

AUGUST 2011

TALK

CEO CORNER

Environmental issues

MANY PIFSA members and their staff have been shocked when entering banks and other institutions to be asked not to print e-mails, the implication (or perhaps, more accurately, the direct accusation) being that this results in the wholesale destruction of rain forests.

The further implication is that any use of paper (and therefore any printed matter) destroys rain forests right, left and centre. This extends further to schoolchildren – highly impressionable citizens, who will shape the macroeconomic decisions of the future – imagining that bloodthirsty printers, only intent on profits, will destroy the habitat of all kinds of innocent and defenceless animal species as well. This must stop.

Here are some salient facts:

'The vast majority of paper produced today stems from well-managed, renewable plantation forests that conform to strict international standards laid down by independent organisations such as the FSC (Forestry Stewardship Council). These FSC managed forests are actually the earth's 'lungs' and are up to more than 60% more efficient at sequestering carbon than unmanaged or natural forests,' says Deon Joubert, PIFSA's national president.

And Henry Coppens, technical specialist (Energy & Emissions) at Sappi points out that Sappi, which leases 550 000 ha of plantation land in South Africa, releases 8-million tons of oxygen annually, while absorbing up to 13-million tons of carbon dioxide a year.

Paper can also be recycled up to seven times and today 57,4% of all paper worldwide is recycled compared to just 18% of electronic devices. In South Africa 3,5-million tons of waste paper is recycled every year. Paper, used responsibly, is a natural, renewable, recyclable and completely sustainable communication system.

PIFSA representatives recently held a meeting with supplier representatives, to discuss how to combat the spread of wholesale nonsense about the extent to which the printing, newspaper, packaging and paper industries are polluting the earth. We have agreement that joint action is necessary, involving the entire value chain, from paper manufacturers, through suppliers (paper merchants, ink and chemical suppliers), to printers and converters.

We shall be initiating further discussions, involving a widening group of like-minded individuals and their companies.

For the benefit of our industry and all those who rely on it for their livelihood, we hope to tell a very different story from that being spread by well-meaning but uninformed people who simply have not investigated the truth.



Patrick Lacy, CEO

Let's promote printing and paper

ON June 13, 2011, US President Barack Obama issued an executive order announcing that the daily Federal Register will no longer be available in printed form.

He referred to this particular printed material as a stack of 'expensive doorstops', 'stupid spending which doesn't benefit anybody' and 'pointless waste that no one reads'.

This was part of his administration's goal to deliver an efficient, effective and accountable government.

Concerned that these statements may lead to a negative perception of the printing industry, Micheal Makin, president and CEO of the Printing Industries of America (PIA), penned a letter to the US President, warning that one may 'mistakenly assume that printed material is a dying and irrelevant relic'. He highlighted the importance of the US printing and graphic communications industry in relation to the US economy, pointing out that several new technologies were being embraced and integrated and that an annual 3 to 4% growth factor was expected in digital printing alone through to 2020.

He fortified this prediction by adding that integrated advertising campaigns were combining printed materials with social media and the internet to drive successful results, stating that 67% of online action is driven by offline messages and that 75% of consumers planned their purchases using printed advertisement inserts.

In our much smaller South African economy, with a higher percentage of low income earners, these statements are equally pertinent and we need to inform advertisers and consumers of the real facts.

Paper myths dispelled

Australasian Paper Industry Association's president, Bernard Cassell, recently debunked a number of myths about the paper industry. For example:

Myth: The paper industry is responsible for deforestation. **Truth:** The vast majority of fibre for paper comes from sustainably managed forests, plantations and recycled fibre.

Myth: The paper industry destroys forests. **Truth:** The paper industry is expanding forests annually.

Myth: The paper industry is a net carbon emitter. **Truth:** Industrial forestry has a positive carbon footprint. Carbon is stored in products made from wood fibre and recycling allows it to be stored longer.

Myth: Reduce paper waste and help the environment. **Truth:** Paper waste is recyclable and reusable – not wasted or burnt!

Myth: Going electronic is better for the environment. **Truth:** Paper is renewable, sustainable and recyclable. Computers are not renewable or sustainable. Some parts can be recycled but recycling rates are very low.

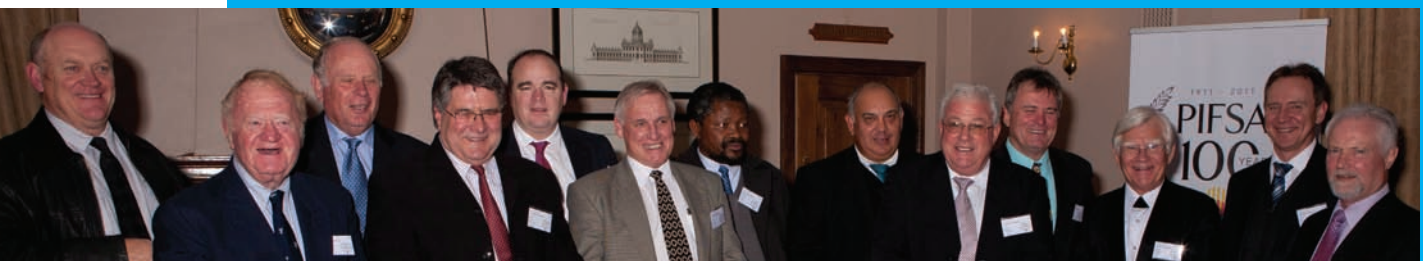
More important facts:

- During paper making, water is recycled up to six times before being released – usually cleaner than when it was received.
- Paper recycling rates are well above 60% – almost the highest for any product.
- It takes no more energy to read a printed report many times. Every time something is read on a computer, more energy is required.

Stop being defensive – be proud!

PIFSA's Cape Chamber Centenary

DON'T miss the next issue of PACKAGING & PRINT MEDIA which includes a special supplement focusing on the Cape Chamber's proud 100-year history. This culminated in a dinner at Kelvin Grove attended by a number of past and present executives.



Ken Leid (Cape Chamber director), Dennis Nick (Cape Chamber chairman 1983 – 1985), George Lumb (Cape Chamber chairman 1987 – 1992), Dave Stone (Cape Chamber chairman 1996 – 1997 & 2000 – 2002), Paul Coombe (Cape Chamber chairman 2009 – 2011), Alan Smith (Cape Chamber chairman 1999 – 2000), FezekileTshiqi (PIFSA president 2009 – 2011), Edmund Ronné (PIFSA president 2007– 2009 and Cape Chamber chairman 2004 – 2006), Albert Berman (Cape Chamber chairman 1985 – 1987), Ian Shepherd (Cape Chamber chairman 2006 – 2009), Derek Murison (Cape Chamber chairman 2002 – 2004), Anton Uys (current Cape Chamber chairman) and Patrick Lacy (current PIFSA CEO).



LET'S TALK VAT



What you need to know about exports ...

SHOULD you charge VAT when exporting? Do you need to keep any additional documents?

As with all tax-related issues, the onus is on the taxpayer to ensure that everything is done by the book. Step one is to assess the rate of VAT to levy on exports by determining what type of export it is – direct or indirect?

On a direct export – when the seller (South African vendor) delivers or arranges (and pays for) delivery of the goods to a customer – VAT is levied at 0%. On an indirect export – when the foreign buyer collects the goods from South Africa or arranges and pays for delivery of the goods to his chosen address – VAT is levied at the standard rate of 14%.

The ghost in the closet lies with the direct export because the exporter has to keep a pile of documents to satisfy SARS of the zero rating. Here's a checklist of documents to keep:

- The order or contract of sale between you

and your foreign customer. Bear in mind that foreign means non-resident in the Republic of South Africa.

- Your copy of the zero-rated tax invoice
- Copy of a VAT262 or VAT266 form with original Customs & Excise stamp
- Customs export documentation
- A copy of the Customs export or removal document (DA74)
- Proof that your foreign customer received the goods, eg a signed delivery note
- Proof of payment

But it does not end there! If a transport company is appointed to effect delivery to the purchaser, additional documentary requirements have to be satisfied. However, those will be discussed in the next issue.

(Extracts from the Practical VAT Handbook)

Preferential Procurement Regulations

ON June 8, 2011, Minister of Finance, Pravin Gordhan, made regulations to the Preferential Procurement Policy Framework Act 5/2000 (PPPFA), GG 34350 Notice 501, which come into effect on December 7, 2011.

The regulations apply to all organs of state as stipulated in Section 1 (iii) of the PPPFA:

- National or provincial department as defined in the Public Finance Management Act 1/1999; Municipality as contemplated in the Constitution; Parliament; Provincial Legislature
- Any other institution or category of institutions included in the definition of 'organ or state' in section 239 of the Constitution and recognised by the Minister by notice in the Government Gazette as an institution or category of institutions to which this Act applies
- all public entities listed in schedules 2, 3A-D of the Public Finance Management Act 1/1999 and municipal entities.

Section 2(2) states that an organ or state must only apply a preferential procurement system in accordance with the act and regulations, unless the Minister of Finance has directed otherwise.

Additional points for BBBEE status

Tenders will be evaluated on functionality and price. The same 80/20 (R1-million and under) and 90/10 (over R1-million) preference point systems are in place. However, the previous reference to Historically Disadvantaged Individuals has been replaced with the

allocation of additional points for a tenderer's BBBEE status level (BBBEE verified scorecard). Points allocated differ for the 80/20 and 90/10 systems.

Subcontracting to an enterprise with a lower BBBEE status other than EME

In the Conditions in Part 3 (Section 11) it is noted that no points for BBBEE status will be awarded if a tenderer indicates that he intends subcontracting more than 25% of the value of the contract to an enterprise with a lower BBBEE status unless an EME. The conditions also provide that a tenderer awarded a contract may not sub-contract more than 25% of the value of a contract to an enterprise with a lower BBBEE status unless an EME.

Designated sectors

The Department of Trade & Industry may designate certain sectors where local production and content is of critical importance and this must be included in those tenders that apply to the designated sectors. In addition to the designated sectors, a tender invitation may include specific tendering conditions regarding local production and content.

Local production and content must not be compromised when subcontracting.

Companies who have previously provided subcontracted goods and services will have until December 7 to ensure that their BBBEE status is on the same level as the enterprise awarded the tender if they need the additional allocated points for BBBEE status.

PIA Snippets

PIA (the Printing Industries of America) provides members with regular electronic Tech Alert newsletters containing interesting articles and information. Here are some snippets from recent editions.

Fundamentals of conductivity and pH

'Controlling the consistency of fountain solution is essential for consistent high-quality results in lithography. There are two primary ways to measure and control fountain solution chemistry on press—conductivity and pH.'

Essential steps of green marketing

'Green or sustainability has fundamentally changed the manner in which companies are doing business. It has become, in some instances, as important to customers as pricing, service, and quality.'

PIA Publications

PIA has published a number of industry insights for printers, available to members at special prices, such as the useful Best Practices for Print Automation which is not a guide or

reference but simply a collection of comments from members of the Automation Solutions Network (formerly the JDF Users' Group) on their own problems, issues and solutions.

Best Practices for Print Automation

From the Automation Solutions Network by James E Harvey:

Since 2008, the Automation Solutions Network (formerly the JDF Users' Group) has been a gathering point for printers and supporting vendors working on implementations of automated printing. Automation Solutions Network (ASN) member printers include large and small printers; web, sheetfed, and digital printers; and in-house corporate, national, and family-owned printers.

About the ASN

The Automation Solutions Network meets three times a year at locations throughout the US and Canada. Typically, meetings are hosted by a member printer and each two-day programme includes a plant tour. Members also are part of an email forum that's used to share ideas, ask questions and get answers. For more information visit www.printing.org/automation.

PIA publications are available to members at special reduced prices.

PIA membership is available to all PIFSA members. Register with the PIFSA National Office and receive your own TechAlert from the PIA and keep up to date with market trends and technology in the printing industry.



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