

CGT Consulting Ltd

Commercial Development: Business Improvement



Document Centre – Joint Venture Business Case

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Advisory Note

As external consultants we have prepared this document to in response to a request from Huntingdonshire District Council. It is designed to assist the Council in analysing and evaluating the potential to develop a specific service area. We have not prepared and do not present this document as a recommendation to follow a particular course of action, nor is it intended to constitute any form of advice.

Executive Summary

This document presents the business case for Huntingdonshire District Council establishing a potential commercial partnership to develop its Document Centre function. The business case establishes that:

- Developing a commercial relationship with an experienced external partner potentially offers most advantageous balance of risk and reward.
- Establishing a trading entity New-Co will help to harness existing strengths of both HDC and a commercial partner, and provide a clear commercial focus for the future.
- The New-Co will be able to offer a range of products, services and expertise that are well matched to the predicted development of the print market (eg: on demand, short run, variable print).
- HDC will be able to contribute significantly to the 'start up' resources of The New-Co and, as a result, derive a significant share of any profits generated.

The scope of this business case does not extend to the post handling and mailing aspects of the current Document Centre operations. Although HDC may wish to consider future integration of this into New-Co, it would be prudent to initially focus on establishing a successful print based business.

Furthermore, any 'externalisation' of this service will have a direct impact on the internal accounting arrangements within HDC. Any central service recharges currently allocated against the Document Centre will need to be realigned. Although it should be possible to allocate some recharges to New-Co via a management fee, these will need to be levied at a 'market' or 'commercial' level. HDC will need to make decisions at a corporate level about how it wishes to treat this type of 'stranded cost' which are likely to occur more widely across any portfolio of commercial services that it develops.

Recommendation

It is recommended that HDC:

1. Accepts this business case as presenting a fair reflection of the broad potential benefits of establishing a partnership with an external commercial print supplier.
2. Recognises that the information presented in this business case provides a robust basis upon which to initiate a procurement process to identify potential commercial partners.
3. Continues to use soft market testing to further develop the model set out in this business case, particularly in terms of evaluating market potential and projecting future sources and levels of income.
4. Use this model as a framework to prepare for negotiations with potential commercial partners.

Introduction

Following the decision to redevelop the Council's main headquarters and depot, the Document Centre was created in 2007 as a corporate resource. It has, since then, developed its role providing internal and external post, scanning, design and printing requirements.

The Document Centre is the central point for mail collection and despatch and offers a full range of scanning at source in line with the Council's Electronic Document Management (EDM) procedures. Post is processed on a daily basis from the Royal Mail and is distributed internally either electronically or by physical delivery.

In addition, the Document Centre is responsible for the procurement and management of corporate Multi-Functional Devices (MFDs) and Customer Service Centre scanning equipment.

For some time, Huntingdonshire District Council (HDC) has been exploring potential routes to develop the Document Centre. The main drivers for this have been to identify potential ways to:

1. reduce the cost of this service to the Council
2. develop increased income from 'external' customers
3. bring in additional resources and skills from a commercial operator

Analysis of the service using a commercial financial model show that it is operating at a net cost to the Council of over £400,000 and that it is effectively subsidising (through the allocation of the majority of direct costs against internal activities) the works that it undertakes for external customers. In addition, comparative pricing has identified that external works are being undertaken below prevailing commercial rates.

The Council, via the Document Centre Management Board, has considered the relative merits of five options for the future of the Document Centre:

1. Business as usual (the 'do nothing' option)
2. Invest and develop (an incremental development model)
3. Brokerage partner (part of an external supply chain)
4. Trading company (full integration with a commercial partner)
5. Outsourcing (externalisation of HDC requirements)

An approved options appraisal has established that Option 4 (full service integration with an external partner, achieved through setting up a joint venture company) warrants further development to a full business case. The DC Management Board recognised that, although Option 4 presents an appreciable level of risk, it also offers a higher level of commercial potential to realise significant income for the Council.

The market

Industry trends

Over recent years, the turnover of the UK print industry has been relatively stable. The Office of National Statistics (ONS) reported the following for 2016:

Number of companies: 12,555
Number of employees: 146,401
Turnover: £16,970,400

Nevertheless, these statistics represent a decrease in the amount of companies and employees within the print industry. This can be attributed to two major factors:

1. The impact of the financial crash of 2008 and the subsequent recession. Many print businesses did not possess the financial resources to sustain their profit margins and led to many exiting the industry.
2. The decline in overall employees has mainly been caused by both changes in production techniques and technological advances in plant and equipment. In addition, the recession after 2008 led directly to job losses throughout the industry as a result of a fall in overall demand.

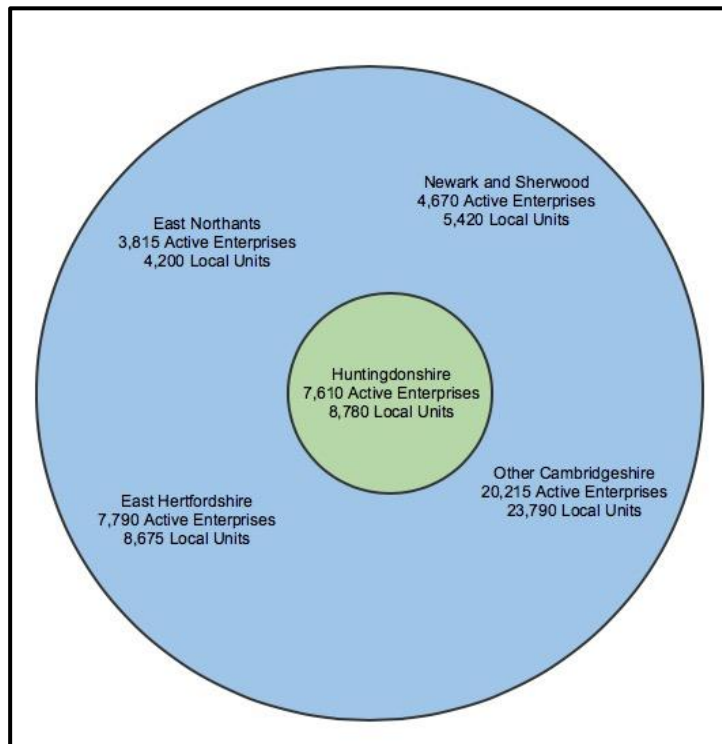
In terms of capital investment, there has been a noticeable shift in demand from sheet fed litho to digital process printing recently and this looks set to continue. Due to less demand for high volume, long-run orders many companies have opted for digital print which is a growing market. However, cut sheet still accounts for roughly double the market share that digital process print does for the vast majority of printing businesses in the U.K. today.

The key trends in the industry at present are:

- The industry is evolving, not dying. In order to succeed printing companies are adapting to new markets and evolving their products accordingly.
- Personalised products are a growth area and in growing demand from customers. New communication platforms, such as social media, are driving an increase in demand for this service.
- Print advertising is likely to continue decreasing, especially mass produced, long-run untailored messages which lack an interactive and personalised dimension.
- Advances in automation will mean that the overall workforce in the U.K. print industry will continue to decline in the near to medium future.
- Digital process printing will continue to expand further as a proportion of overall production. This will be partially offset by continuing demand for quality print in niche market sectors and some existing markets where the required standard of quality can only be met by sheet-fed litho print.

The local market

The diagram below shows (according to Office of National Statistics 2016 figures) the concentration of Active Enterprises and Local Units in Huntingdonshire and selected surrounding areas.



This provides an addressable core market of over 7,600 businesses, with a secondary market of over 36,000. It would be prudent to assume, based on the size and type of these enterprises that only 40% of this forms the accessible market for the New-Co – a total of 17,440 Active Enterprises. A prudent assumption of New-Co gaining 2% market share across this accessible market would see it acquire almost 350 new customers.

The table below (also using ONS 2016 data) shows the number of Active Enterprises in three of these areas according to industry sector classifications. These sectors are amongst those that HDC and any commercial digital print supplier would consider to be key targets.

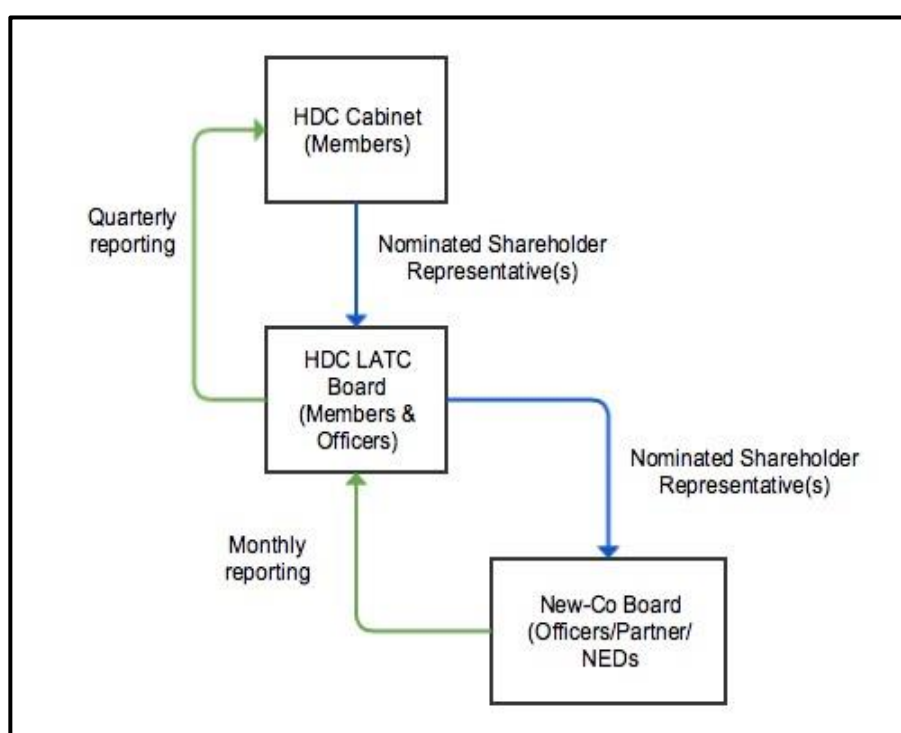
	Huntingdonshire	Cambridge	East Hertfordshire
Retail	420	320	455
Information & Communications	660	755	715
Property	245	175	315
Public Sector	60	0	30
Arts and Entertainment	480	395	470

The statistics presented above provide strong evidence that Huntingdonshire and the surrounding areas offer access to a significant number of active businesses and that these are in sectors that are proven users of digital print. This picture indicates that there is a potentially significant marketplace that can be explored further and used as the basis for a structured approach to business development .

Company structure and governance

The new co will be a jointly owned subsidiary of HDC's LATC, with the New-Co's shareholding split between HDC (via the LATC) and a commercial partner. It is anticipated that this partner will be identified and appointed via a competitive process. However, soft market testing has established that potential partners may be available and that there would be an active interest in creating a joint venture or partnership.

The New-Co will produce a comprehensive business plan which details how it will operate, the potential market for its services and provides indicative profit and loss (P&L) projections for a five-year trading period. This business plan will be signed off by The LATC via the New-Co board.



New-Co

It is anticipated that, as part of any negotiations regarding respective share allocations that account will be taken of any initial investments – either in cash or kind. This will directly impact on the level of profit extraction that each Shareholder will benefit from. For the purposes of the model described in this business case, a 50/50 split has been assumed.

New-Co Board

The Board will be responsible for delivery of the expected outcomes within the business plan. The Board will have oversight of the performance, financial and operational management of the Company within the parameters agreed with the Shareholders (including HDC).

Capital investment

New-Co will require an initial capital investment to cover the following:

- Set up costs (including consolidation of plant and other resources into a single location). £40k.
- Cash flow financing for the first three months of operation. The formation of the business around existing commercial relationships will largely offset this requirement as the continuity of cash flow should be maintained. This sum of £220k would be provide by share equity.

Company Resources

It is anticipated that, where practicable, the support services which will be required by the Company will be contracted out to HDC via the LATC.

Customers

The formation of New-Co will create a commercial operation that is able to offer a wide range of printing and associated services (see pages 10 – 11). It is anticipated that this will enable New-Co to not only retain a significant proportion of the business currently held by HDC and any potential partner, but to also achieve significant growth across the following customer groups.

HDC internal customers

The current work undertaken for internal HDC customers is currently valued at £75k. However, this is not charged at commercial rates due to an inconsistent approach to cost allocation (particularly staff costs). It is likely that a number of factors may influence the volume and value of this work in the future, including:

- Increasing digitisation of customer communications and transactional relationship will reduce the demand for printed materials.
- Any movement to implement commercial charging may result in lower volumes of work (and a possible increase in outsourcing)
- The application of preferential charge rates for this work may result in most of the work being retained.

In addition, a significant volume of print work (valued at £289k) is outsourced to external print suppliers through existing HDC frameworks. There will be substantial potential to use the enhanced capabilities offered by New-Co to provide a platform to win a proportion of this work. The model assumes this will be 60% of the current value.

HDC external customers

The Document Centre has developed a respectable presence in the local market – primarily working with other local authorities and the wider public sector. The approach to building this business has been developed within the Document Centre's existing business development and account management capabilities. These capabilities are limited by the current HDC operating model which is focused on meeting the internal service requirements of HDC.

It is anticipated that New-Co will harness the marketing and sales expertise and experience of a commercial partner, and that this will enable to work with these clients to be developed through a wider service offering and improved account management. In addition, it will be possible to better leverage the specialist capabilities of the Document Centre – including data management and an intrinsic understanding of public sector requirements – to generate more customers in these market segments.

Partner customers

The commercial partner in New-Co is likely to already have a substantial and well-developed client base. Furthermore, this is likely to be in sectors – for example, property, arts and entertainment, information services – where the Document Centre has little presence. In addition to the organic growth from this client base, New-Co will have an enhanced range of services (including those of the Document Centre) which will generate increase turnover from this type of client.

New-Co will focus on providing a comprehensive range of **digital print** services. In the context of the market conditions described above, and the high investment costs associated with lithographic printing, it is evident that this represents the best potential balance of risk and reward for HDC.

New-Co will provide customers with access to the following services:

Pre-press services

A full range of support to ensure that each job is ready for print and set up to produce the best results – including digital proofing, pre-flighting, colour management, RIPping, page imposition and Web2Print.

Digital printing

From sheet fed A4 to large formats for posters and banners in both full colour and black & white.

Finishing

Recognising the importance of delivering a first-class finished product with a flexible range of services, including: perfect and PUR binding, stitching, wire-o-binding, drilling, creasing, perforating, folding, laminating, trimming, kiss-cutting, velobinding, die cutting, drilling, collating and folding.

Print management

Offering customers access to a more strategic approach to their print buying and stock management. Print Management services allow customers to increase the efficiency of their print production and 'buy-in' to expertise that they may not have in-house.

Print design

Working with customers as a creative partner to produce attractive, practical designs for communications that gets results – from marketing material, brochures, flyers, leaflets to business cards, posters, invitations and newsletters.

Direct mail

Managing fulfilment campaigns from small mail-outs through to nationwide campaigns. Customers benefit from a full range of mail fulfilment services including hand and machine enclosing of letters, leaflets and brochures, laser printing, ink-jetting and pick & pack services.

Secure printing

Secure work is handled in a controlled environment where data is protected behind an external firewall and 24-hour CCTV coverage is in place. All secure work is segregated processed where screens cannot be overlooked.

Data management

Using supplied data to introduce variable or personalised messaging into printed communications. This will particularly draw on HDC's expertise in delivering large scale

variable print projects for local authorities (both billing and democratic services requirements).

Logistics

New-Co will use its own fleet of vehicles, alongside its contracted arrangements with Royal Mail and other distribution partners, to ensure that all jobs - either single or multipart – arrive at their destination on time and in perfect condition.

New-Co will provide customers all the key benefits associated with digital print, including:

1. Small run/on demand – only printing what customers need, thereby making budgets go further.
2. Low cost – direct to print technology and Web2Print capabilities can reduce costs by streamlining pre-press processes.
3. Variable print – consumer expectations and increasing integration with digital/social media means that customers want to deliver personalised messages where possible.
4. Choice of materials – digital print offers the potential to print directly onto paper and board as well as a wide range of range of plastic and synthetic materials.
5. Speed of turnaround – digital print can meet the on-demand requirements of most customers. With no plates to prepare and digital proofing that is reliable and accurate, the time to print most jobs is significantly reduced.

It is anticipated that New-Co will offer the type of customer assurances that are standard practice for commercial print suppliers, including:

- **Guaranteed Pricing.** Customers pay what they are quoted - no hidden charges.
- **Guaranteed Support.** A dedicated account manager to support each customer and project throughout the print process.
- **Guaranteed Quality.** Finished jobs only released when the customer is 100% happy with the output.
- **Guaranteed Delivery.** Confirmation of print order delivery times and reliable next-day delivery once the job is ready for dispatch.
- **Guaranteed Advice.** Expertise and experience to help each customer choose the best approach to achieve their objectives.

Operational

As an option for potential development of the HDC Document Centre, working with a partner is likely to have a significant impact on the operational aspects of the service. It is anticipated that New-Co will need to be operationally sophisticated and dynamic to thrive in the commercial printing market.

However, before a specific partner is identified, and their capacity, capabilities and expertise evaluated, it is difficult to be precise about the eventual operating model that will emerge. It is possible, nevertheless, to identify a number of key areas where the impact of forming New-Co is likely to have the most impact.

Location

The HDC Document Centre is currently located in Eastfield House (EFH) – a site that offers suitable and flexible production and office accommodation. In addition, access to and from EFH from main trunk routes is direct and fast. It is likely that any commercial partner may wish to consider consolidating New-Co into EFH due to its potential capacity to house a larger production facility and its advantageous location. However, the wider accommodation needs of HDC will need considering.

Staffing

Both partners will have their own staff, each with particular experience and expertise. It will be necessary to evaluate the full range of staff available to New-Co and put in place the most suitable configuration. Any procurement process will stimulate consideration of how a new structure might help to ensure that New-Co is not only an efficient production facility, but is also able to operate in a commercially agile manner.

Plant/equipment

It is anticipated that any commercial partner identified by HDC will have a track record of investment in leading edge digital print technology. It is therefore likely that this will supersede the plant that is currently used by the HDC Document Centre. However, an item by item asset review will need to be carried out to identify the optimum combination of plant from both partners.

Management Information System (MIS)

It is anticipated that a MIS (for example Optimus) will be used, alongside ISO9001, to ensure that the right goods, of the correct quality, are consistently delivered. This type of MIS, specifically developed for the print industry, encompasses all stages of the commercial process – including estimating, workflow management delivery and invoicing. The dynamic use of this type of MIS will enable New-Co to manage its cost base in real time. In relation to the sensitivity analysis presented on page 16, a cost overrun of 10% would be unlikely as the MIS would allow active management of key cost drivers, such as labour and materials costs.

The use of a print specific MIS will enable New-Co to operate efficiently, better manage its cashflow, reduce bottlenecks and deliver consistent levels of customer service.

Financial model

The following financial model is based on analysis of current HDC Document Centre accounts. In addition, a commercial print supplier has been consulted to establish the type of income and cost profile that it would be prudent to adopt for the purposes of a five-year model.

Although this soft market analysis has informed this business case, should the proposal be progressed, this model will be further tested against a range of potential suppliers.

The narrative below details the assumptions that lie behind the draft profit and loss account shown on page 16.

Income	
HDC Doc Centre delivered – internal print	Based on current values for printing carried out for HDC by the Document Centre.
	Values increased by 30% to reflect commercial pricing (Appendix B).
	Value reduced by 10% per year to reflect increasing digitisation of services.
HDC – outsourced work	Based on spend through existing frameworks and with specialist suppliers (eg elections/ballot packs).
	Values increased by 30% to reflect commercial pricing (Appendix B).
	Modelled on retention of 60% of current business due to enhanced service offering.
	Value increasing by 5% per year.
HDC Clients - New services	Value of potential sales of additional services (eg large format, print management) to existing HDC clients.
	Value increasing by 20% per year.
HDC External Clients	Based on current values for printing carried out by the Document Centre.
	Values increased by 30% to reflect commercial pricing.
	Value increasing by 10% per year to reflect impact of better business development and account management.
JV Partner – existing print work	Estimate based on soft market testing with commercial print supplier.
	Value increasing by 10% per year to reflect mature client relationships and established

	business development and account management strategies.
JV Partner – consultancy	<p>Estimate based on soft market testing with commercial print supplier.</p> <p>Based on market potential for print management, data management services.</p> <p>Value increasing by 10% per year to reflect structured approach to marketing and business development.</p>

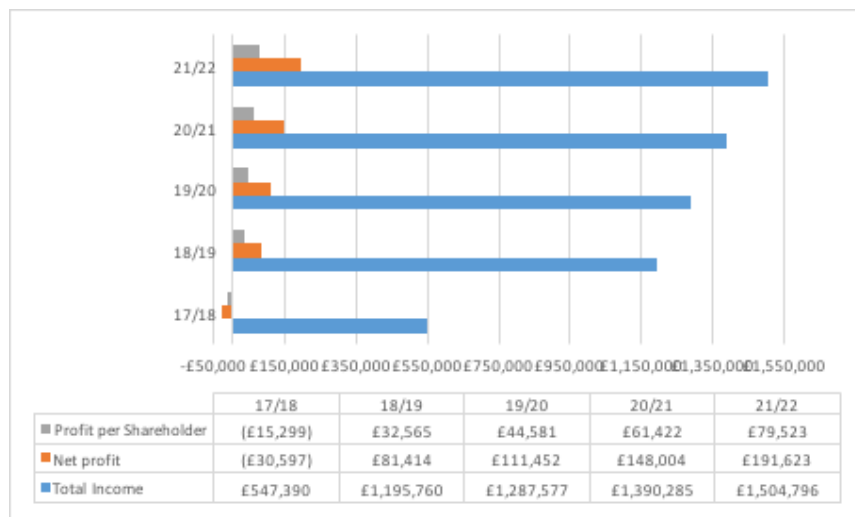
Fixed Costs	
HDC – staff costs	<p>Based on current values allocated to Document Centre.</p> <p>Flat profile until re-structure modelled for company.</p> <p>Some reduction in these costs are anticipated.</p>
JV Partner – staff costs	<p>Estimate based on soft market testing with commercial print supplier.</p> <p>£20,000 per year uplift to accommodate additional staff members as income grows.</p> <p>In order to drive the projected levels of business growth, it is anticipated that additional staff will be commercially focused and experienced (ie: marketing, sales, business development).</p>
Eastfield House rent	<p>Based on assumption that new commercial entity will be based in the part of EFH currently occupied by the Document Centre.</p> <p>Based on high level review of market rents for similar Hunts sites.</p> <p>Professional valuation will be required.</p>

Indirect Costs	
Click charges	Charge per impression based on industry standard calculation of 20% of income.
Paper costs	Based on industry standard calculation of 12% of income.
Transport	Estimate – based on current HDC values.
Subcontracting	Costs of specialist print and finishing services based on industry standard

	calculation of 6% of income.
Business Rates	Calculated using EFH footprint and current business rate multiplier. TBC by HDC.
Repairs and Maintenance	Based on soft market testing with commercial print supplier. Assumption that most HDC plant will not be suitable for future use.
Phone, stationery etc	Estimate based on current values.
Marketing & advertising	Estimate based on soft market testing with commercial print supplier taking into account projected volume growth. Broadly equivalent to additional 2 x FTE.
Bank charges	Estimate based on current values.
Debt write off	Calculated on 1% of income. Aligns with UK average in 2016 of £11,000 per business.
Professional fees	Estimate based on soft market testing with commercial print supplier. This service will need to be put out to tender to achieve best value.
Depreciation	Estimate based on soft market testing with commercial print supplier.
Utilities	Estimate. TBC by HDC.
Set up costs (17/18 only)	Estimate based on soft market testing with commercial print supplier.
Corporation Tax	Calculated using current rate of 20%, reducing to 17% from 20/21.

As the draft P&L indicates, based on the assumptions set out above, formation of New-Co will create a viable business that is capable of delivering the following:

- Sustainable and substantial income growth from existing and new customers.
- A significant level of net profit, offering options for extraction or re-investment
- a significant potential return for its Shareholders.



Hunts DC JV Business Plan P&L						
v 1.0						
		17/18	18/19	19/20	20/21	21/22
Income		50% Year				
HDC internal clients						
Doc Centre delivered print		£49,140	£98,280	£88,452	£79,607	£71,646
Outsourced (via HDC frameworks)		£86,700	£182,070	£191,174	£200,732	£210,769
New services		£0	£10,000	£12,000	£14,400	£17,280
HDC external clients		£56,550	£124,410	£136,851	£150,536	£165,590
JV partner - existing print work		£350,000	£770,000	£847,000	£931,700	£1,024,870
JV partner - consultancy		£5,000	£11,000	£12,100	£13,310	£14,641
Total Income		£547,390	£1,195,760	£1,287,577	£1,390,285	£1,504,796
	Growth (£)		£648,370	£91,817	£102,709	£114,511
	Growth (%)		118.4	7.7	8.0	8.2
Fixed costs						
Wages - HDC Staff		£83,500	£167,000	£167,000	£167,000	£167,000
Wages - JV Partner Staff		£100,000	£200,000	£220,000	£240,000	£260,000
EFH Rent		£17,500	£35,000	£36,050	£37,132	£38,245
Total fixed costs		£201,000	£402,000	£423,050	£444,132	£465,245
Indirect costs						
Click charges - including consumables		£109,478	£239,152	£257,515	£278,057	£300,959
Paper		£65,687	£143,491	£154,509	£166,834	£180,575
Transport		£15,000	£30,000	£30,600	£31,212	£31,836
Subcontracting		£32,843	£71,746	£77,255	£83,417	£90,288
Business Rates		£15,000	£30,000	£30,600	£31,212	£31,836
Repairs & Maintenance (Plant)		£12,500	£25,000	£25,500	£26,010	£26,530
Phone, Stationery etc		£6,000	£12,000	£12,240	£12,485	£12,734
Marketing & Advertising		£25,000	£50,000	£51,000	£52,020	£53,060
Bank charges		£2,500	£5,000	£5,100	£5,202	£5,306
Debt - write off		£5,979	£11,958	£12,876	£13,903	£15,048
Professional fees (accountancy, legal)		£5,000	£10,000	£10,200	£10,404	£10,612
Depreciation		£30,000	£60,000	£61,200	£62,424	£63,672
Utilities		£12,000	£24,000	£24,480	£24,970	£25,469
Set up costs		£40,000	£0	£0	£0	£0
Total indirect costs		£376,987	£712,346	£753,075	£798,150	£847,927
Net profit		(£30,597)	£81,414	£111,452	£148,004	£191,623
Corporation Tax		£0	£16,283	£22,290	£25,161	£32,576
Distributable Profit		-£30,597	£65,131	£89,161	£122,843	£159,047
per Shareholder		(£15,299)	£32,565	£44,581	£61,422	£79,523
Profitability on turnover		-5.59	5.45	6.92	8.84	10.57

Sensitivity analysis

The table below shows the impact on net profit levels in the business case model of increases in either income or costs.

Base model	17/18	18/19	19/20	20/21	21/22
Total Income	£547,390	£1,195,760	£1,287,577	£1,390,285	£1,504,796
Total Costs	£583,487	£1,125,346	£1,187,345	£1,253,725	£1,324,846
Net profit	(£36,097)	£70,414	£100,232	£136,560	£179,949
Impact on net profit					
Income + 5%	(£8,728)	£130,202	£164,610	£206,074	£255,189
Income + 10%	£18,642	£189,990	£228,989	£275,588	£330,429
Costs +5%	(£65,271)	£14,146	£40,864	£73,873	£113,707
Costs +10%	(£94,446)	(£42,121)	(£18,503)	£11,187	£47,465

Cost

As noted on page 11, the introduction of a print specific Management Information System (which any credible potential commercial partner will be using) will allow 'real time' evaluation of key cost metrics and allow for the dynamic management of these. In this context it would be unlikely that New-Co would experience a cost-overrun of 10%. However, it is important to note that, even at the higher level of cost increase, the bottom line impact decreases over time due to income growth.

Income

The model presented in this business case is built around a prudent set of revenue assumptions and income projections. The formation of New-Co, and the subsequent introduction of enhanced commercial capacity and capabilities, should enable it to gain share across a range of market sectors – both existing and new.

The assumptions set out on pages 12 & 13 show that allowances have been made for a number of influencing factors including:

- the adoption of (increased) commercial pricing to reflect a full cost recovery model.
- decreases in volumes due to digitisation of HDC communications.
- partial uptake from existing HDC outsource customers due to pricing changes and buyer preferences.

Appendix A

Risk evaluation

Risk	Potential Impact	Mitigation
Business model is not realistic.	Underperformance. Low level of return	Soft market testing used to validate assumptions.
Print market declines	Lack of opportunity Increased competition	Business model based on current industry predictions. Company focused on buoyant demand segments (on demand, personalised, short run, quality).
Failure to find a suitable commercial partner	Unable to form company	Soft market testing has established active interest in this and other commercial models (eg: brokerage). Procurement process will attract potential partners.
Costs rise – internal factors	Reduction/elimination of profits.	Company formed with partner with robust cost management experience.
Loss of existing business	Reduction in turnover.	Company formed with partner with established marketing/business development experience. Robust approach to Account Management. Diversified product/service offer.
HDC unable to win support services contract	‘Stranded costs’ within HDC for resources in support teams.	Corporate decision required.
Lack of experience in forming a company	Failure to comply with legal/regulatory requirements.	Engagement of specialist advisors – eg: legal, commercial.
Profits not in line with expectations.	Lack of viability.	Robust systems for financial monitoring. Regular reporting to LATC/Cabinet via company Board.

Appendix B

Quoting comparison

As part of the evaluation of market potential for New-Co an analysis of specific print jobs carried out to compare the prices charged by the Document Centre with those that would be quoted by a commercial print supplier. As the table below show, the Document Centre prices are significantly lower than 'market rates'.

The financial model used in this business case have assumed that New-Co would increase prices for certain categories of work - HDC internal and external clients- by 30% to reflect this. In most cases, this would maintain prices below commercial market rates.

Job	Doc Centre Price	Commercial Quote	HDC Price as % of commercial quote
Bin Hangers	944	1849	51.1
Buckden Roundabout	587	763	76.9
Business Cards	4.24	56	7.6
Crisis Cards	288	432	66.7
Annual Billing/Council Tax/NNDR			
A4 - 2 kinds		898	0.0
Finishing		1973	0.0
C5 mailing Wallet		884	0.0
ITR Forms			
	500	63	25.0
	1000	125	30.3
Large Format Posters			
Digital (15 off)	31	173	17.9
Litho (50 off)	66	250	26.4
Large Mail Out			
2pp letter		120	
Address label		123	
Returns Label		95	
A5 booklet		2395	
A5 Flyer		284	
A4 Poster		130	
Finishing		322	
Total	4316	3469	124.4
Operations Manual			
A4 Letter		652	0.0
Recycling Guide			
A5 Booklet		2229	0.0
C5 Mailing wallet		1243	0.0
Finishing		1961	0.0

As noted on Page 8, consideration will need to be given to future charge rates for what is currently categorised as HDC Internal Work. Current charge rates are, in most cases, significantly below those prevailing in the market (established via soft market testing). In order to maintain HDC's cost-base within existing parameters, the New-Co Board would need to agree to charge this work at sub-market rates. It is possible that this might have an impact on negotiations with a potential JV partner.