

BLACKTOP

8 May 2019

Susan Brown
Senior Investigator
Competition
Commerce Commission

By email: susan.brown@comcom.govt.nz

Dear Susan

Mainland Print / Inkwise – response to submission

1. Thank you for sending through the Counsel only version of [] submission.
2. Obviously, it has not been possible for my clients to comment on the submission in full or for me to take instructions on their behalf. Therefore, my clients reserve their position on the submission and the confidentiality claims made.
3. Nevertheless, I make the observations in this letter on the submission. These observations are based on my understanding of the factual position and the submissions made by my clients in support of the application for clearance. While I have instructions to file this letter, I have not shared any part of this letter (including in draft) with my clients.

Observations on [] comments in relation to the South Island coldset market

4. Mainland Print's application for clearance proceeds on the basis that Mainland Print will continue to be constrained in the South Island coldset market by [], particularly as declining circulation and excess capacity in the market will provide a strong incentive for all printers to compete for printing work.

[]

5. []

[] *submission suggests that it believes the acquisition will enhance competition*

6. []

7. []

16. To the extent that [] has time sensitive heatset publications, then the acquisition will have no impact for the reasons already explained in relation to the coldset market. [] will not regard Webstar and Inkwise as close competitors (or competitors at all) for these publications.
17. [] concern appears to be that it believes it will lose its ability to play Inkwise and Webstar off against each other for non-time sensitive heatset work. The submission then proceeds on the basis that this loss will automatically lead to increased prices.
18. What is conspicuous by its absence in the [] submission is any reference to the continued ability for [] to continue to play Ovato and sheet fed printers off against both of Mainland Print and Webstar. For the reasons explained in the clearance application, Mainland Print and its shareholders believe there will not be a substantial lessening of competition in any market (however they are defined) due to a range of constraints that will continue to apply.
19. [] also provides no evidential foundation for its speculation that Ovato's Christchurch operation is under strain. No doubt the Commission will have talked directly to Ovato about its operations.
20. And while Mainland Print expects to be able to compete more strongly with Ovato post-acquisition, there is no real chance that Ovato's competitive position will be marginalised to the point Ovato would withdraw from the South Island. In contrast, the information provided by my clients suggests that Ovato is and will continue to be a strong competitive force and will respond to increased competition arising from the transaction.

Observations on []

21. []
22. However, as Mainland Print has explained, the ongoing drop in demand in the coldset and heatset markets is a relevant factor incentivising competition in the printing market, and this will continue.

Observations on []

23. []
24. []
25. []

] In any event, for the reasons explained, [] has provided no reasoned basis for why it would face higher coldset prices as a result of the transaction.

26. If you need any further information, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink that reads "David Blacktop". The signature is written in a cursive style with a large initial 'D'.

David Blacktop

Director

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