

THE COMPETITION TRIBUNAL

IN THE MATTER OF an Application by the Director of Investigation and Research and Quebecor Printing Inc. under Sections 100 and 105 of the Competition Act, R.S.C. 1985 c. C-34 as amended.

AND IN THE MATTER OF the proposed acquisition by Quebecor Printing Inc. of the totality of shares of Maclean Hunter Printing Limited and its subsidiary 1074353 Ontario Inc., Litho Plus Limited, The Jasper Printing Group Ltd. and Templeton Studio Ltd,

Between:

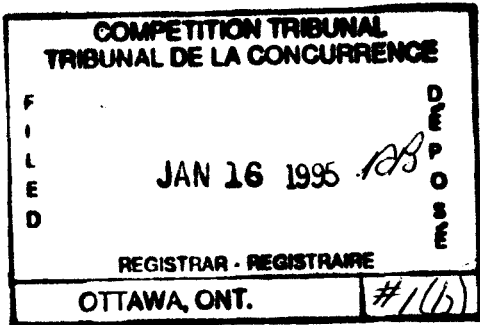
THE DIRECTOR OF INVESTIGATION AND RESEARCH

APPLICANT

- and -

QUEBECOR PRINTING INC.

RESPONDENT



**STATEMENT OF GROUNDS AND
AGREED MATERIAL FACTS**

1. The following material facts form the basis of the Application. The Respondent and the Applicant have agreed to the facts set out in paragraphs 2 to 12, 14 and 28 to 31 below for the purposes of this Application only, but such agreement shall not be taken as an admission by the Respondent or the Applicant of any such facts for any other

purposes, including an application under sections 92, 100, 104 and 106 of the Act. The Respondent, for the purposes of this Application, does not admit the facts or legal submissions set out in paragraphs 13 and 15 to 27 below, but reserves its right to challenge or contest any such facts should an application under sections 92, 100, 104 or 106 of the Act be brought by the Director.

A. THE PARTIES

2. The Applicant is the Director of Investigation and Research ("the Director") appointed under section 7 of the Competition Act and charged with the administration and enforcement of the Act.
3. The Respondent Quebecor Printing Inc. ("QPI") is a corporation incorporated under the laws of Canada, having its principal office in the City of Montreal in the Province of Quebec.
4. The Respondent Maclean Hunter Printing Limited ("MHPL") is a corporation incorporated under the laws of Canada, having its principal office in the City of Aurora in the Province of Ontario.
5. The Respondent Litho Plus Limited ("Litho") is a corporation incorporated under the laws of Canada, having its principal office in the City of Willowdale in the Province of Ontario.
6. The Respondent The Jasper Printing Group Ltd. ("Jasper") is a corporation incorporated under the laws of Canada, having its principal office in the City of Edmonton in the Province of Alberta.

7. The Respondent Templeton Studio Ltd. ("Templeton") is a corporation incorporated under the laws of Canada, having its principal office in the City of Scarborough in the Province of Ontario.
8. The Respondent 1074353 Ontario Inc. ("1074353") is a corporation incorporated under the laws of Canada, having its principal office in the City of Aurora in the Province of Ontario.

B. GROUND FOR THE APPLICATION

9. Rogers Communications Inc. ("Rogers") and Quebecor Printing Inc. ("QPI") entered into a share purchase agreement ("the Agreement") dated December 19, 1994, and executed on December 22, 1994, whereby Rogers would sell to QPI its shares in Maclean Hunter Printing Limited ("MHPL"), Litho Plus Limited ("Litho"), Templeton Studios Limited ("Templeton"), The Jasper Printing Group Ltd. ("Jasper") and 1074353 Ontario Inc. ("1074353"), the whole referred to as the "Transaction".
10. On December 23, 1994, QPI filed a long-form filing pursuant to section 122 of the Competition Act (the "Act") with respect to the Transaction.
11. The Agreement provides that the Transaction should close no later than the second (2nd) business day (January 17, 1995) following the expiration of the mandatory 21 day period following the filing referred to in paragraph 10 above. The closing of the Transaction is in fact scheduled to proceed on January 17, 1995.
12. The Director has not yet completed his examination and assessment of the Transaction and the 21 day period expired on January 13, 1995.
13. However, information received by the Director to date indicates serious competition concerns arising from the transaction as described hereinafter.

14. In order to permit the Director to complete his examination and assessment of the Transaction, and for that purpose only, the Respondent has therefore agreed to submit to an order prohibiting it from commingling the assets underlying the share purchase agreement ("hold separate order") for a period of 21 days from the issuance of the said order.

C. THE TRANSACTION AND ITS LIKELY IMPACT ON COMPETITION

15. QPI and MHPL are commercial printers offering both heat and cold set web offset printing services to a variety of customers across Canada. Cold set web offset printing involves the printing of non glossy newspaper type circulars, flyers, inserts, primarily for advertisement purposes; heat set web offset printing involves mostly the printing on coated or semi-coated paper of magazines and high quality brochures, programs and advertisement publications.
16. QPI and MHPL both compete in the sale of heat set web offset printing services. GTC Transcontinental Inc. ("GTC") is a Canadian based printer which competes against QPI and MHPL in the provision of heat web offset printing services.
17. Since the mid 1980's the Canadian web industry has undergone great rationalization. GTC Transcontinental ("GTC") has purchased Southam Murray and RBW Graphics. QPI has purchased Ronalds Federated, Lawson Graphics, Photoengravers and Graphic Web.
18. Even before the transaction was announced, the Bureau of Competition Policy (the "Bureau") received an unsolicited letter of concern from the Hudson's Bay Company Inc. ("The Bay"), a major heat set web offset customer of MHPL. The letter is attached hereto as exhibit A-1.

19. A number of MHPL heat set web offset customers have been contacted by the Director's staff since December 23 1994 and the vast majority have expressed concern that the Transaction will remove an effective competitor from the marketplace.
20. The decrease in value of the Canadian dollar has caused one American based printing firm to close its Canadian sales office because the currency exchange makes them uncompetitive in the Canadian market.
21. A majority of the concerned MHPL customers contacted have indicated that at present, in Canada, only QPI, GTC and MHPL have the size and expertise required to service their heat-set printing needs. Thus, for these customers, the Transaction will result in there being only 2 effective competitors to choose from in the heat-set web offset marketplace.
22. Virtually all of the MHPL clients contacted purchase heat set web offset printing services and have asserted that cold set web offset printing would not be suitable for their needs. For the purposes of this Application, the appropriate product market would therefore appear to be heat-set web offset printing services.
23. It would appear from the Director's preliminary examination and investigation of the Transaction, that only heat set web offset printers operating in Canada can effectively service the needs of Canadian customers. For the purposes of this Application, the appropriate geographic market would therefore appear to be Canada.
24. It would further appear from confidential information provided by industry sources that QPI and GTC will, as a result of this Transaction, control approximately 80 to 90% of the heat-set web offset printing market in Canada.

D. SECTION 100: INTERIM ORDER

(i) Prima facie case

25. Based on the foregoing and the Director's preliminary examination and assessment of the Transaction, it would appear prima facie at this stage that the proposed merger is reasonably likely to lessen competition substantially in the sale of heat-set web offset services in Canada.

(ii) Irreparable Harm

26. In the absence of an interim order requiring the Respondent from commingling the underlying assets to the share purchase agreement, irreparable harm will result as the Respondent will proceed to partially or fully implement the transaction and the Tribunal's ability to remedy the effects of the Transaction will be substantially impaired.

(iii) Balance of Convenience

27. The balance of convenience favours the granting of the proposed interim order, in that, the public interest in maintaining and encouraging competition outweighs any inconvenience or harm to the Respondent that may result.

E. RELIEF SOUGHT

28. The Applicant and the Respondent have agreed that in order for the Director to complete his examination, the Draft Consent Order attached to the Notice of Application as Schedule "C" should issue. The Applicant and Respondent thus seek, pursuant to sections 100 and 105 of the Act, the issuance of the Draft Consent Order attached hereto.

29. It is understood by the parties that the Director and the Respondent have agreed to this application and consent order only for the purpose of providing the Director with an additional 21 days to complete his examination and assessment of the acquisition pending a final determination by him of the opportunity of a possible application to the tribunal pursuant to section 92 of the *Competition Act*;
30. It is understood by the parties that nothing in these proceedings shall be taken as an admission now or in the future by the Respondent or the Director of any fact, submissions or legal arguments for any other purposes, including an application under sections 92, 100, 104 or 106 of the *Competition Act*;
31. It is further understood that should the transaction close, the Respondent agrees that the terms of this consent order will bind the acquired companies.