



AS MEMBERS STRUGGLE TO COPE WITH SWINGING INCREASES IN THE COST OF OUR INDUSTRY'S PRINCIPAL RAW MATERIAL, **ANDREW BROWN** EXPLAINS WHAT THE BPIF HAS BEEN DOING TO HELP

THE PAPER PRICE WAR

After benefiting from stable paper prices for the best part of a decade, printers have faced three successive rounds of price hikes this year so far. Clearly, something needs to be done.

Following representations made to the paper merchants trade body NAPM (National Association of Paper Merchants), a team of BPIF member representatives met leading executives from the paper merchants on 26 April. We had sought this meeting after plans to increase the price of paper by 8 per cent to 12 per cent in April were announced

by several paper merchants simultaneously, and we demanded that these rises be justified.

The NAPM team stressed that their indexed overall price figures from January 2003 to January 2010 showed that paper prices had risen by only 2.4 per cent over this seven-year period. They stated that the latest round of increases had been caused by increased production costs (due to the fall in the value of sterling, rising energy and transportation costs), reduced wood and pulp capacity worldwide (due to wood shortages resulting from cold weather and from the Chilean earthquake), and reduced paper capacity in

Europe (largely due to structural capacity reductions in coated and uncoated since 2007 and the Finnish port strike earlier this year). The NAPM pointed out that with supply restrictions, increasing mill production costs and a weak pound, pulp prices had inevitably risen.

We thanked the NAPM for providing this information and urged that they and their member companies should be more forthcoming in the future by sharing this openly with printing companies. We also said that we would be willing to help disseminate this information to our members. However we

told the NAPM that we remained concerned that just two major suppliers dominated the UK market. We warned them that we would be writing to the Office of Fair Trading to register our concerns of the adverse impact on the printing industry that we believe is resulting from this level of market dominance.

Marshalling the facts

We subsequently wrote to the Office of Fair Trading on 4 June to bring to their attention the fact that member companies had recently received a spate of letters from paper merchants over a close time period and all indicating very similar price increases. We attached some examples of the letters our members have received, all of which notified increases ranging from 8 per cent to 12 per cent.

We told the OFT that we understood that there were reasons for these price increases and that we had met with the NAPM to discuss these. However we argued that the similarities between these increases reflected a lack of proper competition in the market, resulting from the dominance of a small number of suppliers, with the UK market dominated by just two major suppliers with 80 per cent of total trading between them. We said that we considered that this militated against fair competition and disincentivised any efforts on the part of the merchants to hold back on raising prices by absorbing their impact.

We reminded the OFT that we had previously brought this matter to their attention in 2007. We also pointed out that printers were bracing themselves for yet another round of paper price rises from June, with a further increase then in prospect from August onwards.

BPIF TO ESTABLISH NATIONAL PAPER COMMITTEE

The BPIF is setting up a Paper Committee, comprising of representatives from member companies that buy paper directly from merchants. A call for expressions of interest from members interested in joining this Committee (together with terms of reference) was featured in Online in July.

The proposed terms of reference are:

- To determine ways by which the BPIF can help its member companies to adopt best practice in paper purchasing methods and supply chain management strategies
- To identify opportunities for paper merchants to assist printing companies to improve operating performance and customer service, reduce wastage of materials, and add value to their clients

- To consider how the BPIF and NAPM could work together for the mutual benefit of their respective memberships, in areas such as smart purchasing (including e-procurement), exchanging information on trading conditions and paper consumption, and improved credit management
- To meet representatives of the NAPM as necessary to seek their support for, and engagement with, any actions the Committee may consider necessary in relation to any of the above matters

→ If you are interested in becoming a member of the Committee, call Andrew Brown on 020 7915 8378 or email him on andrew.brown@bpif.org.uk

OFT response

We have since received a reply from the OFT. The letter advises: "There are many instances where prices and price movements are similar between suppliers in a competitive market." And they have made it clear that in order to justify further investigation under the Competition Act 1998, they "would require something more concrete in terms of evidence, such as proof of contact between the relevant suppliers and that the resultant prices were contrary to prevailing market conditions." It would appear that the copies of price increase notification letters that we supplied to them do not meet this requirement.

We communicated this to members on 19 August, with a fresh call for any evidence that might meet the OFT's investigation criteria. Effectively the OFT are taking the view that the propinquity of the level and timing of these increases from different suppliers is down to market following rather than collusion. Until we can prove otherwise to the OFT's satisfaction it will be difficult to progress matters further with them.

Gathering evidence

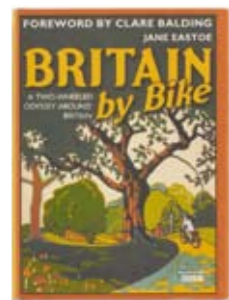
In the meantime we have been gathering information from member companies on the impact of paper price increases to date, as well as identifying the incidence of any paper shortages, through a series of new questions we added to our quarterly Printing Outlook survey. We asked members to tell us the extent to which prices have actually risen in practice (as opposed to the percentages notified by the merchants), if they have been able to pass these on their customers to any extent (and whether this has impacted on volume of orders), and if they have been able to source paper direct from mills, either at home or from overseas.

Ninety companies, employing over 10,000 people and with a combined turnover of £1.2m, responded to the latest Printing Outlook Survey, which was conducted online at the beginning of September. The results show an average paper price increase to date of 15.25 per cent, with most in the range 10-20 per cent. Of the respondents, 90 per cent reported that they had passed on some, or all, of the increased costs onto their customers, with only 13 per cent stating that print volumes had suffered as a consequence. 40 per cent had suffered paper supply shortages, echoing recent press reports of this problem. Hardly any had conducted reverse auctions with suppliers in an effort to hold down prices, but some 55 per cent are now sourcing paper direct from mills.

We have also written to the European Commission in response to the anti-dumping and parallel anti-subsidy investigation on Chinese imports of coated fine paper (CFP) into the European Union that they are currently undertaking at the instigation of the European paper merchants trade body CEPFINE.

We are concerned about the risk of the UK printing industry being adversely impacted by potential trade defence measures such as import tariffs. As you might expect, we want to see more competition in the paper market, not less, and any restriction on paper imports could see prices of EU-sourced paper rise still further in what would be a captive market. We have therefore called on the Commission to reject any calls made to impose such measures, which would be damaging to the competitiveness of our industry.

We will be meeting the NAPM again on 5 October, as part of what is now a regular series of meetings. Issues for discussion will include paper prices, shortages, credit facilities and quality issues.



CREAM OF THE CROP

EXCELLENCE ABOUND IN BRITISH BOOK DESIGN AND PRODUCTION

The cream of the book publishers and manufacturers world gathered recently to celebrate The British Book Design and Production Awards 2010, evidence that creativity and innovation still prevails in the book world.

Highly creative, beautifully crafted books still have the ability to embrace readers in an industry bombarded with the onslaught of media and digital reading devices and the winning work from the entrants of The British Book Design and Production Awards were proof that exquisite books still have the right formulae to appeal to a universal audience.

Full evidence of this beauty and craft of book production was in full show at the glittering high profile ceremony in front of over 300 guests at the Lancaster London Hotel, organised by The BPIF, Oxford Brookes University and The Publishers Association.

The awards, the 10th to be staged by the BPIF, were hosted by multi-talented star of comedy, television and radio Andy Hamilton, a regular star of shows such as *QI* and *Have I Got News for You*, who amused the audience and reflected on the publication of his own first novel way back in 1979. "As a writer there is no greater thrill than to have a book published," he said.

BPIF chief executive Michael Johnson opened the evening and reflected to the audience that with continuing pressures from e-books, coupled with the increasing popularity of e-reading devices, "You would



begin to wonder whether printed books will be overtaken by e-books."

However, he went on to state that despite the fact that the next Oxford Dictionary is more than likely just to be produced solely online for the first time rather than in print, there was still a certain serendipity about looking around a bookshop to browse for books. "Books furnish a room and they have a unique way of drawing us in and capturing our attention" he stated.

The entrants this year were of such amazing quality that the five-strong panel of industry experts from the areas of design, publishing and production judges found it a very difficult decision to select the shortlist. The Book of the Year, *Britain by Bike*, entered by Anova Books stunned the judges because of its high quality production and eye-catching imagery. Written by Jane Eastoe with a foreword by Clare Balding, *Britain by Bike* was described as, "A fantastic little gem that could catch the eye of even a non-cyclist."

Presenter Andy Hamilton added that *Britain by Bike* had won the award for, "Its overall presentation and feel good factor."

Sixties icon and fashion model Twiggy was also in attendance, with her book *Twiggy – A Life in Photographs*, published by The National Portrait Gallery, nominated for two category awards, Best British Book and Trade Illustrated. Upon winning the Trade Illustrated category, Twiggy stated, "It is wonderful that this book has been recognised with this award. For the National Portrait Gallery who had the original idea, and for the photographers whose work



has been so beautifully produced, as well as the British designer, Mike Dempsey of Studio Dempsey and the British Printer, St Ives Westerham Press Ltd.

A new category among this year's 16 categories was Lifestyle Illustrated, and the winning entry *Rose Elliot's New Complete Vegetarian*, entered by HarperCollins was the result of months of hard work to ensure that the high quality, eye-catching images of food were shown off to the max.

Winner of the Best Student Book award was *An Anthology of Fairytales* on the theme of the Wicked Stepmother by The Brothers Grimm. Upon winning the award Louise Evans, who edited, typeset, designed, illustrated and handled photography for her book commented, "I am particularly pleased to win this award as it celebrates both the physical and printed tactile qualities of producing a book, which was why I set out to produce a book in the beginning."

Commenting on the awards and the winning entries, Michael Johnson said, "Tonight is not about beautiful people, it's about beautiful books."

The awards ceremony also raised £1,400 for the BPIF's chosen charity for the evening – The Printing Charity. The prize for the evening was a meal for two at celebrity chef Gary Rhodes restaurant, Rhodes 24.

→ For more information please contact Heena Balsara on 020 7915 8338 or email heena.balsara@bpif.org.uk



AND THE WINNERS ARE:

Brand/Series Identity
The Unauthorised Guide to Doing Business, entered by TJ International

Limited Edition and Fine Binding
The White Queen, entered by Simon & Schuster

Digitally Printed Books
Claude Monet, entered by Hurtwood Press

Environmental
How to Make and Use Compost: The Ultimate Guide, entered by TJ International

Exhibition Catalogues
Leonardo da Vinci: The Mechanics of Man, entered by Royal Collection Publications

Photographic Books, Art/Architecture Monographs
Voice of the Vivarais, entered by *et al* Design Consultants

Trade Illustrated
Twiggy: A Life in Photographs, entered by National Portrait Gallery

Lifestyle Illustrated
Rose Elliot's New Complete Vegetarian, entered by HarperCollins

Literature
The Changeling, entered by Atlantic Books

Primary, Secondary and Tertiary Education
The Fundamentals of Marketing, entered by AVA Publishing

Scholarly, Academic and Reference Books
Collins Flower Guide, entered by HarperCollins

Children's Trade
The Heart and the Bottle, entered by HarperCollins Children's Books

Best Jacket/Cover Design
The Flavour Thesaurus, entered by Grade Design

Best Student Book
An Anthology of Fairytales on the Theme of the Wicked Stepmother, entered by Louise Evans

Best British Book
Britain by Bike, entered by Anova Books

Book of the Year
Britain by Bike, entered by Anova Books