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Federal Government Unaware It Is Destroying Private Sector Printers

by William Gindlesperger, Chairman and Chief Executive Officer, e-LYNXX Corporation

No business sector is more representative of small business than printers. There are approximately 36,000 commercial printers (not including neighborhood print shops) in the United States. However, this number is falling dramatically as more and more printers fail due to the recession, an increase in bulk mail rates by the U. S. Postal Service, and the government's on-going unwritten policy of manufacturing print in-house rather than reliance on the private sector.

Not too long ago, 51% of everything printed ended up going through the mails. When the bulk mail rate went up, direct mail volumes went down in favor of on-line advertising and other less expensive forms of marketing. This changed the print business dynamics. Not only did the U. S. Postal Service get itself into deeper financial trouble by reducing this major source of contribution to its overhead, but it hurt the print industry. Now, instead of printers utilizing 70% of their capacity on a day-by-day basis, the utilization figure dropped like a rock. In some cases the capacity utilization is now 20% and less.

According to the Printing Industries of America (PIA), the print industry consists of nearly a million small business people. In fact the average commercial printer had 27 employees and revenues of about \$4.5 million. This is no longer true, as many of these printers have been hit hard and are seeking work wherever they can find it.

Approximately 10,000 of these print companies are registered to do work for the United States Government Printing Office (GPO), and of those 400 have historically been active, depending on workflow from the GPO to remain viable businesses. The GPO sends work valued at about \$400 million a year to the private sector. However, that number just a few years back was more than \$500 million.

Last year, total GPO work to the private sector was \$440 million. There has been roughly a 27% drop in GPO derived income by private sector printers over the past dozen years. Factor in inflation and the drop is even more dramatic. The reason for the drop is not better management, more efficiency, or even less print. Au contraire, the reason for the drop is the uncontrolled growth of the in-house print plant operated by the GPO, the granting of waivers by the government for the operating of thousands of other in-house print plants, and the active efforts by many government agencies to get around the rules. This does not bode well for the print industry – especially now that the sky may be falling in for many printers.

This significant drop is a growing concern because, by all accounts, government agencies are requesting more print now than ever. Federal government forms alone, according to a recent *New York Times* news story, have increased to more than 8,000 different types -- enough to require 10 billion hours of time to fill out compared to just one billion hours in 1981.

So, why less work to the private sector when government print demands are increasing? It seems Congressional directives are not being followed. According to Title 44 of the U. S. Code enacted by Congress in 1813, all print procurement by executive, legislative and judiciary agencies must be ordered through the GPO, as opposed to through individual agencies. Now, though, a system is being created by GPO and agency administrators as they use waivers to channel GPO work directly to agency print shops, third party creative agencies, and contractors including those for the U. S. Department of Defense and other departments. Accountability is limited. No one knows how many agency print shops exist, and they certainly do not know how much print work is produced by them. We do know GPO work to the private sector is dropping. We also know that if the government were a private sector entity, the total amount of its print would be between \$30 billion and \$90 billion, not the \$1 billion or so GPO either prints in-house itself or procures from the private sector.

What this does is undermine private sector printers -- tax paying businesses -- that have a long history of supporting federal agencies with quality work and competitive pricing. This pricing in most cases is for far less than the same work can be accomplished at GPO or government agency in-house print facilities.

This fact was substantiated in the early 1990's when the Department of Defense Printing Services (DPS) created one of the largest visible print production groups in federal government. The idea that the Department of Defense

would use taxpayer dollars to compete with private sector printers -- as opposed to using that money for the national defense -- infuriated printers, taxpayers and a handful of people in Congress.

Yet, the Department of Defense still operates in-house print facilities galore – even after an intense grassroots communications campaign to senators and congressmen. The National Performance Review (NPR), now called National Partnership for Reinventing Government, listened to print industry input and read reports regarding government print costs. It concluded that government in-house print costs substantially more than the same print being procured from the private sector.

None of this is surprising. In-house facilities keep sucking up tax payer dollars, private sector printers keep going out of business, and various administrations and Congress continue to build an unrelenting history of doing nothing to solve the problem. Waivers and government in-house print plants persist and persist and persist. Are we alone in thinking that \$30 billion here and \$30 billion there is not enough money to worry about?

What is at stake is clear. If the liberal grant of waivers continues to go unchecked, more and more private sector printers that depend on GPO work will go out of business. Taxpayers will continue to pay more than they need to when print is done in-house by the federal agencies and the GPO rather than being outsourced.

If the GPO were to move all of its print to the private sector, printers would at least double the government work that they are doing now. That could save taxpayers more than a hundred million dollars to start while pumping much needed revenue into the economy. If waivers were reexamined and in-house operations closed except for intelligence work, on-ship print shops, overseas shops, and that which is absolutely requisite for the exigency of certain operations, then government costs would go down by billions – likely \$100 billion to \$300 billion over 10 years – enough to make a dent in such necessities as health care.

Our president talks about change. Here is his opportunity to save some real money. Nothing could be simpler. No act of Congress is required. The president simply orders executive agencies to close non-exigent in-house print operations and follow the law that requires GPO to manage federal government print. Then Congress directs GPO to buy, not make.

Congressional oversight of GPO is handled through the bi-partisan Congressional Joint Committee on Printing. The Joint Committee can readily call for strict enforcement of Title 44 and insist that GPO be more vigilant about adhering to private sector bidding requirements as they are already set forth by Congress. Were the president to shutter agency in-house print plants, except those that cannot be replaced by private sector efforts, results would follow immediately. Federal government costs for print would go down, quality and service would go up, the print industry would be stabilized, private sector printers would earn profit and pay taxes, and the savings would lessen the budget deficit - substantially. Maybe this president will turn talk into action.

About William Gindlesperger

William Gindlesperger is a nationally recognized entrepreneur, inventor, author and consultant in print and procurement. He founded ABC Advisors and its successor, e-LYNXX Corporation, in 1975. Under Mr. Gindlesperger's leadership the firm has grown into the recognized profit enhancement leader. Print buyers and suppliers alike have benefited from his insight and innovation.

Mr. Gindlesperger has directed major in-plant studies in both the private and public sectors and he is highly regarded for his knowledge, advice and work on behalf of firms in matters pertaining to the U. S. Government Printing Office (GPO). He has testified before the U. S. Senate Committee on Rules and Administration regarding government print and procurement policy. He also has worked directly with numerous Congressional and Senatorial members and staff and has advised Congress on the development, operations and future of GPO print procurement and the federal print program in general. He was founder and the first chairman of Printing Industries of America's (PIA) PrintPAC (political action committee), and he has been recognized for his contributions to PIA and services to the print industry.



Mr. Gindlesperger invented the methodology that optimizes cost reduction in the procurement of specification-defined goods and services. He has been granted two separate business method patents by the U. S. Patent Office, first for the competitive procurement of print and then for the competitive procurement of *all* specification-defined goods and services.

A native of Chambersburg, Pa., Mr. Gindlesperger is a graduate of Dickinson College.

About e-LYNXX Corporation

e-LYNXX Corporation, the North American procurement authority, is exclusively endorsed by *Printing Industries of America (PIA)* and *Educational and Institutional Cooperative Purchasing (E&I)* and recognized as a top 100 procurement firm by *Supply & Demand Chain Executive*. Founded in 1975, e-LYNXX has three divisions. • American Print Management provides enterprise print procurement solutions and patented competitive methods to reduce costs for direct mail, marketing materials, packaging and other procured print. Results include enhanced quality and service levels, efficiencies, process control, transparency and procured print cost reduction of 25% to 50%. • Patented Procurement Method grants patent licenses for supply chain optimization. Results include substantial reduction in existing costs of competitively procured goods and services. • Government Print Management offers U.S. GPO bid services, access and assistance. Results include filled downtime, operational stability, improved cash flows and increased profitability. www.e-LYNXX.com – 888-876-5432

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