, that's amazing considering our slow movement to these countries, compared to our European counterparts, and the general myopic view U.S. individuals and companies have of the world.

My second observation occurred during a visit to China's largest printing equipment manufacturer. The general manager of Beiren Manufacturing invited me to tour his facility outside Beijing. During the tour I queried him about a dedicated section on the plant floor where the workers were uniformed in lab coats and hard hats and appeared to be Japanese nationals. I was informed that this was a recent joint venture between Beiren and Mitsubishi Litho Press. I asked if he was aware of the destination of one of the presses that was near completion, and he told me it was

Ralph Nappi
NPES President

headed to a printer in India. I further queried if he was aware of the job that the printer had planned for this press, and he replied it was to do label printing for a U.S. retailer. It struck me immediately that if there was ever a doubt that the U.S. printing and printing equipment industry was part of Tom Friedman's *"The World is Flat,"* it should be put to rest with this very real life example: a former state-run *Chinese* manufacturer in partnership with a *Japanese* technology company selling a press to an *Indian* printer that will be printing labels for a large *U.S.* retailer!

The challenges our entrepreneurial counterparts of 1849 encountered en route, and in California, are not unlike ours today. While all the planning did not eliminate their challenges, it certainly helped them better manage them. NPES can absolutely help you manage the challenges of the international marketplace so that you can acquire more sales. If you don't make the journey and NPES doesn't help, we both are leaving a lot of gold for someone else to prosper. That is NOT the American spirit! ●

	2006 (U.S. $MLN) *Actual*	**2011 (U.S. $MLN)** *Forecast*	**Percent Change** *2006 - 2011*
CHINA			
Print Market	$ 41,200	$ 65,934	60%
Print Machinery	$ 1,723	$ 2,704	57%
Inks	$ 1,239	$ 1,994	61%
Consumables	$ 436	$ 732	68%
INDIA			
Print Market	$ 12,131	$ 20,991	73%
Print Machinery	$ 521	$ 628	20%
Inks	$ 356	$ 631	77%
Consumables	$ 123	$ 159	30%

**Source: PRIMIR[SM]/NPES®*

INDUSTRY SUMMIT continued from page 1

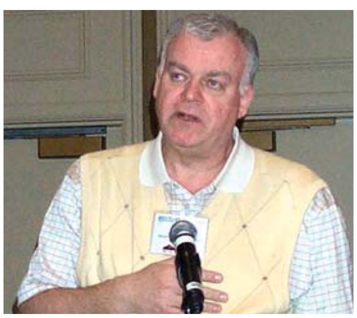
M. J. Anderson, VP Creative Services, Trekk Cross-Media, illustrates the role of print in an integrated marketing model today.

even regained some pricing power and profitability.

He also described how successful printers are adapting their businesses to structural change in the industry, along with some of the barriers that still remain, including the need to develop "a whole skill set for the sales force" in many companies.

Among other presentations at the 26th edition of PRINT OUTLOOK were:

• **Bruce Biegel**, managing director of The Winterberry Group, commented that large volumes of ad spending are migrating away from traditional "above the line" media like TV and magazines and toward "below the line" activities like online promotions, events, podcasting and "place-based media" such as digital signage.



Ulrik Nygaard, CEO, Baumfolder Corporation, participates in the interactive discussion of future opportunities during PRINT OUTLOOK.

• A first-time panel of "demand specifiers" portrayed a major element of the print buying process that was largely unfamiliar to many printers and vendors -- organizations like multi-association manager Smith Bucklin, which buys print services on behalf of more than 200 client groups.

• **M. J. Anderson**, VP/Creative Services at Trekk Cross-Media, talked about the "New P's of Marketing," requiring communications that are personal, purposeful, and passionate.

• **Vince Mallardi**, president of the Printing Brokerage/Buyers Association International, described industry segments in which print was doing well, as well as some in which the industry was losing ground.

• **Peter Johnson**, VP of research and market intelligence for the Direct Marketing Association, stressed the importance successful marketers attach to data, and predicted that direct marketing would grow by 5.2 percent in 2007.

• **Charles Pesko,** president of InfoTrends, urged a shift from evaluating the total cost of ownership of technology to looking at the total value of ownership and described a wide range of things printers are doing to add value to their customers' communications.

A highlight of the PRIMIR meeting was the preliminary presentation of the findings of the group's latest study, "The World Wide Market for Print," which forecast the national and regional markets likely to show the strongest growth in the near future. The study is expected to be completed and the final report distributed to PRIMIR members this spring. ●

Mailing & Fulfillment Center at GRAPH EXPO® Promises to be Largest Ever

RECORD NUMBER OF EXHIBITORS AND SQUARE FOOTAGE SOLD TO DATE

Visitors to GRAPH EXPO will see more machinery, more top brand manufacturers and more innovative processes than at any other industry exhibition and conference in the Americas this year. Held in the mammoth McCormick Place South, September 9-12, 2007, in Chicago, IL, GRAPH EXPO's dedicated Mailing & Fulfillment Center will be more comprehensive than last year, with the largest showcase of mail processing, sorting, stamping, weighing, addressing and preparation equipment in one place.

Space sales in the Center at the same time in 2006 totaled over 25,000 square feet with 42 exhibitors, and it has already grown by nearly 10%, with well over 30,000 square feet sold and 52 exhibitors, including five that are brand new to the Center this year. This important market segment has steadily expanded its presence at GRAPH EXPO, dazzling buyers with an increasing array of innovative, high quality products from manufacturers and suppliers from around the world.

"The growth of this section of the show has been remarkable. We're extremely pleased to see attendees' continued interest in the expansion of this area, demonstrated by their visits with exhibitors, attendance at the seminar sessions, and general interest in driving business opportunities forward," stated Ralph Nappi, president of GASC. "Each new initiative in the Mailing & Fulfillment Center has been well received by attendees and exhibitors as we continue to move toward meeting the total needs of the industry," said Nappi.

With the Mailing & Fulfillment Service Association's (MFSA's) annual Leaders Conference held just prior to GRAPH EXPO again this year, attendees at MFSA's top conference will gain valuable insights into the general health of the mailing sector, and learn about new opportunities within this important segment of the graphic communications industry. Visitors to the Center will also gain access to the most current outlook on today's mailing industry via a full schedule of free presentations by exhibiting vendors in the Center's own theater on the show floor. MFSA is also designing a more in-depth series of sessions on key business opportunities and technical challenges within the mailing sector as part of GRAPH EXPO's seminar program.

"As equipment manufacturers and suppliers see the value of participating in this prestigious event, they realize an expanded presence can create additional benefits. And, as more of their competitors participate, the advantage of exhibiting becomes even more clear," observes C. Clint Bolte, of Bolte & Associates, a top consultant to the mailing and fulfillment sector. "This event has even overtaken the industry's leading position traditionally held by the National Postal Forum, especially for suppliers. Displaying their equipment running on the show floor is a big advantage for exhibitors and attendees alike."

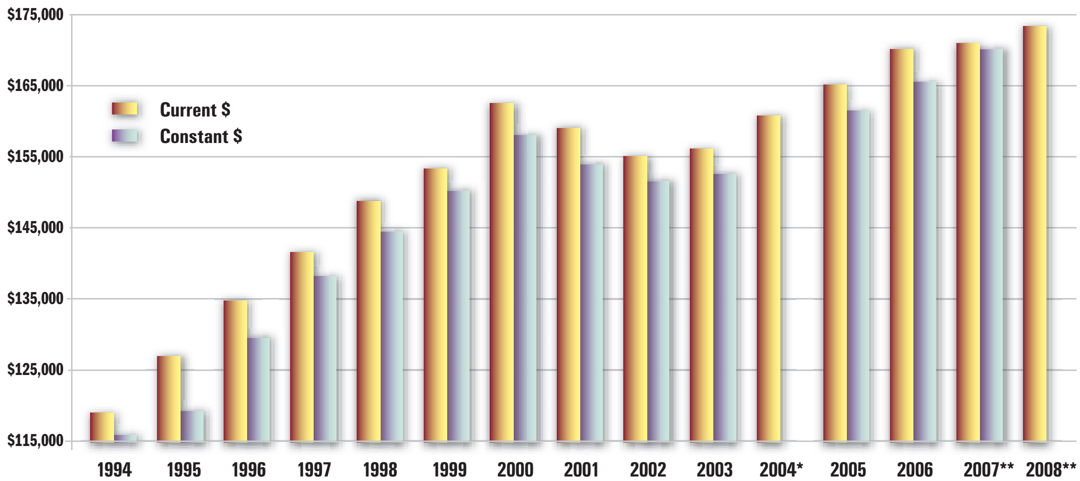
Space reservations and inquiries continue to come into GASC offices, and the show company says it expects the event to be a near sell-out over the coming months. For complete information phone: 703-264-7200 or e-mail: info@gasc.org.

Rebound or Pent-up Demand?

2006 DATA SHOWS STRONG GROWTH

FIGURE 1

TOTAL U.S. PRINTING MARKET *(Millions of Dollars)*



Source: Printing Industries of America; U.S Department of Labor.
** Please note that the Constant $ value for 2004 was omitted due to a shift in classification systems from SIC to NAICS by the Bureau of Labor Statistics that year.*
*** 2007 and 2008 are Forecasts.*

Data for the 4th quarter 2006 shows a continuing rebound in shipments of equipment while supply markets are relatively flat according to recently released NPES market data. Although the 4th quarter rate of growth in the equipment markets slowed to 8.5%, 2006 ended up 27% above 2005 levels for the best year of equipment shipments since 2000. Looking at individual product areas, sheet-fed presses grew 53%, paper cutters were up 9% and platesetters rose 7%.

Sales of graphic arts supplies products, which include film, plates, proofing products and the related chemistry, grew slightly at +.9%. While data shows that supplies shipments grew on a dollar basis, this probably reflects price increases and the continuing shift from the less expensive analog plates to higher-priced digital plates. Almost all individual supply products had declining volumes in 2006 except digital plates, which were up12.5% for the year.

The 27% growth in equipment shipments is encouraging but the question remains, if this is a true rebound from an improved economy and print markets, or the product of pent-up demand from five extremely weak years of shipments due to the economic doldrums following 9/11. "Looking at all the data on both the printing industry *(see Figure 1, above)* and NPES total equipment and supply shipments, I think it's fair to say that we're seeing a bit of both," said NPES Vice President, Kip Smythe. "Printing industry shipments on a current and constant dollar basis have both finally exceeded the levels of 2000."

So it appears that we are now on a track for revenue growth in the printing industry, at least for the next two years, but the composition of printers' revenue is vastly different today than it was in 2000. Ancillary services have become a far more prevalent component of the typical printer's revenue. In 2005, over 8% of printers' revenues came from non-print sources, and this will grow to 13% or $23.4 billion in 2010. What this means is that printers' revenues have rebounded but the print component is flat at best. According to the latest data from Ronnie Davis, PIA/GATF's chief economist, printers' revenues will grow to $174.6 billion by 2008, a somewhat anemic 1.5% growth rate. When you dig down deeper into the PIA/GATF data, the growth rate over this period for digital printing is about 4% and 3% for ancillary services. This means that traditional lithographic printing is flat at best, and probably declining. So, it seems clear that the economic rebound and the recovery in print revenue does not in and of itself explain the healthy growth we have seen in printing equipment shipments in 2006.

What about pent-up demand? Prior to 2001, shipments of printing equipment averaged $2.4 billion per year over the period 1996—2001. The decline in shipments of printing equipment over the period from 2001 through 2005 averaged about $400 million per year for four years or about $1.6 billion in lost sales. So, it seems evident that there is a significant volume of pent-up demand going forward. But for how long is the big question. It's clear that the increased productivity of the newer equipment available from NPES member companies can keep printers' margins up in a price competitive marketplace, and we are seeing the progressive printers purchase new presses and bindery equipment…. sometimes replacing two machines with one due to the increased productivity. But, as consolidation and bankruptcies continue to shrink the number of plants, I'm afraid that some of that "lost" sales volume will not be recovered in this mini-boom period.

A final cautionary note: the 4th quarter rate of growth slowed dramatically from the blistering pace of early 2006. The first quarter 2006 was up 57% over 2005 levels dropping to 25% in the second quarter, 27% in the third quarter and 8.5% in the fourth quarter. Clearly, the slowing economy is impacting industry equipment shipments, but the economy is still growing and I believe there is still some pent-up demand for our members' products going forward into 2007. There is reason for optimism in 2007 as the NPES membership builds on the momentum of a strong 2006. ●

Mail Moves America

Mail Moves America is a recently formed coalition of trade associations and corporations with the mission of educating state and federal government decision-makers on the vital role advertising mail plays in the commerce and economy of the United States. A major component of this mission is monitoring and, when necessary, intervening to block so-called "Do-not-mail" legislation at both the state and federal level. These initiatives are the next extension of efforts spawned by public sentiments that lead to similar efforts to ban or limit unauthorized telephone, fax and e-mail solicitations. NPES is an active participant in the coalition, which currently numbers 48 associations and corporations, many of which participated in the recent postal reform efforts.

Making the U.S. Postal Service Possible

Despite the growth of electronic communications, the U.S. Mail remains a critical means by which to exchange information and conduct commerce in the United States. The U.S. Postal Service provides a universal, reliable, and affordable method of communication and commerce for over 146 million separate American households, businesses and nonprofit organizations. As advertising mail currently provides more than half of the annual revenue that makes this possible, the loss of that revenue would likely cause postal rates to rise, curtail customer service and ultimately damage the larger U.S. economy.

Driving Local Economic Growth

Advertising mail offers a cost-effective entry into the market for small businesses and an opportunity for larger businesses to reach broader audiences. For example, in 2006 advertising mail contributed more than $660 billion in increased sales and played a critical role in the success of our country's economy. Every dollar spent on catalog marketing generated an average ROI of $7.20, and every dollar spent for non-catalog direct mail generated an average ROI of $15.71.

Providing Consumer Value and Respecting Consumer Choices

According to the Direct Marketing Association, the average U.S. household gets just over 14 pieces per week of Standard Mail from businesses and nonprofit organizations, a figure that has held steady over the past five years. And the most recent USPS Household Diary study (2005) indicated that 85 percent of U.S. households usually read some or all of the advertising mail they receive. They say it makes shopping more convenient, gives additional choices and saves them money. Most consumers don't want to stop all direct mail, and would regret missing out on special offers, coupons and notices about new local businesses and services.

Getting off mailing lists should never be difficult. It is usually a simple matter for recipients to contact mailers and request to be removed from their lists and to not share their names with other mailers. Most mailers welcome this feedback as well, since it avoids wasting their resources sending mail to those who don't want it.

After initial interest, most bills have drawn criticism and opposition. Hearings have been held on bills in the states of Connecticut, Montana, Texas and Washington, but none have advanced past that stage. In the last session of the Hawaii legislature, the state's senate passed a resolution urging Congress to establish a "Do-not-mail" registry, but the state House failed to approve it. To protect against the possibility of any state legislation gaining traction and/or spawning interest at the federal level, NPES and the other members of the Mail Moves America coalition will remain vigilant as the year progresses. ●

Postal Rate Commission Ruling

FIRST-CLASS STAMP TO INCREASE TO 41 CENTS

The new Postal Regulatory Commission has recommended that the price of a First-Class one-ounce letter stamp be increased from 39 cents to 41 cents, which could be implemented as early as May by the U.S. Postal Service. The USPS had proposed a 42 cent First-Class stamp. Postcards will go from 24 cents to 26 cents, and the First-Class additional ounce rate will decline from 24 cents to 17 cents as the result of refinements in shape-based rate schedules for letters, flats and parcels.

The Commission also approved the Postal Service's new "Forever Stamp," which is designed to facilitate the transition to new single-piece First-Class letter rates. Forever Stamps will be sold in limited quantities, and continue to be worth the price of a First-Class one-ounce letter even if that price changes. In a press release, the new chairman of the Postal Regulatory Commission, Dan G. Blair, stated that "[The forever stamp] . . . is a prime example of the Postal Regulatory Commission working together with the Postal Service in the best interest of the citizen mailer."

The Commission's recommendations followed an administrative proceeding that began in May of 2006, which involved mailers, employee organizations, consumer representatives and competitors. The rate increase request was designed to generate additional revenue to help offset a projected $5.8 billion revenue deficiency in FY 2008 (the test year). While the rate increases will affect many classes of mail in varying degrees, the average rate increase will be 7.6 percent, lower than the 8.1 percent average rate increase sought by the Postal Service, but still sufficient to meet the Postal Service's revenue requirement. On average, First-Class rates will increase 6.9 percent, Standard Mail rates will increase 9.3 percent and periodical rates will go up 11.8 percent.

Because the recently enacted postal reform legislation grants the Postal Service wide flexibility in future rate setting for its competitive products, the Commission's recommendations for rate designs for USPS Express Mail, Priority Mail and Parcel Post largely mirror the Service's proposals.

Noting that this was the first recommended decision of the new PRC, as well as his first case as a commissioner and as chairman, Blair observed that the central tenet of the case was having rates accurately reflect costs saved through work-sharing, and a rate design that sends the signal that the shape of the mail piece plays an important role in controlling costs.

According to its official opinion, wherever possible, the Commission used "Efficient Component Pricing" to develop rates that accurately reflect cost differences. Citing this guiding principle, the commission stated that "Rates that send proper price signals result in more efficient processing and transportation practices, which in turn reduce costs, thereby allowing smaller rate increases, and less volume losses."

The Postal Regulatory Commission's opinion and recommended decision can be found at www.prc.gov.

Postal issues are an important NPES Government Affairs priority, as a high percentage of printed material enters the postal stream. For more information contact NPES Government Affairs Director **Mark J. Nuzzaco** at phone: 703-264-7235, or e-mail: mnuzzaco@npes.org. ●

Opportunity Awaits in Small Commercial and Quick Printers' Market

Based on PRIMIR[SM]'s recently completed study, "Small Commercial and Quick Printer Study 2006-2011," in which more than 300 small or quick printers were interviewed – a world of opportunity awaits.

Revealing their overall optimism, 84% of the surveyed respondents projected their revenues would be higher in 2011, and 72% expected higher profits as well. According to John Zarwan of J. Zarwan Partners and Cary Sherburne of Sherburne & Associates, who conducted this PRIMIR research, the survey reveals good news for a market segment that has seen steep declines in the number of establishments and experienced flat to declining shipments over the last several years.

The study exposed that one of the greatest threats to the small commercial and quick print segment is the increased capability and prevalence of in-house copiers and printers, which are siphoning off the work that these firms typically produced in the past. As a result, many small commercial and quick printers are seeking to both broaden and provide more sophisticated offerings in order to capture the more complex types of work that their customers are less likely to produce in-house.

According to the study results, "At a high level, several trends have clearly emerged – trends that we know apply to the printing market as a whole, but many of which were erroneously perceived as perhaps less likely to affect the small commercial and quick printer as heavily as they have affected their larger brethren." Foremost among them:

- **Analog is out and digital is in.** While there will continue to be a market for analog products, including presses and consumables, there is a clear shift in this market toward a digital future.
- **The increasing penetration of computer-to-plate.** Over 50% of our sample is already using some type of CTP, including polyester, metal and DI. Implementation is more prevalent among quick printers than among small commercial printers. This is perhaps one of the biggest opportunities for vendors and printers alike in this market – to hasten the adoption of CTP and direct-to-plate by this segment, which has understandably been slower to adopt than larger firms.
- **Demand for 4-color printing is growing, and so is the interest among small commercial and quick printers in buying 4-color output devices.** This need is most likely to be met with the purchase of a digital output device (color copier/printer or digital press) or acquisition of a DI press than a conventional 4-color offset press.
- **There is still significant life in the world of black & white digital printing.** Three-fifths of the small commercial and quick printers surveyed plan to add these devices to the mix over the next five years, with half either replacing existing devices, increasing capacity or upgrading capabilities.
- **Wide format printing offers growing appeal in this segment.** More than half of the respondents are considering purchases within the next five years.
- **Overall printing industry run lengths have sharply declined.** This segment is well positioned to economically accommodate smaller jobs and is not only less affected by this overall trend than the market as a whole, but perhaps is better positioned to capitalize on the trend.
- **Small commercial and quick printers are increasingly more focused on sales-driven corporate work for their livelihood.** This trend will continue into the future; the most frequently mentioned business-changing investment was to hire more salespeople.
- **Increasing numbers of small commercial and quick printers will have an Internet presence.** Although today only 12% of business comes in via the Internet, two-thirds of survey respondents plan to invest in Internet storefront technology over the next five years.

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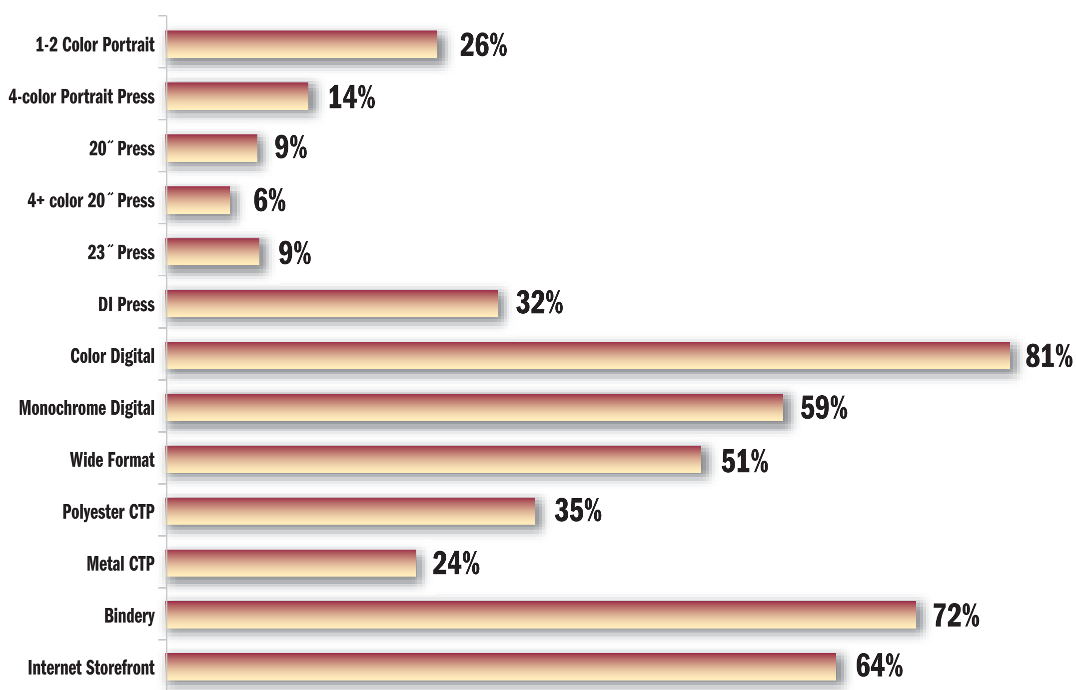

Source: PRIMIR 2006 "Small Commercial and Quick Printer Study" by J Zarwan Partners.

• **Small commercial and quick printers will be investing in back-end bindery and finishing processes in greater numbers.** Back-end bindery and finishing processes are certainly not coming in last in the eyes of the survey respondents; three-quarters plan to invest in their bindery over the next five years.

As the speed of doing business in today's digital world continues to accelerate, and technology becomes more complex, it will be increasingly more difficult for smaller independent printers to keep up. Franchisees and national brands have the advantage of being able to amortize investments in research and development across a large number of centers, and those locations can take advantage of the knowledge and expertise of the parent organization with less expenditure of time and money.

The study revealed that revenue streams for small commercial and quick printers are quite diversified; surprisingly, they do not rely on any particular type of work. Overall, small commercial printers look much like quick printers, franchisees like independents, and larger plants like smaller plants. While digital and offset printing still account for the majority of revenues, small commercial and quick printers are adding a range of products and services that provide opportunities for differentiation, both from each other and from in-house and "big box" competition. This will become even more challenging over the next five years, as price/performance for in-house printing capabilities continues to improve and the national brands (office supply superstores and FedEx Kinko's) work to deliver increasingly sophisticated levels of service to go along with their convenient national footprint.

With more than 22,000 locations today in the U.S. and Canada, perhaps declining between 10% to 20% by 2011, the small commercial and quick print segment is still an important part of the overall printing industry, accounting for more than $13 billion in print and associated services. Based on this research, this is a market segment that should be of great interest to PRIMIR and NPES members. Significant opportunity exists for NPES members to capture business opportunities as this important segment continues to evolve by deploying innovative sales and marketing strategies, blended with targeted market education and product development strategies and special financing aimed at the needs of this smaller market. New businesses will continue to become established in this space, and many of today's successful small printers will become the mid-sized printers of tomorrow. It is a vibrant, yet challenging market well worth focusing upon.

The "Small Commercial and Quick Printer Study 2006-2011" is solely available through membership in PRIMIR. For more information contact **Jackie Bland**, Managing Director of PRIMIR/NPES at e-mail: jbland@primir.org or phone: 703-264-7211. •

Taxes: What's New for 2007

Along with new challenges and new business opportunities, the New Year has also ushered in new amounts for deductions, exemptions and tax base amounts. By understanding these changes, both business and individual taxpayers will gain an early edge on their financial, legal and tax planning endeavors for the coming year. The most serious concern this year comes in an area not traditionally associated with middle class taxpayers – estate planning.

> **"...taxpayers earning the same amount of money in 2007 as they did in 2006 will pay less in taxes."**

Estate Planning

The estate tax exemption does not change this year or even next year. It remains at $2,000,000. However, in 2009 the estate tax exemption is lifted to $3,500,000 and in 2010 will be unlimited.

The annual gift tax exclusion for 2007 will remain the same as in 2006 at $12,000. The lifetime taxable gift exemption remains at $1,000,000.

While no changes are in store for the estate tax now, middle class taxpayers need to be solidly aware of the fact that in four short years, the estate tax exemption will be restored back to $1,000,000. Just as the Alternative Minimum Tax (AMT) became a concern for the middle class in the 1990's, the estate tax which was traditionally regarded as an upper wealth/income taxpayer issue will soon become an issue for the middle class. Factors such as the housing boom, aging of the population, recent history of the stock market, and commodity markets, combined with the lowered exemption amount in 2011 will vastly affect the number of estates that will pay estate taxes. Taxpayers living around large cities may be unaware that the real estate they purchased in the 1970's for $100,000 may now well be worth $500,000 or more. The real estate plus cash accounts and other asset holdings could EASILY push any estate into the $1,000,000 range. The risk becomes especially serious for those holding business interests of any consequence. It is strongly advisable that individuals and their descendants who consider themselves "middle class" engage in estate planning not only for ease of estate administration, but also for tax purposes if their estates could reach $1,000,000.

Income Tax Changes

Taxpayers who are involved in business will enjoy higher deductible amounts this year. The Section 179 deduction for 2007 has been indexed upward from $108,000 to $112,000. The standard mileage rate for business travelers is also increased to reflect higher travel to 48.5 cents per mile. Unfortunately, the social security base also increased from $94,200 to $97,500, meaning self employed people and employers may pay more in taxes. The beneficial 5% -15% capital gains rates apply in 2007 and remain through the end of 2010. Long term investments should be reviewed in light of this knowledge. Individual taxpayers will see a standard deduction amount increased to $10,700 for married filing jointly. In addition, the exemption amount per individual will increase to $3,400 for 2007. Every corresponding tax bracket will be increased as well. The end result is that taxpayers earning the same amount of money in 2007 as they did in 2006 will pay less in taxes.

Energy Tax Credits

Taxpayers also need to be aware of many tax credits that are available this year which encourage energy efficiency. Both businesses and individuals can claim partial tax credits for purchasing hybrid cars. Energy tax credits are also available for home improvements that make homes more energy efficient. Examples of these purchases include new doors, windows, heat pumps, air conditioners and many other products. While the energy credits were new in 2006, they only apply to products "put into service" before December 31, 2007. So, if you're thinking of making energy efficiency improvements, they must be made during 2007 to result in valuable tax credits.

Conclusion

Small changes in the Tax Code routinely mean huge changes for taxpayers and their tax strategies. Because this year is no exception, and with the impending explosion in estates that become subject to estate taxes and sun setting of energy tax credits, it is advisable to engage in tax planning at your earliest convenience. •

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news and notes

NPES CALENDAR

April 2007

GAERF Board Meeting
April 16 • Boston, Massachusetts

ISO TC 130 Working Groups 1-4
April 23-27 • Bangkok, Thailand

May 2007

NPES Business Development Booth
Expographica 2007
May 4-7 • Mexico City, Mexico

ISO TC 130 WG 5 (Safety and Ergonomics)
May 21-23 • San Antonio, Texas

June 2007

ICC Meetings
June 19-22 • Tokyo, Japan

CGATS SC3 (Metrology) and SC4 (Process Control)
US TAG
June 25-27 • Parsippany, New Jersey

July 2007

NPES Business Development Booth
Print, Pack and Paper Shanghai 07
July 3-6 • Shanghai, China

August 2007

ICC Session at Siggraph Color Management in Digital Motion Picture Workflows
August 8 • San Diego, California

September 2007

EXECUTIVE OUTLOOK®
September 8 • Chicago, Illinois

GRAPH EXPO®
September 9-12 • Chicago, Illinois

NPES Pavilion and Business Development Booth
IGAS 2007
September 21-27 • Tokyo, Japan

ISO TC 130 Working Groups 1-5 and Plenary
September 24-29 • Tokyo, Japan

October 2007

NPES Pavilion and Member Kiosks
PolygraphInter 2007
October 10-16 • Moscow, Russia

Joint CGATS SC3 (Metrology), SC4 (Process Control)
US TAG
October 15-17 • Grand Rapids, Michigan

NPES Business Development Booth
IPEX South Asia 2007
October 24-27 • New Delhi, India

ICC Meetings
Oct. 31-Nov. 3 • Albuquerque, New Mexico

November 2007

NPES Annual Conference
November 3-5 • San Diego, California

ICC DevCon -07 Conference
November 5 • Albuquerque, New Mexico

ISO STANDARDS ON GUARDS AND TWO-HAND CONTROL DEVICES UNDER REVIEW

Two international standards of interest to equipment manufacturers are undergoing review by the International Organization for Standardization's (ISO) Technical Committee 199, Safety of Machinery.

ISO 13851:2000: *Safety of machinery – Two-hand control devices – Functional aspects and design principles*, and ISO 14120:2002: *Safety of machinery – Guards – General requirements for the design and construction of fixed and movable guards*, are undergoing ISO systematic review to determine of they should be reaffirmed, revised or withdrawn.

As a member of the U.S. Technical Advisory Group to ISO TC 199, NPES is requesting that its members provide input for this process to then be submitted to ISO as part of the official U.S. response to this review.

To obtain a copy of either of these standards for review and comment, contact NPES Director of Standards Programs, Mary Abbott, at phone: 703-264-7229 or e-mail: mabbott@npes.org. Comments must be received by Friday, May 4.

INTERNATIONAL SAFETY STANDARD PUBLISHED – ADDITIONAL WORK TO BEGIN

The International Organization for Standardization (ISO) has published the first part of a multi-part safety standard relating to machinery used in the graphic technology industry.

ISO 12643-1:2007: *Graphic technology — Safety Requirements for Graphic Technology Equipment and Systems — Part 1: General Requirements*, provides safety specifications for the design and construction of new machines used in the printing, binding/finishing and converting processes. This part of the ISO 12643 series sets forth requirements that are applicable to the equipment covered by all other parts of the series.

ISO 12643-2: *Graphic Technology — Safety Requirements for Graphic Technology Equipment and Systems — Part 2: Press Equipment and Systems*, has also been approved and is expected to be published by ISO soon.

ISO 12643-3: *Graphic Technology — Safety Requirements for Graphic Technology Equipment and Systems — Part 3: Binding and Finishing Equipment*, is completing final international balloting, and is expected to be published during the summer.

Work on additional parts of the series will begin at the May 21-23 meeting of ISO TC 130 (Graphic Technology) Working Group 5 (Safety and Ergonomics), which will be held in San Antonio, Texas. The new work will address stand-alone platen presses and converting equipment.

Anyone interested in this work should contact NPES Director of Standards Programs, **Mary Abbott**, at phone: 703-264-7229, or e-mail: mabbott@npes.org.

ISO 12643-1:2007 is available for purchase from NPES. The other parts of ISO 12643 will be available from NPES once they have been published by ISO. To purchase a copy of the standard, download an order form from www.npes.org/standards/orderform.html, or contact the NPES Publications Department at phone: 703-264-7229.

HURLEY'S TRADE-WISE DO TELL INTEL

India has the fastest growing print industry after China, recording a growth rate of **15% in 2005**. The Indian newspaper industry is the **fastest growing newspaper economy** in the **Asia Pacific region**, comprising 5,600 dailies, 15,000 weeklies, 20,000 periodicals in **21 languages** with a combined **circulation of 142 million**.

The **import growth of printing machinery** more than **doubled** from 2004 to 2005, from $39 to $84 million. **U.S. exports** of printing industry equipment and supplies to India 2004-2005 **grew 20%** to $24 million, and **on track for 53% growth** through the second quarter of 2006.

A recent **business development mission to India**, the **largest of its kind ever organized by the U.S. government** gave more than **250 U.S. businesspeople** the opportunity to learn about and explore India's business potential. Two way trade between the United States and India has been growing rapidly. **In 2005, U.S. exports to India were nearly $8 billion, a 30% increase over 2004**; imports from India were $30.3 billion, a 20% increase over the previous year.

Sources: AMG Data Services, India's Ministry of Commerce and Industry, U.S. International Trade Commission, Wall Street Journal, U.S. Department of Commerce and NPES India Office.

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