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# BUILDING PRINT PLATFORMS

Recent newspaper and packaging activities highlight the 40th year of business for Canada's largest printer, as TC Transcontinental prepares for the future around two key strategic platforms

**By Victoria Gaitskell**

In 2016, Montreal-based TC Transcontinental, North America's third largest and Canada's largest printer, with over 8,000 employees in Canada and the United States and 2015 revenues of \$2 billion – is celebrating its 40th year in business.

Additionally, in the past few months, the company has made headlines multiple times for other reasons: In May, Transcontinental sold off all of its newspaper assets in the province of Saskatchewan, amounting to 13 newspapers and associated online properties, and closed its printing plant in Saskatoon. In June, Transcontinental acquired Robbie Manufacturing, the third packing company it has purchased in the United States in just over two years. In July, the company commenced a five-year contract to print Canada's largest-circulation daily newspaper, the *Toronto Star*, after its owners, Torstar,

announced plans to shut down its printing plant in Vaughan, Ontario.

Transcontinental's past few months of widespread activity, seemingly disparate events, fit into the company's strategic plans for growth in both the newspaper and flexible-packaging sectors.

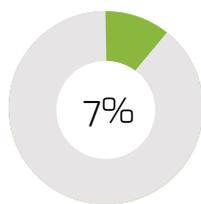
## Local publishing

Katherine Chartrand, Director of TC Transcontinental's External Communications, clarifies that the May sale of TC Media's Saskatchewan newspaper assets occurred because the assets were small in number and geographically remote from the bulk of TC Media's other newspaper assets, which are based in Quebec and the Atlantic provinces. "Because of the limited synergies with the rest of our newspaper assets, it was simply not efficient for us to continue publishing a small cluster of newspapers in Saskatchewan," she says.

On July 2, 2016, TC Transcontinental's modern hybrid newspaper plant in Vaughan began its five-year print contract with Torstar Corp.



**Weekday circulation experienced a decline not seen since the immediate aftermath of the Great Recession.**



Average weekday newspaper circulation in 2015 fell 7%, the most since 2010, which Pew Research explains to be a drop due entirely to print circulation, which declined by 9%, while digital circulation increased by 2%.

The buyer of TC Media's Saskatchewan newspaper assets, Star News Publishing Inc., already published five community newspapers in Alberta and Saskatchewan and printed over 60 community newspapers in Western Canada. "Because of Star News Publishing's location in Wainwright, Alberta, and long-standing roots in that region, the sale made sense," says Chartrand. "They are in a better position than we are to plan and maintain the growth of these assets."

She adds that the closure of the Saskatoon plant, with an accompanying loss of about 30 full-time jobs, was a direct result of the decision to sell the newspapers: "The buyer prints their own papers at their Alberta facility, and the remaining commercial printing volume in our Saskatoon plant didn't justify keeping the operation open."

Chartrand recounts that around the 1980s TC Media first started to expand its publishing activities with the acquisition of *Les Affaires* (a paid-by-subscription business weekly) and other financial publications (plus consumer magazines which it later sold; 15 of them for example, to Quebecor Inc.'s TVA Group in 2014.) Subsequent acquisitions since the 1980s by TC Media include 20 Telemedia weekly papers in the greater Montreal area in 1995, 32 Cogeco newspapers in Quebec and Ontario in 1996, and the purchase of 74 Quebec weekly papers from Quebecor subsidiary Sun Media in 2014.

At present Chartrand says TC Transcontinental is the largest publisher of local newspapers in Quebec and Atlantic Canada, with 111 titles in Quebec (including the daily *Métro Montreal*, all but one title free of charge), 35 titles in Atlantic Canada (including seven paid dailies, 17 paid weeklies, and other free-of-charge weeklies and periodicals), and two in Ontario (*Seaway News* in Cornwall and *Orléans Star* in Gloucester, both free weeklies.)

"We are proud to provide high-quality information to the communities we serve and are working hard to develop effective multi-platform solutions for our advertisers in these regions," says Chartrand. However, she adds, a constant decline in advertising revenues year over year makes it especially challenging for TC Media and other publishers of community newspapers to continue providing high-quality information, while also endeavouring to convert their operations to more sustainable digital business models.

To offset this present economic challenge, along with other Canadian media companies and associations, TC Transcontinental is currently seeking the support of various levels of government. Chartrand reports, that in April, François Olivier, President and Chief Executive Officer of TC Transcontinental, recommended an action plan to the Federal parliamentary Standing Committee on Canadian Heritage, including:

- Temporary financial incentives for up

to five years for local media publishers to cover part of their content-production costs;

- Temporary financial incentives for up to five years for local media publishers to support investments in the digital transformation of their business model;

- Increased ad spending by government institutions in local print and digital media; and

- A review of the way recycling fees are calculated so that publishers can pay reasonable amounts based on their recent circulation volumes rather than outdated data.

Chartrand adds, that besides community newspapers, TC Media is the largest publisher of French educational resources in Canada, with an annual count of more than 12,000 educational books in French annually, covering all grade levels. The company also publishes more than 800 French and English titles in the supplemental educational and general interest areas.

## Newspaper printing

TC Transcontinental not only publishes community newspapers as described above, but also continues to position itself as a newspaper printer par excellence. The company began its new five-year printing contract with the *Toronto Star* on the evening of Saturday, July 2, at its modern Vaughan, Ontario plant, a 30-minute drive northwest of Toronto.

Brian Reid, President of TC Transcontinental Printing and TC Transcontinental Packaging, explains: "Our Vaughan plant is a relatively new facility with state-of-the-art technology and a team that's very experienced in printing newspapers. When the *Star* first opened their own plant in 1992, almost 25 years ago, it was also state of the art, but obviously technology has evolved a lot since then. From 2007 to 2010, when TC Transcontinental opened our Vaughan plant, we invested roughly \$800 million to upgrade our entire North American print platform. I think our investments in new technology provide the *Star* with the opportunity to get a high-quality product on new equipment and also reduce their printing costs."

Reid continues: "Our model is a little different than traditional manufacturing environments. For outsourced newspapers we work with highly skilled, self-directed teams and a lot of automation. The result is a very efficient operation that allows us to make the investments we need, still make a reasonable return, and at the same time provide savings considered to be significant by the news publishers who decide to print with us."

Reid says equipment highlights at Vaughan include two KBA Commander CT hybrid presses, both 66-inches wide with four towers and an individual capacity of 48 broadsheet pages in one path. "Hybrid means we can run both heat set and cold set and combine them – some-

thing very unique in newspaper printing," he explains. "What this capability allows us to do, which helps in our pricing model, is to run newspapers at night, which are usually cold set – although *The Globe and Mail* runs some heat set on their outside cover and some of the internal sections – then run flyers during the day. All of our flyers are heat set."

He says, besides *The Globe*, TC Transcontinental produces work for Torstar, Postmedia, and other newspaper publishers at their facilities in Vaughan, Calgary, Vancouver, Halifax, plus two plants in Montreal. In 2009, Transcontinental built another plant near Fremont, California, equipped with three hybrid Man Roland web presses with similar capabilities to the KBAs in Canada, to produce the *San Francisco Chronicle*, a paper they still print. "To print a daily newspaper, you have to be relatively close geographically to where the paper will be delivered, within a few driving hours," Reid explains.

He continues: "Flyer work is our biggest segment in print and it's very stable. Our research and the fact that we print billions of flyers each year demonstrate that consumers still like their printed flyers. Our customers still say they are the best way to drive traffic to retail stores."

In Quebec, TC Transcontinental distributes its newspapers and retail flyers through its own marketing product called Publisac, a weekly bag containing printed flyers, newspapers, and specialty promotions with advertising printed on the outside that is hung on the door of households across Quebec (approximately 3.5 million homes). Elsewhere in Canada, the company manages the distribution of flyers to some 10 million more households through Targeo, its own Pan-Canadian distribution strategy and brokerage service.

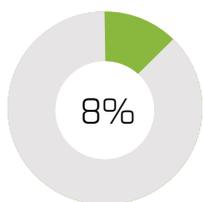
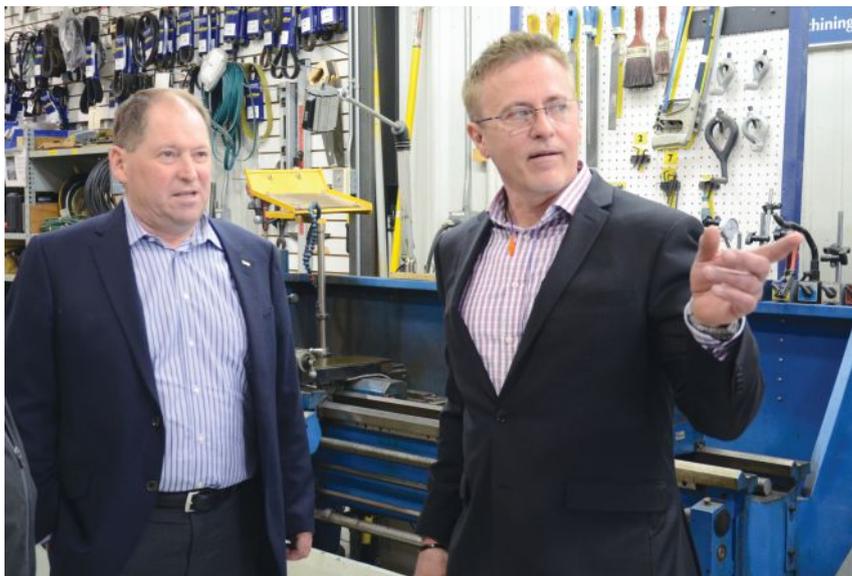
"Newspapers are down a little bit because their revenue from advertisers has declined," says Reid. "Some specific segments are better suited to online advertising, things like automobiles, so there is not nearly as much advertising for cars in printed newspapers these days. Real estate advertising has declined as well."

"As a result, newspapers are re-envisioning their models and choosing to outsource their printing so they can focus on their core business of providing content, rather than printing, which requires constantly upgrading the platform with capital investment. We have developed a model that's win-win, so we can offer savings to newspaper publishers, yet still make a reasonable return that allows us to maintain a state-of-the-art printing platform."

## Flexible packaging

In explaining what made Robbie Manufacturing such an attractive prospect, which Transcontinental acquired in June, Reid says culture is always one of the most-critical factors when the company is considering an acquisition: "Since the inception of our business 40 years ago, we

**Clockwise: Brian Reid, President of TC Transcontinental Printing & TC Transcontinental Packaging (left), speaks with Keith Roy, GM of Transcontinental LGM-Coronet in the maintenance area, while visiting the Winnipeg plant in May. Transcontinental's first print run of the *Star* in Vaughan. Robbie manufacturing print samples.**



Newspaper advertising revenue experienced its greatest drop since 2009, falling nearly 8% from 2014 to 2015. Fully one-fourth of advertising revenue now comes from digital, but not because of growth in that area: Digital advertising revenue fell 2% in 2015. Non-digital advertising revenue fell more, dropping 10% in 2015.



operate a certain way based on values that come from our founders, the Marcoux family.

“These values are innovation, team work, performance, and respect in the way we treat customers, suppliers, and each other internally. Because we spent a lot of time getting to know the owner and leadership team at Robbie, we were able to get a very good sense, that although they used some different terminology to describe it, their culture was similar to ours.

Reid continues to explain that Robbie Manufacturing also possessed a strong management team who were very supportive of the transaction and wanted to stay on. “Because we’re relatively new in flexible packaging, we need strong, talented people who are experienced in flexible packaging to add to our team.

“Third was their capability to add to our packaging portfolio with grocery-store pouches for products that include deli items and frozen foods, as well as packaging for multipack consumer goods.” Typically, Reid explains, if you buy a three-pack of, say, household cleaners in aerosol cans or plastic bottles, the products come wrapped together with shrink wrap film over a cardboard base.

But Robbie figured out an alternative packaging system for multiple consumer goods that eliminates the cardboard tray and prints on really, really thin shrink wrap film in a way that compensates for distor-

tions to the printing caused by stretching the film around the product. Using their method, only when the film is in place can you actually read what is printed on it.

“Robbie’s national salesforce is nice, too,” says Reid, adding to the list of reasons behind the acquisition. “It expands our sales coverage across U.S.”

The Robbie Manufacturing plant in Lenexa, Kansas, is also about an hour and 15 minutes drive from Clinton, Missouri, site of the first packaging company Transcontinental purchased, called Capri Packaging. Reid says the production managers at Robbie and Capri already knew one another before Transcontinental acquired both companies. Capri prints rolls of packaging for dairy products, the largest being cheese and next largest yogurt. In May 2014, when Transcontinental acquired Capri from Schreiber Foods Inc., the Green Bay dairy company with over \$5 billion in annual sales.

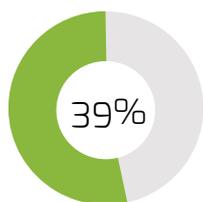
Transcontinental retained a huge 10-year contract with Schreiber which gave them security with the transaction. In September 2015, Transcontinental made its second acquisition of a packaging company by purchasing Ultra Flex Packaging Corp. in Brooklyn, New York, a manufacturer of roll-stock, pouches, and bags for the coffee, tobacco, confectionery, snack foods, and pet foods segments.

Why has Transcontinental moved so decisively into flexible packaging, which

represents a clear shift in the company’s revenue generation, over the past couple of years? Reid explains: “First, for many reasons, the flexible packaging segment is experiencing a lot of growth: it’s cheaper, it distributes better, in many ways it’s more environmentally friendly – there are lots of reasons why there is a big shift toward it.”

“Second, the manufacturing process for flexible packaging is very similar to what we already do in our offset printing. The process still involves prepress, printing, and finishing, the big differences being that for flexible packaging we print on plastic instead of paper, and we use flexo plates instead of offset plates,” says Reid. “The finishing methods are also different, most involving converting and laminating, but still we have some familiarity with these processes. They’re not entirely foreign to us.

“The third reason is that flexible packaging hasn’t been consolidated yet. The fact that there are a lot of players allows us to look at acquisitions and ideally try to build a North American platform, both through organic growth and by seeking opportunities for acquisitions in the U.S. and Canada.” Transcontinental has since installed a new press, laminator, and slitter at Capri, and a new press and lamination line at Ultra Flex. We plan to make similar investments in the growth of other companies we acquire,” says Reid. “For sure, there will be more acquisitions.” PA



In 2014, the latest year for which data were available, newsroom employment declined 10%, more than in any other year since 2009. The newspaper workforce has shrunk by about 20,000 positions, or 39%, in the last 20 years.