

January 13, 2009

Government Competition with the Private Sector Hurts Print Business

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

Ever wonder why a hotel, a restaurant or even a golf course is operated by a government agency? There are plenty of companies in the private sector that have greater expertise and could do a better job for customers by providing better service and for tax payers by operating them more cost effectively.

The same observation can be made in the print industry where companies large and small are seeking government print jobs every day. In some cases, work they could do and would welcome is never put up for public bid, because it is being done in-house by government printers.

Of course, the government needs a "print" capability. Any organization of any size needs to be able to make copies to be administratively efficient. Efficiency is lost when an agency goes beyond "convenience copying" and attempts to become overly self-reliant.

This may be happening with the federal government. Let me emphasize the words "may be", because I am basing my comments on year-end production statistics from the U.S. Government Print Office (GPO) coupled with trade press that I have read about how the GPO is modernizing and expanding its operations.

More than \$400 million in print work comes through the GPO each year and is awarded to private sector vendors -- printers with proven credentials and pre-qualified capabilities. Thousands are registered to do GPO work, and hundreds nationwide actively seek GPO jobs and depend upon the revenue.

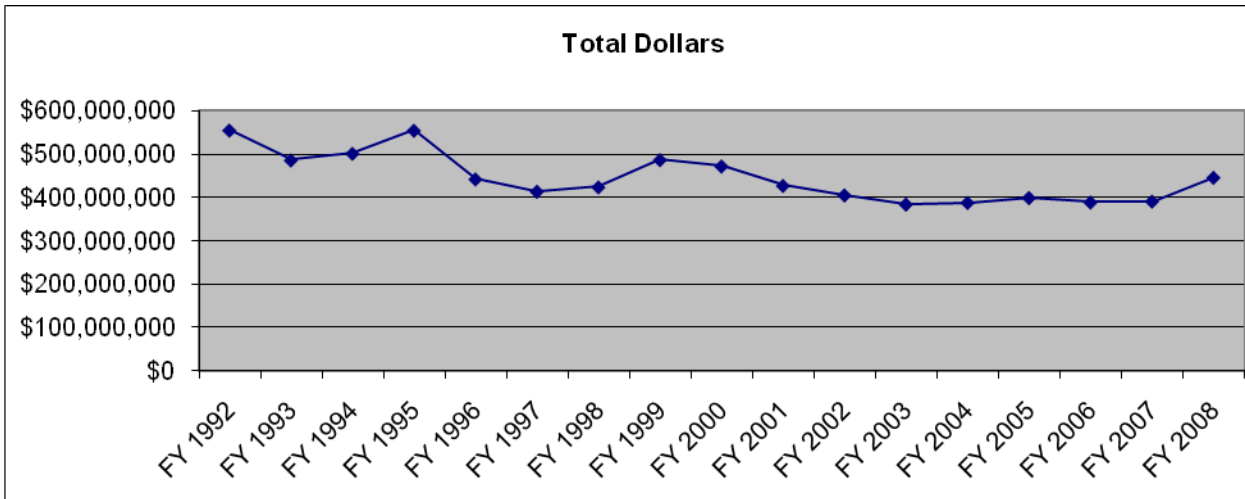
GPO was founded in 1813 to support the print needs of all three branches - executive, legislative and judicial - of the federal government. GPO is required by Title 44 of the U.S. Code to be the centralized resource for gathering, cataloging, producing, providing, authenticating and preserving published information. That's just about everything printed for the federal government. Further, as required by Title 44, all federal agencies are required to use the GPO to procure any print from outside sources.

Unlike most federal agencies, GPO operates in some ways like a business, in that it receives from its federal agency customers a service fee which is based on a percentage of the work procured on their behalf, as well as cost reimbursement for certain types of services, such as typesetting. Additionally, the GPO sells printing directly to its customers, and this is done at the huge GPO printing facility in Washington for work that is not outsourced to the private sector, such as the Congressional Record, Federal Register, U.S. passports and a lot more.

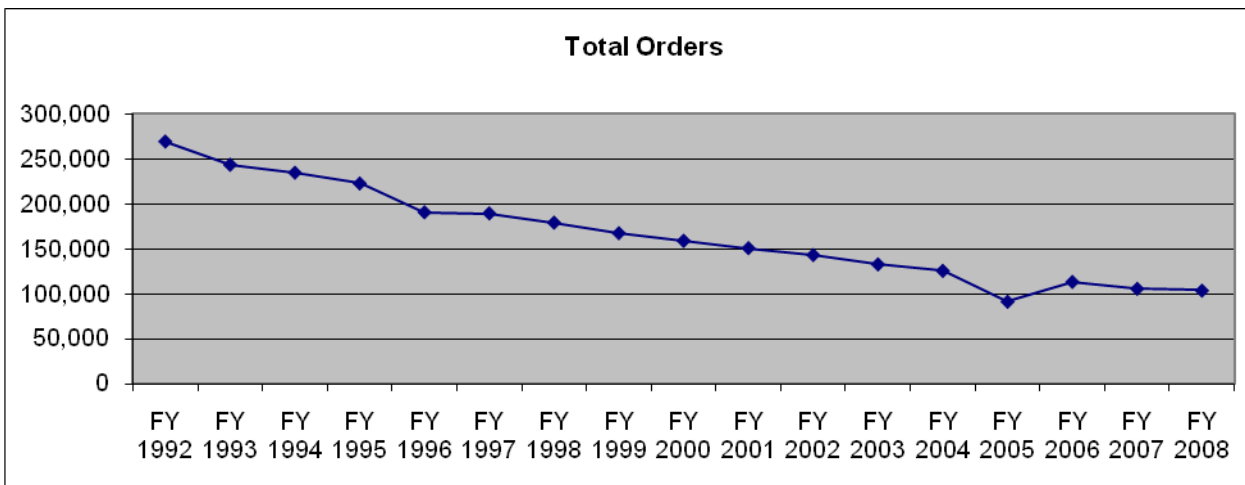
The idea of the GPO being a one-stop print shop for the federal government works only if print jobs are channeled to private sector printers. What concerns me and others in the print industry is the flow of work outside the GPO seems to be slowing.

Look at the statistics. In 1992, the total dollar value of work awarded by the GPO to private sector printers was just over half a billion dollars. Last year, that total was \$440 million and the five years prior it was in the \$380 million to \$390 million range. That is roughly a 27% drop in income to private sector printers comparing 1992 to the six year average from 2003 through 2008. Factor in inflation and the drop is even more significant.

- more -



It gets worse when individual orders are examined. In 1992, GPO awarded -- in round numbers -- 63,000 print jobs to the private sector. That work flow has been cut in half with jobs for the 2003 to 2008 period being only an average of 30,000 per year. Orders on larger and longer term program work, called print orders, dropped from 200,000 in 1992 to a six year average since 2003 of 81,000. In 2008, only 78,000 GPO print orders were awarded.



Given these numbers, we can conclude that more work is being done by in-house government shops within the departments and agencies and/or within the GPO itself, and less is going to the private sector.

This is indeed troubling at a time when private sector printers of all sizes are scrambling to get work. It also is troubling when you consider that private sector printers are giving the government preferential prices.

We know this because our firm works with commercial print, direct mail and print marketing suppliers in winning print jobs from the U.S. Government Printing Office (GPO) and other government entities. Our print professionals work with these private sector printers to build their contributing sales revenues and resulting profitability by filling their downtime with GPO work. We identify times in their production schedules when government work can be

done without interfering with other work. Often these are times when staff and equipment might be idle so printers are completing government work for off-peak prices -- sometimes reduced by as much as 50% compared to the amount that would be charged during busy production times. The printer turns what could be a loss due to no work into a profit, because the government work covers overhead and other essential operating expenses. It is income that the printer otherwise would not have.

This keeps printers in business. These are the private sector companies that pay government taxes. In-house government shops do not. It also is a savings to tax payers since government work is being done by private sector printers for less than it costs government printers to do the work when a full accounting of all of the costs are taken into consideration and factored into the picture.

GPO and elected officials should be looking for ways to boost business for the private sector, especially given today's economy. Dramatically cutting work to private sector printers sends the wrong signal and hurts the very people who pay the taxes that keeps the government running.

About the Author

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.

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

###