

COMMENT ON CBG SUBMISSION

Summary

- 1 The submission made by Cowes Bay Group (*CBG*) contains numerous assertions that are unfounded, various claims that are unsubstantiated and some very serious allegations of unlawful misconduct by Godfrey Hirst that are blatantly untrue.
- 2 Further, **CBG's reason for doing so** are quite clear – CBG has a direct financial **interest in the outcome of the Commission's clearance process** holding itself out as a capable potential purchaser if Godfrey Hirst were unable to purchase Bremworth.
- 3 Demonstrably, that is not the case. The CBG submission reveals a current misunderstanding of the New Zealand flooring sector and, in particular, the now **singular importance of imports. That is understandable as CBG's ultimate owner has** had no direct involvement in the New Zealand industry since he relinquished his former ownership of Godfrey Hirst.
- 4 For these and other reasons, there is no realistic prospect of CBG being accepted as a likely purchaser by Bremworth, even were **Mohawk's bid** excluded. Importantly, **the Commission's** Merger Guidelines state that, where a contested sale is taking place, there must be a reasonable prospect of any counterfactual involving an alternative purchaser in fact occurring. A spurious claimant like CBG whose bid – if in fact made – has already been rejected, would not meet the threshold required of an alternative purchaser. A counterfactual that touts CBG as a capable alternative purchaser has no proper foundation and must be rejected.
- 5 For reasons outlined below, there is no likely alternative sale to any other party, either. The Commission cannot simply speculate as to a counterfactual.

CBG is self-interested

- 6 Very clearly, CBG is much more of an **"interested party"** than the customers, suppliers, and competitors to whom **the Commission's Merger Guidelines** generally attribute that phrase. CBG plainly holds out that it has direct financial self-interest in the outcome of the **Commission's clearance process**, holding itself out as a **potential buyer of Bremworth's distressed assets**.
- 7 **But CBG's submission goes beyond mere self-interest.** It attributes unlawful **misconduct to Godfrey Hirst's current and post-merger** behaviour with baseless allegations in relation to contractual provisions of a kind usually contained in commercial agreements. To that end, it alleges:
 - 7.1 Godfrey Hirst already holds a dominant market position;
 - 7.2 Godfrey Hirst will use further entrenchment of its dominance to deny competitors access to the retail distribution channel;
 - 7.3 Godfrey Hirst will have much increased ability to "require" retailers to give preference to Godfrey Hirst/Mohawk and related company product;
 - 7.4 there will be increased prospect of predatory pricing, anti-competitive rebates, bundling, and other anti-competitive conduct by Godfrey Hirst;
 - 7.5 potential competitors will experience **supplier resistance given Mohawk's** global presence;

- 7.6 the merged entity will be enabled to increase prices/margins across multiple **flooring product markets (not just carpet) and foreclose entry to Bremworth's** manufacturing capacity;
- 7.7 **entrenchment of Godfrey Hirst's** already dominant position in retail stores will be used to exclude other suppliers.

These are false allegations

- 8 These are all very serious allegations. Predatory pricing, anti-competitive rebates, bundling **and refusal to supply all feature prominently in the Commission's Misuse of Market Power Guidelines** as restrictive trade practices prohibited by new section 36 and attracting significant penalty.
- 9 Similarly, entering into anti-competitive arrangements with other parties (e.g. retailers) is prohibited by section 27 and would involve significant penalty.
- 10 Such allegations of – or speculation as to future – unlawful conduct should not be made without proper foundation. There is no such foundation.
- 11 Further, if **Godfrey Hirst "already holds a dominant position in soft flooring markets"**, as CBG alleges in several places, it would already have the ability to engage in these restrictive trade practices. But, that demonstrably is not the case.
- 12 As the Commission will be well aware, Godfrey Hirst has not been subject to investigation by the Commission for any of the restrictive trade practices of the Commerce Act or the Fair Trading Act. Nor has Godfrey Hirst been subject to private action by third parties for alleged breach of the Commerce Act or Fair Trading Act. On the contrary, Godfrey Hirst does not have market power and has always been assiduous in its efforts to ensure compliance with that legislation, not only by itself but also by its competitors.

Comment by paragraph

- 13 Paragraph 4: **"A dominant position" in a market is generally regarded in competition law** as a position that allows the relevant entity to behave independently of constraint provided by competitors, customers, and suppliers in the relevant market. Clearly, that does not currently apply to Godfrey Hirst with a market share around [REDACTED] and facing low (and further diminishing) barriers to entry by imports.
- 14 Retailers who are reluctant to take on further suppliers are generally themselves importers and with their own branded products. Consequently, they will only take on new supply that offers something they do not already have or is offered at below market rates. Their conduct is not influenced by Godfrey Hirst, but rather their own commercial self-interest.
- 15 The implication that Armstrongs (aka CBG) have actual experience of difficulty in obtaining distribution through retail stores as a result of Godfrey Hirst's anti-competitive behaviour is strongly denied and without any basis. No evidence was given to support this claim.
- 16 Paragraph 5: As demonstrated, Godfrey Hirst/Mohawk's current market share in fact is around [REDACTED] of the New Zealand wholesale carpet market. Imports meanwhile comprise around 50% of that same market.
- 17 Paragraph 6(b): The allegation that Godfrey Hirst's market share figures must be **properly tested by the Commission as to their "veracity"** implies a lack of candour on the part of Godfrey Hirst without furnishing any evidence to support this claim. In

fact, the methodology applied by Godfrey Hirst in ascertaining its market share figures is fully explained already in the clearance application and was tested by NERA. That methodology - based on wholesale price of the relevant goods - is much more accurate (given the financial information that is available to support any analysis) than either the suggested measure of meters of carpet sold, or the more fanciful share of premium retail display space proposed by CBG. That proposed display space measure erroneously assumes all carpet is sold through retail display, but this is not the case.

- 18 Paragraph 6(c)(i) – (v): **Again, these are all baseless “theories of harm” that cannot be given any weight by the Commission. No evidence is provided to support these “theories”. In fact, in almost every case, the exact opposite position to what has been laid out by CBG applies. Such baseless claims are improper.**
- 19 Paragraph 6(d): If the more likely counterfactual is sale of Bremworth to another party, those parties would have been involved in the sale process conducted by **Bremworth’s investment bankers and bid accordingly. No doubt details of any bids** made as part of the process would have been provided by Bremworth to the Commission. Again, the Commission must not speculate as to possible alternative purchasers, where the facts show that none exists.
- 20 Paragraph 7: There is no basis for this assertion. The merged entity will continue to face significant existing competition, as well as threat of increased competition, across all markets in which it operates. Bremworth will not enhance the merged entity’s **“must-have” position given it is largely a niche supplier.**
- 21 Paragraph 9: The claimed experience that carpet and hard flooring are not in the same market is demonstrably untrue when clearly carpet and hard flooring are substitutable for each other in many uses and are treated as substitutable by retailers. No evidence has been submitted by CBG to justify that statement. But there is ample evidence available to demonstrate the reverse. Attached as Appendix 1 **are photographs of retailers’ displays.**
- 22 Paragraph 13: The NERA Report was prepared by expert economists led by James Mellsoop, who is widely recognised in Australia and New Zealand for his competition expertise. The Commission has confirmed to us that Appendix 1 of the CBG submission is simply part of that submission, and not an expert report with the **expert status of the NERA Report. In other words, the “summary of issues” CBG** puts forward are no more than lay assertions; and must be treated as such by the Commission.
- 23 In any event, NERA have prepared a detailed expert response to Appendix 2 which is attached.
- 24 Paragraph 15: **The claim that CBG is “an interested and capable potential purchaser” must be viewed against the reality that the Bremworth Board, in entering into the Scheme Implementation Agreement with Mohawk, has expressly rejected all other offers, if any real offers were in fact made, presumably because they were of significantly lower value or conditionally were not capable of acceptance. Godfrey Hirst has no knowledge of CBG’s involvement or otherwise in the process initiated and conducted by Bremworth’s investment bankers; and indeed, whether CBG in fact responded with its own competing indicative offer.**
- 25 **If CBG were to have submitted an offer, its credibility as a “capable industry participant” would have come into question. Presumably, Bremworth’s investment bankers would have formed their own view of the credibility of any offer made by**

CBG given market intelligence and CBG's past investment behaviour. The implication that CBG would be a "well-resourced and capable industry participant" must be challenged as all previous carpet acquisitions by CBG's principal were done with the people, support and infrastructure of Godfrey Hirst, which he no longer has access to. Similarly, his involvement in the New Zealand carpet industry expired almost a decade ago.

26 If CBG did not in fact submit an offer, it should not hold itself out as a potential purchaser for the new owner counterfactual.

27 All this means is that the Commission should treat *all* CBG's assertions with a high degree of scepticism.

28 Paragraph 16: **Godfrey Hirst's clearance application is not based on an assertion** that Bremworth may be a failing firm (although it does not dismiss that possibility). Rather, the key statement in the section of the clearance application referred to is that:

"... the New Zealand market is too small, and now too open to import competition, to sustain a second local carpet manufacturer being one that lacks resources and global reach."

29 That statement has subsequently been confirmed by the warning from Bremworth's Chair to the AGM of its shareholders that:

"... The Board believed that the scheme would deliver the best outcome for shareholders and that the status quo would be challenging.

30 Further:

"If we break even this year, that'll be a good start, and that's probably aspirational."

31 The NBR article reporting those statements is attached as Appendix 3.

32 Paragraph 18: **Bremworth is not Godfrey Hirst's "closest competitor" or "most significant competitive constraint" as is alleged. Bremworth's market share of around [REDACTED] and declining must be contrasted with imports' market share of around 50% and increasing.** Further, it will be clear from the charts below that to the extent that Bremworth has been losing market share, that has primarily been to imports, not Godfrey Hirst.

[REDACTED

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- 33 As will also be apparent from those charts, Godfrey Hirst's most intense and growing competition comes from imports, which are suppliers from a number of sources, including Belgotex, Victoria Carpets, Standard Carpets and the other manufacturers listed in the application. Standard Carpet is its biggest single competitor.
- 34 As a consequence, there is not vigorous price competition between Godfrey Hirst and Bremworth. The suggestion that the effect of the proposed acquisition will remove a potential synthetic carpet manufacture is fatuous, given the volume of **synthetic carpet already being imported and Bremworth's small re-start operation**. The volumes of imports of synthetic carpet are substantial and will only increase as remaining tariffs reduce.
- 35 Paragraph 19: Space and display are determined by the retailer. There is no evidence of potential competitors being excluded from access to retail distribution to date. On the contrary, all of the major retailing groups advertise a diversity of supply on their respective websites, as well as in store. Certainly, Godfrey Hirst carpets do not enjoy brand recognition ahead of other products. Again, the photographs in Appendix 1 demonstrate this. Similarly, there is nothing to suggest that Godfrey Hirst products receive preferential treatment with physical display on **retailers' shelves. CBG's alleged experience of resistance by Chinese hard flooring suppliers** has nothing to do with Mohawk. Again, no evidence is furnished to support this allegation. In any case, there are numerous alternative suppliers in China or elsewhere in Asia available that would be keen to deal with any reputable customer.
- 36 Paragraph 24: **Having stated in paragraph 23 that "de novo greenfield entry is "highly unlikely", CBG follows with the assertion that acquisition of Bremworth's existing facilities would provide the means for a third party – i.e. CBG – to overcome those barriers to entry. That assertion is followed with some fanciful accounting claims as to the current worth of Bremworth's plant and equipment. [REDACTED**

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- 37 It follows that, far from providing the suggested path to cheap entry by a potential competitor - thereby reducing greenfields cost of entry – any alternative purchaser could well need to spend an additional [REDACTED] to optimise Bremworth yarn and carpet manufacturing operations and to safe guard access to the Papatoetoe tufting site.
- 38 Paragraph 26: Again, Bremworth's manufacturing equipment would be of some **worth to the hypothetical "potential future competitor" entrant but given its need for significant repair and/or replacement it would also come with significant future liabilities attached to it. Godfrey Hirst itself underestimated this. Further, figures that CBG's attributes to Bremworth's plant and equipment are wrong.**
- 39 Paragraph 27: Godfrey Hirst has been candid as to its own commercial rationale – Bremworth is a premium carpet brand with recognised high-volume products that **could improve Godfrey Hirst's own product mix, especially its current wool offering, in New Zealand as well as enhance Mohawk's ability to compete in export markets.**

Further, acquisition of Bremworth's tufting, yard and felting equipment and staff would enhance Mohawk's production capacity within New Zealand, resulting in increased scale.

- 40 Paragraph 28: Again, there is no evidence to support the assertion that potential new entrants would be denied retail floor space, which is allocated by the retailer itself, not Godfrey Hirst. The Commission's previous finding in Decision 628 that "overall, the vast majority of industry participants were of the view that, given the right commercial incentives, retailers would be persuaded to carry an importer's range" is even truer today. That willingness to carry other brands would apply equally to a rival manufacturer's range.
- 41 Paragraph 29: It is not necessary for one importer to supply everything. In fact, that scenario would be much easier to combat. The import market is so competitive because there are many specialist suppliers who can each focus on one key product or fibre, be cost effective at producing it and send it to New Zealand in bulk, which gives the volume to fill their plants. For local manufacturers, it is like trying to counter a multi headed hydra.
- 42 Paragraph 30: There are very large importers of carpet and/or hard flooring and there are smaller operators. Each attacks a different part of our local market making it harder to combat. They are all increasing in number and market penetration.
- 43 Paragraph 31: In fact, the merged entity's market share may be expected to increase by around [REDACTED] if calculated by wholesale price; and much less if calculated in terms of metres of carpet sold as advocated by CBG. In any event, Godfrey Hirst is not the only supplier that makes trade credit available to retailers – all of Standard, Victoria, Belgotex signature and other suppliers provide credit or terms, too. If Godfrey Hirst were to endeavour to impose unfair trading conditions, remedies would be available under the restrictive trade practice prohibitions of the Commerce Act, either by way of direct action or via complaint to the Commission.
- 44 Paragraph 32: The clearance application follows the Commission's own previous approach and NERA's expert advice in measuring market shares, including imports.
- 45 Paragraphs 34/35: The methodology for calculating the market share figures provided in the clearance application is fully described in the application and is reviewed in the NERA Report. There is simply no basis for CBG's bare assertion that these figures are **"not reflective of actual market shares"**. **For example, contrary to CBG's assertion, import data used does exclude imports by New Zealand manufacturers.**
- 46 Paragraph 36: The purported non-price factors supposedly limiting retailers' ability to switch to imports ignore the statistical reality that such switching is in fact occurring and must be expected to increase as barriers to imports continue to reduce. If CBG's imagined non-price factors were real, that would not be happening. It is recognised that importers do have practical issues that need to be resolved, as do all suppliers from time to time. But, against that, shipping costs and lead-in times have reduced, travel costs and communication costs have lessened, product quality has improved, and tariffs have mostly disappeared.
- 47 Paragraphs 41 to 47: **The Commission's Merger Guidelines also say that "efficiencies are relevant when efficiency prevents consumers from being adversely affected in a material way (such as preventing consumers from paying substantially**

higher prices, or receiving substantially inferior products), so that the merger would **not be likely to substantially lessen competition.**"

- 48 The expert NERA Report sets out the synergies Godfrey Hirst is expecting to achieve following the merger, together with the cost savings expected to result over the first five years following the merger.
- 49 **Consequently, NERA states: "over time, we would expect the competitive pressure from imports to result in merger-induced cost savings being passed on to retailers (and ultimately, carpet consumers). This dynamic would be exacerbated by any shift of carpet volumes to hard flooring".**
- 50 **CBG's only response to this expert view is to repeat its assertion that the constraint from imports is overstated. In fact, it is not. The clear evidence is that imports currently comprise around 50% of wholesale supply of carpet, with that percentage expected to increase as remaining tariffs continue to reduce. Mere assertion and/or resort by CBG to spurious measures of market share, does not change that reality.**
- 51 Imports currently are – and increasingly will be – **Godfrey Hirst's most competitive constraint. Demonstrably, it is not Bremworth. Its Chair's recent warning that "the status quo would be challenging" is conclusive evidence that any competitive constraint by Bremworth is at best limited. With the exception of the one-off proceeds from its insurance settlement, Bremworth has otherwise been in a loss-making and operating cash flow deficit (as evidenced in its FY25 financial statements). Bremworth's cash position has since declined and is expected to continue to do so.**
- 52 Equally wrong is the spurious counterfactual whereby CBG touts itself as a capable potential purchaser. The Merger Guidelines state that where a contested sale process is occurring, there must be a reasonable prospect of any counterfactual involving an alternative purchaser in fact occurring. CBG, as a touted alternative purchaser, does not meet that threshold. Either its bid has already been rejected by the Bremworth Board; or in fact CBG made no bid.

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APPENDIX 1: PHOTOGRAPHS OF RETAILERS' DISPLAYS

Watkins Flooring Xtra - Christchurch







Flooring First - Manukau

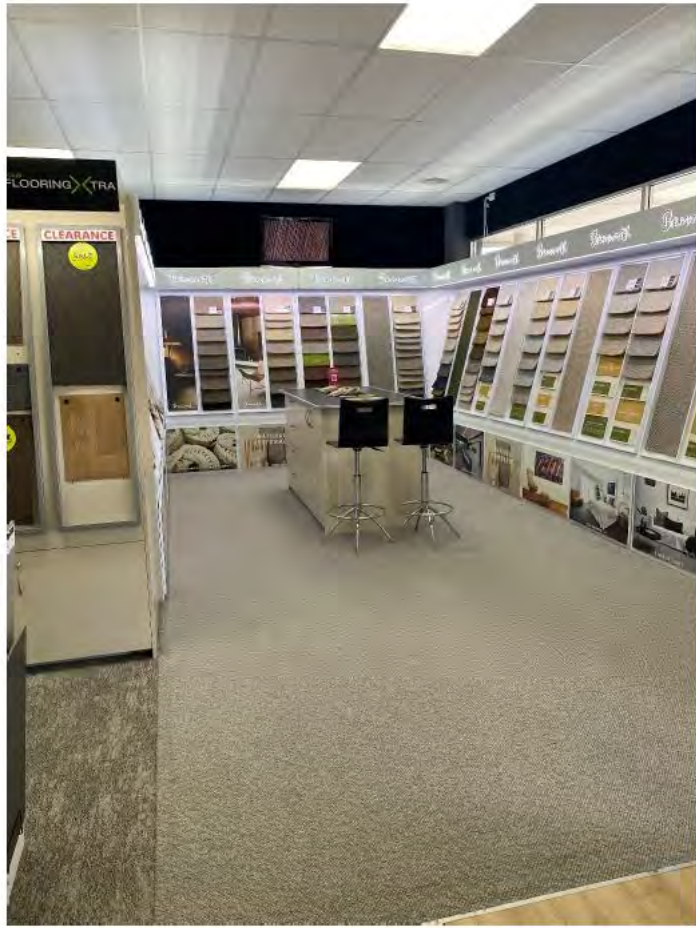






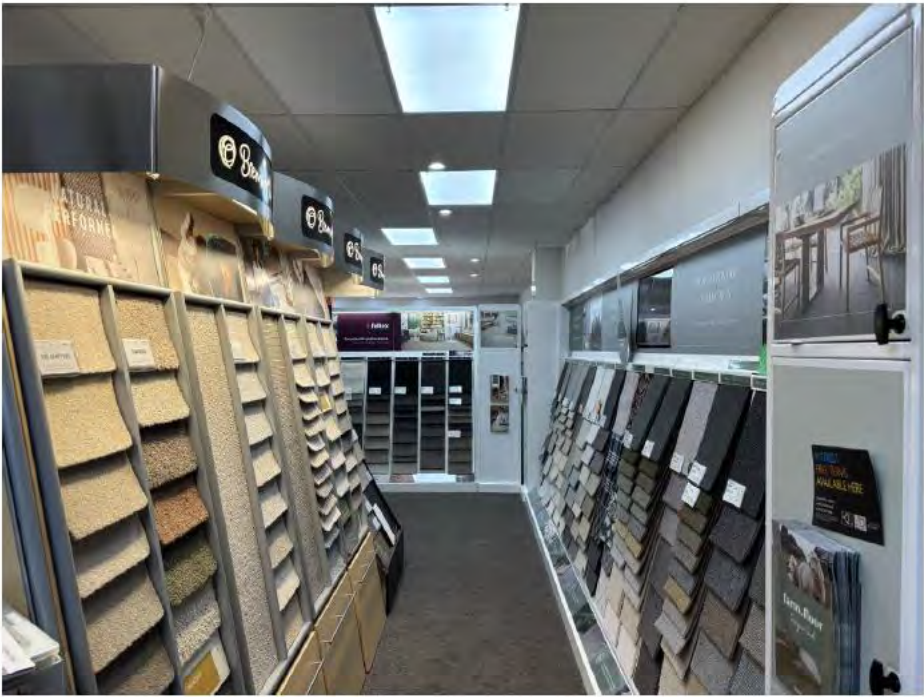
Flooring Xtra - Upper Hutt

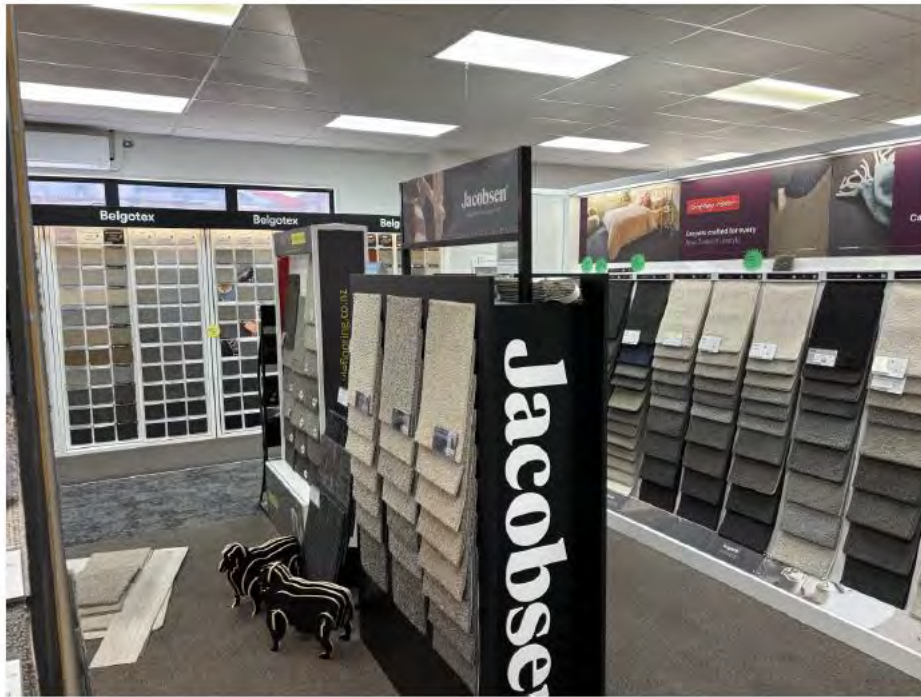




The Flooring Warehouse - Christchurch









Carpet Court - Manukau





APPENDIX 2: NERA RESPONSE

Project Loop: NERA comments on Appendix 1 of the CBG submission

17 November 2025

Proposition number	CBG Summary of NERA Report propositions	Issues (according to CBG)	NERA comments
Market definition			
1	There is (strong) supply-side substitutability between wool and synthetic carpets (based on statement from Bremworth that it is ‘re-expanding into synthetic carpets’). ¹	The Commission will need to test whether factually supply-side substitution can effectively happen from synthetic carpets to wool carpets, particularly as to whether a manufacturer of synthetic carpets would be willing and able to acquire the necessary strong wool and/or carpet weaving machine.	
2-4	<p>The average price of carpets (\$ per broadloom metre (blm)) does not exhibit a ‘clear break in the pricing hierarchy’ as between carpet product types (including both wool and synthetic carpets), which is ‘consistent with a chain-of-substitution’ between those carpet product types.²</p> <p>The price differentials as between wool and solution-dyed nylon (SDN) carpets (24 per cent) and between SDN and polyester carpets (40 per cent) are ‘statistically significant’, which suggests that ‘it would not make sense to define separate synthetic and wool carpet markets’ because there is ‘no more of a brightline distinction</p>	<p>There is no economic relationship that connects the relative level of prices of two products and whether those products should be considered to be in the same market. For example, a movie ticket and a short taxi ride may each cost around \$20, but it would not be sensible to consider them in the same market. On the other hand, the merger parties argue for a market that includes high-cost, premium carpets (eg, wool) and low-cost, synthetic carpets.</p> <p>The relevant principle for assessing whether products should be considered in the same market is substitutability, i.e, when the price of one product goes up, consumers purchase less of that product and more of a substitute product. In this way, evidence of prices moving together can be consistent with those products being in the same market (because as the price of one product</p>	<p>We are not conflating our statistical test with the SSNIP test. We only refer to the SSNIP test for the fact that it asks about percentage changes. With that context, we look at the percentage differences between certain products. We are not purporting to apply the SSNIP test.</p> <p>The statistical test we apply is of “economic consequence”, for the reasons set out at paragraph 11 of our report.</p>

¹ NERA Report, para 7.

² NERA Report, para 9.

between synthetic and wool carpets than there is between different types of synthetic carpets'.³

There is 'a degree of overlap and certainly proximity between [the prices per blm and ounce of] wool and SDN carpets'.⁴

increases, people substitute to another, raising demand and so the price of the substitute product).⁵

The NERA Report conflates the 'SSNIP' test – which contemplates the potential for substitution – with a question of price differentials. NERA's 'statistical' test as regarding differences in average prices is of no economic consequence.

Market definition is a 'tool' and the purpose of market definition is to identify the competitive constraints on a firm or firms. It follows that NERA's reference to a 'brightline distinction' is also irrelevant.

5-6	<p>Import market shares have increased to around 50 per cent, such that imports are the 'dominant competitive force in the carpet market' as domestic manufacturers (particularly Bremworth) had share fall.⁶</p> <p>The quantity, value and import share of wool carpet imports are increasing, so that 'it is likely not just the synthetic part of the carpet market facing competitive constraint from imports, but also the wool side'.⁷</p>	<p>In some markets – especially undifferentiated markets – the threat of imports can be an important competitive constraint on suppliers. However, there is differentiation in carpets (including whether or not wool carpets are in the same market as synthetic carpets). The extent to which imported carpets are a competitive constraint on suppliers depends on the extent of substitutability between imported carpet and domestically produced carpet.</p>	<p>As the Commission stated in its previous decisions related to the carpet market, there is a single differentiated carpet market. There is no evidence to suggest there are sufficient differences between imported carpet and carpet that is produced domestically for them to be considered to be in separate markets.</p>
7	<p>Real import prices have remained relatively consistent overall, but real and nominal import</p>	<p>If the prices of wool carpet imports are not moving in the same way as synthetic carpet imports, this</p>	<p>Figures 11 and 12 from our report show the overall prices of imported carpets,</p>

³ NERA Report, para 11.

⁴ NERA Report, para 15.

⁵ For completeness, prices moving together is not sufficient to establish substitution. If two products share similar cost drivers (say, fuel), then the prices of those products would generally be expected to move together when there is a shock to costs.

⁶ NERA Report, para 16.

⁷ NERA Report, para 17.

prices of wool carpets declined between 2019 and 2024.⁸

would suggest that wool carpets may not be in the same market as synthetic carpets.

and the prices of imported wool carpets respectively. The figures show that the prices are moving in roughly the same way. Perfect correlation is not required for two products to be in the same market.

9

Most carpet retailers also sell hard flooring, which should ‘increase the bargaining power of retailers over carpet manufacturers’ because they could ‘influence consumers towards hard flooring products’.⁹

One of the relevant harms to competition arising from the proposed acquisition is the circumstance where the merger parties are able to use power in one or more markets for carpet to affect competition in market(s) for hard flooring products (because Godfrey Hirst is present in both markets).

This risk is relevant to the extent that the merger would increase Godfrey Hirst’s/Bremworth’s market power in market(s) for carpet.

Rebates and other similar contract terms are a feature of these markets. The Commission must fully assess the increased ability, incentive and effect of the merged entity foreclosing competition in markets for hard flooring products (say, by way of anti-competitive bundling) as a result of the proposed acquisition.

Further, the ‘bargaining power of retailers’ contended by NERA is relevant only insofar as it is maintained with or without the merger. One would generally expect the relative balance of bargaining power to shift as a result of the merger.

There will not be any market power to leverage.

Furthermore, given the constraint by imports, there will not be any material shift in the relative balance of bargaining power (away from retailers).

⁸ NERA Report, para 18.

⁹ NERA Report, para 22.

10	Retailer private labelling is consistent with retailer bargaining power. ¹⁰	As set out in the submission, retailer power is limited in the relevant markets. The Commission will need to fully test assertions of retailer bargaining power.	
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Effect of proposed acquisition on competition			
11	Bremworth is ‘struggling to compete against the increasing competitiveness of imports’, as indicated by its revenue, profit and margins falling over time. ¹¹	NERA reports that Bremworth’s carpet business is making losses. To the extent that the parties have made an argument that Bremworth is a failing firm, ¹² it is relevant to consider the relevant counterfactual as regarding an alternative purchaser of the Bremworth assets.	
12	The merged entity would be able to ‘take advantage of economies of scale and scope’ and lower Bremworth’s cost of production. ¹³	As the Commission identifies, economies of scale and scope are potential barriers to entry. ¹⁴ For example, the Commission considered that the proposed merger between the Foodstuffs cooperatives would increase barriers to entry within retail grocery markets, including because: ¹⁵	The greater economies of scale and scope resulting in lower costs of production would allow the merged entity to compete better with imports and therefore may actually be procompetitive.
		<i>the increased buyer power that the merged entity would achieve through the Proposed Merger would enable it to negotiate more favourable price and non-price terms with suppliers, increasing its margins, further extending its scale advantage against new entrants and smaller grocery retailers, and enhancing its ability to engage in strategic</i>	Overseas carpet manufacturers likely benefit from much greater economies of scale. It is unlikely the merger would result in economies of scale greater than the overseas manufacturers, who would still be able to enter the market.

¹⁰ NERA Report, para 23.

¹¹ NERA Report, paras 24-27.

¹² For example, paragraphs 132-136 of the clearance application.

¹³ NERA Report, para 28.

¹⁴ See, for example, Commerce Commission, Mergers and Acquisitions Guidelines (May 2022), para 3.109; and Foodstuffs North Island Limited and Foodstuffs South Island Limited [2024] NZCC 22, para 490.

¹⁵ Foodstuffs North Island Limited and Foodstuffs South Island Limited [2024] NZCC 22, para 452.1.

retaliation in response to attempted entry and expansion by rival grocery retailers.

13	The competitive pressure from imports will 'result in merger-induced cost savings being passed on to retailers' and eventually to consumers. ¹⁶	The Commission will need to fully interrogate this claim, including as the pass-through depends on the extent to which the merged entity reduces its marginal cost. For example, if the only savings are of fixed costs, economic theory would suggest no or little pass-through to consumer prices.	We understand that some of the costs as described in Table 1 of our report can be considered variable and therefore would likely be passed on to retailers.
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Other			
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14	NERA suggests that carpet is becoming a 'smaller part of the economy', and that this is consistent with 'a shift of carpet volumes to hard flooring'. ¹⁷	The size of the carpet industry in New Zealand is not relevant as to the test that the Commission must apply.	Carpet becoming a smaller part of the economy may be indicative of a shift in consumer preferences towards hard flooring.
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¹⁶ NERA Report, para 30.

¹⁷ NERA Report, para 31-32.

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Bremworth's board warns of challenging future in closed meeting

The company gave shareholders a candid assessment of challenges it could face if its takeover deal falls over.



Bremworth chair Rob Hewett.

 **Nicholas Pointon**
Wed, 12 Nov 2025

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Bremworth's top brass have delivered a brutally honest assessment of the company's prospects if a proposed deal to sell the business to the owners of Godfrey Hirst does not go ahead.

The carpet maker **announced** on October 2 that it had entered into a scheme of arrangement with a subsidiary of New York-listed flooring giant Mohawk Industries, which has owned Godfrey Hirst since 2017.

Under the arrangement, Mohawk subsidiary Floorscape has agreed to acquire 100% of the shares in Bremworth in a transaction that is expected to return between \$1.05 and \$1.15 a share to investors. It values the company between \$74.1m and \$81.1m.

The deal is conditional on overcoming several hurdles, including clearance from the Commerce Commission, and sign-off from shareholders at a special meeting expected to take place next year.

The company declined to take questions from shareholders about the scheme at its annual general meeting this afternoon, instead asking investors to hold their questions until a closed session, which was scheduled to take place after the formal gathering.

While Bremworth chair Rob Hewett instructed non-shareholders and media who attended the AGM that they would not be able to sit in on the private session, *NBR* was able to tune in via the live stream.

Only getting choppier

Throughout the closed meeting, Hewett reiterated that the board believed the scheme would deliver the best outcome for shareholders and that the status quo would be challenging.

He pointed out that the company had recorded back-to-back losses of about \$12m to \$15m, and the start to the current year had been “reasonably tough ... If we break even this year, that’ll be a good start, and that’s probably aspirational.”



Bremworth yarn.

The company has about \$42m of cash sitting on its balance sheet following an insurance claim it received for damage the business suffered during Cyclone Gabrielle.

The money would be needed to reinvest in the business if Bremworth was going to go it alone – as opposed to being returned to shareholders as part of the scheme – and there was a lot to spend it on after years of deferred maintenance and a lack of capital spending, Hewett said.

“That also assumes that we have fair sailing ahead of us. That assumes our competitors let us have a go. I wouldn’t assume that at all. The environment out there is only going to get choppier because our competitors are facing into exactly the same market that we are with better balance sheets, and we need to recognise that.”

He also pointed out that if the scheme fell over, one of its competitors would know a lot about the business.



Not performing well enough

A shareholder pointed out that Hewett's comments in the closed meeting appeared to be a lot more pessimistic than the message conveyed during the open meeting.

He responded that his earlier comments were mainly focused on the company's performance during FY25 compared with FY24, and there was no question that the performance of Bremworth had improved. "Let's be clear, the business is performing better, but it's not performing well enough."

He said to achieve the scale needed to compete against other firms, Bremworth would probably need earnings before interest, tax, depreciation and amortisation (ebitda) of about \$10m per year and get the share price to roughly \$1. Bremworth reported an ebitda loss of \$13.2m in FY25.

"To get to that point, if we had a fair sail and commitment from shareholders, it might take us anywhere, [from] who knows, five to 10 years to get to that point, assuming a fair wind. It's a classic case of a bird in the hand versus the promise."

Capital raise?

Hewett said the biggest risks to the deal going ahead were the possibility of the Commerce Commission rejecting it, and shareholders being unwilling to back the offer.

In the formal meeting, Hewett described the commission process as a "black box" that Bremworth was unable to influence. It was up to the regulator to conduct its own inquiries and speak to key market participants before issuing a decision in mid-December.

In the closed meeting, a shareholder asked if the company would consider a capital raise if the deal fell over. Hewett replied: "It'll be one of the topics that we have to consider at the time, if that is indeed what's in front of us."

The board, which is entirely new after the previous board was rolled earlier in the year, was also asked whether it would continue if the scheme was blocked.

Hewett said the directors were not going to leave the company in the lurch, and there would be several questions to consider, such as whether there was an alternative ownership scenario.



Bremworth's design library.

Formal meeting

During the open meeting, Bremworth's top brass faced questions about the decision to reinstate synthetic carpets after publicly denouncing them several years ago.

One shareholder asked if the wool-only strategy failed because it was unrealistic or because it was poorly executed. "A combination of both," Hewett said, adding that only 15% of the soft floor coverings market was wool, and the narrow focus made it hard for the business.

The formal business of the annual meeting saw each of Bremworth's directors elected to the board with near-unanimous support from shareholders.



Nicholas Pointon
Wed, 12 Nov 2025

Contact the Writer: nicholas@nbr.co.nz

News tip? Question? Typo? Let us know: editor@nbr.co.nz

APPENDIX 4: [REDACTED]

[REDACTED]

COMMENT ON ANONYMOUS A SUBMISSION

- 53 The submission made by Anonymous A makes sweeping competition claims without any evidential support. **This submission will address each of A's claims.**
- 54 Point 1: The acquisition of Bremworth would not remove significant competitive **pressure from Godfrey Hirst. Bremworth's market share is approximately** [REDACTED] and has been declining, while imports continue to increase. It is evident that, to the extent Bremworth has lost market share, this has primarily been to imports.
- 55 Point 2: Market definition that is unnecessarily narrow does not assist proper competition analysis. The appropriate market definition should reflect the choices **that consumers have, together with suppliers' ability to switch production. The** appropriate product market is a total flooring solutions market that encompasses hard flooring, soft flooring and imported options.
- 56 Point 3: Both Godfrey Hirst and Bremworth currently supply to the New Zealand and Australian markets. There is no evidence to suggest that the combined entity could dominate a market in Australia, let alone both countries simultaneously. Indeed, the ACCC (**being Australia's equivalent to the Commerce Commission**) has ruled already that it does not have an objection to the proposed acquisition. As in New Zealand, the Australian flooring market is subject to competitive pressure from imports and constraint by retailers.
- 57 Point 4: The merged entity would not gain the ability or incentive to raise prices, reduce product variety, or limit innovation as a result of the proposed transaction. The constraint imposed by imports remains crucial. Imports account for around 50 percent of the carpet market in New Zealand. Combined with the constraint imposed by independent retailers, the merged entity would have no scope to alter market dynamics.
- 58 Point 5: By supposedly redefining the market as locally manufactured broadloom wool carpet, A submits that imports (despite their 50 percent market share of the soft flooring market) would not provide effective competition. This misrepresents the nature of competition for broadloom wool carpet. There is no evidence to indicate that the product dimension for supply of carpet has narrowed since the **Commission's previous decisions. Indeed, NERA's expert analysis demonstrates that** it has not.
- 59 Point 6: The assertion that the acquisition of Bremworth would significantly increase barriers to entry for new entrants is wrong. [REDACTED
] It is therefore incorrect to suggest that the most cost-effective path for a potential competitor would be through acquiring an existing plant, thereby reducing greenfields cost of entry. [REDACTED
]
- 60 Point 7: The proposed transaction will enhance, not undermine, the strong wool sector. The transaction will keep manufacturing in New Zealand and will give that locally manufactured product access to export markets through the Mohawk network.

- 61 **Point 8: Bremworth's investment bankers invited offers for a potential purchaser** earlier this year and the Bremworth Board subsequently selected the best offer for **the company's future and its shareholders. If the merger does not proceed, any** alternative purchaser presumably would make a less attractive offer to shareholders. Additionally, there is no assurance that an alternative purchaser would have the **manufacturing expertise or investment capacity to turn around Bremworth's** performance and ensure its future success.
- 62 Point 9: There is no evidence to support the assertion that the supply to consumers, retailers and businesses will be adversely affected by the proposed transaction. It ignores the significant and growing competitive pressure from imports in terms of quality, price, and variety. Further, the retail sector is characterised by three major buying groups – Carpet Court, Flooring Xtra, and Harrison's Flooring – all of which use their countervailing buyer power and access to cheaper imports to constrain local manufacturers. Customers, who primarily purchase through these independent retailers, will continue to have access to a wide variety of options, reinforced by the pressure retailers place on manufacturers to provide constant variety.
- 63 Point 10: While each merger application considered by the Commission will be fact-specific, Decisions 587 and 628 remain clearly relevant to the present application. However, there are now compelling reasons to further broaden the market definition to include hard flooring solutions.

COMMENT ON ANONYMOUS B SUBMISSION

- 64 The submission made by Anonymous B contains largely unsubstantiated claims. In summary, B asserts that:
- 64.1 the proposed acquisition would eliminate Bremworth as the emerging SDN carpet competitor to Godfrey Hirst;
 - 64.2 the merged entity would control a minimum of 70 percent market share across all carpet fibre types;
 - 64.3 the merged entity would use its dominant market position across the entire soft floor market to exercise control across the retail buying groups and to foreclose independent distributors;
 - 64.4 **import competition is "fragile", with much of the carpet imports into New Zealand sourced from the United States of America and Mohawk;**
 - 64.5 there has been a pronounced increase in carpet imports whereas imports of hard flooring categories have remained broadly flat;
 - 64.6 **due to Mohawk's global rationalisation, New Zealand specific design, colour and sustainability innovation would be at risk; and**
 - 64.7 Bremworth is not a failing firm but is, in fact, expanding, and that this is most likely counterfactual scenario.
- 65 This submission will address each of those claims directly. Before doing so, it will **address the broader issues raised in B's submission.** Throughout its submission, B **routinely asserts that Mohawk possesses significant market power and "dominance"** in both retail and manufacturing channels. In fact, **Godfrey Hirst's** current market share for carpet is approximately [REDACTED], while importers account for around 50 for carpet, as well as almost all hard flooring options.
- 66 A distinctive feature of the New Zealand flooring market is that the retail sector has three major buying groups: Carpet Court, Flooring Xtra, and Harrisons Flooring. These groups leverage their buying power and the availability of cheaper imports to exert pressure on local manufacturers such as Godfrey Hirst. As a result, Godfrey Hirst is effectively a second-tier supplier of carpet, constrained by imports and further constrained by the three large buying groups, who are the primary point of contact with end consumers. These three buying groups can (and do) limit access of **manufacturers' brands to those end consumers, thereby making import substitution** easier for those less well-known consumer brands. There is no foundation for **B's** submission that Godfrey Hirst is the by far the largest and most dominant participant in the soft flooring market.
- Elimination of nascent SDN competitive threat
- 67 **B is incorrect in asserting that the proposed acquisition constitutes a "textbook case"** of eliminating a potential competitor. Godfrey Hirst is not unique in its largest segment being SDN carpet. In fact, SDN carpet represents the largest single segment for the majority of carpet retailers, buying groups, importers, and manufacturers. As a consequence, increasing imports represent the real competitive **threat to Godfrey Hirst, including in the SDN carpet segment. Bremworth's very** recent re-entry into SDN carpet production has not, and will not, materially affect

competition within the soft flooring market, or even with the already highly contested SDN segment of the soft flooring market.

Market concentration

68 The suggestion that the merged entities would hold dominant shares in both the wool and synthetic carpet markets is wrong. As the Commission is aware, **competition law generally defines a “substantial degree of market power” as a position that enables an entity to operate largely independently of competitive pressures within that market. Godfrey Hirst’s present market share is approximately [REDACTED], while imports account for around 50 of that same market.**

69 Further, this does not account for the substantial hard flooring segment, of which almost all products are imported into New Zealand.

70 **The constraint imposed by imports is more fully explained below. B’s submission offers no evidential support for the assertion that customers prefer carpet manufactured in New Zealand; nor does it provide any figures for regarding the “dominant shares” supposedly held by Godfrey Hirst and Bremworth. Indeed, its stance on imports is contradictory.**

Input and distribution control

71 B alleges that Godfrey Hirst could impose predatory and anti-competitive rebates and bundling practices, potentially foreclosing independent retail distributors. This is a serious and wholly unfounded allegation. The claim that the merged entity could force retailers and distributors to accept bundled soft-flooring and hard-flooring products is simply incorrect. There are too many alternative suppliers of both product ranges for enforced bundling to occur.

72 Godfrey Hirst currently supplies both hard and soft flooring solutions to the flooring market, without enforcing any bundling, tying rebates to multi-category purchasing, or prioritising its brand in retail showrooms. Godfrey Hirst respects the independence of retailers and recognises the significant competitive pressures present in the current market. Given the substantial constraint and opportunities presented by imports, independent retailers retain complete discretion over which products they choose to stock and how those products are displayed in-store and on their website.

Import constraint is not “overstated”

73 **The submission claims that industry participants know imports are too “fragile” due to factors such as freight, foreign exchange rates, duty and lead-time constraints. But those same industry participants have increasingly purchased directly from importers, with the share of imports rising from 20 percent to 50 percent since the Commission last looked at this industry. This trend does not demonstrate “fragility”.**

74 The submission incorrectly states that the majority of carpet imported into New Zealand is from the US. As shown in Attachment J of the clearance application, the US in fact was the fourth largest exporter of carpet to New Zealand in 2024. Ahead of the US are China, the UAE, and Australia, with the European Union in fifth. Together, these four exporters accounted for well over 80 percent of imported carpets entering New Zealand in 2024 – a figure that is only expected to increase due to favourable conditions, such as FTAs.

75 Finally, the submission attempts to dismiss the concept that hard and soft flooring options are substitutable for one another **by pointing out that “since around December 2024 there has been a pronounced increase in carpet imports”.**

76 Thus, it is difficult to ascertain the point the submission is trying to make, or what position it ultimately supports.

Innovation reduction

77 There is no evidence to suggest that the proposed acquisition will result in reduced **innovation or product diversity**. The submission claims that Mohawk's global rationalisation practices will diminish New Zealand-specific designs, but this assertion is completely unfounded. In reality, Mohawk uses its global reach and resources to pursue research, design, and innovation, particularly as consumer demands evolve. Rather than imposing restrictive standards (as the submission suggests), Mohawk supports local innovation and product development. Indeed, the **rationale for the proposed acquisition is to enhance Mohawk's current wool offering**, recognising the advantages of designing and manufacturing wool carpet at source in New Zealand with New Zealand wool. **Mohawk's intention is to support New Zealand's strong wool sector, not to diminish it.**

Counterfactual viability

78 **There is simply no basis for the submission's claim that evidence shows Bremworth intended to remain independent and invest in SDN carpets, with this being the more likely counterfactual.** While Bremworth has publicly announced the reintroduction of synthetic manufacturing, both NZX disclosures and the Information Memorandum **make it clear that Bremworth's Board considers seeking alternative ownership to be the best option for the business's longevity and the best outcome for shareholders.** Indeed, the recent **statement by Bremworth's Chair that the "status quo would be challenging" is compelling.**

79 **The challenges are well documented and primarily stem from Bremworth's long-standing inability to supply products that meet market requirements for trend, price, and performance.** The continued growth of imports demonstrates that Bremworth has been outcompeted by alternative products. This is further evidenced by a **significant drop in Bremworth's gross margin to 13% (FY24: 24.3%), resulting in a normalised EBITDA loss of \$13.5 million in FY25, with similar trends expected in FY26.** It is incorrect for the submission to assume that the introduction of a new **SDN carpet line is likely to reverse Bremworth's decline and assert that the proposed counterfactual is a "viable competitive Bremworth".** All the financial evidence, and **Bremworth's own Board in seeking a purchaser, refutes this.**

Industry reviews – some corrections need to be made

80 In its Statement of Preliminary Issues, the Commission indicated a particular interest in the views of industry participants. B, in its submission, has shared several industry perspectives that require correction and clarification.

81 20.2 – Wool acquisition: In the case of strong wool, B alleges that Godfrey Hirst and Bremworth, as key buyers in the market, collectively exercise significant buyer power over the supply of strong wool. B further alleges that, if Mohawk were to become the largest buyer in this market, it could easily control the price of strong wool. However, the combined entities account for less than 10% of strong wool purchases. The largest purchasers of strong wool are offshore, and prices are primarily influenced by international demand. Simply put, domestic demand for strong wool is too small to have any material effect on price.

82 20.2 – Synthetic acquisition: There is no evidence to suggest that Godfrey Hirst, by virtue of its size, is able to, or does, secure buying advantages over other Australasian carpet mills. The real competitive pressure comes from offshore manufacturers and importers, particularly from countries such as the UAE and China, where companies are often vertically integrated and manufacture their own

yarns. This integration gives these manufacturers and importers significant cost advantages over New Zealand manufacturers. This is just one example of how importers are able to undercut and exert pressure on New Zealand manufacturers.

- 83 20.3 – Switching machinery: B is incorrect in asserting that a plant cannot be **“readily switched” from wool to nylon production and that doing so requires significant investment and lead time. In practice, Godfrey Hirst’s own machines demonstrate that these changes can be made easily. Switching between cut piles for both wool and SDN is straightforward and routinely carried out in Godfrey Hirst’s plants. While minor adjustments are required for loop piles, these changes are also simple to implement.**
- 84 20.6 – **Demand side substitutability: B’s assertions regarding the different applications of hard and soft flooring materials are unsubstantiated and unsupported by any evidence. Hard flooring is now commonly used in high-density, multi-level dwellings and by group home builders. Further, as observed in European households – where hard flooring is more prevalent than soft flooring – New Zealand is experiencing a similar shift, with hard flooring increasingly being installed in entranceways, common areas, and hallways.**
- 85 20.7 – Price of imported carpet: B alleges that, once freight, duties, foreign exchange, and local distribution costs are added, the price advantage of imported carpet can be eroded. However, B ignores the fact that tariffs on carpet continue to decrease. China and the UAE, the two largest exporters of carpet to New Zealand, either have existing or imminent free trade agreements (FTAs) with New Zealand. In addition to the reduced or removed tariffs provided by FTAs, importers benefit from various other factors that confer a significant price advantage, including lower energy and labour costs, government aid and support in countries such as the UAE, and access to chemically integrated sources of raw materials, such as petroleum derivatives. As a result of competitive pricing, the market share of imports has increased from 20 percent to 50 percent. Import quality has also improved significantly, which is another major factor contributing to their growth. Retailers are very willing to promote imported products within their stores as well as those manufactured in New Zealand (as illustrated by Appendix 1 of the CBG submission response).

Comment on Anonymous C Submission

- 86 **Submission C dated 18 November 2025 (being 1 week after the Commission's deadline for submissions) is prepared by an anonymous law firm on behalf of an anonymous client. In summary, it submits:**
- 86.1 the proposed acquisition will substantially lessen competition in the market for wool carpets;
- 86.2 **it will remove Godfrey Hirst's "closest competitor" and strongly strengthen Godfrey Hirst's position as a "one-stop flooring supplier";**
- 86.3 **importers of wool carpets do not have the merged entity's scale and scope of products and incur costs that manufacturers do not;**
- 86.4 the merged entity will be able to leverage its dominant position to extract more favourable terms from New Zealand wool suppliers to disadvantage importers who manufacture carpets; and
- 86.5 retailers cannot risk losing Godfrey Hirst as a supplier given its size and scope.
- 87 Those first two arguments seem contradictory – the first focussing on a purportedly narrow market for wool carpets, while the second expresses concern at the breadth of **Godfrey Hirst's offering. Given the availability and volumes of imports across all product lines, there can be no conglomerate effects. It would not be practicable for the merged firm to foreclose supply of any product line.**
- 88 If the proposed acquisition will reduce New Zealand manufacturers of wool carpets from two to one, that is hardly going to adversely affect importers who manufacture wool carpets outside New Zealand. Alternative sources of woollen yarn are readily available from a multitude of sources to those foreign manufacturers, which in any event are mostly large and well-resourced operations, well capable of sourcing alternative supply of yarn.
- 89 Paragraph 2: The submission points out that consumer decisions regarding flooring material typically involve weighing multiple factors. That is consistent with the **Commission's own previous findings in Decisions 587 and 628, where the Commission nevertheless concluded that *all* carpet options comprised the same differentiated product market. In the present case, the Commission has NERA's expert report showing that pricing of carpet is consistent with a chain of substitution. In particular, NERA found no evidence to suggest that the Commission's previous market definition comprising carpet produced from all forms of yarn should be narrowed.**
- 90 **Further, the Commission's Merger Guidelines at paragraphs 3.26 and 3.27 identify the factors relevant to defining the product dimension of a market. In particular, for consumers, the extent to which they have previously switched between products in relation to price. And for suppliers, the cost and time involved in switching a tufter from running wool yarn to synthetic yarn, or vice versa, are not prohibitive. Indeed, switching is relatively a "business as usual operation".**

- 91 The process for converting a tufter (on beams) to an alternative yarn is as follows:
- 91.1 The tufting production run finishes on a tufter using either synthetic or woollen yarn. The empty beam(s) or set(s) (large round cylinders around which yarn is wound to feed the tufter) are removed from behind the tufter.
- 91.2 The next beam(s) or set(s) containing the new yarn are loaded and spliced into the tufter. This process takes approximately two hours, depending on the number of yarns. The duration does not change regardless of yarn type – whether changing from synthetic to synthetic, wool to wool, or between synthetic and wool. The time and process remain the same in all cases.
- 91.3 The new production run is then threaded through to the needles, and the new pattern is loaded, which sets the new switch rate, pile height, and pattern. If required, minor mechanical adjustments may be made, which typically take 15 to 20 minutes.
- 91.4 A piece of carpet is then tufted, a sample is cut and checked for quality (including pile height, stitch rate, and carpet weight), and any necessary adjustments are made.
- 92 The entire process takes between two and two and a half hours, with no difference in the overall process or duration when changing from wool to synthetic or synthetic to wool. We note the same process would essentially be followed for tufters using creels rather than beams.
- 93 **Bremworth’s recent decision to abandon its strategy to produce only wool carpet** illustrates both those sides. Demand from retailers and customers obliged Bremworth to reintroduce synthetic carpet to meet market demand. And Bremworth was able to do so swiftly, with no new capital expenditure, equipment or personnel required.
- 94 **Indeed, the submission itself grudgingly recognises (at paragraph 2.4) that “... there are some similarities in the manufacturing process for both wool and synthetic carpets.” In fact, they are largely identical.**
- 95 **Paragraph 3: Bremworth is not Godfrey Hirst’s “closest competitor”. Competition for Godfrey Hirst’s products comes mostly from imports, which are widely sourced.**
- 96 Godfrey Hirst does not hold a dominant position given the competition from those imports; with retailers having substantial choice as to their supplier. Rebate terms and discounts are not solely available from Godfrey Hirst but are universally offered by most, if not all, suppliers. Some of those other suppliers – including Belgotex, Victoria, Signature, Wools of NZ and Standard Carpets are large and well-resourced. Further, the major retail chains are easily able to source product directly from manufacturers outside New Zealand.
- 97 **The claim that “importers who manufacture carpets using New Zealand wool will be disadvantaged by Godfrey Hirst’s buying power in negotiations with wool suppliers” is a nonsense.** The merged entity is unlikely to require significantly more wool than Godfrey Hirst and Bremworth previously did in aggregate. And, even if that were the case, there are significant volumes of raw wool available that is traded **internationally.** **Mohawk/Godfrey Hirst’s position as a buyer cannot dictate global wool prices.**

98 Finally, retail buying groups can, and do, switch to imported products. This is **readily apparent from the array of competing suppliers' products displayed in their** retail stores and/or displayed on their websites (attached as Appendix 5). The proposed acquisition will not affect the constraint that they exercise. Import costs, lead times for imports and the suggested retaliation from Godfrey Hirst are clearly not significant impediments to imported products, given that they now comprise around 50% of wholesale supply of carpet. Indeed, one of the three large retailing groups that is about to negotiate its annual plan with Godfrey Hirst has been quick to point out that:

"over the past few months we've seen a noticeable lift in flooring supplier activity, with several alternative overseas and local suppliers approaching us with proposals and incentives to secure display space and ranging across our branches across all carpet and hard flooring categories ..."

APPENDIX 5 - RETAILER WEBSITE EXAMPLES

Carpet Court – <https://carpetcourt.nz/collections/carpet>

Flooring Xtra – <https://www.flooringxtra.co.nz/collections/carpet>

Harrisons Flooring – <https://www.harrisonscarpet.co.nz/products/carpet>

COMMENT ON ANONYMOUS SUBMISSION D

- 99 The submission by a flooring retailer begins by describing the width of the range of floor coverings the retailer in fact provides – including carpet and a wide variety of hard flooring products. It supplies those flooring products to residential, commercial and group home builder users. This illustrates that the product market should not be more narrowly aggregated, either by type of floor covering (i.e. soft versus hard) or by customer type. D – like most other retailers – supplies flooring of all material kind to all users.
- 100 **D goes onto to explain how “competitive dynamics”** – i.e. pricing rebates, product range, innovation and brand identities – play out between manufacturers/suppliers, Bremworth and Godfrey Hirst. But those same competitive dynamics apply to other suppliers, namely importers of carpet and hard flooring material. Significantly, almost all hard flooring materials of the kind D lists as supplying must be imported – either by the retailer itself, an intermediary wholesaler or the foreign manufacturer.
- 101 D does not claim that competitive dynamics do not apply to hard flooring products simply because they are imported. Similarly, diversity, quality and affordability of carpet is not lost simply because carpet may be imported rather than manufactured locally. On the contrary – unlike for most hard flooring materials – with carpet, New Zealand consumers can choose between imported and locally manufactured product.
- 102 D speculates as to the effect that substantially lessened competition could have – **i.e. pricing pressure, reduced innovation and reduced product diversity “particularly across the wool and synthetic segments”** – which segments D clearly regards as comprising segments of the same product market.
- 103 But, all those concerns are predicated on an assumed lessening of competition without establishing how or why this is likely to occur. Imports have the primary competitive impact – currently comprising around 50% of carpet sold at wholesale and continuing to increase. The merged entity – assuming it retains the aggregate market shares of both Bremworth and Godfrey Hirst – will remain the secondary source of carpet for retailers like D. Crucially, the competitive dynamics from imports will not, and cannot, reduce. On the contrary, as remaining tariff barriers reduce further and/or are removed entirely, competitive dynamics from imports must only increase.
- 104 **Finally, no actual examples of supposed “supply chain and access risks”** are provided. Again, there is nothing to suggest that such risks are unique to imports of carpet but not hard flooring materials. There may be practical issues with supply chain and/or access for all product occasionally, but clearly they are not insurmountable if D has been operating successfully as a flooring retailer for over 25 years.