

ASPI NEWS

A Quarterly Publication of the Association of Suppliers to the Paper Industry

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Spring 2005 Program – “A Can't Miss Annual Meeting”

Plan now to attend the ASPI Annual Meeting, March 16-20, 2005. It will be held at the Sonesta Beach Resort in Key Biscayne, Fla. The program will prove to be valuable.

Dr Richard Phillips, senior vice president, International Paper, plans to deliver a provocative challenge to ASPI member company executives as he shares his forecasts for the global pulp and paper industry and what it will take for its renewal and success. Dr. Phillips is responsible for the technical, engineering and research functions within International Paper, the world's largest producer of pulp and paper products.

Dr. Phillips will be joined on the program by Willis Potts, vice president of Inland Container and incoming president of TAPPI. Mr. Potts has had a long and distinguished career in mill operations, mill management and senior management with both Union Camp Corporation and Inland Container. He also has served as president of PIMA. Potts will address the Annual Meeting of ASPI with his views on the difference that management and leadership can make in the future of the paper industry.

The meeting also will provide two modules on the current and forecasted financial performance of the North American and global pulp and paper industry. These modules will be presented by Mark Wilde of Deutsche Bank and David Null of Jaakko Pöyry Management Consulting Inc.

As a result of the very positive response to ASPI Board member Rod Fisher's Fall Meeting presentation on mill economic modeling and its relationship to successfully characterizing industry sales opportunities, Dan Temple of PaperLoop Benchmarking Services, will offer a follow-up, complementary program. Temple will focus on the impact of international exchange rates on the flow of imports and exports and the associated profitability of regional pulp and paper suppliers.

Jamie Monat, principal, Business Growth Specialists, Inc., will present a thought-provoking program on the profitable introduction of a lower-tier product or service offering by a premium product/service company. Most ASPI member companies view themselves as “Cadillac Suppliers” and are uncomfortable with their

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We are Listening...

An ASPI News Editorial by David Peschell, ASPI Vice President

There is no question that our industry is undergoing a period of rapid transition wherein, among other things, our customers are becoming more and more dependent upon the various goods and services we supply to them. Over the several years that my company and I have been active in ASPI, I have witnessed the same type of structural transition affect this Association. From the time I joined ASPI, I personally have enjoyed my participation. However, now I am forced to view the benefits available through ASPI more critically and more analytically. This is especially the case when it comes to the content of our meeting programs. I want to learn about my customers at these meetings. I want to be stimulated to lead dynamic change within my company. I want to find out how to increase revenue, reduce costs and manage business risks. It would appear our entire membership shares this view.

At the end of each meeting, we survey attendees to determine the value of the meeting experience and what subjects they would like to see addressed in future programs. At our recent Fall meeting at the Lansdowne Conference Center, members were very outspoken in their views. The top rated (3.71 out of 4.00) module of the program was the Outsourcing Panel where we shared the real world experiences and opinions of four executives, each leading a business that was supplying outsourced products and/or services to key customers. The

value of this session was obviously associated with the depth and quality of the presentations as well as the lengthy question-and-answer period. In addition, our membership enjoyed the opportunity to network informally with the panel members before and after the panel session.

Lansdowne attendees also responded very positively to the presentations made by member company executives, Otto Heissenberger, president of Voith Paper, and Rod Fisher, president of Fisher International. The sharing of opinions and approaches on how to succeed in our common pulp and paper marketplace is a valuable benefit both during and outside formal meetings.

There is no question that we will continue to attempt to replicate the popularity of program modules such as the Lansdowne meeting. In addition, the surveys suggested several additional subjects that our membership would like to address through future meeting programs:

- Industry Forecasts
- The Perspective of Customer Executives
- Additional Presentations on Customer's Financial Characteristics

We also received some very specific recommendations on future meeting scheduling and the types of meeting venues most valued by our membership.

I would like to assure you that those of us who are developing the meeting programs are listening. We know that you view your participation in ASPI with an expectation of increasing value

during a period in which you must be much more discriminating about where you spend your time and your company's money. *We are listening.....look at the program and schedule for the 2005 Spring Meeting at Key Biscayne. See you there!*

Annual Meeting Program Unveiled

(continued from page 1)

ability to profitably offer "Chevrolets" without cannibalizing goodwill and their premium product market positions. Monat will stretch your thinking.

The evolution of the paper industry often has been compared to that of the textile and steel industries. Mark Redding, president of Banner Services, will analyze where the steel industry has been, is, and appears to be going. Steel is a major cost component for many of our products and its economic viability and availability could be a major predictor for many paper machinery suppliers.

Hotel Reservations

Hotel reservations should be made prior to Feb. 22, 2005. Ask for the special ASPI room rate of \$235, single or double. Contact the Sonesta Beach Resort directly at (305) 361-2021. Learn more about the resort at www.sonesta.com/keybiscayne.

Two Named to ASPI Board of Directors

Two members were added to the ASPI Board of Directors during its meeting, Oct. 7-8, 2004, at the Lansdowne Conference Center in Leesburg, Va. Filling the two vacant seats in the Class of 2006 are Kari Nettamo and John Ollech.

Kari Nettamo is general manager and vice president, paper and board, of Metso Paper. Mr. Nettamo began his employment with Metso Paper Inc. in Finland in May 2001 as director of business development. He was responsible for the business development of Metso's Paper Finishing Division. In August 2001, he transferred to the United States to fill his current position.



Kari Nettamo

Mr. Nettamo earned a Master of Science degree from Oulu University. From 1978 to 1982, he was employed by Nokia. In 1990, Mr. Nettamo accepted a position with the Finland Trade Center as a commercial counsel. He managed seven Trade Commissioner's offices in the United States and Canada.

Mr. Nettamo is a member of the Finnish Paper Engineer's Association, ISA, and CPPA, and has been a TAPPI member since 1982.

John Ollech has been involved in the paper industry for more than 20 years in a variety of competencies. Since 2001, he has been vice president and general

manager of Johnson Foils, a salesman, technical director, Division of Asten Johnson, marketing manager, sales manager headquartered in Springfield, Mass. and ultimately, general manager. Mr. Ollech then spent a few years in the gas business before returning to the paper industry.

Mr. Ollech began his career with Nalco. He then joined Buckman Laboratories and spent the next 13 years in several capacities including:



John Ollech

Ollech has a B.S. in Chemical Engineering as well as an MBA.

ASPI welcomes both to the Board of Directors.

ASPI Board of Directors

Class of 2006

Robert Harrison
President
Rharrison, Inc.

Kari Nettamo
General Manager & Vice
President, Paper & Board
Metso Paper

Carl Howe
Vice President, Corporate
Sales, The Johnson
Corporation
(ASPI Secretary)

John Ollech
Vice President & General
Manager, Johnson Foils

Class of 2005

Otto Heissenberger
President, Voith Paper Inc.

David Withers
President
Coldwater Group Inc.
(ASPI Treasurer)

David Peschell
Director, International
Marketing, ITT Goulds
Pumps Inc.
(ASPI Vice President)

Chuck Wunner
President, Vooner FloGard
(ASPI Past President)

Class of 2004

Rod Fisher
President
Fisher International Inc.

Edward Ryan
President, Sandusky
International, Inc.

Dale Libby
President, Sulzer Process
Pumps (US) Inc.

Thomas E. Vaughn
Vice President of Sales &
Marketing, Kadant AES
(ASPI President)

ASPI Members' Forum

Editors Note: The ASPI Members' Forum is an ASPI News feature which was introduced in the August 2004 issue. It is designed to stimulate a written dialogue openly or anonymously among ASPI members on subjects of collective interest to the industry. Each quarter, ASPI staff will pose several questions on a general industrial subject. Member companies are encouraged to respond to these questions, either authored or anonymously. Likewise, members are encouraged to submit topics for examination.

The August 2004 issue of the ASPI News featured questions regarding field service. The following are responses received from the membership to the questions.

■ "Our Field Service Department is set up as a profit center with its own P&L, which we believe is right for our business."

■ "If it is worth anything, it must have a price in this industry."

■ "Our experience: Anything free isn't worth a lot. On the other hand, customers rightfully expect more when they are paying for service (reports, follow-up, etc.)"

■ "The margins of our products used to support a certain level of free service, especially for our best customers.....those times have long since passed."

■ "Our service personnel are our most effective sales effort, especially when their recommendations are contained within timely written reports."

■ "A good field service performance does create goodwill as it helps the customer to keep equipment running at top performance. It is more than just a veiled selling effort. It has tangible benefit for the customer."

■ "We have an ongoing debate regarding the customer who orders a service call and then stiff us, claiming it is actually a warranty claim."

■ "Field service should definitely be a career pattern. Many of our managers and even

some senior executives have started in field service. It is a good training ground for managing skills, diffusing volatile situations, follow through, logical problem solving, turning successfully solved problems into a customer advantage, etc."

■ "Unfortunately, most customers think 'free of charge' when they say service and they expect instant response. Good service requires planning. This means customers need to be willing to enter into service contracts for mechanical and process areas....a tough sell so far."

■ "We are slowly recognizing how powerful our service organization can be. It used to be a career path followed by our manufacturing direct labor force. Now it is where the best engineers want to be...out in the field - helping customers."

■ "There is a direct correlation between our written service reports and purchase orders for parts and more service. We also are finding out that written service reports tend to scare customers with respect to proper inspections, maintenance, operation and product liability issues."

■ "Some of the things that mills are asking our service personnel to do are scary....they represent a difficult balance between extraordinary opportunity and extraordinary risk. It is putting a huge premium on the management judgement of our service organizations. They used to be

schedulers. Now they must be businessmen."

■ "The value and contribution of our field service personnel is just beginning to impact how we compensate them. We have thought about several changes in the way we pay them to include having their compensation be a function of trailing parts and service revenue or how much they are in the field. Ultimately, we got nervous with such schemes rewarding or motivating the wrong behavior. As such, we are merely, moving their base pay up relatively to other functions in the company where the potential impact on our business is less important."

ASPI Questions

The Members' Forum subject for this issue of *ASPI News* is **Customer Partnering**. We would encourage you to address any or all of the following questions on the subject. Answers will be provided in first quarter 2005 *ASPI News*.

1. Are many of your customers approaching you about entering into longer term exclusive supply contracts? If so, is measurement and gain sharing part of their approach?

2. Is your most profitable business from your "best customers" that purchase goods and services from you primarily and routinely or from your infrequent, transactional customer? *(continued on page 7)*

New Member Profile: OASIS Alignment Services

Using optical and laser instrumentation, the mechanical engineers and technicians at OASIS Alignment Services provide alignment inspections and adjustments on a wide range of industrial machinery including paper machines, corrugators, coaters/laminators, extruders, blown film lines, metallizers, web and newspaper printing presses and ancillary equipment of all types. OASIS also offers extensive mechanical services including equipment maintenance and rebuild and installation support.

Founded in 1982, OASIS is the recognized industry leader in the precision alignment of large rotating production equipment. They have performed more than 20,000 successful alignment projects and have set the industry standards in optical alignment procedures, technical reports, baselines and monuments, mobile machine shops and tool cribs and specialized tooling.

OASIS Alignment Services is headquartered in Rochester, N.H., with regional offices located in Virginia, North Carolina, Florida, Wisconsin, Washington, and Quebec, Canada.

ASPI's representative is Ray Masse, president OASIS Alignment Services, Inc.

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Board Clarifies ASPI Dues Levels

The Board of Directors of the Association of Suppliers to the Paper Industry (ASPI), at their Fall Meeting at Lansdowne, acted to clarify and balance the annual membership dues levels.

Over the last several years, as suppliers to the paper industry have both globalized and consolidated, there has been considerable confusion regarding how the size of ASPI member companies should be measured in order to determine the applicability of different dues levels. Furthermore, the expanding benefits of ASPI membership have resulted in several relatively small regional supply companies joining ASPI.

As a result, the Board of Directors, with the approval of ASPI Member Companies, has defined three different annual revenue levels for ASPI membership dues purposes and an

associated annual dues level. These are:

1. Annual sales less than \$5 million: \$2,500 per year.
2. Annual sales between \$5 million and \$25 million: \$3,000 per year.
3. Annual sales over \$25 million: \$3,500 per year.

Annual sales are defined as total parent company revenue

derived from the global pulp and paper industry. During its deliberations and final action the Board of Directors was very specific in its desire not to raise dues levels. There was a strong consensus by the Board that the key to continued success of ASPI was a slighter larger membership base while increasing membership benefits and value at current dues levels.

Plan Ahead - ASPI 2005 Fall Meeting

October 18-20, 2005

Core Program will be on Wednesday and Thursday (Oct. 19-20). Board and Executive Committee Meetings will precede the Fall Meeting. Golf is available.

**The Marriott Evergreen Conference Resort
Stone Mountain, Georgia**

Did you miss the ASPI Fall Meeting?

The speakers were some of the best!

Aaron Braaten
President, Supervisory Board
PMPoland, S.A.

Bill Canis
Executive Director
Manufacturing Institute
National Association of
Manufacturers

Dick Carmical
General Manager
The Price Companies

Stephany East
Senior Director, Marketing
American Forest & Paper
Association

Rod Fisher
President, Fisher International

Otto L. Heissenberger, Jr.
President
Voith Paper Inc.

Wayne Long
Director, Maintenance Reliability
Group, BE&K Industrial Services

John Ollech
Vice President & General Manager
Johnson Foils

E. Neil Trautwein
Asst. Vice President, Human
Resources Policy, National
Association of Manufacturers

David E. White
Principal Research Engineer
Institute of Paper Science &
Technology, Georgia Institute of
Technology

David Withers
Owner & President
Coldwater Group

ASPI Fall Meeting Receives High Rating from Members

ASPI held its Fall Meeting, Oct. 7-9, 2004, at the Lansdowne Conference Center, in Leesburg, Va. Attendees were asked to respond to a survey regarding the meeting value. Responses were between 1 (poor) and 4 (superb).

Rating the highest was the program content with an average score of 3.41. Also rating high were program structure (3.38), meeting length (3.38), meeting site location (3.26), and informal information exchange (3.22). Ninety-five percent of the respondents indicated that they gained specific ideas/concepts that could be applied directly to their companies.

Attendees also were asked to rate each of the speakers. The Outsourcing Panel received the highest rating of 3.71. Also receiving high marks were Otto Heissenberger's presentation on Characterizing and Managing Capital Project Risks (3.53), "The Future of Manufacturing" presented by Bill Canis (3.44), and Rod Fisher's presentation on Financial Selling (3.38).

Presentations Available

As a benefit, all members will receive a compact disc containing the presentations from ASPI in December.

Were you unable to attend the ASPI 2004 Fall Meeting?

You missed several relevant presentations!

"AF&PA Industry Perspective"

"Outsourcing Panel"

"Commercializing New Technology in the Paper Industry"

"Characterizing and Managing Capital Project Risks"

"The Future of Health Care - Where Do We Go From Here?"

"Financial Selling"

ASPI Initiatives Update

During summer and early fall, ASPI Member companies completed the first surveys supporting the two active ASPI Initiatives – **Benchmarking and Customer Characterization**. At the Fall Meeting at Lansdowne, the results of these initial surveys were presented and discussed. As a result of these discussions and additional effort and discussions by ASPI Staff and the Executive Committee, a future course of action has been determined and is being pursued.

Benchmarking Initiative – The survey form will be modified slightly and simplified for distribution to the membership in late January. This survey will be

focused on comparing relative business performance for member companies for calendar year 2004 versus calendar year 2002. Members will be able to respond to the survey confidentially via the Internet. The results of this survey will be presented at the Spring 2005 Meeting.

Customer Characterization Initiative – This initiative, and the membership survey which supports it, has had a full legal review to insure that they will be devoid of any antitrust issues. As a result of this review some minor changes are being made to the survey form prior to proceeding with a second survey in early 2005. It remains the intent of the ASPI Executive Committee, with the approval of

the Board of Directors and Membership, to publish this initiative and the annual survey results. However, prior to any decision on how to proceed, this initiative will be discussed further at the Spring 2005 Meeting.

Customer Executive of the Year Vote to Take Place in Early 2005

Nominations for the ASPI Customer Executive of the Year for 2004 have been received from ASPI Member Companies. Nominations are intended to describe an executive of a pulp and paper producing customer who has demonstrated the ability to lead his company in their practices, procedures and behavior toward their suppliers which has resulted in their having obtained greater supplier benefits.

The nominations for ASPI Customer Executive of the Year will be submitted to ASPI member companies in early 2005 for their vote. An award of ASPI Customer Executive of the Year for 2004 will be made at the ASPI Spring meeting in Key Biscayne, Florida.

ASPI Calendar

PLP&D Winter Workshop: Jan. 20-21, 2005, Hyatt Orlando International Airport, Orlando, Fla. Contact: Sue Denston at sdenston@asmii.net.

ASPI 2005 Annual Meeting: March 16-20, 2005, Sonesta Beach Resort, Key Biscayne, Fla. Contact: Hazel Reeves at hreeves@aspinet.org.

ASPI 2005 Fall Meeting: Oct. 18-20, 2005, The Marriott Evergreen Conference Resort, Stone Mountain, Ga. Contact: Hazel Reeves at hreeves@aspinet.org.

ASPI Member's Forum

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3. Do you find the size and the breadth of your product offering is a critical ingredient as you compete for long-term customer contracts?

4. Do customers look for reasons to incrementally reward a supplier for extraordinary supply cost and quality?

5. How do customer corporations efficiently mandate corporate contracts when dealing with their individual, autonomous operating mills?

6. Is the paper industry ready for true “win-win” relationships with their suppliers?

What do you think? What experiences have you had with the above issues? Send your responses to the newsletter editor, Dawn Shiley-Danzeisen at dshiley@aspinet.org. Confidentiality of responses will be maintained. The editor would also like to hear from members regarding questions and issues for future newsletters. The Members' Forum subject for the next issue of *ASPI News* will be the pros and cons of direct sales to the paper industry.

ASPI Featured in Pavilion at China Paper Shanghai 2004

Members Plan for Pavilion at China Paper/China Forest 2005

China Paper Shanghai 2004, the 12th international exhibition and conference for pulp, papermaking, and paper products industries in China was held Sept. 7-9, 2004, at INTEX, in Shanghai, China. ASPI organized a pavilion and participated in the show.

Exhibitors met thousands of qualified customers, including general managers and owners of paper mills and related companies. ASPI hosted a general information booth that highlighted ASPI

members and membership benefits.

Plans Underway for 2005

ASPI is hosting a pavilion at China Paper/China Forest 2005, Sept. 20-22, 2005, in Beijing. Members should reserve their space in the pavilion now. Estimated cost based on past shows is \$5,750 for a nine square meter, fully fitted booth.

Members unable to participate in a booth have other

options. Tabletop literature display areas for those attending will be available in the common area. In addition, those companies not attending can choose to send literature for display by staff in the same area. The final costs for these services haven't been determined. However, a deposit of \$250 will reserve your space.

This activity is funded fully by participating companies. For more information, contact ASPI headquarters at (703) 241-5603.



**ASPI members who exhibited in the ASPI Pavilion
China Paper Shanghai 2004**

Acrowood Corporation
ASPI
ITT Goulds Pumps
The Johnson Corporation
Vooner FloGard Corporation



Report from Washington

This column provides brief highlights of activities at the Department of Commerce, Office of the United States Trade Representative, and other federal departments, which could influence the business climate or assist members to conduct business. In depth analysis is not provided, but links to information on the topics are provided to those that wish to pursue the topic. Inform ASPI News if you benefit from this service, or might benefit more from it.

DHS Launches *Ready Business*

– In late September, the Department of Homeland Security (DHS) launched the *Ready Business* campaign. *Ready Business* is designed to help owners and managers of small to medium-sized businesses prepare their employees, operations and assets for emergencies. The program outlines commonsense measures business owners and managers can take to help their companies plan to stay in business after a terrorist attack or other emergency, providing practical steps, easy-to-use templates, and several useful documents available for download at <http://www.ready.gov/business>. A new brochure titled “Every Business Needs a Plan” includes recommendations that reflect the Emergency Preparedness and Business Continuity Standard (NFPA 1600) developed by the

National Fire Protection Association, approved and recommended by the American National Standards Institute, and endorsed by DHS.

Department of Commerce Unveils New Tools to Help Companies Export to China

– The Department of Commerce (DOC) unveiled new tools to help U.S. companies expand exports to China’s growing market – the China Business Information Center, American Trade Centers, and the Global Supply Chain Initiative. The China Business Information Center at <http://www.export.gov/china> features practical information that an exporter can use to achieve tangible commercial results. The American Trade Centers program increases the DOC’s ability to help U.S. companies tap into export markets in second-tier, but very

large, commercial centers in China. The Global Supply Chain Initiative was created to help U.S. small businesses identify global supply chains that will take American manufactured goods overseas. As part of this initiative, the Commercial Service will conduct a series of sector specific trace missions involving tier two and tier three suppliers to major manufacturing centers around the world. Information on all of these programs is available at the China Business Information Center.

Senate Passes U.S.-Morocco Trade Pact

– The Senate has passed this agreement and now the U.S. House of Representatives must review the legislation. If approved quickly the FTA should enter into force on January 1, 2005. Several fact sheets on this agreement are available at http://www.ustr.gov/Document Library/Fact Sheets/2004/Section_Index.html.

U.S. to Negotiate FTAs with UAE and Oman

– On Nov. 15, 2004, U.S. Trade Representative Robert B. Zoellick announced the Administration’s intent to negotiate Free Trade Agreements with the United Arab Emirates and Oman. Information is available at <http://www.ustr.gov>.

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