

**THE COMPETITION TRIBUNAL**

**IN THE MATTER OF** the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

**IN THE MATTER OF** an application by the Commissioner of Competition pursuant to section 79 of the *Competition Act*;

**AND IN THE MATTER OF** certain policies and procedures of Reliance Comfort Limited Partnership.

**BETWEEN:**

**THE COMMISSIONER OF COMPETITION**

Applicant

**AND**

**RELIANCE COMFORT LIMITED PARTNERSHIP**

Respondent

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**NOTICE OF APPLICATION**

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**TAKE NOTICE** that the Applicant will make an application to the Competition Tribunal (the "**Tribunal**") pursuant to section 79 of the *Competition Act* (the "**Act**") for an Order pursuant to subsections 79(1), 79(2), and 79(3.1) of the Act, prohibiting the Respondent from abusing its dominant position by imposing exclusionary water heater return policies and procedures; directing the

Respondent to take certain other actions necessary to overcome the effects of its practice of anti-competitive acts; and directing the Respondent to pay an administrative monetary penalty and costs. The particulars of the Order sought by the Applicant are set out in paragraphs 55 and 56.

**AND TAKE NOTICE** that the timing and place of hearing of this matter shall be fixed in accordance with the practice of the Tribunal.

**AND TAKE NOTICE** that the Applicant has attached hereto as Schedule "A" a concise statement of the economic theory of the case.

**AND TAKE FURTHER NOTICE** that the Applicant will rely on the following Statement of Grounds and Material Facts in support of this application and on such further or other material as counsel may advise and the Tribunal may permit.

## STATEMENT OF GROUNDS AND MATERIAL FACTS

### I. OVERVIEW OF GROUNDS

1. The Commissioner of Competition (the "**Commissioner**") alleges that Reliance Comfort Limited Partnership, which conducts business under various names ("**Reliance**"), has abused and continues to abuse its dominant position in the supply of natural gas and electric water heaters and related services to residential consumers in certain local markets in Ontario (the "**Relevant Market**", as described more fully at paragraphs 29-32 below).
2. Reliance substantially or completely controls the Relevant Market. Since at least 2009, Reliance has preserved and enhanced its market power in the Relevant Market by implementing water heater return policies and procedures that impose significant costs on competitors and prevent customers from switching to those competitors. Reliance's water heater return policies and procedures constitute a practice of anti-competitive acts, the purpose and effect of which is to exclude competitors in the Relevant Market. Furthermore, Reliance imposed these water heater return policies and procedures knowing that they would have a negative exclusionary effect on competitors.
3. Reliance's practice of anti-competitive acts has had and is having the effect of preventing and lessening competition substantially. But for Reliance's exclusionary water heater return policies and procedures, competitors would likely enter or expand in the Relevant Market and consumers would likely benefit from substantially greater competition.
4. The Commissioner therefore seeks an Order from the Tribunal: (i) prohibiting Reliance from directly or indirectly implementing exclusionary

water heater return policies and procedures; (ii) directing Reliance to take certain other actions necessary to overcome the effects of its practice of anti-competitive acts; (iii) directing Reliance to pay an administrative monetary penalty of \$10,000,000; (iv) directing Reliance to pay the costs of this proceeding; and (v) such other relief as the Tribunal considers appropriate.

## **II. MATERIAL FACTS**

### **A. THE PARTIES**

5. The Commissioner is appointed under section 7 of the Act and is charged with the administration and enforcement of the Act.
6. Reliance is a privately-held limited partnership, wholly owned by Alinda Capital Partners LLC, that rents natural gas and electric water heaters and provides related services to consumers in Ontario.

### **B. INDUSTRY BACKGROUND**

#### **(i) Residential Use of Water Heaters in Ontario**

7. In Ontario, most residential consumers rent water heaters.
8. A significant majority of water heaters in Ontario are powered by natural gas. The next most common energy source for water heaters is electricity.
9. Residential consumers are limited in their choice of energy source for heating water by where they live and the infrastructure constraints of their residence. In rural areas, most residential consumers use electric water heaters as natural gas is generally not available in these areas. In contrast, in areas where natural gas is available, residential consumers commonly use natural gas instead of electric water heaters. Natural gas water heaters generally cost less to operate than electric water heaters.

10. Residential consumers may rent natural gas and electric water heaters from a utility company, if available, or from a rental water heater provider. Residential consumers may also purchase natural gas and electric water heaters from retailers, such as home improvement centres and hardware stores, or from heating, ventilation and air conditioning contractors. Most residential consumers who rent or purchase a water heater also obtain related water heater services, including installation, repair, maintenance and disconnection. When a customer renting a water heater switches providers, the original rental water heater provider generally requires customers to return the water heater.

**(ii) Development of Ontario's Rental Water Heater Industry**

11. Ontario's two largest natural gas suppliers, Enbridge, Inc. ("**Enbridge**") and Union Gas Limited ("**Union Gas**"), developed the rental water heater industry in the 1950s to expand the use of natural gas in the distinct areas of Ontario where they each had a monopoly in distributing natural gas. Both natural gas suppliers were also regulated by the Ontario Energy Board (the "**OEB**").
12. In 1999, Enbridge transferred its rental natural gas water heater assets to Enbridge Services Inc., which is now Direct Energy Marketing Limited ("**Direct Energy**"). Similarly, Union Gas transferred its rental natural gas water heater assets to Union Energy Inc., which is now Reliance. The transfer of these water heater assets to Direct Energy and Reliance effectively removed the OEB's oversight and regulation of Ontario's rental gas water heater industry.
13. Since this transfer of natural gas water heater assets in 1999, Reliance has been the dominant supplier of natural gas water heaters in those areas of Ontario where Union Gas distributes natural gas; namely, the area corresponding generally to parts of the following: Northern Ontario, from the Manitoba border to the North Bay/Muskoka area; Southwestern Ontario,

from Windsor to west of the Greater Toronto Area; and Eastern Ontario, not including Ottawa.

14. Reliance has also become the dominant supplier of electric water heaters in certain other areas in Ontario, owing in part to Reliance's acquisition of existing rental electric water heater assets.

**C. RELIANCE'S EXCLUSIONARY WATER HEATER RETURN POLICIES AND PROCEDURES**

15. Since at least 2009, Reliance has implemented various exclusionary water heater return policies and procedures as an integrated strategy to exclude competitors in the Relevant Market. These exclusionary policies and procedures relate to Reliance's water heater removal process, its return depot operations, and its exit fees and charges, as described below.

**(i) Reliance Imposes An Exclusionary Removal Reference Number ("RRN") Return Policy**

16. On 17 May 2010, Reliance imposed a new water heater return policy on competitors and customers (the "**RRN Return Policy**"). Before Reliance implemented this policy, Reliance's competitors regularly disconnected and returned Reliance rental water heaters on behalf of customers.
17. Under the RRN Return Policy, Reliance creates significant barriers to the return of its water heaters by, among other things:
  - i prohibiting the customer or competitor from returning a water heater unless the customer first obtains a RRN from Reliance and has signed and fully completed to Reliance's satisfaction a "Water Heater Return Form";
  - ii prohibiting competitors from obtaining a RRN on behalf of customers;

- iii refusing to provide a RRN to customers who contact Reliance with a competitor on the call; in such cases, Reliance regularly prevents these competitors from joining in on customer calls, notwithstanding that customers have agreed to have competitors on these calls; and
  - iv refusing to recognize agency agreements between customers and competitors that give competitors the authority on behalf of the customer to disconnect and return Reliance rental water heaters.
18. Furthermore, Reliance uses its RRN Return Policy to deter, impede, and prevent customers from terminating their Reliance rental agreements and switching to a competitor by, for example, keeping customers and competitors on hold for lengthy periods of time, imposing lengthy call-service periods, intentionally dropping calls, and intimidating customers with unwarranted fees and charges.
- (ii) Reliance Imposes Exclusionary Return Depot Policies and Procedures**
19. Through its exclusionary water heater return policies and procedures aimed at return depot operations, Reliance has created additional barriers for customers and competitors attempting to return their Reliance water heaters.
20. Reliance imposes arbitrary restrictions on the return process at its return depots and frequently changes these restrictions. These restrictions enable Reliance to reject at will attempts by customers and competitors to return water heaters, including by arbitrarily limiting return depot hours of operation and the number of water heaters that may be returned to such depots on a given day. Reliance also regularly fails to notify competitors and customers of changes to depot locations and hours of operation.

21. Where Reliance prevents, impedes or deters competitors from returning Reliance's water heaters through its restrictive return depot operations or its RRN Return Policy, competitors are forced to store these water heaters.

**(iii) Reliance Levies Exclusionary Exit Fees and Charges**

22. Further, Reliance levies multiple and unwarranted exit fees and charges to impede, prevent and deter customers from switching to competitors and to penalize customers and competitors. These exit fees and charges include damage; account closure; drain, disconnection and pick-up; as well as extra billing charges. Competitors need to assume these exit fees and charges on behalf of customers to facilitate customer switching.

**(a) Damage Fees**

23. Reliance regularly charges unwarranted damage fees by levying such fees:
- i in excess of the value of the damage or the costs of repair to the water heater; and
  - ii for the purported purpose of refurbishing or redeploying a returned water heater even though Reliance does not intend to or cannot refurbish the returned water heater or deploy it to another customer.
24. Further, where Reliance determines in its sole discretion that there has been significant damage, it requires customers to pay an unwarranted buy-out price to purchase the ostensibly damaged water heater, which Reliance nevertheless retains. Reliance also does not publish its buy-out prices; accordingly, customers may be unaware of the buy-out price.

**(b) Account Closure and Drain, Disconnection and Pick Up Charges**

25. Similarly, Reliance regularly imposes on customers unwarranted account closure charges as well as drain, disconnection and pick-up charges to

impede, deter, and prevent customers from switching to competitors. Competitors need to assume these exit fees and charges on behalf of customers to facilitate customer switching.

**(c) Extra Billing of Customers**

26. Additionally, Reliance regularly continues to charge customers the Reliance rental rate after customers have switched to a competitor and Reliance has prevented the customer or the competitor from returning the Reliance water heater. Consequently, customers are extra billed rental rates by Reliance, in some cases for up to several months. These additional costs place a significant financial burden on customers that competitors need to assume.
27. Reliance employs internal and external collection processes to harass customers into paying these multiple and unwarranted exit fees and charges. To avoid this harassment and the potential effects on customers' credit ratings, customers pay these unwarranted charges, and competitors also need to assume these costs.

**III. SECTION 79 OF THE ACT: RELIANCE HAS ABUSED AND CONTINUES TO ABUSE ITS DOMINANT POSITION**

28. By imposing its various exclusionary water heater policies and procedures, Reliance has abused and continues to abuse its dominant position in the Relevant Market.

**A. RELIANCE SUBSTANTIALLY OR COMPLETELY CONTROLS THE RELEVANT MARKET**

**(i) Relevant Market**

29. Two distinct product markets can be identified: (i) the supply of natural gas water heaters and related services; and (ii) the supply of electric water heaters and related services. These related services include installation, disconnection, maintenance and repair of water heaters. For the purpose of this application, these product markets have been aggregated. The relevant

product market is thus the supply of natural gas and electric water heaters and related services to residential consumers.

30. For the majority of residential consumers, no reasonable substitutes exist for natural gas or electric water heaters.
31. The geographic market for the supply of natural gas and electric water heaters and related services to residential consumers is local in nature. The relevant geographic markets are (i) the local markets of Ontario where Union Gas distributes natural gas and (ii) certain other local rural markets in Ontario. For the purpose of this application, these geographic markets have been aggregated.
32. The Relevant Market is thus the supply of natural gas and electric water heaters and related services to residential consumers in the local markets of Ontario where Union Gas distributes natural gas and in certain other local rural markets of Ontario.

**(ii) Reliance's Market Power**

33. Reliance substantially or completely controls the Relevant Market.
34. Reliance's market power is indirectly indicated by its market share and by barriers to entry. Reliance controls at least 76% of the Relevant Market, based on annual revenues. Reliance's exclusionary policies and procedures create significant artificial barriers to entry in the Relevant Market, which would otherwise be characterized by ease of entry.
35. Reliance's market power is additionally and directly indicated by, for example, its ability to increase and maintain high prices. Since 2005, Reliance has maintained substantially high gross profit margins from renting water heaters to residential consumers in the Relevant Market. Indeed, through the rental payments it receives on its installed base of water heaters in the Relevant Market, Reliance has recovered and continues to recover a

significant multiple of the capital cost of a water heater installed for residential use in the Relevant Market.

36. Since at least 2009, Reliance has preserved and enhanced this market power through its various exclusionary water heater return policies and procedures.

**B. RELIANCE'S WATER HEATER RETURN POLICIES AND PROCEDURES ARE A PRACTICE OF ANTI-COMPETITIVE ACTS**

37. Through the various water heater return policies and procedures described above, Reliance has engaged and is engaging in a practice of anti-competitive acts. Reliance has imposed and continues to impose its water heater return policies and procedures with the purpose of having an intended negative effect on competitors that is exclusionary.
38. Reliance imposed these policies and procedures with the intended purpose of eliminating and preventing the entry or expansion of competitors and of making competitors less effective in competing against Reliance in the Relevant Market.
39. Furthermore, Reliance imposed and continues to impose these water heater return policies and procedures knowing of their negative exclusionary effects. Reliance knew that, pursuant to a 2002 Consent Order, the Tribunal prohibited Direct Energy (then Enbridge Services Inc.) from implementing similar exclusionary water heater return policies and procedures in the local markets of Ontario where Enbridge distributes natural gas (the "**Direct Energy Consent Order**"). In particular, the Direct Energy Consent Order prohibited Direct Energy from preventing competitors from disconnecting and returning water heaters and from imposing on customers a commercially unreasonable and discriminatory buy-out schedule. Indeed, Reliance provided information to the Bureau explaining the positive effects of the prohibitions of the Direct Energy Consent Order on competition.

40. Notwithstanding the above, Reliance subsequently implemented certain of the water heater return policies and procedures prohibited by the Direct Energy Consent Order. Reliance sought to impose similar water heater return policies and procedures to those prohibited under the Direct Energy Consent Order on the basis that the Direct Energy Consent Order did not apply to Reliance, despite knowing that the Commissioner had concerns about the anti-competitive effects of such water heater return policies and procedures.
41. Moreover, as it relates specifically to Reliance's RRN Return Policy, Reliance implemented this policy after it had expressed concerns to the Bureau about the anti-competitive effects of a similar policy adopted by Direct Energy. Direct Energy implemented a "Return Authorization Number" ("**RAN**") policy on 30 April 2010, while the Direct Energy Consent Order was still in effect (the "**Direct Energy RAN Policy**"). The Direct Energy RAN Policy prohibited customers from returning a water heater unless the customer had first obtained a RAN from Direct Energy. Direct Energy also prohibited third parties from obtaining a RAN on behalf of customers. Following several complaints the Bureau received, the Bureau expressed its concerns to Direct Energy. Direct Energy suspended this RAN policy in June 2010. Shortly after Reliance expressed its concerns to the Bureau about the anti-competitive effects of the Direct Energy RAN Policy, Reliance implemented its similar RRN Return Policy in May 2010. Reliance continued to impose its RRN Return Policy after Direct Energy suspended its RAN Policy.
42. The exclusionary water heater return policies and procedures imposed by Reliance are intended to, and do, exclude and prevent competitors from entering or expanding in the Relevant Market. Reliance's water heater return policies have the exclusionary effect of imposing significant costs on competitors and preventing customers from switching to those competitors.

43. Reliance's RRN Return Policy and its frequent and arbitrary changes to return depot operations, along with its other exclusionary water heater return policies and procedures, have caused competitors to incur significant additional and unwarranted costs. These include transportation and labour costs, as well as the costs of storing the significant backlog of Reliance water heaters that Reliance has refused to accept or has prevented competitors from returning. These significant costs imposed by Reliance limit competitors' ability to compete effectively against Reliance.
44. Reliance's exclusionary water heater return policies and procedures also result in significant transactional costs for customers that deter, impede or prevent customers from switching to competitors. To facilitate customer switching, competitors need to assume the unwarranted exit fees and charges imposed by Reliance on customers during the water heater return process. Additionally, Reliance uses its RRN Return Policy to intimidate customers to continue their Reliance rental agreements despite their intentions and preferences to switch to competitors.
45. In some cases, competitors have declined to replace Reliance water heaters with their own water heaters given the significant costs of the unwarranted exit fees and charges they need to assume to facilitate customer switching. In these cases, Reliance customers must continue their Reliance rental agreements despite their preference and intentions to terminate these agreements and to switch to competitors.
46. Consequently, Reliance's exclusionary water heater return policies and procedures have caused at least two competitors to exit the Relevant Market. They have also impeded and prevented several competitors from entering or expanding in the Relevant Market; however, these same competitors had been able to enter other local markets where and while the prohibitions of the Direct Energy Consent Order were in effect.

47. In summary, Reliance has imposed and continues to impose its water heater return policies and procedures with the intended negative effect of excluding competitors. Moreover, given the aforementioned exclusionary effects, it was and is reasonably foreseeable that Reliance's water heater return policies and procedures would have a negative exclusionary effect on competitors.

**C. RELIANCE'S EXCLUSIONARY WATER HEATER RETURN POLICIES AND PROCEDURES SUBSTANTIALLY LESSEN AND PREVENT COMPETITION**

48. The exclusionary water heater return policies and procedures imposed by Reliance have substantially lessened and prevented and will continue to substantially lessen and prevent competition in the Relevant Market. But for Reliance's exclusionary water heater return policies and procedures, competitors would likely enter or expand in the Relevant Market and consumers would likely benefit from substantially greater competition.

49. Reliance's exclusionary water heater return policies and procedures establish significant artificial barriers to entry and expansion in the Relevant Market. These exclusionary policies and procedures have caused at least two competitors to exit and prevented and impeded the entry or expansion of several competitors in the Relevant Market.

50. In the absence of Reliance's practice of anti-competitive acts, barriers to entry would be low and substantially greater competition would likely emerge in the Relevant Market from rental providers as well as retailers of residential water heaters.

51. Further, in the absence of Reliance's practice of anti-competitive acts, customer switching in the Relevant Market would likely be substantially greater, and consumers would likely benefit from lower prices and greater product quality and choice.

#### **IV. CONCLUSION**

52. Reliance has abused and continues to abuse its dominant position by imposing exclusionary water heater return policies and procedures.
53. Reliance implemented its exclusionary water heater return policies and procedures as an integrated strategy with the purpose and effect of excluding and preventing the entry or expansion of competitors. Reliance achieves these negative exclusionary effects by imposing significant costs on competitors and preventing customers from switching to those competitors. Reliance thus relies on its exclusionary water heater return policies and procedures, not superior business performance, to retain customers.
54. Reliance's practice of anti-competitive acts has lessened and prevented and continues to lessen and prevent competition substantially in the Relevant Market.

#### **V. RELIEF SOUGHT**

55. The Commissioner seeks an Order from the Tribunal pursuant to subsections 79(1), 79(2), and 79(3.1) of the Act:
- (i) prohibiting Reliance from directly or indirectly implementing any exclusionary water heater return policies or procedures;
  - (ii) directing Reliance to accept valid agency agreements between customers and competitors for return of Reliance water heaters;
  - (iii) prohibiting Reliance from charging customers unwarranted exit fees and charges upon termination of a rental water heater agreement;
  - (iv) directing Reliance to provide customers a fixed and commercially reasonable buy-out price schedule upon entering into a rental water heater agreement with Reliance;

- (v) directing Reliance to provide copies of its buy-out price schedule to customers and to make it readily available on its website;
  - (vi) directing Reliance to pay the amount of \$10,000,000 as an administrative monetary penalty;
  - (vii) directing Reliance to pay the costs of this proceeding;
  - (viii) granting all other orders or remedies that may be required to give effect to the foregoing prohibitions, to restore competition in the Relevant Market, or to reflect the intent of the Tribunal and its disposition of this matter; and
  - (ix) granting such further and other relief as this Tribunal may consider appropriate.
56. In determining the amount of an administrative monetary penalty, the Tribunal should take into account the following aggravating factors:
- i Over at least the past three years, and as a result of its exclusionary water heater return policies and procedures, Reliance has caused at least two competitors to exit the Relevant Market and impeded and prevented several others from entering or expanding in the Relevant Market. Further, competitors have incurred significant costs and lost substantial revenue as a result of Reliance's exclusionary water heater return policies and procedures;
  - ii Reliance has financially benefited from its continued abuse of its dominant position. Since 2009, Reliance has generated substantial gross revenue while engaging in the practice of anti-competitive acts described above;

- iii Since 2009, Reliance has also generated substantially high gross profits while engaging in the practice of anti-competitive acts described above.
- iv For at least the past three years, Reliance has implemented its various exclusionary water heater return policies and procedures knowing the negative exclusionary effect they would have on competitors and competition in the Relevant Market. Moreover, Reliance implemented its various exclusionary water heater return policies and procedures knowing that similar water heater return policies and procedures had been prohibited under the Direct Energy Consent Order;
- v The practice of anti-competitive acts has not been self-corrected and is unlikely to be self-corrected; and
- vi Any other relevant factor.

## **VII. PROCEDURAL MATTERS**

- 57. The Applicant requests that this application be heard in English.
- 58. The Applicant requests that this application be heard in the City of Ottawa.
- 59. For the purpose of this Application, service of all documents on the Applicant may be effected on:

**Department of Justice  
Competition Bureau Legal Services**  
50 Victoria Street, 22<sup>nd</sup> Floor  
Gatineau, Quebec  
K1A 0C9

**David R. Wingfield (LSUC #28710D)**  
**Executive Director and Senior General Counsel**  
Tel: (819) 994-7714  
Fax: (819) 953-9267

**Josephine A.L Palumbo (LSUC #34021D)**  
**Senior Counsel**  
Tel: (819) 953-3902  
Fax: (819) 953-9267

**Parul Shah (LSUC #55667M)**  
**Counsel**  
Tel: (819) 953-3889  
Fax: (819) 953-9267

**Counsel for the Applicant**

**AND COPIES**

**TO: Reliance Comfort Limited Partnership**

**BORDEN LADNER GERVAIS LLP**  
Barristers and Solicitors  
Scotia Plaza, 40 King Street West  
Toronto, Ontario M5H 3Y4

**Robert S. Russell (LSUC #25529R)**  
Tel: (416) 367-6256/Fax: (416) 361-7060

**AND TO: The Registrar**  
**Competition Tribunal**  
Thomas D'Arcy McGee Building  
90 Sparks Street, Suite 600  
Ottawa, Ontario  
K1P 5B4

**DATED AT** Gatineau, Quebec, this 20th day of December 2012.

"John Pecman"

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John Pecman  
Interim Commissioner of Competition

**Schedule "A"**  
**CONCISE STATEMENT OF ECONOMIC THEORY**

1. Since at least 2009, Reliance has implemented various exclusionary water heater return policies and procedures as an integrated strategy to exclude competitors in the Relevant Market. These exclusionary policies and procedures relate to Reliance's water heater removal process, its return depot operations, and its exit fees and charges.
2. Reliance's exclusionary water heater return policies and procedures impose significant costs on competitors and prevent customers from switching to those competitors.
3. Reliance's exclusionary policies and procedures have substantially lessened and prevented, and will continue to substantially lessen and prevent, competition in the Relevant Market.

**Market Power in the Relevant Market**

4. The relevant product markets are: (i) the supply of natural gas water heaters and related services to residential consumers, and (ii) the supply of electric water heaters and related services to residential consumers. Related services include installation, disconnection, maintenance and repair of water heaters.
5. The relevant geographic markets for the supply of natural gas and electric water heaters and related services to residential consumers are local in nature. The relevant geographic markets are (i) the local markets of Ontario where Union Gas distributes natural gas and (ii) certain other local rural markets of Ontario. Reliance's water heater business is concentrated in these relevant geographic markets.
6. The relevant product and geographic markets can each be aggregated. Thus, the Relevant Market is the supply of natural gas and electric water

heaters and related services to residential consumers in the local markets of Ontario where Union Gas distributes natural gas and in certain other local rural markets of Ontario.

7. Reliance substantially or completely controls the Relevant Market. Reliance's market power is indicated by its high market share, barriers to entry and its ability to increase and maintain high prices.

**Practice of Anti-competitive Acts**

8. The water heater return policies and procedures imposed by Reliance create significant artificial barriers for Reliance customers to return their water heaters and switch suppliers. These barriers raise competitors' costs significantly and impede Reliance's competitors from successfully winning customers based on the quality and price of their products and services.
9. Reliance uses its RRN Return Policy to deter, impede, and prevent customers from terminating their Reliance water heater rental agreements, from returning Reliance water heaters and from switching to competitors.
10. In addition, Reliance regularly imposes arbitrary restrictions on the return process at its return depots and frequently changes these restrictions. Reliance uses these restrictions to enable it to reject at will attempts by customers and competitors to return water heaters. These restrictions impose additional costs on competitors and make it more difficult for them to compete effectively against Reliance.
11. Further, Reliance regularly levies multiple and unwarranted exit fees and charges on customers to deter, impede and prevent customers from switching to competitors and to penalize customers and competitors. To successfully win a new customer from Reliance, competitors need to assume these exit fees and charges on behalf of customers, further increasing their costs and diminishing their ability to compete effectively against Reliance. In some cases, where a competitor is unable to absorb

these significant additional costs, Reliance rental customers are prevented from switching to a competing water heater provider.

**Substantial Lessening and Prevention of Competition**

12. The exclusionary water heater return policies and procedures imposed by Reliance have substantially lessened and prevented and will continue to substantially lessen and prevent competition in the Relevant Market. But for Reliance's exclusionary water heater return policies and procedures, competitors would likely enter or expand in the Relevant Market and consumers would likely benefit from substantially greater competition.
13. Reliance's exclusionary water heater return policies and procedures establish significant artificial barriers to entry or expansion in the Relevant Market. In the absence of Reliance's practice of anti-competitive acts, barriers to entry would be low and substantially greater competition would likely emerge in the Relevant Market from rental providers as well as retailers of residential water heaters.
14. Further, in the absence of Reliance's practice of anti-competitive acts, customer switching in the Relevant Market would likely be substantially greater, and consumers would likely benefit from lower prices and greater product quality and choice.

**COMPETITION TRIBUNAL**

**B E T W E E N:**

THE COMMISSIONER OF COMPETITION

**(Applicant)**

**-AND-**

RELIANCE COMFORT LIMITED PARTNERSHIP

**(Respondent)**

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**NOTICE OF APPLICATION**

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**DEPARTMENT OF JUSTICE CANADA  
COMPETITION BUREAU LEGAL SERVICES  
Place du Portage, Phase I  
50 Victoria Street, 22<sup>nd</sup> Floor  
Gatineau QC K1A 0C9**

**David R. Wingfield (LSUC #28710D)  
Josephine A. L. Palumbo (LSUC #34021D)  
Parul Shah (LSUC #55667M)**

Tel: 819.994.7714  
Fax: 819.953.9267

**Counsel to the Commissioner of Competition**