

COMMERCE COMMISSION: MAINLAND PRINT LIMITED / INKWISE LIMITED

Submission by [] on the Commission's Statement of Preliminary Issues

1 May 2019

INTRODUCTION

1. [] is grateful for the opportunity to submit on the Commerce Commission ("**Commission**")'s Statement of Preliminary Issues on Mainland Print Limited ("**Mainland**")'s application to acquire the heatset and coldset web offset printing assets of Inkwise Limited ("**Inkwise**") (the "**Proposed Transaction**").
2. [] objects to the Proposed Transaction in its role as a customer of Allied Press and Inkwise, and as a likely future customer of Mainland. [] expects that the Proposed Transaction will cause prices for contracted coldset print work to rise. [] also considers it likely that prices for contracted heatset printing work will rise.
3. As well as pricing, a key requirement for several of [] key publications is time to market. As such, contracting certain publications to printing presses that are located a significant distance from the distribution area is not a viable alternative, from a cost or efficiency perspective. Therefore, to the extent the Proposed Transaction results in increased prices, [] may not have a viable alternative printing location for certain time-sensitive publications.
4. [].

[] position as a customer

5. [].
6. The Proposed Transaction will effectively result in a three to two merger for coldset printing in the South Island (excluding the Greymouth press, which Allied Press owns a 56% share in). As noted above, [] expects that it would likely face higher prices for the work it contracted to Mainland in the event the Proposed Transaction was to go ahead.
7. The Proposed Transaction would also negatively affect small third party publishers in the South Island in the same way, particularly those that have time sensitive publishing requirements.

Publications [] outsources for printing

8. For reasons of efficiency, [] currently contracts out the printing of various publications, as listed below. As demonstrated by the parties' clearance application, there is a significant amount of contracting for printing services by publishers, particularly for small third party publishers.
9. [] outsources the printing of its following publications:
 - (a) [].

All of these publications are exposed to the implications of the Proposed Transaction; ie, the likely increase in costs for both coldset and heatset printing.

Pricing for ad hoc publications

PUBLIC VERSION

10. For ad hoc publications, [] is able to request pricing from the printers it currently contracts printing work to. To that end, [] can pit competitors, such as Inkwise and Webstar, against each other for competitive pricing. The Proposed Transaction would remove [] ability to do this as between Inkwise and Webstar.

11. Consequently, [] expects it is likely that the costs to print its ad hoc publications will rise, as a result of the lack of competition.

Time sensitivity and locality of publications

12. For some publications, time sensitivity is an important issue. [] time-sensitive publications throughout the South Island include the [].

13. [].

14. For time-sensitive publications that have a wide distribution area, it would not be logical or cost-efficient to have them printed at smaller printing plants at Dunedin or Greymouth and transported throughout the South Island. This means that the Dunedin and Greymouth plants are not viable substitutes to the Christchurch printing site. For those reasons, it would also not be efficient to print these time sensitive publications in [] the North Island, for distribution in the South Island.

15. Therefore, to the extent the Proposed Transaction results in increased prices, [] may not have a viable alternative printing location for certain time sensitive publications, and will required to absorb those increased costs (and may ultimately pass these on to customers).

The effect on competing heatset printers in the South Island

16. [] also notes the risk that the Proposed Transaction may negatively affect the only other heatset printer in the South Island, Ovato. While [] does not currently contract any heatset printing work to Ovato, Ovato is a viable option for [] heatset work.

17. [] understands (based on industry information) that Ovato's economies of operations are already under strain, and that the Proposed Transaction is likely to result in the work Ovato currently completes for Allied Press being redirected to Mainland. This may present a tipping point for Ovato's South Island business. If Ovato were to close its South Island heatset printing facilities, Mainland would be the only heatset printer left in the South Island. This would likely result in increased prices to heatset printing customers.

[]

18. [].

19. [].

20. [].

[].

Excess capacity at printing presses

21. The clearance application states that New Zealand's print presses are running well below capacity.

22. [].

PUBLIC VERSION

23. The Proposed Transaction will create stronger ties between some of the so-called independent publishers, such as the [], and Allied Press / Mainland. [] currently prints the [], but expects that this contract is likely to move to Mainland once the Proposed Transaction is complete, []. The [] printing work accounts for approximately [] of the current output of []. The loss of this work will lead to [].

[] will likely close publications that become inefficient to print

24. [].

25. [].

26. [].

[] will not continue to invest in []

27. Given the reducing demand and increasing prices, [] does not intend to continue investing in the [] print plant, other than what is required for essential maintenance.