

SCHEDULE "B"

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

COMPETITION TRIBUNAL TRIBUNAL DE LA CONCURRENCE	
FILED	DEPOSE
JAN 16 1995 <i>RB</i>	
REGISTRAR - REGISTRAIRE	
OTTAWA, ONT.	#1(C)

AFFIDAVIT


I, André Brantz, of the city of Ottawa, in the District of Ottawa-Carleton, in the Province of Ontario make oath and say as follows:

- I am a senior commerce officer, in the Bureau of Competition Policy of the Department of Industry Canada, acting under the authority of the Director of Investigation and Research, Competition Act;

2. I have conducted the preliminary examination and assessment of the Transaction described in the Statement of Grounds and Agreed Facts, Schedule "A";

3. As such, I have knowledge of the information attached hereto as Schedule "A". I verily believe to the best of my knowledge that said information is true.

SWORN before me, at
the City of Hull,
in the Province of
Québec,
this 16th day
of January, 1995



André Dorion 193477-5
~~A Commissioner of oath for Canada~~
Lawyer, Québec Bc



This is Exhibit "A" to the affidavit of
ANABE BEANTZ
Hudson's Bay Company
 sworn before me this

16th day of January
 1995
Andrew Doria

November 9, 1994
 A Commissioner
 Notary Public, etc

① MERGER FOR reply by November 25, 1994
 ② CCI GWA/PA

A Commissioner
 Notary Public, etc.

Telephone:
 Telefax:

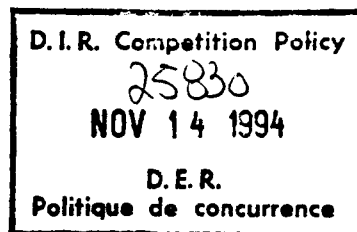
(416) 861-4580
 (416) 861-4550

day of

before me this

to the affidavit of

Mr. George N. Addy
 Director of Investigation and Research. Competition Act
 Industry Canada
 Bureau of Competition Policy
 Place du Portage, Phase 1
 21st Floor
 50 Victoria Street
 Hull, Quebec
 K1A 0C9



Dear Mr. Addy:

I am writing on behalf of the Hudson's Bay Company to draw your attention to a situation with respect to Maclean Hunter Printing that has the potential to lead to a substantial lessening of competition in the printing industry in Canada. ✓

Maclean Hunter Printing is one of the assets which will be acquired by Rogers Communications Inc. upon approval of its purchase of Maclean Hunter by the CRTC. We understand that Rogers has decided to sell Maclean Hunter Printing and, in anticipation of a favourable CRTC decision, Rogers has issued a request for tenders for the purchase of Maclean Hunter Printing. We also understand that there are, at this time, only two interested parties. They are Québecor and Transcontinental Printing.

Hudson's Bay Company's interest in this issue is that of a major purchaser of printing in Canada. Through the Bay and Zellers Inc., we buy approximately \$70 million in web offset printing every year. In the late 1980's we had the option of dealing with 12 high volume suppliers. They were Southam Murray, Montreal Gazette, Ronalds Federated, Lawson Graphics, RBW Graphics, Photoengravers, Graphic Web, Metroland, St. Joseph's Printing, Québecor, Transcontinental Printing and Maclean Hunter Printing.

Through various acquisitions, we are now left with only four major players, those being Transcontinental, Québecor, St. Joseph's Printing and Maclean Hunter Printing. Southam Murray, Montreal Gazette and RBW Graphics were all purchased by Transcontinental Printing. Ronalds Federated, Lawson Graphics, Photoengravers and Graphic Web were all purchased by Québecor. Metroland went bankrupt.

The concentration now is held mainly by Québecor which has 33 facilities in Canada and represents approximately 46 percent of the major web market. This is followed by Transcontinental with 20 facilities and approximately 34 percent of the market. Then Maclean Hunter Printing with approximately 5 percent of the market and one facility.

With the impending sale of Maclean Hunter Printing by Rogers, there is great concern among ourselves and other major print buyers that if Maclean Hunter Printing is sold to either Québecor or Transcontinental Printing, these two companies will then control 95 percent of the web printing market. This is an unhealthy situation at best, and could lead to higher prices. Prices have already gone up substantially this year.

No other potential sources of competition exist. The current low value of the Canadian dollar effectively prices U.S. suppliers out of the market in Canada and we expect the value of the Canadian dollar relative to the U.S. dollar to remain as it is for the foreseeable future. As well, the extraordinarily high capital costs of establishing a new business in this industry serve effectively to bar entry of new firms into the web printing business. The unlikely entry of new competitors is further evidenced by the concentration that has taken place in this industry over the past ten years.

We request that the Competition Bureau monitor Rogers' request for tenders for Maclean Hunter Printing and hold a full inquiry before approving any merger. If necessary to maintain the current level of competition, Rogers should be required to retain ownership until such time as a noncompeting purchaser can be found. It is clear from statements previously made by Rogers that Maclean Hunter Printing could remain as a synergistic component following the merger of Rogers and Maclean Hunter.

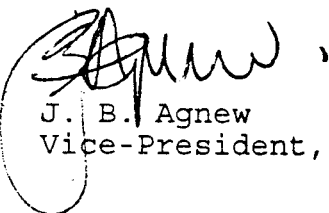
In their announcement of their offer to acquire Maclean Hunter Ltd. on February 2, 1994 Rogers Communications Inc. spoke of the "powerful synergies in all aspects of the business, not only in television and cable assets, but in critical connections to the publishing world as well". They stated "Canada needs strong publishing houses. Maclean Hunter is truly a cultural icon and its activities must be encouraged and enhanced". Finally they spoke of the importance to Canada of establishing large multimedia companies and described the merger of Maclean Hunter and Rogers as providing for a "dynamic, new Canadian multimedia company where the whole is stronger than the parts".

The retail sector has been forced by the economy, changes in consumer spending habits and the entry of new competitors from the U.S. to search for ways to reduce costs in all facets of our business. Companies such as Hudson's Bay Company have succeeded; however, it is vital to our continued survival that we have access to competitive suppliers in all aspects of our business, including printing.

We would be pleased to provide the Bureau with additional information that would assist your review of this matter.

Yours very truly,

HUDSON'S BAY COMPANY



J. B. Agnew
Vice-President, Sales Promotion

Copy to: The Honourable John Manley
Minister of Industry

The Honourable Michel Dupuy
Minister of Canadian Heritage

Mr. Keith Spicer
Chairman
Canadian Radio Television &
Telecommunications Commission (CRTC)

Mr. Edward S. Rogers
President & Chief Executive Officer
Rogers Communications Inc.

Mr. Alasdair McKichan
President
Retail Council

Mr. Ronald W. Osborne
President & Chief Executive Officer
Maclean Hunter Ltd.