

E-note to: The Continuous Disclosure Harmonization Committee
Attention: Mr. Peter Brady, Chair
1 November 2002
Submitted by: Evan Cambray, President
Printing Equipment and Supply Dealers Association of Canada (PESDA)



Subject: OSC proposed ruling: 81-106 and 51-102.

On behalf of our members and their clients, the Printing Equipment and Suppliers Association of Canada (PESDA) has prepared the following comments for the consideration of your committee:

Please accept this note of concern regarding the intent stated within the Ontario Securities Commission (OSC) proposed ruling: 81-106 and 51-102. This proposed ruling is understood to be an Ontario issue and also one of consideration with other provincial Securities Commissions. As the body representing companies involved in paper procurement and other supplies to the Canadian printing industries, the following concerns are provided for your consideration and response.

Financial printing can be regarded as interim and annual. Interim statements are prepared and printed on a routine basis, such as monthly and quarterly. Interim financial statements are typically high in page volume or bulk but low in graphic content. Single or two-colour documents are generally specified on lower-grade paper stock. Conversely, annual reports tend to have fewer pages or content but involve complex colour printing on premium paper stocks.

Should the printing and distribution of financial documents be fulfilled only on a 'demand' basis to shareholders and other stakeholders, our association contends that the current level of printing demand would decline significantly. Interim financial printing would be hardest hit with demand conceivably falling to less than 10% of its current (professionally) printed volume. Canadian investors and corporate stakeholders can be presumed to be fully proficient in Internet communications. With this understanding, a majority of these individuals will probably not exercise their option to continue receiving hardcopy statements for their perusal and records. Downloading and printing documentation in one's own office is easily accepted.

Annual report printing would also decline as some companies would likely experiment with a web-enabled distribution model. On the upside, we fully expect that many Canadian corporations would continue to regard their annual report as a major promotional tool. These firms would continue to ask printers to prepare their annual reports despite the proposed option to make such printing optional. As hopeful as we are in the resiliency of the annual report segment of print, it is reasonable to expect that the full portfolio of financial printing will decline to 50% should the various provincial securities commissions adopt proposed rulings such as 81-106 & 51-102.

Financial printing on a national basis is estimated at close to \$220 million per annum. As a segment, financial printing represents very close to 2% of the total value of commercial printing shipments in Canada. In terms of employment, current 'average sales per employee' values for the printing industry would indicate that over 1,250 printing jobs in Canada are involved directly in the printing of interim and annual reports. According to the Canadian Printing Industries

Association (CPIA), a 1.9 multiplier is typically applied to envelop the true number of jobs and revenue involved in both the printing function and in its allied industries, such as providers of paper, ink, and equipment. Therefore, the task of financial printing directly impacts the livelihoods of over 2,300 Canadians.

If this ruling is enacted across Canada, the loss of over 1,150 (50% of 2,300) Canadian jobs is expected. The demand for commercial printing has stabilized. Growth cannot extricate any of these threatened jobs. These statements can be supported by independent market reports and government statistics, which we will be pleased to provide.

Our association is currently at a disadvantage in not knowing the motivation behind these proposed rulings. Have your committees rationally considered the adverse effect it will have on the printing industry? Is this proposed ruling environmentally motivated? Is it the view of your group that this will reduce paper waste and ink-related pollution? May we point out the irony of this premise?

As described above, one would expect most concerned shareholders and stakeholders to download electronic financial documents and then print them on their own desktop printers. Such localized printing is expected; as such preformatted documents are almost impossible for the average person to study on a computer monitor. In each and every case of 'downloaded' printing, the incremental paper savings associated with this proposed ruling would be cancelled. Furthermore, the volatile organic compounds (VOC)'s released by the ink of thousands of office printers would likely challenge or exceed that released from a controlled professional print manufacturer. Any well-intended environmental argument rapidly becomes weak on this basis.

However, we would not be audacious enough as to suggest there would be no net improvement in waste generation as a result of this proposed ruling. Some benefit would be realized, but not in the magnitude one might initially expect. The printing industry is cognizant of waste and would in no way promote the misuse of our resources. This industry is working hard to improve the effectiveness of printed documentation, including financial printing. In the interests of waste reduction and economy, progressive printers are already active in providing customized and personalized reporting to specific recipients through digital printing. This applies to financial and other commercial printing applications. Despite the efforts to make financial printing more effective and efficient, this proposal acts to rapidly displace a proven and accepted communication vehicle with a passive electronic source. We strongly believe that disclosure of financial information will ultimately suffer under this plan. What will weigh heavily on your organization; should this proposed ruling become law, will be your explanation for the resulting loss of over 1,150 Canadian jobs.

It would be our objective to constructively discuss this issue as soon as possible with your board or select committee(s). Greater detail and information is available to substantiate the concerns outlined in this note. We anxiously look forward to your response.

The Printing Equipment and Supply Dealers Association (PESDA): The graphic communication industry is the fourth largest employer in Canada. It is an industry valued at \$11 Billion with over 98,000 employees and over 5,500 establishments. PESDA represents the industry with a strong and united voice in its dealings with the government. PESDA is in a position to update and develop industry standards in Canada and, through its collaboration with the North American Graphic Arts Suppliers Association (NAGASA), makes an essential contribution to the development of North American standards. PESDA provides a representative for suppliers to the Canadian Printing Industries Association (CPIA). www.pesda.com