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NPES news

THE ASSOCIATION FOR SUPPLIERS OF PRINTING, PUBLISHING AND CONVERTING TECHNOLOGIES

The World of Print is Flat Too!

For most of the past ten years, one of the major trends in U.S. business has been the rise of globalization. Tom Friedmann, in his best seller book, *The World is Flat*, made the case that if you're not global, you won't survive. NPES members have long been active exporters: today we estimate that over seventy percent of them are involved in exporting to some extent. Twenty percent of our members strictly import to the US market although their parent companies are global in nature. So, roughly one tenth of our membership concentrate on the US market and have yet to explore the global printing industry.

Much attention has focused on the so called "BRIC" countries (Brazil, Russia, India and China), the fastest-growing emerging markets. As we look at emerging markets, the question becomes which countries, if any, will become the next China or India? To provide members with accurate and detailed information on the worldwide market, NPES through PRIMIR (The Print Industries Market Information and Research Organization) has contracted with PIRA International of the United Kingdom to conduct a study of the "World-Wide Market for Print." This research will identify the top global markets for print, printing equipment and supplies, as well as emerging markets where members should set their sights going forward. It is an incredible reference document to aid any NPES member seeking information on a given export market.

Table 1: Emerging country print market in global context

US$ million	2001	2005	2006p	Change 2005-2006	Change 2001-2006	% change 2005-2006	CAGR (%) 2001-2006
Emerging Eastern Europe*	5,620.5	12,305.3	13,653.7	1,348.8	8,033.2	10.96	19.42
Emerging Latin America	20,922.4	27,686.2	32,390.6	4,704.4	11,468.2	16.99	9.13
Emerging Asia	65,301.7	102,497.4	116,853.8	7,934.1	51,552.1	14.01	12.34
Total Emerging	91,844.6	142,488.9	162,898.1	13,987.3	71,053.5	14.32	12.14
World	450,888.6	585,827.7	600,591.8	14,764.1	149,703.2	2.5	5.9
Proportion Emerging	20.37%	24.32%	27.12%	94.74%	47.46%		

Source: PRIMIR and Pira International Ltd

Not surprisingly, the U.S. is the single largest print market worldwide, weighing in at $186 billion in 2006. However, the fastest growing markets are the emerging nations illustrated in Table 1 above. While the world market is expected to grow at a rather anemic 2.5% from 2005 to 2006, the emerging regions will grow between 11% and 17% – an impressive opportunity for NPES members.

In 2001, these emerging markets comprised 21% of the total world print market. By 2006 they will represent over 27%. That is huge growth when you consider that the world market was $450 billion in 2001! The absolute global print growth between 2001 and 2006 is forecast to be U.S. $149.7 billion for all print markets. Emerging regions will account for $71.1 billion of this growth, almost half of the total. We are all quite aware that the U.S. market has been declining or flat since 2000, so these emerging markets represent solid growth potential for NPES member companies.

For novice exporters, Canada and some European nations can provide an effective launch pad. As Table 2 (see page 4) illustrates, 10 of the top 15 world markets are in the developed nations of the world; these are the larger and easier markets for novice exporters. Despite the fact that some of these markets are experiencing the tough climate that we find in the U.S., they still offer opportunities. For instance, a

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INSIDE:

president's perspective

GRAPH EXPO® and CONVERTING EXPO® is only a few weeks away with all signs that we are at the eve of a vibrant show. Let me share with you some interesting data:

- This will be the largest GRAPH EXPO since 2000 and the third largest ever!
- Pre-registrations and hotel room blocks reserved are at record levels four weeks before the show.
- Over 275 new products or services will be announced and introduced at GRAPH EXPO by our 588 exhibitors.
- Seminar registrations are also at a record pace, with the average number of seminars registered per attendee at 3.5 – a full session higher than previous events.

General industry signs are also positive. Industry forecasters are projecting growth for our customers for the remainder of 2006 and into 2007. On the equipment side, the latest NPES market data findings for the first six months of this year show 29 percent growth over 2005 – which was also a growth year.

Indications are that the industry appears to be moving in the right direction...but not ALL boats are rising at this time. Some players are still harboring caution about the future. Successful businesses know that their formula needs to be adapted as times change. Going to GRAPH EXPO, let me suggest to you some key issues to keep on your radar screen.

Deliver value: Creating and building upon a reputation of delivering value is vitally important. You can ensure this by offering quality products and services that demonstrate you are more than just a provider of goods. A specific value added for upcoming GRAPH EXPO is to make sure that your staff and customers are aware of the great benefits of what the IRS code Section 179 does for the investment of capital equipment. (See related article on page 8.)

Be ETDBW (easy to do business with): What do customers experience when they interact with your organization? Being ETDBW is about flexibility, timeliness, accuracy, and friendliness. It's about understanding your customers' perception (positive or negative) about how easy it is to deal with your organization – and making adjustments to ensure they come away with a positive experience every time. This alone determines if a customer becomes a repeat account or one-shot deal. Rallying your sales and service staff around this point as they interact with customers at GRAPH EXPO will go a long way in bolstering your return on investment in the show.

Be Nimble: Does your company culture understand the value of a nimble infrastructure? Nimble in this case means being able to sniff out industry trends, new products and services, and implementing them in an efficient timeframe. This enables you to capitalize on a winner, or move on to the next idea should your effort prove less than successful. A nimble infrastructure in today's business environment is a critical advantage, as it enables quick adaptation to changing conditions and customer demands. It is also important to recognize that yesterday's definition of adaptability is altogether different from what it means to adapt in 2006.

Good luck with the show; I look forward to seeing many of you there. If you have a moment, please stop by Room S502a in McCormick Place to introduce yourself, say hello or share your thoughts on where NPES should go in the future.

Ralph Nappi
NPES President

NPES Comes To You:

PRINT COMPANY LEADERS PANELS, 'SPOTLIGHT ON SELLING STRATEGIES' TO HIGHLIGHT REGIONAL MEETINGS IN JANUARY

Good news for member companies: NPES will conduct a series of day-long regional meetings in January, providing focused industry-customer dialogue, a spotlight on selling strategies for the vendor community, market data, and great networking opportunities.

These meetings will include a full luncheon and run from 8:30 to 2:30 p.m. in the following regions:

- January 17: Chicago/Indiana
- January 19: New York/Northern New Jersey
- January 24: Long Island/Connecticut
- January 26: Dayton, Ohio

Each session will be highlighted by a 90-minute Printers Panel, featuring company executives headquartered in the respective PIA/GATF affiliate region. "NPES members are extremely interested in issues around the relationship between customers and suppliers," says NPES President Ralph Nappi. "Panels like these have proven to be extremely popular at our conferences, because they foster a great deal of productive dialogue between print company executives and leaders from the vendor community."

The regional meetings will also feature a special *Spotlight on Selling Strategies,* presented by **Carl Henry**, a consultant who specializes in helping company owners and sales managers identify and motivate sales talent for maximum performance. As a Certified Speaking Professional with over 23 years experience in sales and customer service training, Carl has taught his Modern Sales System to thousands of sales professionals around the world. His ideas and techniques are highly applicable for sales executives in the print and publishing industries.

Rounding out the agenda will be updates on the latest Market Data findings from NPES and PRIMIR, and a report on the Association's new Strategic Planning initiatives. For information on meeting venues and registration, visit www.npes.org.

Industry looks ahead to its largest national show since 2000

The biggest GRAPH EXPO® and CONVERTING EXPO® since 2000 is getting set to open its doors at McCormick Place in Chicago on October 15. Exhibit space in the show is nearly sold out, with about 580-plus companies booking more than 430,000 square feet of space. This is the first time since 2000 that a national graphic arts exposition has exceeded 400,000 square feet.

In addition, the Graphic Arts Show Company (GASC®) reports that advance registrations, seminar registrations, and hotel bookings all indicate that show attendance should be very strong. "My sense in talking to people is that we are going to see pretty upbeat attendees, both buyers and suppliers," says GASC and NPES President Ralph Nappi. "The print community has struggled over the past few years. But now there seems to be a real interest in new technologies."

Nappi also points out that more than 80 firms will be participating in GRAPH EXPO and CONVERTING EXPO for the first time, and that more than 275 exhibitors have announced their intention to introduce new products at the show. "This combination of new products from familiar sources, plus debuts of industry newcomers, is what makes the event so exciting," Nappi says.

GASC Chair Tom Saggiomo of Agfa Graphics notes that the show's growth has taken place at a time when many other trade shows, in many industries, are struggling. "Our show has been subject to the same economic forces that have eroded trade shows across any number of other industries," he says. "Yet GRAPH EXPO and CONVERTING EXPO has not only fended off shrinkage, but also grown significantly. That's because we have anticipated the growth opportunities that would profit our constituents most and taken the initiative in presenting those opportunities on our show floor."

New exhibitors, and returning exhibitors who are enlarging their spaces, account for the growth in exhibit space at the show – particularly in three growth areas:

• *Mailing and Fulfillment.* The pavilion devoted to this printers' growth opportunity has exceeded the size of the mailing industry's own dedicated trade show in recent years. The 2006 iteration will present displays by more than 40 companies, occupying more than 25,000 square feet.

• *Wide Format Imaging.* This digital output technology represents an important growth path for many printers, and GASC shows were among the first to highlight it. The pavilion will return in 2006 with more than two dozen exhibitors occupying more than 20,000 square feet, more than twice the size of the 2004 edition.

• *Packaging.* With more and more commercial printers exploring packaging technologies, and more converters focusing on print and prepress quality, packaging displays at GRAPH EXPO and CONVERTING EXPO has grown. This specialty will again be very prominent at McCormick Place, and will serve as a preview of 2007, when GASC launches PackPrint℠ together with GRAPH EXPO in Chicago.

Among attendees, GRAPH EXPO and CONVERTING EXPO can count the leaders of America's largest printing and graphic communications companies. Audience data from the 2004 show, compared to the listing of top firms published by *Printing Impressions* magazine, indicates that of the 50 largest U.S. print companies, 86 percent sent at least one representative to the show.

Of the largest 100 companies, nearly 80 percent had high-ranking managers on hand in Chicago, and even if the statistical view is widened to include the 400 largest companies, GRAPH EXPO and CONVERTING EXPO still draws attendees from nearly two-thirds of these firms.

In addition to the exhibits, GRAPH EXPO and CONVERTING EXPO will offer an educational program of nearly 70 sessions, including a new edition of EXECUTIVE OUTLOOK® on Saturday, October 14. Free workshops will be staged on the show floor as part of both the Wide Format and Mailing & Fulfillment Pavilions.

EXECUTIVE OUTLOOK, a full-day conference exploring industry issues and previewing the show, will focus on the theme "Connecting Technology for Profit." It will conclude with the announcement of this year's "Must-Seem-Ems," the products and exhibits chosen by a panel of industry experts as the most compelling in the show. ●

World of Print continued from page 1

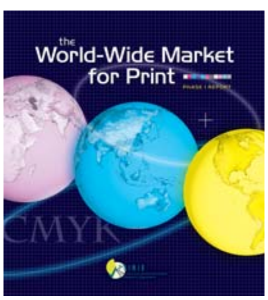
Table 2: Top 15 Global Printing Markets
2001-2006 (US$ million)

Country	2001	2005	2006p	% change 2005-2006p	CAGR (%) 2001-2006p
United States	$159,738.7	$177,008.1	$182,000.7	2.8	2.6
Japan	76,617.6	87,909.3	84,451.1	-3.9	2.0
China	19,886.8	35,202.2	40,800.7	15.9	15.5
Germany	26,895.5	38,224.9	37,077.9	-3.0	6.6
UK	23,651.6	33,599.5	33,283.1	-0.9	7.1
France	14,780.3	22,594.6	22,222.8	-1.6	8.5
Italy	14,502.0	22,515.5	22,074.5	-2.0	8.8
Canada	9,232.7	14,462.0	15,825.3	9.4	11.4
Brazil	6,638.6	10,592.2	13,482.2	27.3	15.2
Spain	8,264.9	13,308.1	13,243.0	-0.5	9.9
Mexico	6,894.4	11,467.6	12,742.9	11.1	13.1
India	7,020.1	11,254.6	12,215.0	8.5	11.7
Australia	6,109.2	8,902.9	8,620.2	-3.2	7.1
Netherlands	5,452.2	8,003.4	7,911.4	-1.1	7.7
South Korea	3,995.6	6,196.7	6,869.5	10.9	11.4

P = projected *Source: PRIMIR and Pira International*

strategy targeting England, Canada and Australia in which to start export activities would yield a potential market of $57 billion on top of the U.S. market of $182 billion. Throw India into the mix, and your market potential climbs to $71 billion. Combined with no language barrier, this can be an attractive starting point for going global.

For the experienced exporter the message is clear, the growth is in the developing countries and regions of the world. These markets may be tougher to penetrate but the long-term potential in these markets is well worth the extra effort it will take to be successful.



Here are two more compelling findings from the PRIMIR study:

• The fastest growing markets in terms of dollar growth since 2001 include Russia (27% annual growth), Romania (25%), and certain other Eastern European markets, as well as Turkey (18%), China (16%) and Brazil (15%).

• Packaging represents the single largest print product sector, with projected worldwide sales of U.S.$173 billion for 2006 across printed corrugated/solid fiber board, cartons and flexible packaging. Combined with labels, the overall market amounts to almost U.S.$200 billion worldwide.

As we look forward through 2006, Brazil and Mexico follow the Chinese in absolute growth terms (see Table 3 at right), while Russia, Ukraine and Romania offer the highest annual growth for the print market of any country over the past five years as their economies open and recover from many years of communist rule. According to the study, "China offers the greatest absolute growth; this attractive potential is opening up but organizations unaccustomed to dealing with Chinese bureaucracy and business practices need to learn the intricacies. Competition is growing in China with local suppliers of equipment and consumables joining the larger multinational brands."

India, meanwhile, is capitalizing on its large numbers of well-educated people skilled in the English language by becoming a major exporter of software services and software workers.

Phase One of this three-part study will be released to NPES and PRIMIR members in late October. The complete study will augment data from Phase One with market estimates for the printing equipment and supplies markets worldwide, along with an analysis of key trends in the emerging countries and what it all means for NPES and PRIMIR members.

The message is clear: Significant opportunities beyond the U.S. market offer NPES members long-term growth potential. ●

Table 3: Growth rates of emerging country print markets

	% change 2005-06	% change 2006-2001	% change 2005-06	CAGR (%) 2001-06
China	5,598.5	20,913.9	15.90	15.46
Brazil	2,890.0	6,843.6	27.28	15.22
Mexico	1,275.3	5,848.5	11.12	13.07
India	960.3	5,194.9	8.53	11.71
Russia	579.3	2,849.2	16.57	27.14
Indonesia	673.0	2,135.1	13.87	10.27
Malaysia	244.3	1,510.5	7.65	12.27
Poland	261.5	1,346.2	9.85	13.18
Turkey	229.2	1,299.9	11.06	18.10
Czech Republic	63.9	875.6	4.20	17.45
Hungary	8.1	518.9	0.91	18.52
Singapore	148.8	516.1	7.67	5.84
Romania	88.3	466.0	14.56	24.90
Chile	6.6	382.7	0.47	6.52
Philippines	187.1	373.0	13.11	5.40
Ukraine	91.0	334.7	21.06	22.64
Slovenia	20.8	249.3	4.59	16.07
Colombia	43.3	238.9	6.50	8.55
Thailand	73.3	211.6	15.01	9.91
Peru	16.4	125.6	3.83	6.86
Bulgaria	6.3	93.4	3.72	16.37
Venezuela	89.1	60.4	11.31	1.44
Vietnam	4.4	47.6	2.99	7.90
Argentina	383.6	-2,031.5	16.41	-10.55

Source: PRIMIR and Pira International Ltd

NPES efforts build sales overseas for members

Connecting export-minded member firms with potential customers, dealers and distributors abroad is one of the key missions of the NPES International Trade Department. On the “macro” side, NPES works to promote trade through such global initiatives as free trade agreements and international technical standards. The Association also publishes extensive data on national and regional markets worldwide. A network of NPES trade representatives works to identify opportunities for members in such target markets as Latin America, Eastern Europe and Asia.

But nearly all international business boils down to personal contact, and much of the NPES effort in world markets is focused on putting buyers and sellers face to face.

Birgit-Backofen Rothaker, Director of Business Development at **Flint Group**, gives high marks to the efforts of the American Technology Print Center, an NPES-managed facility in Moscow. “Their services enabled us to schedule an appointment with a potential customer that we had previously been unsuccessful in seeing,” she says. “The people at the center know the market, the customers and have the contacts to make doing business in Russia much easier.”

Tobias Associates has recruited a major dealer, developed an ad program and participated in its first Russian trade show, all with the help of the Moscow facility. “Of the many decisions I had to make during 2003, I believe the best was to use the services of the American Technology Print Center to help us enter the Russian marketplace,” says Tobias Sales Manager **William Bender**.

Both the Chinese and Russian trade centers were launched by NPES with financial support from the Market Development Cooperators Program at the U.S. Department of Commerce. The Shanghai Center has, more recently, become the hub of an innovative effort to apply e-commerce tools to create an effective nationwide distribution network in China for U.S. firms.

Dan Cronin of **BBA Fiberweb** reports that NPES assisted his firm in making eight visits to companies in China, as well as contacts with six dealers. “The NPES China team provides first class service in assisting market development and facilitating our sales growth in China,” he says.

Similar testimonials on NPES China assistance have come in from **Jack Makowski** of **Printware LLC**, **Erich Midlik** of **PRIME UV**, and **Ted Borowski** of **Foster Manufacturing**.

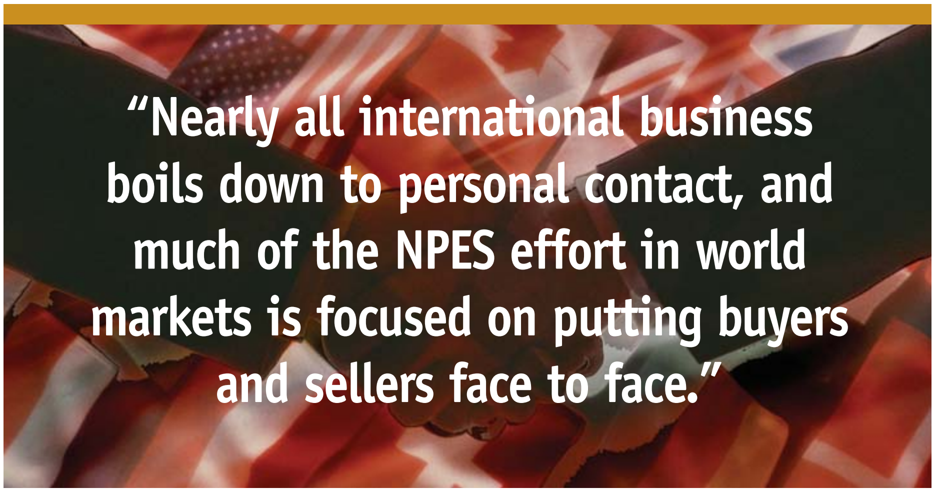
NPES has gotten an additional Commerce Department grant to build a similar effort in India, and last year became the first U.S. trade association to open its own dedicated trade promotion office in India. In addition to promoting overseas sales for U.S. manufacturers, these resources enable American firms to keep an eye on prospective competitors. With more Indian, Chinese and other international companies targeting the U.S. marketplace, that’s a valuable opportunity.

“World markets are so interwoven now that products, once they appear in any one country, do not take long to have worldwide distribution,” says **Douglas Reny**, Managing Director of the Business Systems Division at **Standard Duplicating Machines Corporation**. “We need to keep an eye on a large range of product categories in order to maintain our market and product knowledge in these areas. Chinese manufacturers are building and designing equipment which will increasingly make it to the North American market, and it is important to watch their development.”

Paul Yu of **MacDermid ColorSpan** points out that smaller firms may have the most to gain from NPES services. “The market in China presents challenges for a small U.S. company to get a foothold,” he says. He adds that MacDermid ColorSpan has been regularly getting sales leads through its web page at the NPES Shanghai Center, as well as meeting prospects through product demonstrations at the center and taking advantage of translation and other services offered there.

Even very large companies can benefit from NPES trade promotion services.

David Stamp, Global Director of Marketing for **Goss International**, points out that the Moscow center is especially valuable to his company because “we already have a significant customer base across Russia and the whole of Eastern Europe. The Russian market is already expanding due to an ever-growing need for the latest in communications innovation. We believe that NPES and Goss are moving forward with essentially the same approach to our industry,” Stamp says. ●



One on One
David Torok

How does a 100-year old printing company map out a robust path of growth for the 21st century? David Torok, CEO of Texas-based Padgett Printing, ought to know. He's spent the past 17 years guiding Padgett through an extraordinary evolution from traditional print provider to a cross-media powerhouse. Under his leadership, the company grew in sales from $8 million to over $29 million and has become a major digital and offset technology leader capable of producing and mailing 750,000 pieces per day. Torok brings over 30 years of industry experience to Padgett, is active in national printing activities, and has agreed to speak at the NPES Annual Conference early next month. We sat down with him to talk about Padgett's trajectory and get a preview of what he'll be sharing at the Conference with members.

How would you describe the changes your business model has undergone during last ten years?

We realized that offset printing is becoming more of a commodity every day, because the press manufacturers have put such quality in and taken the craftsmanship out of it. Paper mills have made their paper very consistent; same with the ink and plate manufacturers. You have high consistency with all this automation – the craftsmanship isn't there. So if we are going to add value to the product, it has to be more than putting ink on paper. Our proposition right now is that we add value either through the database, through the mailing, or through fulfillment and distribution. Basically after the toner or ink goes on paper is where we start adding our value.

Even so, you've put a lot of effort into tooling up the shop to handle a broad range of new jobs and applications.

Yes, we "kissed all the frogs" as they say, and it expanded from there. Today we're like Noah's arc: we have two NexPresses, two Digimasters, two Creo CTP, two cutters, two stitchers…we are the king of twos; it gives you redundancy and flexibility.

But you knew it's not about "If you buy it, they will come." You had customer demands driving your investments in offset and digital technology, correct?

Yes, and it's very interesting to look at what's resulted from that. What ends up happening in today's world is the customer who gives you digital work eventually gives you offset work, and offset customers will give you digital work – there is this synergy between the two. Our biggest digital customer three years ago is now our biggest offset customer. Our biggest offset customer three years ago is now our biggest digital customer.

That flies in the face of predictions five years ago that digital is going to take work away from offset.

No, they really complement each other. When we talk about hybrid printing, it's a combination of offset and digital, and that is a big reason our sales have grown 50 percent in the last three years.

What kind of vertical markets are you serving?

We're doing work for the banking and insurance markets, the retail market, a major utility, and a hospital.

Isn't there a hill to climb in terms of finding good people to sell digital printing?

This has been the hardest thing of all. We have tried everything: getting offset people to sell digital; hiring digital people to sell digital; hiring from outside the business, people with a background in selling equipment who understand long cycle times for a sale.

Today we've evolved into a team-selling approach. We identify our target customer and connect to him through top management. You can't rely on the print salesman to go out and identify that this bank, hospital, or retail operation is a great opportunity for Padgett Printing. We've got to be able to learn as much about the business as we can, and go in there and team-sell them. And now by the way, here's my techie who can talk to your techie about tab-delineated files and the latest coolest sequel server till they're blue in the face. Know what that translates to? We've tied in to you through our IT group, we've used our IT as a competitive advantage, and now it's very painful for you to leave us.

What will be the essence of your message to the vendor community at the NPES Annual Conference?

If we're successful, you're successful. Anything you can do to make us more successful is going to help you.

What have you learned over the years in terms of collaboration with the vendor community?

If we were still printing like we did in 1902, we wouldn't be in business today. We are big enough now to afford the technology, but we really need those partnerships. Right now we have partnerships with Kodak, Heidelberg, Komori, and with our mailing operation. They come out to our site regularly and we talk. We go out to the trade shows and meet them. The key is that we need them to understand where we're going, and to help us have a smooth journey every step of the way. ●

Sustainable Packaging: On Track for Big Growth

Going "green" is becoming big business these days. For all the news in recent years about fiscal responsibility, today's corporate world is marshalling itself for a new mandate: environmental responsibility. Brand owners are increasingly heeding the public call to action – and much of their attention is turning toward packaging.

According to the Environmental Protection Agency, the U.S. generated 236 million tons of municipal solid waste in 2003. Just over 30 percent was recovered through recycling or composting. The rest was combusted or land filled. The good news is that recycling recovery rates been climbing steadily in recent years. In 2003, paper and paperboard recovery rose to 40 million tons. Metals were recycled at 36 percent. While there is room for improvement, these statistics point to the public's increased interest in environmental stewardship. As companies seek to become more environmentally responsible, earth-friendly packaging plays a key role.

In 2004, packaging professionals from two dozen corporations including **Coca-Cola, Estée Lauder/Aveda, Masterfoods, Nike, PepsiCo, Starbucks,** and **Unilever** came together to form the **Sustainable Packaging Coalition** (SPC), which has since grown to encompass over 50 member companies. SPC defines sustainable package as "sourced responsibly; designed to be effective and safe throughout its life cycle; meets market criteria and cost; is made entirely using renewable energy and once used, is recycled efficiently to provide a valuable resource for subsequent generations."

Essentially, a sustainable package has zero impact on its environment. For the moment, this is difficult to achieve. Comprehensive infrastructure isn't currently in place to support widespread sustainable packaging; however, brand owners and retailers are moving closer to the goal.

The Right Building Blocks

The first tenet of sustainable packaging is to source material responsibly. Responsible sourcing often means utilizing recycled materials. Beauty brand and environmental champion Aveda, for example, uses a secondary package made from 100 percent post-consumer recycled newsprint for its Uruku lipstick. The molded pulp clamshell stands out on shelf and reminds consumers of its commitment to the environment.

Other brand owners look toward materials that can be composted. In the plastic industry, polylactic acid (PLA) resin is created from corn and can be broken down in compost facilities. The resin can be used for rigid packaging, but also in label and shrink sleeve applications. **Johnson & Johnson** is reportedly planning to replace some of its polyvinyl chloride (PVC)-based products with PLA.

Source reduction is another method utilized by corporations. Retailing giant **Wal-Mart** recently aided the Kid Connection toy line in a redesign of its packaging. By making the packaging smaller, the retailer says that an estimated 3,425 tons of corrugated materials and 5,190 trees were saved.

A truly sustainable packaging system

would utilize 100 percent renewable energy. According to the EPA, only two percent of electricity in the U.S. currently comes from "green power" – defined as energy generated fully or partially from renewable sources. Some packaging suppliers are embracing green power. Wind power accounts for 38 percent of **Mohawk Fine Papers'** electricity generation, while **Curtis Packaging** announced in August a partnership with Community Energy to purchase renewable energy equal to 100 percent of its energy usage. On the print production side, **Sandy Alexander** has committed to harnessing renewable wind energy to supply 100 percent of the energy for its New Jersey headquarters as well as a major plant in St. Petersburg, Florida.

The final stage for a sustainable package is effective end-of-life management. While composting is one environmentally responsible way to manage used packaging, recycling is far more common. Some packaging materials, like corrugate, have a good recycling infrastructure and recovery rate. Plastics are another story. According to the EPA, Americans dispose of an esti-

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mated 29 billion pounds of plastic each year, and plastics account for 20 percent of U.S. landfill capacity. Polyethylene terephthalate (PET), which is used in soda bottles, can be easily recycled, but recovery rates have been less-than-stellar. Other resins like PVC utilize so many toxic additives that they cannot be effectively recycled.

Although consumers must do their part, brand owners can help by designing packaging that is recyclable. In addition to choosing materials that are easily recycled, brand owners are looking to source less materials. **L'Oreal**, for example, has announced it would reduce the number of materials involved in its packages in order to favor recycling.

A New Mindset

Various legislation has paved the way for more sustainable practices in package design and production, such as California's Rigid Plastic Packaging Container law, aimed at increasing the use of recyclable materials. Perhaps more important is the push from major corporations. Wal-Mart has recently stated, "We are working on sustainable packaging, cotton, wood, fish, produce, electronics, and the elimination of substances of concern in all merchandise. We have been discussing our intentions with government officials in the United States, China and beyond, and we are encouraging legislation that promotes a healthy future for everyone."

As awareness of environmental responsibility grows, both in public and private sectors, environmentally friendly packaging materials and manufacturing processes are sure to increase in demand. One thing is certain: fully sustainable packaging is an ideal that is here to stay. ●

news and notes

INVESTMENT INCENTIVE EXTENDED

Good news for NPES members and their customers is the recent extension through 2009 of the **IRS Section 179** small business expensing tax incentive that allows businesses to deduct up to $100,000 of depreciable assets per year. Originally increased from $25,000 to $100,000 in the tax cut bill of 2003, the provision has been a major incentive for renewed capital investment in the printing, publishing and converting industries, as well as other sectors of the economy.

The conference report for H.R. 4297, Tax Increase Prevention and Reconciliation Act of 2005, also extended through 2010 the 15% tax rate on capital gains and dividend that was set to expire in 2008. NPES supported these actions, and is an active advocate for tax policy that encourages and fosters capital investment leading to greater productivity.

How does Section 179 Work? Eligible Property that may be deducted in the year of purchase, rather than depreciated over the asset's useful life, includes:

- Machinery and equipment, including printing, publishing and converting technology
- Furniture and fixtures
- Most storage facilities
- Single-purpose agricultural or horticultural structures
- Off-the-shelf computer software

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:

- The Annual Dollar Limit
- The Annual Investment Limit
- The Annual Taxable Income Limit

The Annual Dollar Limit refers to the amount a taxpayer can claim under Section 179 each year. This amount has been indexed for Cost Of Living Adjustment as follows:

2002	$24,000
2003	$100,000
2004	$102,000
2005	$105,000
2006	$108,000
2007	$112,000
2008	$112,000 + COLA
2009	$112,000 + COLA
2010	$25,000

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. This amount has also been indexed for inflation as follows:

2003:	phase-out begins at $400,000
2004:	phase-out begins at $410,000
2005:	phase-out begins at $420,000
2006:	phase-out begins at $430,000
2007:	phase-out begins at $450,000

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.

For a complete discussion of this subject see *IRS Publication 946: How to Depreciate Property*. For more information contact **Mark Nuzzaco**, NPES Government Affairs Director, at 703-264-7235 or email mnuzzaco@npes.org. ●

Save the Dates!

NPES Annual Conference
November 4-6, 2006
Ponte Vedra Beach, Florida

NPES Regional Meetings 2007

January 17
Chicago/Indiana

January 19
New York/Northern New Jersey

January 24
Long Island/Connecticut

January 26
Dayton, Ohio

***NPES News* is published monthly by the Marketing and Communications team at NPES.**

Managing Editor:
Doug Sprei *(703) 264-7215*

Correspondents:
Leah Genuario
John McKeon
Mark Nuzzaco
Kip Smythe

Circulation:
Darcy Harris *(703) 264-7200*

NPES
The Association for Suppliers of Printing, Publishing, and Converting Technologies

1899 Preston White Drive
Reston, VA 20191 USA
(703) 264-7200
e-mail: npes@npes.org
www.npes.org