
**Commerce Act 1986: Business Acquisition
Section 66: Notice Seeking Clearance**



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Dated

1 November 2010

The Registrar
Market Structure Group
Commerce Commission
PO Box 2351
WELLINGTON

registrar@comcom.govt.nz

Pursuant to s66(1) of the Commerce Act 1986 notice is hereby given seeking **clearance** of a proposed business acquisition.

Overview

APN Print NZ Limited owned and operated a heat set printing business at a site in Manukau which had been running at considerable losses for a number of years. It printed titles (magazines and catalogues) published by associated APN companies and, with spare capacity, also printed titles published by others.

In light of the losses being sustained, APN decided to close the business, sell the assets and satisfy printing requirements from outside the group. PMP Print Limited secured the contract to print APN's titles and is acquiring some of the assets (which it can integrate into its business to meet the needs of the market including APN's printing requirements going forward).

The factual involves APN exiting the business (and it will provide material in support of that and its unsuccessful attempts to sell the assets). In the event that PMP was not the acquirer of the assets, the counterfactual would likely be either acquisition by Webstar (a business unit of Blue Star Group Limited, and the other main heat set printing business in New Zealand), or the assets being decommissioned. There is sufficient capacity in the market to meet the needs of all publishers, plus there is competition from other printing processes (sheet fed and cold set) in respect of portions of the printing work performed by heat set printers.

Part 1: Transaction Details

1. Person Giving Notice

1.1 This notice is given by:

PMP Print Limited ("**PMP**")
Ground Floor, Old City Markets Building
106 Customs St West
Viaduct Harbour
AUCKLAND 1010



Contact: Peter Browne, Director

Email: Peter.browne@pimplimited.co.nz
Phone: (09) 979 3167
Fax: (09) 979 3194

- 1.2 All correspondence and notices in respect of this application should be directed in the first instance to:

Matthew Dunning
Barrister
Park Chambers
PO Box 5844
Wellesley Street
Auckland

Email: mdunning@parkchambers.co.nz
Ph: (09) 379 9780
Fax: (09) 377 0361

2. Other Participant(s)

- 2.1 The vendor is:

APN Print NZ Limited ("APN")
C/- New Zealand Legal counsel
46 Albert Street
Auckland
New Zealand

Email: james.elliott@apn.co.nz
Ph: (09) 373 6071
Fax: (09) 373 6561

- 2.2 All correspondence with and notices to the vendor in respect of this application should be directed in the first instance to:

Alan Lear
Barrister
P O Box 3705
Auckland 1140

Email: alan.lear@antitrust.co.nz
Ph: (09) 366 4623
Fax: (09) 366 7616
Mob: 021 371 485

3. Organisational Structure/Interconnected and Associated Parties/Links

- 3.1 The relevant group structure of the PMP Group of Companies is set out in Schedule 1



3.2 The relevant group structure of the APN Group of Companies is set out in Schedule 2.

4. Details of Transaction

4.1 The acquisition by PMP of APN's heat set printing assets (and related spare parts) located at 587 Great South Road, Manukau City ("**Assets**"). The Assets are set out in schedule 3 to the Asset Sale Agreement referred to in section 6.1 below.

5. Commercial Rationale for Proposal

5.1 The Assets were used by APN to print its own publications and to provide printing services in respect of a number of third parties' publications (including ACP, but both APN and PMP have lost that work to Webstar (a division of Blue Star Group Limited) with components of the contract transferring from PMP from October 2010, APN from December 2010, and the balance from PMP from July 2011). The Assets include:

5.1.1 A Goss M600 printing press manufactured and installed circa 1996;

5.1.2 A Muller Prima Tandem stitching line manufactured and installed circa 2006;

5.1.3 Ancillary materials handling equipment manufactured and installed circa 2006;

5.1.4 Spare parts relating to the Assets;

5.2 The Assets were part of a failing business unit (in respect of which the vendor will provide details). After a long period of losses, and the recent loss of ACP work, APN decided to close down those operations, and contract out its printing needs (and sell the Assets if possible).

5.3 The Assets are not required to service the needs of the Print Services Agreement between PMP and APN, but APN wanted to sell the Assets and PMP's rationale for acquiring them are that they align to its future capacity requirements and capital investment plans.

6. Transaction Documents

6.1 Asset Sale Agreement dated 19 October 2010, attached as Schedule 3.¹

7. Other Competition Agencies

7.1 No other competition agency is involved.

¹ The parties have also entered into a Print Services Agreement dated 19 October 2010 by which APN has secured PMP to provide printing services in respect of APN's titles, and in respect of third party publications currently contracted to APN.

Part II: Transaction Details

8. Goods or Services Supplied

- 8.1 Heat set printing services (see section 12 below).

9. Industries Affected

- 9.1 Magazine and other Periodical Publishing, and Retail Catalogue Marketing. The heat set printing industry including Printers and Suppliers.

10. Current Industry Trends

- 10.1 Magazine and catalogue publication has declined by approximately 25% over the last 5 years,² due to factors such as:

- 10.1.1 global and local recession causing a reduction in advertising spending and consumer discretionary spending;
- 10.1.2 movement from print to internet-based marketing (an increasing number of non-print marketing channels attracting marketing budgets away from print-based media);
- 10.1.3 emergence of digital readers (Kindle, iPad, etc); and
- 10.1.4 economic thresholds for sheet fed printing increasing as technology increases the speed of production and, equally, the economic thresholds for heat set printing declining as technology enables shorter print runs on a cost-effective basis (ie, a greater overlap between the two processes is developing),

leading to business failures and rationalisation in publishing and retail sectors as a result (3Media Publishing, Jones Publishing, Aster Publishing, Carnation, Saltaire Publishing, Action Media, Wish Publishing, Infego: all failed and closed or rationalised into other Publisher's activities; Retail Media placed into receivership and subsequently sold to Pumpit Advertising which rationalised into their existing activities).

- 10.2 See article in The National Business Review dated 10 September 2010, page 34 (attached as Schedule 4). PMP estimates that the volumes of heat set printing provided to publishers has shrunk by approximately 30,000 tonnes (from 110,000 tonnes) over the last three years (based on PMP's own volume declines and the estimated impacts of the factors outlined above). Global trends are similar, with increasing rationalisation in most markets and a tendency for publishers to retreat to core businesses (publishing) where possible, and contract out their printing needs.

² NZ Magazine Publishers Association retail sales data (for magazines) for the year ending December 2009.

11. Previous Acquisitions and Commission Notifications

11.1 There are no relevant previous acquisitions or notifications.

Part III: Market Definition

Horizontal Aggregation

12. Market Dimensions

12.1 Three forms of printing are relevant to this application (a fourth, digital, is used for small volume items such as business cards, posters and the like, and is not considered further):

12.1.1 Sheet fed (individual sheets are printed, and allowed to dry naturally);

12.1.2 Cold set (continuous roll, print allowed to dry naturally – predominantly newspapers);

12.1.3 Heat set (continuous roll, print is dried by an oven after the printing presses).

12.2 Sheet fed printing can be (and is) used for magazines and catalogues. There is a greater time element involved in the process and the economics of sheet fed printing decline for production runs over approximately 20,000 copies (a copy being 16 pages, 8 pages each side), although Blue Star currently does a 40,000 copy run of "Healthy Food Guide" and 41,000 copies of Kia Ora Magazine using that method. Sheet fed printing equipment is smaller than, and approximately one third the price of, heat set equipment.

12.3 Cold set printing is primarily used for newsprint, but can be used for lower quality colour publications, for example:

12.3.1 Your Weekend (Fairfax);

12.3.2 Rodney Times (Fairfax);

12.3.3 Outlook (Fairfax);

12.3.4 Bunning's catalogues (Wesfarmers);

12.3.5 Tabloid Property publications (ACP, Fairfax, APN and Real Estate companies);

12.3.6 Farmers Weekly (NZX Rural);

12.3.7 Rural News;

12.3.8 Straight Furrow (Rural Press);

12.3.9 Ag Trader (Rural Press);

12.3.10 "Trader" titles (heat set/cold set combination) (predominantly ACP);

12.3.11 Mitre 10 catalogues;

- 12.3.12 Placemakers catalogues;
- 12.3.13 Briscoe's catalogues.
- 12.4 Fairfax, for example, has from 24th October 2010 taken in-house for cold set printing, the Times Media Group heat set printing work (Rodney Times and Outlook) as well as converted Your Weekend to a cold set product in August, formerly performed by PMP and APN respectively.
- 12.5 Heat set printing predominantly utilises a coated form of paper into which the colours are effectively melted with the application of heat, and generally used for high volume, higher quality publications (but capital and operational costs are correspondingly higher than sheet fed and cold set).
- 12.6 Either sheet fed or heat set printing can be used below the threshold referred to above (approximately 20,000 copies) cost-effectively, with heat set printing generally the method used for high volume magazines and catalogues above the threshold (although, as noted in section 10.1, the economic threshold is increasing for sheet fed printing and declining for heat set printing).
- 12.7 All three forms of printing are reel fed paper-based (less common currently with sheet fed). All three can, and do, supply publishers nationally of magazines and catalogues.
- 12.8 At its narrowest definition the market is one for the provision of heat set printing services to publishers of magazines and catalogues throughout New Zealand. Acquirers in that market are either the publishers, or agents and brokers.

13. Product Differentiation

- 13.1 The services are differentiated by process, but they overlap in significant areas (as above). Relevant factors are:
- 13.1.1 Time. Higher volume runs generally will be quicker utilising a continuous print process (ie, cold or heat set), if time-sensitivity is an issue for a publication;
- 13.1.2 Cost. Below the thresholds referred to above, and if time-sensitivity is not an issue, sheet fed and heat set printing processes are similar in cost. The smaller the run, the more likely that sheet fed will be economical, and conversely, the larger the run the more economical heat set will be;
- 13.1.3 Substrate. Certain types of publication need certain types of paper (ie, higher quality magazines will use heat set or sheet fed printing process).

Vertical Integration

14. Creation/Strengthening of Vertical Integration

- 14.1 The proposal will remove an element of vertical integration from the industry: PMP is not a publisher of magazines or catalogues.



Part IV: Counterfactual

15. Counterfactual

- 15.1 APN has made a decision to exit the market (other than to the extent of APN's small Tauranga heatset facility) and sell the Assets. PMP understands that it has been exploring this option, and (unsuccessfully) endeavouring to sell the Assets, for some time.
- 15.2 In the event that PMP did not acquire them, PMP understands that the only other credible potential purchaser of the Assets may be Webstar (a division of Blue Star Group Limited), and that this (or the Assets not being sold at all, in which case they would be relocated offshore or junked) would constitute the counterfactual.

Part V: Competition Analysis

Existing Competitors

16. Current Competitors

- 16.1 In light of APN's decision to close the business, other heat set printers are Webstar (a division of Blue Star Group Limited) Ashburton Guardian and APN's Tauranga facility.
- 16.2 Cold set printers include Fairfax, APN, Horton Media and Ashburton Guardian.
- 16.3 Sheet fed printers are predominantly Geon and Bluestar Print Group, both trans-Tasman businesses, with a multitude of smaller enterprises below that.

17. Market Shares

- 17.1 Market shares are set out in Schedule 5.

Sources of Estimates

18. Extent of Constraint by Possible Competitive Response

- 18.1 Impact on APN as a customer is not an issue: it has elected to cease printing for itself and, like ACP, contract out its needs on an arms' length commercial basis. As the switch by ACP illustrates, the large publishers are able to look after their own interests, and promote new productive capacity for the purpose if necessary.
- 18.2 The Commission's focus will presumably be on the other customers of heat set printing services in New Zealand and the degree to which they will have sufficient choice either as their contracts expire, or from time to time as circumstances dictate.
- 18.3 APN's decision to close its Manukau business is part of the factual: remaining suppliers of heat set printing will be PMP, Webstar and Ashburton Guardian (APN will also retain its smaller operation in Tauranga). Closure, without more, could lead to productive capacity being removed from the market (if APN simply exited and contracted out its own printing

needs). Acquisition of the Assets, and the terms of the Print Services Agreement entered into between the parties, ensures that third party customers can continue to be supplied for so long as they require.

- 18.4 Approximately [] of APN's production is supplied to third parties, under various contractual arrangements (from no formal arrangement, to contracts for a term). PMP will have capacity to supply heat set printing services to other publishers, by virtue of the loss of the ACP contract and acquisition of the Assets. Some of APN's current contracts for a term are with major customers such as Farmers, Ogilvy's and Bunning's (via The Brand Agency), []. Under the Print Services Agreement entered into between the parties, APN will sub-contract PMP to provide print services to those third parties whose contract with APN is for a term (and those whose contract is not, may elect to continue to receive their services from PMP, on the same terms and conditions as they received them from APN). Notwithstanding this, PMP anticipates that as the market shakes out inevitably some of APN's current customers (approximately 5,000 tonnes) will switch to Webstar which has invested in 10,000 tonnes of new capacity.
- 18.5 With respect to heat set printing specifically, Webstar is understood to have capacity by virtue of its Masterton plant and a greenfields operation it is establishing in Auckland with new presses to satisfy ACP's requirements (which must be operational by July 2011). It is not known what Ashburton Guardian's position is.
- 18.6 With respect to cold set and sheet fed printing, the available capacity of the current cold set printers in the market remains (there is no change. Similarly, for sheet fed printers).

Potential Competition

19. Requirements for New Entry and/or Importers

- 19.1 New entry is probably unlikely, given the current capacity in the market (unless promoted by a publisher: see below). However, there are no barriers to entry otherwise. The international second hand market for equipment is very deflated, due to an over-availability of second hand equipment and the weak US dollar. A heat set press such as the M600 press included in the assets (whilst of lesser quality than being purchased under the Asset Sale Agreement, but still in sufficient operating order to meet the necessary quality standards), can be acquired for less than NZD\$1 million including shipping and installation.
- 19.2 There are no regulatory or frontier requirements and equipment could be purchased and landed in New Zealand as quickly as shipping would allow. It is estimated that time of purchase to operational start up could be as short as 3 months.

20. Conditions Influencing Entry

- 20.1 The main factor influencing entry (or expansion) would be customer contracts. While the absence of such contracts would likely mean that new entry or expansion is unlikely (without more), the flipside is that a major customer could support new entry or expansion. This is exactly what has occurred with the move of ACP to Webstar, and previously with ACP and First in Print (no longer in operation). In Australia a similar approach was taken when AIW entered the market supported by Spotlight in the early 2000's.


HIM

- 20.2 A sufficient number of customers are large enough in their own right to be of a scale, and with sufficient knowledge of the industry (including in the case of some, relationships with other printers in Australia), that entry/expansion could be supported by them. For instance:
- 20.2.1 Wesfarmers (Kmart and Bunnings) \$[] p.a.;
 - 20.2.2 ACP \$[] p.a.;
 - 20.2.3 Fairfax \$[] p.a.;
 - 20.2.4 The Warehouse \$[] p.a.;
 - 20.2.5 Harvey Norman \$[] p.a.;
 - 20.2.6 Woolworths/Progressive Enterprises \$[] p.a.;
 - 20.2.7 Farmers/Pascoes/Stevens (Norman Family) \$[] p.a.
- 20.3 Geon and Bluestar (sheet fed printers) have the scale, existing relationships with customers common to PMP, and trans-Tasman presence, by virtue of which they could be promoted by customers into heat set printing. IPMG in Australia already does work for a number of the trans-Tasman companies which PMP also supplies (such as Wesfarmers, Fairfax and Harvey Norman).

Lets Test

21. Likely New Entrants

- 21.1 Geon, Bluestar, IPMG.

22. Extent Entry Would be Sufficient

- 22.1 Entry would likely only occur if prompted and supported by a publisher, in which case it would be sufficient for the purpose. However with improvements in technology existing sheet fed printers may elect to transition existing sheet fed work across to heat set with minimal cost due to the existence of existing operational infrastructure.

23. Timeliness of Entry

- 23.1 As above, a new or expanded operation could be up and running within three to six months.

Countervailing Power

24. Constraints on Market Power by the Conduct of Buyers

- 24.1 As above:

- 24.1.1 some publishers can "self-supply" (eg, Fairfax taking Times Media Group heat set printing work in-house);

- 24.1.2 others can promote new entry/expansion (eg, ACP switch to Webstar); and
- 24.1.3 others can switch to alternatives (Webstar, possibly Ashburton Guardian, for heat set, or cold set or sheet fed suppliers as appropriate).

25. Identity of Top Five Buyers

25.1 APN will now fall into this category, but current top five are as per 20.2 above:

Fairfax;

ACP;

Woolworths/Progressive;

The Warehouse;

then a number with similar revenues: Farmers/Pascoes/Stevens; Wesfarmers, Harvey Norman, etc

Coordinated Market Power

26. Characteristics Post-Acquisition Facilitating or Impeding Coordinated Behaviour

Table 1: Scope for co-ordinated market power:

FEATURE	COMMENT
<i>High seller concentration</i>	Yes, but large customers too and significant overlaps with other printing processes.
<i>Differentiated product</i>	Yes.
<i>Static production technology</i>	No, technology enhancing economics of scale.
<i>Speed of new entry</i>	High.
<i>Fringe competitors</i>	Yes.
<i>Acquisition of an unusually vigorous or effective competitor</i>	No.
<i>Price inelastic market demand</i>	No.
<i>History of co-ordinated conduct</i>	No.

FEATURE	COMMENT
<i>Countervailing power of buyers</i>	Yes.

Table 2: Detection of deviation from co-ordination:

FEATURE	COMMENT
<i>Seller concentration</i>	Yes, but see above.
<i>Frequent sales</i>	Yes.
<i>Vertical integration</i>	No (APN's decision to close removes an element of that).
<i>Growth in demand</i>	No.
<i>Cost similarities</i>	Yes (within processes; some between competing processes, eg sheet fed and heat set at certain volumes).

Table 3: Ability to retaliate:

FEATURE	COMMENT
<i>Credibility of threats to abandon collusion</i>	No.
<i>Availability of excess capacity</i>	Yes.
<i>Strong profit incentive from collusion</i>	Not abnormally.
<i>Ability to disadvantage by dumping deviator's allocated section of market</i>	No.

Co-ordinated market behaviour is not likely to arise by virtue of acquisition of the Assets. The circumstances would be the same under a counterfactual whereby Webstar acquired the Assets, and worse under a counterfactual whereby the Assets were removed from the market.

Efficiencies

27. Efficiencies Resulting from Acquisition

- 27.1 Not applicable (although it can be said that an acquisition keeps assets employed within New Zealand that otherwise would not be, under both factual and counterfactual).



The block contains a handwritten signature in black ink, which appears to be 'PC'. Below the signature is the logo for 'HIM', consisting of the letters 'HIM' in a bold, sans-serif font with a horizontal line through the middle of the letters.

Other Factors

28. Any Other Relevant Features of Market

28.1 None.

29. Details of Competitors/Buyers, etc

	NAME OF COMPANY	CONTACT DETAILS	RELEVANT CONTACT PERSON
	BOTH LEGAL AND TRADING NAMES	POSTAL AND PHYSICAL ADDRESS, TELEPHONE AND FAX, WEBSITE	NAME, POSITION, AND CONTACT DETAILS INCLUDING TELEPHONE, FAX, EMAIL
COMPETITORS	Webstar (Blue Star Group Limited)	PO Box 37 101, Parnell, Auckland 1052 L2, 86 Parnell Road, Parnell, Auckland 1052 Ph: + 64 9 477 4380 Fax: +64 9 477 4381 www.bluestargroup.com.au/our-business/webstar.co.nz	Bernie Roberts General Manager Webstar New Zealand L2, 86 Parnell Road, Parnell, Auckland 1052 PO Box 37 101, Parnell, Auckland 1052 Ph: + 64 9 477 4587 Fax: +64 9 477 4381 Mob: + 64 27 206 9956 bernie.roberts@webstar.co.nz
	GEON (Geon Limited)	PO Box 204 004, Highbrook, Auckland 2161 107 Kerwyn Ave, Highbrook, Auckland 2013 Ph: +64 9 925 2900 Fax: +64 9 925 2930 www.geongroup.com	Andrew Durrans Group GM NZ 107 Kerwyn Avenue, Highbrook, East Tamaki, Auckland, 2013 PO Box 204 004, Highbrook, Auckland 2161 Ph: +64 9 925 2912 Fax: +64 9 925 2930 andrew.durrans@geongroup.com

	<p>Ashburton Guardian (Guardian Print Limited)</p>	<p>PO Box 77, Ashburton 7740 2 Kermode Street, Ashburton 7700 Ph: +64 3 307 7930 Fax: +64 3 307 7931 www.guardianprint.co.nz</p>	<p>Steve Gallop General Manager 2 Kermode Street, Ashburton 7700 PO Box 77, Ashburton 7740 Ph +64 3 307 7937 Fax +64 3 307 7931 Mob: +64 21 390 936 steve.g@guardianprint.co.nz</p>
<p>BUYERS</p>	<p>ACP (ACP Media Limited)</p> <p>Fairfax (Fairfax NZ Limited)</p>	<p>Private Bag 92512, Auckland 1141 ACP Media Centre, 100 Beaumont Street, Westhaven, Auckland 1010 Ph: +64 9 308 2700 Fax: +64 9 366 9964 www.acpmedia.co.nz</p> <p>PO Box 90741, Auckland 1142, L2, Fairfax House, 110 Customs Street West, Viaduct Harbour, Auckland 1142 Ph: +64 9 970 4000 Fax: +64 9 970 4059 www.fairfaxnz.co.nz</p>	<p>Paul Dykzeul CEO ACP Media Centre 100 Beaumont Street, Westhaven, Auckland 1010 Private Bag 92512, Auckland 1141 Ph: +64 9 308 2700 Fax: +64 9 366 9964 lhill@acpmedia.co.nz</p> <p>Danny Trainor General Manager - Web Printing Level 2, Fairfax House 110 Customs Street West, Viaduct Harbour, Auckland 1142 PO Box 90741 Auckland 1142 New Zealand Ph: +64 9 970 4062 Fax: +6 9 970 4059 danny.trainor@fairfaxmedia.co.nz</p>



	<p>Farmers (The Farmers Trading Company Limited)</p> <p>Woolworths/ Progressive (Woolworths Limited)</p>	<p>Private Bag 94060, Manukau 2241 21 Laidlaw Way, Flat Bush, Auckland Ph: +64 9 272 6996 Fax: +64 9 272 6577 www.farmers.co.nz</p> <p>PO Box 8000, Baulkham Hills, NSW 2153, Australia 1 Woolworths Way, Bella Vista, NSW 2153, Australia Ph: +61 2 8885 1771 www.woolworthslimited.com.au</p>	<p>Dean Cook Head of Marketing 21 Laidlaw Way, Flat Bush, Auckland Private Bag 94060, Manukau 2241 Ph: +64 9 272 6947 Fax: +64 9 272 6577 dean.cook@farmers.co.nz</p> <p>Tim Hunt Group Procurement Manager 1 Woolworths Way, Bella Vista, NSW 2153, Australia PO Box 8000, Baulkham Hills, NSW 2153, Australia Ph: +61 2 8885 1771 thunt@woolworths.com.au</p>
<p>SUPPLIERS</p>	<p>BJ Ball (paper) (BJ Ball Papers Limited)</p> <p>Spicers (paper)</p>	<p>PO Box 12 544, Auckland 1061 395 Church Street, Penrose, Auckland 1061 Ph: +64 9 579 0050 Fax: +64 9 579 9715 www.bjball.co.nz</p> <p>Private Bag 93301, Otahuhu, Auckland 1640 55 Business Parade North, Highbrook, East Tamaki, Auckland 1640 Ph: +64 9 925 3001 Fax: +64 9 925 3004 www.spicerspaper.co.nz</p>	<p>Andrew Bull CEO 395 Church Street, Penrose PO Box 12 544, Auckland 1061 Ph: +64 9 579 0050 Fax: +64 9 579 9715 andrew.bull@bjball.co.nz</p> <p>Andrew Preece General Manager 55 Business Parade North, Highbrook, East Tamaki, Auckland 1640 Ph: +64 9 925 3001 Fax: +64 9 925 3004 andrew.preece@spicerspaper.co.nz</p>



TRADE ASSOCIATIONS	Print NZ	P O Box 31-131, Lower Hutt 5040 Ph: +64 4 569 2110 Fax: +64 4 569 2108 www.printnz.co.nz	Joan Grace CEO L5, Riverside on Daly, 15 Daly Street, Lower Hutt P O Box 31-131, Lower Hutt 5040 Ph: +64 4 569 2110 Fax: +64 4 569 2108 joan.grace@printnz.co.nz
ANY OTHER RELEVANT MARKET PARTICIPANTS OR INTERESTED PARTIES			

Part VI: Further Information and Supporting Documentation

30. Annual Reports

30.1 Annual reports for PMP can be obtained at www.pmplimited.com.au, and for APN at <http://phx.corporate-ir.net/phoenix.zhtml?c=144006&p=irol-reportsAnnual>.

Part VII: Confidentiality

31. Confidentiality

31.1 The information contained in square brackets within this application, as listed in Schedule 6, is confidential.

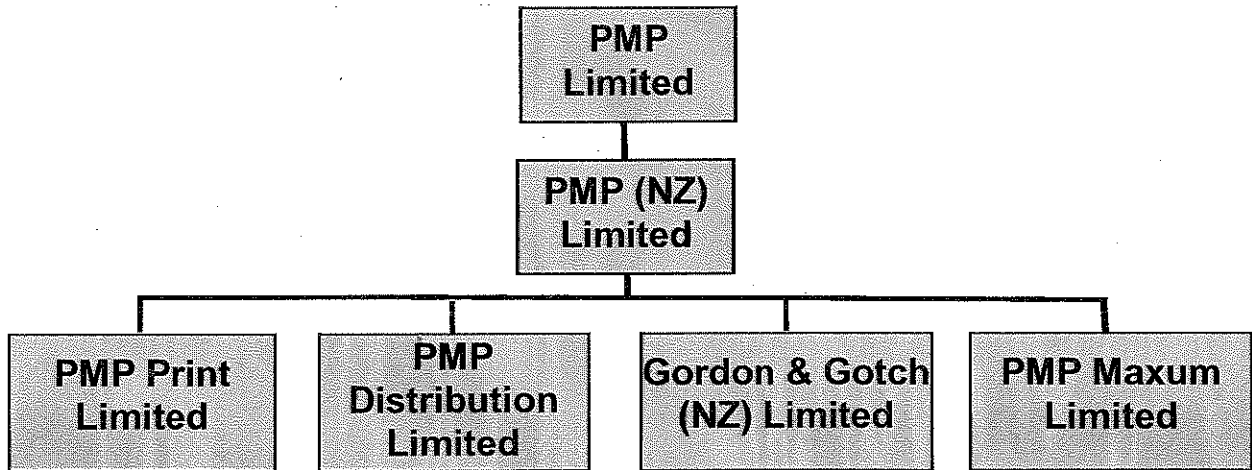
31.2 Confidentiality is claimed on the basis that the information is confidential to the applicant and:

31.2.1 is of a commercially sensitive and competitive nature, whereby disclosure would likely unreasonably prejudice its commercial position; and

31.2.2 making available the information would be likely to prejudice the supply of similar information (from the applicant or others in general, in respect of this application or in respect of applications generally) and it is in the public interest that such information should continue to be supplied.

Schedule 1

Group Structure of the PMP Group of Companies (Paragraph 3.1)

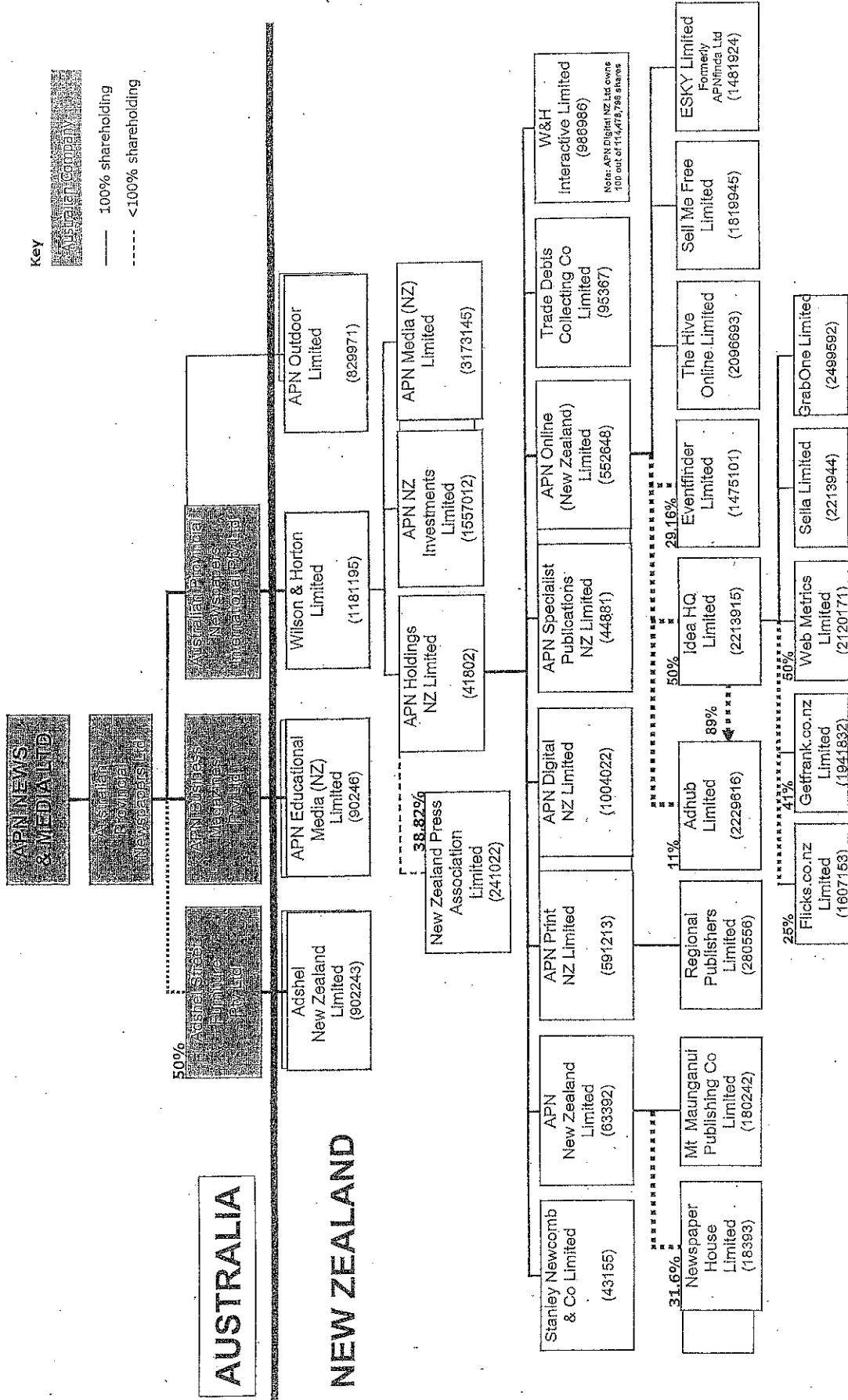


Schedule 2

Group Structure of the APN Group of Companies (Paragraph 3.2)

(see attached)

APN News & Media Ltd - New Zealand Group Structure



FOR INTERNAL USE ONLY -- NOT FOR DISTRIBUTION EXTERNALLY

October 2010

Schedule 3

Asset Sale Agreement (Paragraph 6.1)

[Confidential document deleted]

Schedule 4

NBR Article (Paragraph 10.2)

THE NATIONAL BUSINESS REVIEW

Printing's perfect storm begins to clear

Created 17/09/2010 - 12:45

Businesses have been forced to tighten their belts over the past 18 months meaning corporate printing and stationery decisions have been largely made on price. As the economy returns to growth, albeit hesitantly, other factors such as greenness and sustainability will return to the fore.

However, prices will need to remain competitive to kick start the industry again. This report looks at what's new in the printing and office stationery industry and discusses how your business can save money while still achieving top quality results.

Times are tough in the printing industry as a number of major companies struggle financially and competition from other media continues to cut into profits but there are signs the worst may be over.

A good example of new media eroding the profitability of print is the Yellow Pages Group, which in July appointed Goldman Sachs JBWere to assist it in a review process to assess a possible sale.

The enemy in this case is the internet and in particular Google, which has made the big and bulky Yellow Pages books obsolete.

With Yellow's own website failing so far to make up the fall in revenue from the hard copy directories the company has been unable to make enough money to escape from under the weight of its massive debt burden.

Telecom sold off its directories business including Yellow Pages in 2007 for \$2.2 billion to CCMP (now Unitas Capital) and the Ontario Teachers Plan.

Unitas and Teachers funded the purchase with \$1.325 billion senior debt, a \$300 million subordinated bridge loan and a \$175 million payment-in-kind note.


HJM

The resulting debt burden has proved too much for the group, which earlier this year announced a \$338 million annual loss.

On May 31, the company's chief financial officer quit amid attempts to refinance some \$1.7 billion in loans.

The emergence of the internet is putting pressure on all types of print publishing, with publications hit hard by both declining circulation and falling advertising revenue, issues exacerbated by the recession.

These problems have had a flow-on effect to the companies they pay to print their magazines and newspapers.

One company hit particularly hard has been Australasia's largest printer Geon Group, which is feeling the heat from its bankers after its value took a dive in the last financial year.

The company, which has 1250 staff in Australia and New Zealand, posted net loss of \$183 million for the year to June 2009, after writing down \$100 million of goodwill.

Its accounts, released in April, show Geon's book value has almost halved to \$142.7 million while total interest bearing debt remains at \$314 million.

The net loss before the write-downs and other one off costs was \$72.94 million compared to a loss of \$35.8 million in 2008.

Revenues in the year to June 2009 slid 12.7% to \$334.9 million as the global financial crisis took its toll on demand for printing.

In November Geon's major private equity shareholder Gresham pumped another \$A12 million of debt into the business complete with guarantees which will earn Gresham a fee of 15% paid quarterly.

Bank of Scotland International has provided term loans of \$A243.5 million and \$NZ41.2 million with a maturity date of May 2013. Undrawn facilities at June 30 2009 were just \$NZ587,000.

Geon has to meet certain financial targets by 2012 to maintain its banking covenants.

The arrival of economic hard times for the industry has resulted in intense competition between printing companies for a dwindling number of major clients.

As reported in NBR Online, in July, Blue Star Print Group snatched the ACP New Zealand printing contract in a move described by industry insiders as "devastating" for the local arm of PMP, which previously held the contract.

The contract, which industry sources estimate to be worth about \$40 million a year, was put up for tender when ACP's parent company PBL Media shelved plans to build its own printing plant.

It covers all ACP's consumer magazines, trade press and the New Zealand Property Press.

ACP consumer magazine titles include Metro, Next, North & South, Women's Day and the Australian Women's Weekly.

While it's a big blow for PMP, the contract is welcome news for Blue Star, which is privately owned by funds advised by Champ Private Equity, Tom Sturgess and Blue Star senior management.

Like Geon, Blue Star has been in financial strife recently as the recession hit hard.

Its New Zealand bondholders have received no interest since September last year when Blue Star suspended payments after its parent company breached its banking covenants.

Blue Star Print Group reported an unaudited consolidated loss before income tax of \$1.9 million for the six months to December 2009, compared with profit before income tax of \$4.7 million over the same period a year ago.

Revenue was \$295.6 million compared to \$304.6 million a year ago, while net cash generated from operating activities was \$14.5 million compared to \$23.9 million a year ago.

But both Geon and Blue Star have expressed optimism that the worst is behind them and business should start to pick up from here.

And despite its ACP setback PMP has had some wins of its own recently.

Last year it bought the distribution rights from Independent Magazine Distributors through its company Gordon and Gotch, which distributes more than 2500 titles to 700 retailers.

But although the part of the print industry involved with magazine and newspaper publishing is under pressure other parts of the industry are thriving, according to Joan Grace, chief executive of industry body PrintNZ.

Businesses that focus on packaging, point of sale and signage in particular have come through the recession strongly.

Ms Grace said printing is a key part of all businesses through aspects such as signage and labelling but it is somewhat of an invisible industry.

As a result PrintNZ has recently launched the Part of Life marketing campaign to improve the image of the print industry and promote print as an effective means of communication.

PrintNZ research found consumers love print, especially relaxing with a good book or magazine which is seen as a treat.

But it's not without its concerns. There are questions about the environmental implications of using print, which the industry body will have to address in the near future.

Despite its low profile, printing is a major industry in New Zealand, with a turnover of about \$1.9 billion per year spread across 1200 business employing nearly 10,000 full-time employees.

These stats are just the printing industry alone and don't account for the broader pulp and paper industry or newspaper printing and publishing, which feature 1000 businesses and 14,000 full-time employees.

Source URL (retrieved on 26/10/2010 - 13:43): <http://www.nbr.co.nz/article/printing-s-perfect-storm-begins-clear-130130>

Schedule 5

Market Shares Diagrams (Paragraph 17)

[Confidential market shares deleted]

Schedule 6

Confidentiality (Paragraph 31)

[confidential details deleted]



This Notice is given by:

PMP Print Limited
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106 Customs Street West
Viaduct Harbour
Auckland 1010

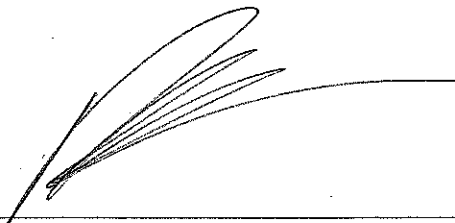
The company hereby confirms that:

- all information specified by the Commission has been supplied;
- if information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to the applicant(s) which is relevant to the consideration of this application/notice has been supplied; and
- all information supplied is correct as at the date of this application/notice.

The company undertakes to advise the Commission immediately of any material change in circumstances relating to the application/notice.

Dated this *2nd* day of November 2010

Signed by PMP Print Limited



Director - Peter Browne

I am a director of the company and am duly authorised to make this application/notice.