

[ ]

## Response to Mainland / Inkwise's response to the Letter of Issues

21 June 2019

### INTRODUCTION

1. [ ] appreciates the opportunity to respond to Mainland Print and Inkwise Limited's response to the Commission's Letter of Issues.
2. [ ] maintains that Mainland's acquisition of Inkwise's assets would result in a substantial lessening of competition in the market for coldset printing services in the South Island.

### THE PARTIES' SUBMISSIONS

*The parties incorrectly assert that [ ] publications will not be affected by the Proposed Transaction*

3. At [6] of the response, the parties assert that the publications [ ] currently prints at [ ] will not be affected by the Proposed Transaction. This relies on an assumption that the status quo will continue for those publications – ie, it will continue to make economic sense for [ ] to [ ] print those publications. Given the increasing pressure on the economic viability of the printing industry more generally, this is a short-term assertion at best.
4. The parties also assume that, since [ ] has selected Allied Press to print the [ ], Inkwise is not a competitor to Allied Press at all in the South Island. From [ ] perspective, this is incorrect, as Inkwise is a valid competitor to Allied Press for any potential printing work that [ ] may choose to outsource in future.
5. Additionally, [ ] considers that the [ ] could be printed in Christchurch, and trucked south – however, this is not currently the economically rational decision for [ ].

*The parties incorrectly state that the Ashburton Guardian will not lose a competitive alternative as a result of the Proposed Transaction*

6. The parties state that Allied Press is not a viable option for printing the Ashburton Guardian, given it is not located close to the Guardian's distribution area.
7. [ ] disagrees with this statement. It is plausible that the Guardian could be printed in Dunedin and sent north, as [ ] understands that Allied Press already sends the Otago Daily Times north (to Timaru and Canterbury) every night, and that the Guardian could also be sent north at (what [ ] assumes would be) a low marginal cost.
8. However, post-transaction, Allied Press will have links to Inkwise, which has printers in Rolleston, which is near Christchurch. As such, the Guardian will have the incentive to switch to Inkwise - which [ ] has already discussed with the Commission.
9. Further, the points the parties make about cost of distribution at [17] of their response in relation to the printing of the Christchurch Star at Inkwise equally applies to the printing of the Ashburton Guardian at Inkwise post-transaction. Even if the Commission has an indication from the Guardian that it does not intend to do that at the moment, that provides insufficient

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comfort to the Commission given the economic incentives and the alignment of that party with the proposed merging parties. This is particularly pertinent given that the proposed transaction would create a permanent structural change in the industry, which erodes the viability of any long-term printing investments [ ] would consider making.

[ ]

10. The parties' statement at [43] that prices in the South Island market for coldset printing services are not transparent, and the only way that printers learn of their competitors' prices is by what customers tell them, which cannot be legitimately tested, is inconsistent with [ ]. This calls into question the reliability of the information provided to the Commission in this regard, which, due to confidentiality claims, cannot be properly tested. Consequently, little or no weight should be given to this submission.

**COUNSEL-ONLY RESPONSE TO THIRD PARTY INTERVIEWS**

11. [ ].

[ ]

12. [ ].

[ ]

13. [ ].

[ ]

14. [ ].