The World of Print is Flat Too!

Part Trois

COUNTRY OF THE MONTH: INDONESIA

If I were to ask you, “what is the fourth most populous nation after China, India and the USA?” you might say Brazil or Russia or Germany, but how many of you would say “Indonesia”? Well, with 225 million people, Indonesia is the fourth largest nation in terms of population.

If I were to ask you, “what are the 10 fastest growing print markets in the world”? Most everyone would include the BRIC nations, Brazil, Russia, India and China, but would you pick Indonesia as no. 7 with a growth rate expected to be 56.6% over the 2006-2011 timeframe? Indonesia is growing even faster than Brazil, the famous “B” in the BRIC countries. Perhaps we’ll have to start re-spelling BRIC as BRIIC going forward! Today Indonesia is a $6 billion printing market and it’s expected to grow to well over $9.5 billion by 2011. This is a market that savvy NPES members cannot afford to overlook.

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Sales of printing equipment, consumables, ink and paper are expected to approach $5 billion by 2011.

As with any developing market, however, there are risks. There are some lingering ethnic and regional tensions despite the resolution of the East Timor issue and the end of the Suharto regime. The country was also affected by the tsunami that hit the Asian region in December 2004. Despite this, take a good close look at Indonesia as a potential market for your products as you explore the developing parts of Asia. For more information on Indonesia and any of the top 50 country markets for print, consult the recently released PRIMIR study, “The Worldwide Market for Print”.

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ABOUT INDONESIA

OVERVIEW

Indonesia is an equatorial country with an area of 2 million square kilometers (736,000 square miles), consisting of more than 17,000 islands; 6,000 are inhabited; 1,000 of which are permanently settled.

The president is the head of government and is assisted by a cabinet that he appoints. The president and the vice president were elected by popular vote for the first time on September 20, 2004. While the President is the executive head, the Legislature consists of a 550-member House of Representatives (DPR) elected for a five-year term.

DEMOGRAPHIC TRENDS

Indonesia has numerous related but distinct cultural and linguistic groups, many of which are ethnically Malay. Bahasa Indonesia (a form of Malay) is the national language; English is the most widely spoken foreign language. Education is compulsory for children through grade nine. Although about 92% of eligible children are enrolled in primary school, a much smaller percentage attends full time. About 44% of secondary school-age children attend junior high school, and some others in this age group attend vocational schools.

Religious freedom is guaranteed by the constitution. The five religions recognized by the state are Islam (87%), Protestantism (6%), Catholicism (3%), Buddhism (2%), and Hinduism (1%). Hinduism, however, is the majority religion on the resort island of Bali with over 90% of the population being Hindus.

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Source: PRIMIR “World Wide Market for Print” study by Pira International, 2007 © PRIMIR-NPES

Indonesia - key statistics, 2006-11

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The American Advantage: Networking

There are many reasons why organizations exist and people join. As far back as 1835, when Frenchman, Alexis de Tocqueville wrote Democracy in America during his year-long visit to the U.S., he noted that, “in no country in the world has the principle of association been more successfully used or applied to a greater multitude than in America.” Today, our “American advantage” – the need to affiliate - couldn’t be stronger.

Over the years, I’ve had the opportunity to visit with businesses and associations across the globe in developed and emerging nations, and none leverage the benefit and value of associations as well as we do in America. Benefits, such as this newsletter, offer greater value than I had even imagined as evidenced by an e-mail that arrived last week from a business colleague in China whom I met during a recent visit. The e-mail stated, “China has the fastest growing economy in the world. As the leading recipient of foreign investment in the world’s most economical manufacturing center, the Chinese print market is interested and sensitive in learning.”

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The result: 100% of the attendees said they would recommend the program to others! NPES will be hosting five of these sessions in January 2008.

Industry Summit: In late March NPES combined three signature programs into one blockbuster event that enabled a “cross-pollenization” of the best thinkers and leaders in our industry. By combining the NPES Spring Conference, PRINT OUTLOOK® and PRIMIR® Spring Meeting, we were able to engage over 100 companies in the popular three and a half day program. The new format not only saved time, but provided tremendous business networking exposure to varying levels within the participating organizations. The result: Unanimous agreement that the future of this event should continue in this new format. Next year’s program will take place April 1-3, 2008, in New York City.

Annual Conference: Last November the Annual Conference was retooled into a new formula that combined education sessions doubled so, too, were the member networking opportunities. The result: 100% would recommend the program to others. This year’s Annual Conference aptly titled, “Navigating the Winds of Change,” will be held November 3-5, 2007, in San Diego.

GRAPH EXPO® and the NPES/PRIMIR® Exchange: Certainly GRAPH EXPO is considered the Western Hemisphere’s premier annual networking event for the graphic arts industries, with tens of thousands of industry professionals queuing up to inform, demonstrate, speak and sell our industry’s most productive equipment and solutions.

At this year’s show, NPES and PRIMIR will unveil a brand new venue – the NPES/PRIMIR EXCHANGE. This multi-function forum is where members can come to conduct business in semi-private meeting rooms, utilize our PC Café, catch up on today’s hottest industry topics during the daily “bite-sized” Lunch ’n Learn sessions, swap ideas and share information.

Leadership Forum: This innovative new NPES program offers members the highest level of business networking in a “best practices” format. Here, groups of 8 to 10 industry leaders will meet three times per year to serve as a confidential sounding board of peer consultants who will provide guidance on day-to-day challenges and strategic direction for each member’s company. These groups will provide participants with a highly-focused and permanent networking group.

NPES recognizes the value of offering networking opportunities to our members. After all, it is the primary reason most join NPES and – as increasing numbers of you have demonstrated this year – it’s the reason why you stay. However, the value of your NPES membership is in direct proportion to your ability to participate in these opportunities.

With all of the choices available to you, now more than ever is the time to leverage the number one benefit that NPES offers – networking. As evidenced by all of the opportunities NPES provides for you today, there is little doubt that if Alexis de Tocqueville returned to America to do a 2007 version of “Democracy in America,” the principle of “associating” would be even stronger today than back in 1830.

What’s all the BUZZ about the new NPES/PRIMIR EXCHANGE?

LOCATION: MCCORMICK PLACE SOUTH
Meeting Room S102C

HOURS OF OPERATION:
Sunday-Tuesday Sept. 9-11, 9 am – 5 pm
Wed. Sept. 12, 9 am – 4 pm
Lunch: Served daily, 11 am – 3 pm

The new NPES/PRIMIR EXCHANGE is your on-site oasis away from the hectic GRAPH EXPO show floor. Just steps away, it’s the single place where NPES and PRIMIR members will come to:

Learn – Lunch – Lounge
• Conduct business with key customers and prospects in semi-private meeting rooms
• Catch up on today’s hottest industry topics during the Lunch ‘n Learn sessions— “bite-sized” presentations held daily during lunch
• Communicate with your office back home from our convenient PC Café
• Regroup with staff members to strategize your day’s agenda
• Unwind in our exclusive lounge area and indulge in a relaxing foot massage
Announcing NPES World Business Development Services

**CHALLENGE:** Globalization of the Printing Industry  
**OPPORTUNITY:** NPES World Business Development Services

The rising tide of today’s business environment is strongly on course towards continuing globalization. Riding the crest of that wave for member companies is NPES, continuously anticipating and swiftly responding to their needs and requests for expanded world market information and support services, most recently with the release of preliminary findings from the PRIMIRSM study on the Worldwide Market for Print.

Now, in response to member demand for even more personalized business-driven, value-added services that will enable them to discover, enter and do business in new world markets, NPES is proud to introduce its brand new **NPES World Business Development Services.**

This exclusive package of customizable member business services is designed for on-demand delivery – available online for members 24/7 to utilize “at your own pace, in your own space.” NPES World Business Development Services includes a complete array of specific free and fee-based options. Now, for the first time, member companies can access easy-to-understand and use trade/business information and related support services that will help them enter and build their business in the world market.

**Introducing NPES World Business Development Information Services**

**The Goal:** To enhance member company efforts to build productive relationships in the global marketplace by providing services to inform and support international business development.

**The Plan:** A full range of services designed to deliver member companies considerable savings and an optimum rate of return on investment.

**The ROI:** Member companies armed with the facts to make informed decisions about the best global markets for new or expanded international business development, where their investment will yield the highest return.

**The Program:** Personalized data delivered immediately:
- Rating and ranking of national and regional economies worldwide
- Rating and ranking of best countries for doing business
- Worldwide markets for print
- Import/export trade statistics

**NPES World Business Support Services**

**The Goal:** To assist member companies in creating and executing their international business development plan at considerable savings with the highest return on investment.

**The Program:** Customized support services designed and delivered on-demand.
- Personalized consulting with the NPES international trade team
- Timely webinars: how to export/import and finance trade; what you must know about doing business in/with China, India, Russia and Brazil
- Online trade tools for exporting and importing
- Searchable online database of international dealers and distributors
- Sales leads from prospective buyers worldwide, e-mailed on-demand
- NPES member business development booths at international trade shows
- Business development trips to global markets
- Localized marketing services from NPES China, India and Russia Offices
- Delivery of international buyers to member booths at GRAPH EXPO®
- Alliances and consensus-building activities to open markets and promote fair trade

For complete information, contact Mike Hurley, NPES Director, International Trade at phone: 703-264-7212 or e-mail: mhurley@npes.org.

**FIRST NPES INTERNATIONAL WEBINAR**

**INDIA MARKET ACCESS AND OPPORTUNITY**

**NEW DATE!**  
July 19, 2007  
11:00 am-12:00 pm EDT

Take an hour break at your desk to travel to India for an eye-opening personal tour of the printing industry with the NPES India and U.S. Commercial Services in New Delhi. Your FREE webinar excursion is sponsored by NPES and hosted by the U.S. Department of Commerce.

Your journey will begin with welcoming remarks by Carmine D’Aloisio, Minister Counselor for Commercial Affairs, American Embassy—New Delhi and NPES President Ralph Nappi. Your trip will continue with a presentation on the size, opportunities and challenges of the India print market by NPES India and U.S. Commercial Service Offices in New Delhi, marketing partners who are ready and able to help U.S. suppliers do business in India. Next, get down to business with a panel of NPES member companies who are currently establishing themselves in India. They will candidly share their business development experiences and open up the discussion for questions from U.S. suppliers in attendance.

Webinar “Travel” Tip: Be on the alert for an e-mail announcement from the U.S. Department of Commerce about the India Webinar complete with FREE registration and participation information.

Questions? Contact Mike Hurley, NPES Director, International Trade at e-mail: mhurley@npes.org.
Sustainability: Redefining What it Means to be a Green Printer

Print has profoundly changed the world, and now the printing industry is being called upon to profoundly change itself... so that it can continue to package knowledge and goods for human consumption in ways that address the challenges of sustainability and climate change.

“Sustainability” is the conceptual framework used to redefine the way business is done by Fortune 1000 companies and, increasingly, it will change the nature of demand for printing services, printing equipment and supplies. While historically “green” primarily referred to environmental regulatory compliance, sustainability is a term that encompasses the “beyond compliance” environmental, social and economic aspects of a business, a product or a service.

Being green used to mean complying with the law and “doing the right thing” for the planet, whether or not it was good for business. However, the new green is as much about “doing the right things for business” as it is about doing the right things for the planet. Today, printers and their suppliers will need to rethink what they say and do about being “green” if they want to win the business of Fortune 1000 clients and avoid being at a disadvantage compared to proactive competitors.

Definitions of sustainability typically entail integrated management of the economic, environmental and social performance of business – often referred to as the “triple bottom line.” Most definitions of sustainability also include active engagement and open dialogue with stakeholders.

Many manufacturers of graphic arts equipment and materials have already addressed these issues in their own operations; however, the new green will require them to redouble their efforts to provide their customers with information, education, solutions and support to complete the transformation of graphic arts supply chain practices into alignment with the principles of sustainability. In that regard, the graphic arts community is facing a “crisis of opportunity.”

Major Drivers

Among the major factors redefining what it means to be green are profound shifts in the attitudes and behaviors of investors, consumers and business leaders relative to sustainability in general, and climate change in particular.

Major corporations are being driven to reexamine the standards of conduct and measures of performance that determine how they do business. Business leaders are confronted daily by CNN reports of crime and corruption, rising energy costs and a loss of trust in business. In addition, there are an estimated 63 million adults in North America who are currently considered “LOHAS” consumers. LOHAS, which stands for “Lifestyles of Health and Sustainability,” describes a $226.8 billion U.S. marketplace for sustainable supply chain activities.

Business leaders from companies such as Exxon, Wal-Mart, General Motors, Procter & Gamble, Citigroup and Starbucks are feeling growing pressure from investors, markets, and regulators to address the challenges of sustainability and the impacts of climate change on business, society and the environment. For example, a coalition of 284 institutional investors with assets of more than $41 trillion called “The Carbon Disclosure Project”, has called upon 2,500 of the world’s largest companies to report on the greenhouse gasses emitted by their operational and supply chain activities.

In addition to investor and activist pressure for reporting, demand and action frameworks for sustainable supply chain management and procurement are arising from organizations such as the Institute for Supply Management and the Supply Chain Council. As a result, the world’s largest corporations are scrutinizing the corporate social responsibility performance of their operational practices and supply chain business practices... including what they print, how they print and how print-related products and services are valued.

As businesses wrestle with these issues, they are finding that climate change and the intensifying focus on sustainable business practices can have a significant impact on: how they do business; who they buy their equipment, energy and materials from; their ability to attract and retain talented and motivated employees; which
markets they have permission to operate in; and, which customers they are valued by.

As the world reaches consensus on the scientific understanding of climate change and the importance of striving for sustainability in the supply chains of business, companies are increasingly looking at how to: manage sustainability’s “triple bottom lines”, navigate a “carbon neutral” path; and, position themselves for success in an increasingly complex and carbon-constrained world.

For a myriad of reasons, a growing number of large corporations, publishers and government agencies are under pressure to manage the sustainability and climate change impacts of the supply chain practices. As a result, many are rewriting their vendor qualification scorecards, putting new environmental management and greenhouse gas emissions information requests in their RFPs and new sustainability reporting and verification provisions in their RFPs.

Increasingly you can expect to be asked:
- How you measure, manage and report on your company’s environmental performance and its carbon footprint;
- How much time your senior management spends guiding your company’s sustainability policy and its sustainability performance strategy;
- How your senior management is recognized and rewarded for achieving your company’s sustainability performance objectives;
- If your company documents the environmental lifecycle impacts, energy use and greenhouse gas emissions associated with the products and services that you manufacture and purchase; and,
- What your company is doing to develop continuous improvement strategies addressing climate change and sustainability in graphic arts supply chain practices.

The world depends on print to a far greater extent than is commonly understood. This is not a time for the graphic arts industry to “rest on its laurels”; rather, it is a time to redefine itself in terms of the new green and work together to identify, analyze and act on information relevant to sustainability and the challenges presented by global warming in timely and innovative ways.

About the Author: Don Carli is president of the marketing research firm Nimma Hunter Inc., and Senior Research Fellow with the Institute for Sustainable Communication (ISC). ISC’s mission is to raise awareness and increase capacity for the sustainable use of print and other communications media through programs such as its Responsible Enterprise Printing Fellowship Program and the Sustainable Advertising Partnership. For more information contact Mr. Carli at phone: 212-922-9899, e-mail: dcarli@sustaincom.org, or visit: http://www.sustaincom.org.

PrintED® Responds to the New World of Print

The forecast for print is digital – and the outlook is bright! Digital presses, digital workflows and other digital applications are being installed today at a record pace in commercial print shops, educational institutions and government offices nationwide. And, with an estimated 54,000 digital presses expected to be sold between 2006 and 2011, the market for digital promises to remain strong for the foreseeable future.

However, far less certain for the future is the assurance of a knowledgeable workforce, as graphic communications industry employers struggle to fill jobs with employees who are competent in this new technology.

Responding to this challenge, representatives from the Graphic Arts Education and Research Foundation (GAERF) Board of Directors, the PrintED Advisory Committee and several digital print manufacturing leaders from Xerox, Punch Graphix, Kodak and Hewlett-Packard met in October 2006, during GRAPH EXPO® & CONVERTING EXPO®, with a mission: to prepare today’s students for tomorrow’s careers in the fast-growing and dynamic digital printing industry. Together they determined the skills set that would be required to prepare students for entry-level jobs in this venue. The result? PrintED’s eighth area of accreditation, Digital Production Printing, was created.

The other seven accreditation areas of PrintED include:
- Introduction to Graphic Communications
- Digital File Preparation
- Offset Press Operations
- Binding & Finishing
- Digital File Output
- Advanced Offset Press Operations
- Advanced Digital File Preparation

GAERF is aware that to be successful in training students to work effectively in a digitally-focused printing environment, it is essential to keep in mind that there is diversity in equipment. The Foundation’s job is to teach concepts and competencies that ensure the student is able to operate any vendor’s digital press. Maintaining vendor-neutrality is of paramount importance in this new initiative.

“As our industry changes, an entirely new and vibrant job market is opening up for individuals possessing the appropriate skills set,” added Randolph W. Camp, GAERF Chairman and CEO of Walton Media Services in Monroe, GA. “Our collective success hinges on educating tomorrow’s workforce today.”

The digital production printing competencies will be distributed in September 2007, along with a curriculum to teach those competencies. Next steps include the development of an accompanying certification examination.

“GAERF is committed to addressing the no.1 challenge that will profoundly impact our industry’s future, the availability of a skilled and dedicated workforce,” stated Ralph J. Nappi, GAERF President. “This new area of accreditation is an important milestone toward achieving our goal.”

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Ulrik Nygaard became CEO of Baumfolder Corporation in 2002, capping a graphic arts industry career that began at Danish East Asiatic Company, some three decades ago. In that time, he has had responsibilities in Asia, Germany, Britain and the United States for an evolving series of organizations, including Heidelberg Eastern, AM Graphics and Harris Graphics. During the NPES INDUSTRY SUMMIT in Chicago, he shared his insights on finishing today.

What have been the most striking changes in finishing? How much has the automation revolution affected the postpress department?

I think there has been a very significant change toward more operator friendly machines, in the direction of semi-automatic and fully automated machines, and of course JDF is the next step. I think that is driven, in large part, by the fact that it has become more and more difficult for our customers and users of the equipment to find skilled labor. They are looking for machines that are more operator friendly, easier to set up and more productive.

How closely integrated is finishing with pressroom and prepress now? Is JDF workflow a reality?

It is, but it is moving very slowly into the finishing department. There is a lot of talk about it, and a lot of companies that offer it, (us included) but I think there are a lot fewer printers that actually use it. Part of the problem is a legacy issue. There is a tremendous amount of equipment out there in the marketplace that doesn’t have that compatibility. So the printer can’t just say, “As of next month we want to do total JDF workflow integration,” because the equipment can’t do it. And he can’t just say, “Well then, I’m going to change the whole fleet of equipment out.” It’s going to be a gradual process in the finishing department and in the whole printing company.

Do you ever envision being able to run a finishing department with nobody on the shop floor?

I know they have automated some areas of finishing from one process to another, but today there is not an off-the-shelf product you can buy that will do all of it in a “lights-out” manner. The problem is that there are so many different processes that take place in the finishing department. But I think that eventually, we will get there, or close.

What’s the minimal operator necessity?

The use of finishing equipment involves moving paper, folding it, cutting it, stitching it, putting glue on it, or drilling holes in it, etc. You have more opportunities for jams in the machine, and an operator has to be there to make sure that doesn’t happen. The machine has jam detectors, so it will stop it if you have a jam, but then somebody has to be there to get started again. You also have the inherent problems with paper, in that it behaves differently from day to day. There are a lot of factors, such as humidity, temperature or just sitting an extra day. So often, we have heard an operator say, “I ran that job perfectly last night, turned the machine off, then came back this morning and it won’t run, and I have to tweak the machine again.” The challenge from our side is to make the machine more forgiving.

It is getting harder to find trained and skilled operators in bindery and finishing. We get hundreds and hundreds of calls every month from operators with questions. We have recorded and addressed all of those questions. We have tried to address all of the most common ones in our tutorials and on our website at www.baumfolder.com. We also provide factory training schools for the end users to attend to build the skill levels to today’s requirements.

It used to be said that finishing was the bottleneck in print production. Is that still true?

The smart printers have invested in finishing equipment so that there is no bottleneck there any longer for them. This was an issue before and a lot of that was because they would spend the majority of their investment on the press or prepress and there wouldn’t be enough left to spend on the finishing side. That has changed in the last five years or so. Printers are realizing the finishing side is the area of their total process where they have the biggest opportunity to reduce labor. They have to do this, first, to reduce costs, but also because they have to. They can’t find the labor they need.

What is the actual labor reduction that’s possible? Three people to one?

It depends on what kind of product you are talking about. In a larger operation where they have several folders, they may have one skilled operator in charge of multiple folders and supplement the labor requirements with unskilled or semi-skilled labor to handle the output. The addition of automatic pressing, stacking and banding devices on the exit end, and adding some degree of automation to the folder, can help reduce the labor to one
person per folder for some applications.

For presses, at least, it is often said that the marketing life of the machine is a lot shorter than its mechanical life. Is that also true in the finishing department?

The comment is not quite as relevant for the finishing side of the business. It is probably more relevant to the more sophisticated presses and on the prepress side. Because at the end of the day, what we do in finishing is we fold, we cut, we glue, we drill and we stitch.

On the other hand, there’s also a lot of value added that goes on in the finishing side, with inkjet, co-mailing and the like. That is what we’re seeing. You hear all the time that printers are trying to find ways and means to add more value to the product they offer their customers. For example, in some direct mail applications, the finishing side is hooked up directly to either a digital printer or a preprinted roll, so you can take the job off an unwind stand, cut it and fold it, and the next step is that you automatically transfer it into an envelope inserter.

How involved should vendors be in training the end user?

It’s a given. Every printer expects that when he gets a new piece of equipment, there is some degree of training provided. We maintain a strong factory authorized network of factory-trained dealers to provide local service and training to the end users. We also offer end users the chance to send their operators to the training courses we have on a regular schedule in our factory. In very specific cases, we will go out to the end user and help with the training.

We can see a commonality in all of the questions we are getting, and we thought we might as well try and answer some of those common questions on our website. Questions like, how to resolve quality issues in folding, and so on. This has been fairly successful, but it takes a long time before people realize they can go there and get this information.

In addition to user friendliness, how much more improvement is possible in terms of the actual mechanics of folding a print job?

With some of the higher speed machines, there are improvements being made to increase productivity and deal with different types of paper, but in terms of the actual folding process, we have been in business for 90 years, and the basic concept of how you fold is still the same. We are working on faster and on more accurate folding, to reduce the setup time so you can change from one fold to another in a matter of seconds. These are all things that are very valuable to the end user so they can improve the productivity of the finishing department significantly.

Does the creative community give enough thought to folding as a creative process?

They probably haven’t because they may not know what is possible. In some cases, it’s a fairly inexperienced person in terms of printing processes who is going to make the decision about what medium is to be used and he may not know what is possible on a press or a post-press piece of equipment. But we do often get questions where the customer says, “How the heck do I do this?” They have a job come in, and they say, “I’ve never seen this before, how do I do this? How do they come up with this stuff?” Often, the designers have no real idea what the equipment can do and cannot do.

Do you think it’s possible any longer for a vendor to “go it alone” in the marketplace, or is it really necessary to be part of a more comprehensive solution?

Even the largest manufacturers on the finishing side have partnerships with other manufacturers to offer total solutions. That’s a good shortcut, to be able to offer those solutions to the end user. I think everybody needs to have, and probably already does have, some strategic alliances and partnerships where they combine their products with others and offer a total solution to the customer. Of course, on the distribution side, you have that going on all the time. A lot of our dealers sell presses, they sell cutters, sometimes from us and sometimes from another company. They sell folders, they sell binders, and not all of it comes from one vendor. So they go to the end user and say, here’s a total solution.

If you could project yourself five years into the future, what would you say were the biggest developments of the previous five years?

I would say there will be more and more workflow integration in the printing company, integration that goes all the way through from prepress to press and postpress, but I think that will take time because of the legacy issues of the installed base. We are all dealing with the consolidation that is going on both on the printer side and the manufacturer side. To me, one of the key issues is training, training, training. When we get a call and an end user has a problem with one of our products, nine out of ten times it’s a training issue. I don’t think that’s going to get any better, it’s only going to get worse. In five years I hope I can say we have done a good job of providing better training to our dealers and our end users, either through direct training or through training aids that come with the equipment.
UPDATE: TAX CODE SECTION 179

Capital Investment Expensing Increased and Extended as Part of Minimum Wage Increase Package

Here is good news for NPES members and their customers. Internal Revenue Code Section 179 small business expensing has once again been increased and extended, as one of the small business tax relief “sweeteners” that were part of the minimum wage increase legislation passed by Congress just before the Memorial Day recess. Both the minimum wage increase and the expensing increase were attached to the Iraq war funding bill.

The new law increases Section 179 expensing to $125,000 per year beginning in 2007, and extends it through 2010. Originally increased from $25,000 to $100,000 in the tax cut bill of 2003, and then extended and indexed for inflation through 2009 in the Tax Increase Prevention and Reconciliation Act of 2005, the provision has proven to be a major incentive for renewed capital investment in the printing, publishing and converting industry. NPES supported these actions, and strongly advocates tax policy that encourages capital investment that leads to greater productivity.

HOW SECTION 179 WORKS Eligible Property

Machinery and equipment, including printing, publishing and converting technology, is one of several categories of property that may be deducted in the year of purchase, rather than depreciated over the asset’s useful life.

Purchased and “Placed-in-Service”

For the new Section 179 expensing provision to apply, equipment must be both purchased and “placed-in-service” on or before December 31, 2010. The placed-in-service date is the date the property is ready and available for a specific use.

Limits to Deduction

There are three annual limits that must be taken into consideration when applying the Section 179 expensing provision of the tax code; they are:

1. The Annual Dollar Limit
2. The Annual Investment Limit
3. The Annual Taxable Income Limit

The Annual Dollar Limit refers to the amount a taxpayer can claim under Section 179 each year. Over the years this amount has been increased and indexed for inflation. Under the new law it will increase to $125,000 in 2007, and be indexed for inflation through 2010.

The Annual Investment Limit refers to the total amount of deductible property a taxpayer can put into service in a year before the Section 179 deduction starts to phase out. Before this latest revision, the phase-out in 2007 would have started at $450,000. It now begins at $500,000 in 2007 and is also indexed for inflation through 2010.

The Annual Taxable Income Limit refers to the fact that a taxpayer’s annual deduction is limited to their aggregate taxable income from the active conduct of any trade or business.

The Section 179 deduction is not automatic. Taxpayers must elect to take the deduction by using IRS Form 4562. For a complete discussion of this subject see IRS Publication 946: How to Depreciate Property.

The information presented herein is general in nature and not intended to be tax advice for a specific taxpayer. Taxpayers should consult their own tax advisor to understand how it may apply to their particular circumstances.

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