

Submission on Commission's SoI

Introduction

- 1 We act for Mohawk Industries, Inc. and its interconnected bodies corporate (**Mohawk**) and respond on their behalf to the Commission's Statement of Issues (**SoI**) dated 23 December 2025 in relation to Mohawk's proposed acquisition of 100% of the shares of Bremworth Limited (**Bremworth**) (**Proposed Acquisition**).

Summary

- 2 We say the facts are as follows:
 - 2.1 the most appropriate market in this case includes a national market for the manufacture or import and wholesale supply of soft flooring, including the supply of all types of carpet to all types of customers;
 - 2.2 a common sense assessment requires that hard flooring now be included in the product dimension of that market;
 - 2.3 importing carpet (and hard flooring) is a straight-forward, well-established practice;
 - 2.4 imports now comprise around 50% of the wholesale supply of carpet, representing an increase from around 30% just nine years ago; By contrast, Godfrey Hirst's current carpet share is [REDACTED], and Bremworth's an estimated [REDACTED]. That will mean the merged entity will have a combined share of less than [REDACTED];
 - 2.5 imports will continue to grow in light of ongoing tariff reductions. New Zealand now has established free trade agreements with over 40 countries, the most recent being India, which is not only a major carpet manufacturer but also now the largest acquirer of New Zealand strong wool;
 - 2.6 given the ease with which carpet now may be imported, it is wrong to claim that Godfrey Hirst and Bremworth tend to compete more closely. Closeness of competition demonstrably comes from imports, too;
 - 2.7 increasing prevalence of imports has enhanced the countervailing power of large retailers, which they do not hesitate to threaten or use;
 - 2.8 the effect of increasing imports on carpet manufacturing in New Zealand has been profound, as remaining New Zealand manufacturers are disadvantaged in terms of scale, labour costs, distance from markets, and the overt government support foreign manufacturers enjoy;
 - 2.9 Bremworth especially has experienced a decade of decline in the face of unrelenting and increasing competition from imports, and Bremworth's Board has recognised that these "head winds" will continue;



- 2.10 Bremworth's recent strategy of reinstating synthetic carpet faces significant challenges, and potential for remedial work to be required at Bremworth's Papatoetoe plant;
- 2.11 Bremworth's financial position has deteriorated significantly and continues to do so. The position is such that its business may fail to continue as 'going concern' in the near future without the Proposed Transaction. Even if Bremworth were able to survive, it would not be an effective competitor; and
- 2.12 the Proposed Transaction not only will save the iconic Bremworth brand and manufacturing but produce efficiencies that will offset those disadvantages that New Zealand manufacturers face competing with imported carpet. Competition will be enhanced to the long-term benefit of New Zealand consumers.

The situation is urgent and grave

- 3 Mohawk sought clearance for the Proposed Acquisition on 24 October 2024. Since that date, Bremworth's financial position has continued to deteriorate. By way of illustration, Bremworth's cash balance as at 31 December 2025 shows a significant drop to [REDACTED], down from [REDACTED] the previous month. As at 31 January 2026, that cash balance has [REDACTED].
- 4 [REDACTED]. That current reality, together with the detailed historical financial data and commentary from Bremworth, its Chair and CEO set out in **Appendix A**, paint a picture of Bremworth that is very different to the Commission's forward-looking vision of a Bremworth that would likely continue as a "growing concern without the Proposed Acquisition".¹
- 5 We submit that the Commission's ultimate conclusions as to the likely counterfactual, and on all the issues it is continuing to investigate, must be facts-based. The merger regime of the Commerce Act mandates a "rule of reason" approach that leaves no room for unsubstantiated assertion, unsustainable theories of harm and unsupported speculation as to Bremworth's future survival, or ability to compete effectively with Mohawk. The current 'facts-based' position is that Bremworth's financial position is one of a loss-making entity, these losses have been sustained over a number of years and continue to be a significant challenge to the business as a 'going concern'. Recent results show this position is deteriorating further.

¹ Commerce Commission *Statement of Issues Godfrey Hirst / Bremworth* (23 December 2025) at [143].



- 6 As we show below, Bremworth's continuing decline follows a decade during which Bremworth has faced significant "head winds" resulting from dynamic changes in the New Zealand market – in particular, increasing volumes of imported carpet. Those imports are unrelenting and increasing; and, it must be acknowledged, will continue to be, as further Free Trade Agreements come into full effect.
- 7 Further, and it must be stressed, the purpose of the Commerce Act is to promote competition for the long-term benefit of consumers. Actions taken under it must be for the ultimate benefit of consumers generally; it is not the function of the Commission to enhance the negotiating position of intermediary retailers, who already have sufficient countervailing market power to constrain any attempted exercise in any hypothetical market power by the merged entity, especially given the dynamic change to the flooring market that has occurred.
- 8 That purpose is especially relevant here. The Proposed Transaction – if given clearance – will enable the merged entity – and its products – to better compete effectively against both diverse overseas manufacturers, and the increasing volume and value of imported carpet, which New Zealand's permissive tariff regime now allows to be imported mostly without impost or restriction. That more effective competition from the merged entity will provide benefits for consumers across the whole soft flooring range, not simply those "high end residential users with strong preferences for wool only carpet" identified in the SoI.² In reality, consumers and retailers unquestionably will benefit from the resulting efficiencies and ultimate survival in New Zealand of the Bremworth brand. It will help preserve carpet manufacturing in New Zealand.
- 9 If clearance were not given, and the Proposed Transaction thus could not proceed, we submit that the Commission's "most competitive counterfactual scenario" – namely Bremworth continuing as a going concern and competing in some form with Godfrey Hirst – is unrealistic.³ Certainly, such a scenario does not satisfy the counterfactual threshold of being likely to arise. Bremworth's shareholders have endured over a decade of no dividends and a falling share price. Further, as is shown in **Appendix A**, Bremworth has over an extended period of time experienced challenging circumstances, declining revenue and profits, and failure to achieve a financial position from which it is able to pay any dividends to its shareholders. [REDACTED]

² At [54.3].

³ At [73].



].

10 [REDACTED

].

11 [REDACTED

]:

[REDACTED

].

12 [REDACTED

]. Our subsequent comments follow more closely the sequence of the SoI.

Report by NERA

13 Attached as Appendix B to this submission is a further expert economic report by NERA, commenting on certain aspects of the SoI. In summary the NERA report finds:

13.1 Analysis of Godfrey Hirst carpet SKU average prices in 2025 shows a material price overlap between SKUs made from synthetic carpet fibres such as polyester and SDN, and wool carpet SKUs. This provides further evidence to support the Commission's definition of a single differentiated product market for carpet.

13.2 There is evidence to suggest that wool carpet importers (as a whole) are at least as close to Bremworth as Godfrey Hirst is. In particular, when Bremworth's wool carpet production dropped after Cyclone Gabrielle damage, the gap (and more) was primarily filled by imports, not Godfrey Hirst. As wool imports have continued to rise, Godfrey Hirst's gross margins on wool carpets have decreased.



13.3 The requirements set out in the literature for anticompetitive bundling or tying (conglomerate effects) are not met. In particular:

- The merged entity would not have market power in carpets or in hard flooring.
- Because of the economics of importing soft and hard flooring (e.g., lack of transport and warehousing asset specificity and lack of material economies of scale), it would not be possible to undermine the competitiveness of import rivals of these products (for example, by reducing their market share to the point they are sub-scale, or their marginal costs rise).

Market Definition

Product Dimension

- 14 While we acknowledge the conclusion in the SoI that the most appropriate market in this case includes a national market for the manufacture or import and wholesale supply of soft flooring, including the supply of all types of carpets to all types of customers, we strongly contend there is a now proven substitutability between carpet and hard flooring which is continuing to grow.
- 15 The Commission's proposed product dimension is consistent with the product dimension adopted by the Commission in its previous scrutiny of the carpet industry, and accords with the statutory requirement that the market includes goods that, as a matter of fact and commercial common sense, are substitutable for the particular goods. In this regard, other forms of soft flooring such as rugs and carpet tiles clearly are substitutable for carpet proper.
- 16 Similarly, imported carpet produced by overseas manufacturers is readily substitutable for locally produced carpet.
- 17 It is also readily apparent that, for most consumers, all soft flooring products serve the same functional applications, whether made from synthetic fibres such as SDN and polyester, or made from wool. While environmental and/or political considerations may affect the purchasing preferences of some consumers as to fibre type, as a matter of fact and commercial sense, carpet of all fibre types serve the same function and comprise the same differentiated product market. NERA's latest analysis of Godfrey Hirst's SKU average prices in 2025 confirms this. The analysis shows a material price overlap between SKUs made from synthetic fibre and wool carpet SKUs. That analysis confirms the Commission's definition of a single differentiated product market for carpet.



- 18 Indeed, there is no certainty or consensus as to the most environmentally-friendly fibre type. For example, Carpet Mill’s website states that Carpet Mill “believes in Type 6 solution dyed nylon as the most environmentally friendly product due to its ability to be used an infinite number of times”.⁴

Hard Flooring is within the product dimension

- 19 We do not agree however that the product dimension should be limited to soft flooring. The SoI tentatively concludes that it would not be appropriate to expand the market to include hard flooring options because:
- 19.1 there is unlikely to be demand – side substitution between soft and hard flooring;
 - 19.2 the use cases for hard flooring are often different; and
 - 19.3 many modern homes combine both hard flooring and carpet, but in different rooms.
- 20 Thus, the SoI accepts the hypothesis that a SSNIP imposed by a hypothetical monopolist supplier of carpet would be profitable as most customers would not switch to a hard flooring alternative in response to a 5-10% increase in the price of carpet. ⁵
- 21 We disagree. Soft flooring now accounts for little over 50% of total flooring products; and that share is predicted to decline further in response to practicality and evolving consumer preferences, as well as price. Most developed countries have seen a well-recognised shift from soft flooring to hard flooring, and this trend is also evidenced in New Zealand.
- 22 In addition, many hotels and group home builders are increasing the amount of hard flooring installed in their premises. Hotels, in particular, are now using hard flooring in bedrooms that were previously carpeted, and this is becoming common practice.
- 23 Hard flooring products are imported from a wide variety of manufacturers. Mohawk accounts for less than [REDACTED] of the total estimated volume. Retailers expect, and demand, wholesale supply of hard flooring products to complete their flooring range. At retail level, hard flooring products are displayed and promoted in-store by retailers alongside soft flooring. These displays

⁴ Carpet Mill “Our Factory” < www.carpetmill.co.nz >.

⁵ Commerce Commission, above n 1, at [50].



communicate to consumers that they should not feel constrained by carpet in the bedroom/hard flooring elsewhere dichotomy. Rather, they promote a “total solution” which often extends to drapery and associated furnishings. Clearly, retailers and consumers alike regard soft and hard flooring products as potential substitutes and want them displayed and supplied together.

- 24 Given the high degree of product differentiation involved with flooring products generally, regard must be had to the warning of the High Court in *Brambles New Zealand Limited v Commerce Commission* that:⁶

the ssnip test used by the Commission to determine substitutability is an analytical tool which will not always be able to be applied with confidence. That may be because of a lack of accurate data or because of significant product differentiation, which makes it hard to assess and compare the available data. In that event, the Commission or Court should always be alive to other evidence which can assist in identifying the appropriate market in accordance with commercial common sense.

- 25 And further:⁷

The ssnip test does not however suggest that cost equivalence after a relative price change is a necessary condition for close substitutability. This is especially so when products are differentiated (as are crates and cardboard) and where there are agreed advantages and disadvantages of each. This means that absolute and relative prices are the only one component of comparative value propositions.

We are mindful that the ssnip is a hypothetical test. ... It is appropriate to make a common sense assessment, based on the evidence before the Commission.... There are a variety of preferences for one or the other, based on grower or retailer preference and the particular requirements of the produce line, but there is considerable use of both for the same purpose.

- 26 We say that a common sense assessment here must recognise that hard and soft flooring products are displayed and sold together for the most part. Neither the retailer nor the consumer treats them as comprising discrete markets.

⁶ *Brambles New Zealand Ltd v Commerce Commission* (2003) 10 TCLR 868 (HC) at [81].

⁷ At [125] and [132].



Customer dimension not relevant

- 27 The Commission's Merger Guidelines state that "where relevant, we also examine the ability of suppliers to discriminate between customers because their competitive alternatives vary."⁸ It gives the hypothetical example that some suppliers may be unable to fulfil the demand of larger customers.
- 28 But that kind of practical limitation on supply does not apply with regard to the supply of soft flooring products to wholesale customers, all of whom have the option of purchasing from local manufacturers, importing directly themselves or importing via intermediaries.
- 29 We agree therefore that the Commission does not have sufficient basis to define the precise boundaries of any customer markets for the supply of soft products, including all types of carpet, in New Zealand. As is shown below, the purchasing and distribution processes of the industry do not support a clear distinction between particular customer groups. Rather, each wholesale customer – whether commercial, group home builder, or retailer – tends to have its own bespoke requirements.
- 30 Given the ready availability of imported carpet from diverse sources, Godfrey Hirst is not able to discriminate between customer groups in any meaningful way. Both retail and commercial customers exercise substantial countervailing power, which is ultimately passed on to the end consumer. This is consistent with the Commission's own previous findings in Decision 587 that retailers of carpet hold a degree of countervailing power when negotiating supply terms, including prices, with manufacturers due to the ease with which these retailers, particularly the large buying groups, could switch to alternative manufacturers or to imports.
- 31 While Bremworth will no longer constitute an alternative manufacturer, imports remain and now comprise 50% of wholesale supply of carpet (as compared to 20% at time of Decision 587).⁹
- 32 Further, outside of Auckland, many retailers supply both residential and commercial customers – limiting the wholesaler's ability to differentiate between different customer groups.
- 33 For retail applications, manufacturers predominantly sell carpet and other flooring products through retailers, many of whom operate as part of buying groups. These

⁸ Commerce Commission *Mergers and acquisitions Guidelines* (May 2022) at 3.40.

⁹ Godfrey Hirst NZ Limited and Feltex Carpets Limited (Commerce Commission Decision 587, 31 August 2006) at [103].



buying groups collectively exert significant countervailing constraint, including through their own ability to import directly. Competition among retailers themselves ensures that the benefits of their countervailing power are passed on to consumers.

34 Commercial customers also have the option to purchase through major retail groups or contract suppliers. Here, commercial customers are defined as those flooring stores that do not have a showroom for public access to view samples. The majority of Godfrey Hirst's commercial contracts are conducted through retailers or installers, rather than direct sales to end-users. In limited cases, Godfrey Hirst may negotiate a head office contract directly with a commercial customer, but the fulfilment and purchasing typically remain with the retailer or installer. Only in rare instances does Godfrey Hirst sell directly to, and fulfil orders for, end-user customers, and almost never to end consumers, [REDACTED

].

35 On the supply side, Godfrey Hirst offers a core range of residential products that are available to both retail and commercial customers. All products are subject to a standard price list; but pricing is negotiable for roll stockists or large commercial projects. In addition to its standard offering, Godfrey Hirst is able to provide customised products to both retail and commercial customers, in either wool or synthetic, provided the order meets Godfrey Hirst's minimum production quantities.

36 Godfrey Hirst provides the following examples of bespoke orders received from retailers, further illustrating that retailers are not limited to standard product ranges:

36.1 [REDACTED

];

36.2 [REDACTED

];

36.3 [REDACTED

];

36.4 [REDACTED

]; and



36.5 [REDACTED

].

Sales and contracting arrangements

37 The sales and distribution process for carpet and hard flooring products cannot be categorised into clearly defined customer groups or purchasing methods. Customers have varying requirements, and these differences necessitate tailored sales and distribution processes.

38 Godfrey Hirst's sales are, on average, [REDACTED]. For both residential and commercial customers, purchasing options include retailer groups, contract suppliers, or carpet installers. For residential applications, Godfrey Hirst predominantly sells through retailers, who may be members of buying groups or operate independently. Buying groups negotiate collective pricing and receive rebates based on total purchases, as well as additional support for group activities and promotions.

39 However, a significant proportion of sales are also made to independent retailers, who are not affiliated with buying groups. [REDACTED

]. Among these independent retailers, some specialise in commercial flooring and work directly with manufacturers, architects, designers, and contractors, rather than operating customer-facing retail stores.

40 Many of Godfrey Hirst's retailer customers not only sell to the public through their retail showrooms, but also actively target commercial projects, designers, and group home builder (**GHB**) projects. When the residential sector slows but the commercial sector grows, retailers often shift their focus between the two groups to maintain sales. However, Godfrey Hirst's customer market remains the same, further limiting its ability to discriminate between customer groups.

41 The following examples provided by Godfrey Hirst illustrate that retailers employ dedicated salespeople to target commercial customers and often hold substantial contracts with such clients:

41.1 [REDACTED

];

41.2 [REDACTED

];



41.3 [REDACTED

];

41.4 [REDACTED

];

41.5 [REDACTED

];

41.6 [REDACTED

]; and

41.7 [REDACTED

].

Distribution processes are uniform

- 42 The distribution process is largely uniform for both residential and commercial customers. Products are shipped to retailers or commercial clients according to stock requirements, specific order, or promotional pricing. With the exception of some Auckland-based retailers who may collect goods directly from the factory, most distribution is managed by trucks. For deliveries to the South Island, products are transported by rail, with final delivery to retailers completed by trucks. Upon arrival at the retailer's premises, carpet and other flooring products are unloaded using specialised equipment.
- 43 In summary, while each customer has unique requirements, the supply and distribution arrangements are mostly the same for all customer groups. It would be artificial to define separate customer dimensions for residential or commercial customers or other potential customer groups. Suppliers cannot discriminate between customer groups, given the varied and overlapping contracting arrangements. Consistent distribution methods mean there is no need to define the boundaries of separate customer markets.

Without the Proposed Acquisition

- 44 The SoI makes a number of assertions as to the likely counterfactual scenario:
- 44.1 "a counterfactual scenario where Bremworth operates independently of Godfrey Hirst": para 71.
- 44.2 "The most competitive" likely counterfactual scenario is the status quo, with Bremworth continuing to operate as a going concern": para 73.



- 44.3 "... We cannot exclude a real chance that, absent the Proposed Acquisition, Bremworth would continue as a going concern and compete, in some form, with Godfrey Hirst in the supply of wool and synthetic carpet": para 76.
- 44.4 "Godfrey Hirst and Bremworth tend to compete closely with supply of wool carpet and this competition would be lost as a result of the Proposed Acquisition": para 81.
- 44.5 "... Bremworth is in the process of re-commencing its supply of synthetic carpets which may have an impact on how Bremworth and Godfrey Hirst would complete (sic) with one another absent the Proposed Acquisition": para 83.
- 44.6 "... We cannot exclude the real chance that Bremworth would continue as a growing concern absent the Proposed Acquisition": para 143.
- 45 Those descriptions of the likely counterfactual scenario are inconsistent.
- 46 The various references to Bremworth continuing as a "going concern" allow for the company surviving, but no more. Going concern is an accounting assumption that a business will be able to continue operating and meet its financial obligations for the foreseeable future (at least the next 12 months). If this assumption were threatened by significant doubts (such as losses or debt issues), management must assess and disclose these material uncertainties. [REDACTED
].
- 47 Indeed, Bremworth's FY25 Annual Report describe a "year of survival and resets", with revenue increased to \$88.4 million¹⁰ (from \$80.3 in FY24),¹¹ but EBITDA deteriorated sharply to a loss of \$13.5 million.¹² The report details a "challenging year" focused on survival, cost reduction and strategic rebuilding, including plans to reintroduce synthetics and controlling cash burn.¹³ In short, though challenged and focused on survival, Bremworth managed to survive year ended 2025 as a going concern.
- 48 But that "snapshot" of financial status provides no indication of Bremworth's current or future capacity to be an effective competitor, especially given the reality

¹⁰ Bremworth Ltd, "Rest Rebuild Return Annual Report 2025" (2025) Release of FY25 Annual Report <www.bremworth.co.nz> at 29.

¹¹ Bremworth Ltd, "Positioned for Growth Annual Report 2024" (2024) Bremworth releases FY24 Annual Report <www.bremworth.co.nz> at 39.

¹² At 110.

¹³ At 9-10.



of increasing imports and the increased working capital required to run their synthetic carpet programme. Attached as **Appendix A** is a summary of statements and financial indices from Bremworth's annual reports for FY2020 to FY2025.

- 49 Even a cursory analysis of those statements reveals that Bremworth's revenue from sales has consistently declined from FY2020 to FY2024, with a modest improvement in FY2025. Over the same period gross profit margin also declined, with a notable deterioration from FY2022 to FY2025. In short, there is a clear picture of Bremworth's performance and underlying profitability continuing to worsen.
- 50 These results have prompted statements by Bremworth's successive Chairs that:
- 50.1 "FY23 has been the most challenging year in our corporate history";¹⁴
- 50.2 "FY24 was a very challenging year for Bremworth";¹⁵ and
- 50.3 "FY25 proved to be the most testing period in Bremworth's modern history".¹⁶
- 51 Further, as indicated above, [REDACTED
].
- 52 Bremworth's current Chair, Rob Hewett, has elsewhere described Bremworth's financial condition in much more detail. He acknowledges that Bremworth is a long-established New Zealand manufacturer and distributor of carpets and related products including, more recently, rugs. Over the past decade, however, Bremworth faced significant "head winds" from changes in the New Zealand market, coming especially from increasing volumes of imported carpet – mainly made from synthetic materials. This led to difficulty maintaining sales volume and revenue, erosion in profitability and trouble securing funding. Bremworth experienced similar challenges in the Australian market with sales volume and revenue also declining. Increasing competition from imported synthetic carpets, particularly in the mid to lower end of the market, and a sense that customers were starting to move away from man-made to natural, led to a change in Bremworth's strategy to focus on wool carpets. In 2019, Bremworth undertook a strategic review of its operations and subsequently announced a new strategy that

¹⁴ Greg Smith "Bremworth AGM Speeches" (Auckland, 27 November 2023).

¹⁵ George Adams "AGM Speeches" (Auckland, 27 November 2024).

¹⁶ Bremworth Ltd, "Rest Rebuild Return Annual Report 2025" (2025) Release of FY25 Annual Report <www.bremworth.co.nz> at 9.



involved a shift from being a manufacturer and distributor of woollen and synthetic carpets to a brand-focused design-led marketing business concentrating solely on wool carpets (on the basis that wool was held out as a more sustainable and healthier alternative to synthetics) and other natural products.

- 53 In 2020, Bremworth started executing its strategy to transform to an all wool and natural fibres business. That involved Bremworth down-sizing its Auckland manufacturing operation in response to the synthetic sales forgone, while maintaining its yarn spinning capacity in its Napier and Whanganui yarn spinning plants. It was expected that the focus on woollen carpets would enable Bremworth to more fully utilise its spinning capacity.
- 54 While Bremworth experienced some increased woollen carpet sales initially, these started to decline again as importers increased their supply of woollen carpets. In February 2023, Bremworth's Napier yarn manufacturing site suffered damage in Cyclone Gabrielle, this resulted in Bremworth being unable to produce any yarn from its Napier site to supply its Auckland plant, and having to source yarn from external suppliers. This significantly impacted Bremworth's performance over an extended period of time due to the higher cost of externally sourced yarn, long lead times, increased working capital requirements (particularly inventory), quality issues and the ongoing fixed costs associated with the Napier site.
- 55 The issues caused by Cyclone Gabrielle, adoption of the Wool-only Strategy and a general softening of the flooring market (post COVID-19) resulted in a significant decline in Bremworth's revenue. In the 2023 and 2024 financial years, Bremworth reported carpet revenues that were down 6% and 20% respectively on the previous year, with 2025 carpet revenues only slightly improved on 2024. Bremworth would have made operating losses in these three financial periods, but for the receipt of insurance proceeds related to the impacts of Cyclone Gabrielle.
- 56 On 9 May 2025, under the governance of the new Board, Bremworth announced that it was reintroducing synthetic carpet production and distribution – effectively reversing its Wool-only Strategy.¹⁷
- 57 If the Proposed Transaction does not proceed, the SOI's "most competitive likely counterfactual" assumes that Bremworth would continue with its present efforts to restore domestic yarn production and strategy of restoring synthetic carpets. But, it must be recognised that a strategy of restoring synthetic products itself especially exposes Bremworth to considerable commercial risks, including subdued

¹⁷ Bremworth Ltd "Reintroducing synthetic carpet to meet market demand" (press release, 9 May 2025).



trading conditions in New Zealand and Australia; constrained consumer spending; and intensifying competitive pressure from imports. There is also significant execution risk involved in efficiently and appropriately adjusting staffing and equipment for synthetic production. It may also increase the working capital required of the business in terms of work in progress and inventory and will likely require the upgrading to tufting machines to get the full benefit of running the “quicker” synthetic yarns. If not, Bremworth’s cost to produce synthetic carpet may make it too expensive for the Oceania market.

58 Further, as foreshadowed above, [REDACTED

]. As part of its acquisition due diligence,
[REDACTED

].

59 [REDACTED

].

60 Bremworth’s long-suffering shareholders last received a dividend in 2014.¹⁸ So far as Mohawk is aware, [REDACTED

]. Without the Proposed Acquisition, Bremworth’s Board will therefore be forced to consider other possible options.

61 It is clear from various references in the SoI that the Commission attach much more competitive capability to Bremworth’s status quo counterfactual than mere survival. Paragraph 77 has Bremworth competing in some form. Paragraph 81 has

¹⁸ Riley Kennedy “Don’t worry Bremworth shareholders, your dividend wool come” (28 November 2024) Business Desk <www.businessdesk.co.nz>.



Bremworth competing closely with Godfrey Hirst for wool carpet. Paragraph 83 has Bremworth successfully recommencing synthetic production. And paragraph 143 expressly envisages Bremworth continuing as a “growing” concern.

62 Put bluntly, there is simply no foundation for such apparent optimism on the part of the Commission. In particular, there is no certainty that Bremworth’s attempted re-entry into manufacture and supply of synthetic carpet will be successful – especially as that segment of the market faces significant competition from imported carpet and is extremely price sensitive.

63 We submit that, as a re-entrant (and effective new entrant) to synthetic production, Bremworth’s potential must be subject to the Commission’s “LET test” to assess whether that re-entry is likely to be sufficient in its extent in timely fashion to constrain competitors. The Commission cannot simply assume that Bremworth’s re-entry would likely be successful or sustainable, especially given the unrelenting pricing pressure from imports, [REDACTED] and other commercial risks.

64 [REDACTED

]:

[REDACTED

].

65 Bremworth’s previous performance over a considerable period - as recorded in Bremworth’s successive annual reports for years 2020 to 2025 (summarised in **Appendix A**) - [REDACTED].

66 We stress again that the minimum threshold for any counterfactual is that the relevant scenario must be shown as at least likely to occur. [REDACTED

].

67 Rather, the likelihood is that, without the Proposed Transaction, Bremworth’s mere survival will continue to be “challenging”. There is no evidence to indicate



Bremworth will be “a growing concern” as the SOI postulates. [REDACTED
].

Closeness of Competition

- 68 The SoI indicates that the Commission is considering the “closeness of competition between Godfrey Hirst and Bremworth, and the extent to which any competition may be likely to change in the future”.¹⁹
- 69 In particular the Commission suggests that, because there are fewer suppliers of wool carpet (i.e. compared with synthetic carpet), Godfrey Hirst and Bremworth “tend to compete more closely in the supply of wool carpet”.²⁰
- 70 There is no basis for that claim. The mere fact that both manufacturers are located within New Zealand does not ensure closeness in performance as a competitive constraint. On the contrary, as NERA’s report demonstrates, the economic evidence indicates that wool carpet importers are at least as competitive with Bremworth as Godfrey Hirst is. In particular, Figure 2 from NERA’s report shows that when Bremworth’s wool carpet output dropped in 2023 and 2024, Bremworth’s subsequent fall in shares of wool carpet sales was initially taken up by both Godfrey Hirst and imports, and then primarily by imports.
- 71 That is unsurprising, given that imports of wool carpet are increasingly making their presence felt right across the New Zealand market. Figure 5 from NERA’s report also shows that wool carpet import values have increased by more than double between 2020 and 2025.
- 72 Importers of wool carpet include all of the following:
- 72.1 Wools of New Zealand.
 - 72.2 VCC.
 - 72.3 Signature (Best Wools product).
 - 72.4 Belgotex.
 - 72.5 Robert Malcolm.
 - 72.6 Nodi.

¹⁹ Commerce Commission, above n 1, at [91.1].

²⁰ At [81].



- 73 Nodi is of particular interest. Its website <https://nodi.co.nz/pages/expore-carpet> indicates that the company operates from its Nodi showroom in Ponsonby, Auckland.²¹ Founded in 2014, Nodi imports all its wool carpets and rugs from India, which country now acquires 47% of New Zealand's strong wool clip and has just entered into an FTA. Nodi did not approach Godfrey Hirst about making wool carpet for it, so presumably determined that it would be more economically viable to import wool carpet using New Zealand wool. Similarly, Wools of NZ did not approach Godfrey Hirst about making wool carpet for it.
- 74 Another significant entrant (or re-entrant) by way of wool carpet imports is Brintons Carpets, a manufacturer based at Kidderminster, UK and founded in 1783. The company operates through wholly owned facilities in India, Portugal, Poland as well as the UK. It advertises its "Floorpride" wool carpet collection as "bringing the extraordinary qualities of New Zealand wool into your living spaces".²²
- 75 Brintons are actively targeting the New Zealand market. [REDACTED] wholesaler [REDACTED] received the letter attached as **Appendix C** on 15 January 2026 from the newly appointed Brintons Carpet Sales Director for New Zealand, announcing that Brintons are "re-establishing in the NZ market".
- 76 As to the relative ease with which carpet – including wool carpet – may be imported, Godfrey Hirst was volunteered the following verbatim account from [REDACTED]:

[REDACTED]

].

Looking at the imported scene it is a simple process for either a carpet group or in fact a local retailer to establish a supply line from an overseas

²¹ Nodi "Our Auckland Showroom" Our Story <nodi.co.nz>.

²² Brintons "Transforming Spaces with Unparalleled Carpet Design" FloorPride < www.floorpride.com>.



source-this is commonly done via attendance at international flooring exhibitions (Domotex) trade journals, internet search, references etc. With the contacts made the importer needs to complete the process for importation which involves product development, sampling, the appointment of a customs agent who will effect clearance and delivery at the importers cost-the importer will be registered with NZ customs and will pay the import GST or any duties payable-note Australia, China, UAE (and likely India) will pay no duties as free trade agreements are in place.

This done the importer is free to sell to a carpet group, or in fact the end customer who in turn will look to meet any obligations relating to any NZ building regulations.

The import process is simple and common in NZ based on my past and current experience.

- 77 The source of the above information has advised that he is available to speak to the Commission directly.
- 78 Given the comparative ease with which carpet now may be imported – including carpet that has been manufactured elsewhere using New Zealand wool and reimported – it is not accurate to claim that Godfrey Hirst and Bremworth tend to compete more closely in the supply of wool carpet. On the contrary, Godfrey Hirst’s pricing is affected by changes to raw material input costs and its analysis of pricing by all competitors.
- 79 [REDACTED]:
- 79.1 [REDACTED].
- 79.2 [REDACTED].
- 79.3 [REDACTED].
- 79.4 [REDACTED].
- 79.5 [REDACTED].



79.6 [REDACTED].

80 Cost of fibre is a significant input cost, and can be subject to sudden and substantial change, as the chart below illustrates. Wool fibre in particular has been subject to significant recent increases.

Raw Material	Purchasing Currency	\$/UOM	22 Avg	23 Avg	24 Avg	25 Avg
Nylon Yarn	USD	\$/kg	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Polyester Yarn	USD	\$/kg	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Triexta Yarn	USD	\$/kg	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Polypropylene Yarn	USD	\$/kg	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Latex	USD	\$/kg	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Wool Fibre	USD	\$/kg	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

81 In summary, there is no basis for the suggestion that Godfrey Hirst and Bremworth are in closer competition with each other than they are with importers, including in relation to the supply of wool carpet. While there may be fewer suppliers of wool carpet, that is because the demand for wool carpet currently is significantly less than for carpet made from synthetic fabrics which have (or are perceived to have) different qualities. But, to the extent that demand for wool carpet is currently increasing; supply doubtless will increase (and is increasing) to meet that demand. But, that increased supply will not come predominantly from Bremworth – especially given Bremworth’s concurrent distraction of recommencing synthetic carpet production. For carpets of all types of fibre to all types of customer, closeness of competition must include imports.

82 Carpet Mill also produce a full range of wool carpet.

83 Clearly however, increased supply of wool carpet will come mostly from increased imports. The advent of Nodi and re-entry of Brintons both illustrate this phenomenon. And, as is shown below, importing wool carpet involves no particular difficulties.

84 In determining the prices of its own products – including wool carpet, Godfrey Hirst must pay close regard to the closeness of the competition it faces for those products. But that closeness of competition demonstrably comes from imports, as well as Bremworth.



85 As well as the competition it faces for its products, Godfrey Hirst – like any product manufacturer – must pay close attention to cost of its inputs. Price increases made by Godfrey Hirst between 2021 and 2025 are summarised below, and explained more fully in **Appendix D**:

85.1 [REDACTED

];

85.2 [REDACTED

];

85.3 [REDACTED

];

85.4 [REDACTED

]

85.5 [REDACTED

]; and

85.6 [REDACTED

].

86 In fact, wool prices have continued to increase significantly over the last nine months, to the extent that it is likely that wool carpet prices may need to be increased by Godfrey Hirst over the next few weeks simply to allow for further wool fibre increases.

Constraint from Domestic Manufacturers

87 The SoI indicates that the Commission is currently not satisfied that the merged entity would be “materially constrained” by Carpet Mill, being the only other domestic manufacturer of carpet: paragraph 108 of SoI.

88 The SoI says that is because:

88.1 Carpet Mill supplies direct to consumers;

88.2 Carpet Mill is smaller in scale; and



88.3 Carpet Mill predominantly supplies synthetic carpet, so is less likely to be a constraint for customers wanting wool carpet.

- 89 That reasoning does not survive close scrutiny. Carpet Mill’s website advertises that its long-established factory in Hamilton provides “an extensive collection of competitively priced carpets in 100% New Zealand wool as well as SDN, Polyester and Polypropylene”.²³ As well as “search by fibre” the website offers a “search by price” facility indicating four distinct levels of price. Further, as well as dealing directly with consumers through its “mobile showroom” operations, Carpet Mill openly solicits trade customers, advertising direct manufacturer deals, a seamless rebate system and flexible payment and other terms. In short, Carpet Mill offers a broader, more direct sales and distribution system than either Godfrey Hirst or Bremworth.
- 90 Finally, as to the Commission’s concern as to Carpet Mill’s relative “smallness”, a much more relevant consideration is Carpet Mill’s apparent stability. While Carpet Mill’s share of wholesale carpet supply has remained at or around [REDACTED] between 2016 and 2024, Bremworth’s has decreased from [REDACTED] to [REDACTED] over the same period. Given the value that many retailers place on stability of supply, Carpet Mill clearly has found a formula that ensures its on-going presence as an effective competitor.
- 91 If the Commission can assume a “closeness of competition” between Godfrey Hirst and a much-weakened Bremworth, it cannot simultaneously dismiss competition from a stable, persistent and highly visible Carpet Mill. Indeed, its direct dealing both with consumers and trade customers retains a particular flexibility of operation for Carpet Mill.
- 92 Further, like other carpet manufacturers, Carpet Mill also imports and offers a wide variety of hard flooring options, advertising itself as “a One-stop shop for all your flooring needs”, just as Mohawk does.²⁴ In doing so, there is no suggestion of anti-competitive bundling or tying customers; or foreclosing supply by others. Rather, Carpet Mill is showing itself as fully responsive to evolving consumer and intermediaries’ demand for comprehensive supply of flooring products.
- 93 In summary, none of the SoI’s reservations as to Carpet Mill being an effective competitor is valid. Clearly, Carpet Mill has a stable demand for its flooring products and related services. Indeed, to date it has seemingly fared better than

²³ Carpet Mill “Quality Carpet” Our Factory < www.carpetmill.co.nz>.

²⁴ Carpet Mill “New Zealand owned and operated” < www.carpetmill.co.nz>.



Godfrey Hirst – and certainly Bremworth – in responding to the growing threat from imports; which demonstrates real stability.

- 94 It may be that Carpet Mill’s direct supply and relative size in fact should be regarded as advantages. Certainly, the prospect of the merged entity being materially constrained by a local, long-standing manufacturer, with a steady market share and a reputation for stability of supply, cannot be dismissed.

Constraint from Importers

Imports are of good quality and are lower cost to make

- 95 Submissions from related third parties in response to the Commission’s SoPI repeatedly asserted that, despite the growing presence of imports in New Zealand, imported carpets are of lower quality than those manufactured domestically. Typically, carpet weight serves as an indicator of quality when compared with price - that is, for carpets of the same weight, a higher price reflects the market’s perception of superior quality.
- 96 An analysis of the price and weight of comparable products across various brands provides strong evidence that customers value the quality of both imported and domestically manufactured carpets similarly. Comparable products were selected by identifying offerings across brands with similar weight and product descriptions, as listed on their respective websites. Retail prices were sourced from stockists carrying the particular carpet ranges. Where possible, prices were obtained from the same retailer to maintain consistency.²⁵ This methodology was undertaken to reflect the information and prices available to consumers in New Zealand.

Wool carpets

Brand	Retail price	Weight
Godfrey Hirst (NZ)	\$68/sqm	40oz
Bremworth (NZ)	\$77/sqm	40oz
Jacobsen (Import)	\$92/sqm	40oz
Belgotex (Import)	\$91/sqm	43oz
Robert Malcolm (Import)	\$79/sqm	40oz
Victoria Carpets (Import)	\$58/sqm	42oz

²⁵ Prices were predominantly sourced from Flooring Xtra. Exceptions were made for carpets that were not stocked by this retailer: Belgotex wool carpet prices were sourced from Colthurst Flooring; Nodi prices from the Nodi website; and Godfrey Hirst prices from Carpet Court. Brintons’ information was sourced from their UK domain, with prices supplied by their national sales director.



Wools of NZ (Import)	\$70/sqm	38oz
Nodi (Import)	\$198/sqm	68oz
Brintons (Import)	\$128/sqm*	~38oz

97 The table above presents a sample of comparable wool carpets, using weight as an indicator of quality relative to price. As demonstrated, the sample of 38–43oz wool carpet products (excluding Nodi) reveals an alignment between the price and therefore quality of both imported and domestically manufactured carpets.

98 For example, retailers offer domestically manufactured carpets made by Godfrey Hirst and Bremworth at \$68 and \$77 per square metre, respectively, while imported options such as Jacobsen and Belgotex are priced at \$92 and \$91, and Robert Malcolm at \$79. Some imports, including Victoria Carpets (\$58) and Wools of New Zealand (\$70), are actually less expensive than certain domestic products. Notably, both the most affordable and the most expensive carpets in the comparison – Victoria Carpets at \$58 and Nodi at \$198 per square metre – are imports, illustrating the wide range of imported offerings available. This direct price competition across the market spectrum demonstrates that New Zealand consumers consider imports to be of similar quality, hence providing a genuine constraint on the pricing of domestically manufactured wool carpets.

Synthetic carpet

Brand	Retail price	Weight
Godfrey Hirst (NZ)	\$66/sqm	55oz
Bremworth (NZ)	\$62/sqm	55oz
Jacobsen (Import)	\$66/sqm	55oz
Belgotex (Import)	\$73/sqm	53oz
Robert Malcolm (Import)	\$52/sqm	53oz
Victoria Carpets (Import)	\$58/sqm	50oz

99 A similar analysis of weight as an indicator of quality when compared with price can be done for synthetic carpet. As illustrated by the table above, the sample of 50–55oz synthetic carpet products further illustrates the competitive interplay between imported and domestically manufactured carpets.

100 For example, Godfrey Hirst and Bremworth are priced at \$66 and \$62 per square metre respectively, while imported synthetics from Jacobsen and Belgotex are available at \$66 and \$73 per square metre. Notably, imports such as Robert



Malcolm (\$52) and Victoria Carpets (\$58) are offered at prices below those of New Zealand counterparts. Furthermore, both the highest and lowest priced options in this comparison are imported products. The availability of imports priced at, or below domestic synthetic carpets demonstrates that importers exert a strong competitive constraint in the quality synthetic carpet segment.

Overseas importers have lower manufacturing costs

- 101 While it is clear that importers provide a competitive constraint on domestic manufacturers by offering carpets of comparable quality, it is important to note that overseas producers benefit from significantly lower manufacturing costs. Unlike New Zealand, the governments of countries such as India, the UAE, and China heavily subsidise and support their textile industries. Examples include:
- 101.1 the UAE's "Make it in the Emirates" campaign, which offers a comprehensive range of services and incentives to attract and support manufacturers.²⁶ These include access to procurement opportunities, assistance with establishing and operating manufacturing plants, preferential land lease rates, financial support for technology adoption, and reduced electricity and gas costs.²⁷
- 101.2 Indian carpet producers receive substantial government support through the Production Linked Incentives Scheme and the Samarth Scheme for Capacity Building in the Textiles Sector, as well as capital and tax subsidies and a lower corporate tax rate.²⁸
- 101.3 Chinese manufacturers benefit from extensive government measures such as export tax rebates, VAT refunds, customs duty exemptions, and export financing.²⁹ Eligible manufacturers can also claim full refunds of end-of-period VAT credits, further improving liquidity and reducing effective tax burdens.³⁰

²⁶ U.AE "Become our partner, Make it in the Emirates" (30 December 2024) UAE Unified Industrial Brand Identity Make It In The Emirates <www.u.ae>.

²⁷ Squire Patton Bogg "Made in the Emirates – All you need to know about the UAE's incentives for the manufacturing sector (24 June 2025) <<https://www.globalsupplychainlawblog.com/supply-chain/made-in-the-emirates-all-you-need-to-know-about-the-uaes-incentives-for-the-manufacturing-sector/>>.

²⁸ Ministry of Textiles (India) "MSME Participation in PLI Scheme for Traditional Textiles" (press release, 5 December 2025).

²⁹ Acclime China "Export incentives for manufacturers in China: Types, benefits and eligibility." (29 November 2024) <www.china.acclime.com>.

³⁰ China Briefing "China VAT Rebate Policy Updates Effective September 2025: Key Changes and Impacts" (28 August 2025) <www.china-briefing.com>.



- 102 New Zealand manufacturers do not receive comparable support and often face higher input costs. As a result, overseas carpet manufacturers operate with a lower cost base and are able to compete more aggressively on price than their New Zealand counterparts.
- 103 When these lower manufacturing costs are combined with the ongoing expansion of FTAs, the quality of imported carpets continues to improve while prices decrease. This downward pressure on price further incentivises retailers to stock imported carpets – a trend reflected in the increase of imports from 19% to 50% of carpet sold in New Zealand since the Commission reviewed the industry in 2005. It is therefore evident that the competitive constraint from importers is not only well established but set to strengthen in the future.
- 104 Economies of scale also give some overseas carpet manufacturers significant cost advantages. Such economies of scale are permanent – in the sense that, unlike government support policies, they are not subject to subsequent policy change and allow for investment in new manufacturing processes and superior technology.
- 105 In addition to local support from their respective governments, the countries noted benefit from lower labour rates and different labour practices and costs compared to New Zealand, access to cheaper power sources (such as solar and fossil fuels), and are often ‘chemically integrated’ – that is, they are located close to sources of raw materials such as backing, petroleum-derived yarn materials, and latex.

Importing is a straightforward, well-established practice

- 106 The various references throughout the SoI and in submissions by third parties suggest an importing landscape that is both practically challenging, and at times, burdensome for importers. However, the practicalities for retailers dealing with importers established in New Zealand are largely the same as dealing with local manufacturers. While there may be some additional administrative requirements, the process remains straightforward for any retailer wishing to import directly.
- 107 The two methods in which carpets and other flooring products are sold by retailers in New Zealand are either from purchasing directly from an importer or importer manufacturer established in New Zealand, or the retailer importing directly themselves.
- 108 When a local retailer in New Zealand purchases soft flooring products from a New Zealand-based importer, importing manufacturer, or distributor, the importer has already completed the importation process and ensured the product meets all relevant New Zealand building regulations. The local retailer simply acquires the



product locally and is required to retain and provide the Building Product Information Requirements (**BPIR**) declaration for compliance purposes. This process is straightforward, involves minimal effort for the retailer, and aligns with standard industry practice in New Zealand.

109 If a local retailer chooses to import carpet directly, they must first register as an importer with New Zealand Customs and verify the credibility and compliance of their overseas supplier. As outlined above, many overseas manufacturers already have a presence – either directly or indirectly – in New Zealand and are well-established carpet suppliers. Consequently, verifying their compliance and credibility is a straightforward task. The retailer is then responsible for obtaining product samples, technical data, certifications, and testing results to confirm compliance to confirm compliance with New Zealand building regulations and may need to conduct additional testing locally. The retailer negotiates purchase terms, arranges for market sampling, and coordinates shipping and customs documentation. Upon arrival, the retailer ensures all customs, MPI inspections, and any applicable duties or GST are addressed before the product is released to their premises. Although this process requires more involvement from the retailer compared to sourcing from a local manufacturer, it remains relatively straightforward and is a common, well-established practice in New Zealand.

110 Again, the verbatim account from an experienced importer set out above describes how straightforward it is for either a carpet group or local retailer to establish a supply line from overseas.

111 [REDACTED

].

Once again, it illustrates the well-established practice that New Zealand retailers and suppliers of soft and hard flooring products import regularly into New Zealand.

112 As briefly discussed above, importers are subject to the Building (Building Product Information Requirements) Regulations 2022, which set out minimum information requirements to support building compliance with the Building Code. These Regulations aim to improve product knowledge and decision-making for building consent authorities, building owners, builders, and designers. The Building Code Clauses require minimum product requirements, including those relating to moisture and hygiene, slip resistance, and fire performance.

113 Existing importers can readily and efficiently increase the volumes of carpet they supply into New Zealand. [REDACTED



]. While we do recognise that importers face lead times and variable costs, these challenges are neither insurmountable nor unique to importers; manufacturers such as Godfrey Hirst and Bremworth also import raw materials and face similar costs and lead times. Therefore, the Commission should be cautious in giving significant weight to submissions suggesting that importing is an onerous or burdensome process. Importing is a well-established practice within the flooring market, and all evidence suggests that its prevalence continues to grow.

Constraint from imports will increase

- 114 As outlined in the original notice seeking clearance, the constraint posed by imports is expected to intensify. This is driven not only by changing consumer preferences and cost advantages – imports now accounting for approximately 50% of carpet sold in New Zealand – but also by the ongoing reduction of tariffs. New Zealand has established free trade agreements (**FTAs**) with over 40 countries, granting these nations preferential market access and, in many cases, zero tariffs. Three notable examples include:

114.1 The New Zealand–UAE FTA, known as the Comprehensive Economic Partnership Agreement (**CEPA**), will enter into force on 28 August 2025.³¹ The New Zealand Government aims to double the value of exports, which totalled NZ\$1.28 billion in the year to March 2025, within the next decade. It is reasonable to expect that the UAE will similarly increase its exports to New Zealand. The elimination of tariffs will directly reduce the cost of imported carpet products, narrowing the price gap with domestically produced carpets and enhancing the competitiveness of UAE manufacturers such as Standard Carpets.

114.2 On 22 December 2025, New Zealand and India announced the conclusion of negotiations on a bilateral FTA. According to the Ministry of Foreign Affairs and Trade, the New Zealand–India FTA will create significant opportunities for both countries' exporters and supports the Government's goal of doubling export value within ten years.³² This agreement highlights the potential for increased carpet imports from India, which supplied NZ\$5,524,316 worth of carpet to New Zealand in 2024, ranking just outside the top five import sources (as detailed in **Attachment J** of the original notice). Given India's status as one of the world's fastest-growing major

³¹ Todd McClay "NZ–UAE Trade Agreement enters into force today, unlocking billions in new opportunities" (press release, 28 August 2025).

³² Todd McClay "New Zealand secures landmark Free Trade Agreement with India" (press release, 22 December 2025).



economies, and “one of the [world’s] largest producers of carpets”,³³ carpet imports from India are expected to rise further.

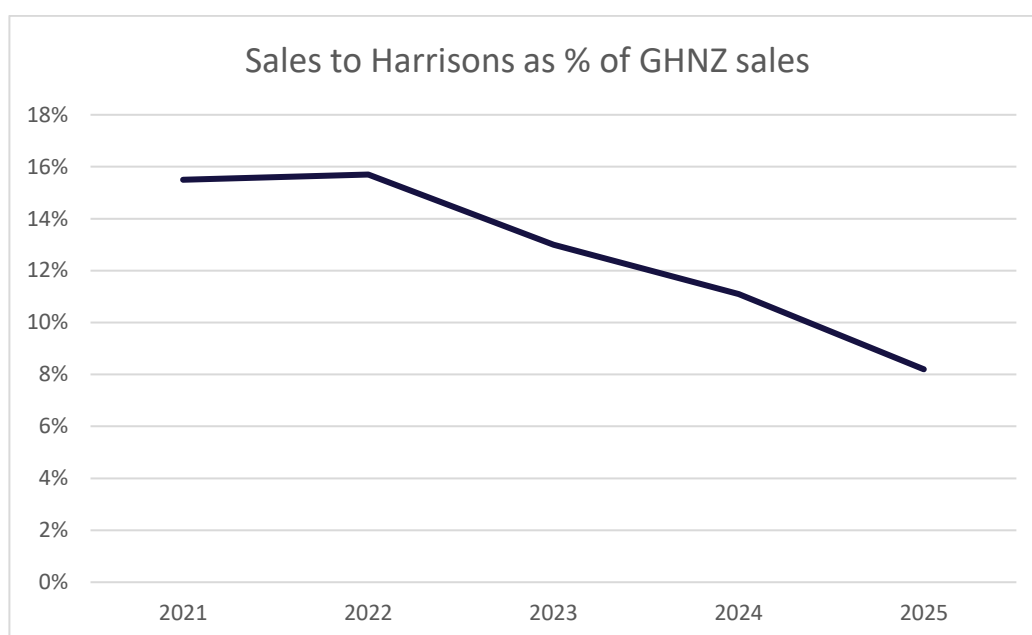
- 114.3 In addition to these recent agreements, New Zealand’s comprehensive 2008 Free Trade Agreement with China remains significant. The 2022 upgrade further reduced compliance requirements for Chinese importers and lowered tariff rates. Any remaining tariffs on Chinese imports are expected to be phased out in the near future.
- 115 As described in greater detail in the original notice, these FTAs are not speculative; they are either already in force or have been formally agreed to by the Government. Given these developments and the ongoing reduction of barriers to imports, the competitive pressure imports place on domestic manufacturers will only increase, intensifying the constraints already present in the market.
- 116 Recent commentary regarding the new India FTA, including remarks from Wools of New Zealand (**WNZ**) chief executive John McWhirter, provides practical evidence of the anticipated growth in carpet imports. Mr McWhirter confirmed that WNZ is already collaborating with Indian producers to supply finished wool products to the New Zealand market. Mr McWhirter went on to say:³⁴
- At the same time, we are partnering with Indian manufacturer supplying wool products to major European brand retailers.*
- A Free Trade Agreement with India will strengthen those relationships and improve the commercial settings for doing business. Lower barriers and greater certainty will help make wool products more cost-effective and competitive, particularly as we work to displace plastic-based alternatives.*
- 117 We stress again that the share of imports in the wholesale supply of carpets has increased from **19% to 50%** since the time when the Commission last reviewed the industry in 2005 to now. Given that the share of imports was 30% in 2016, this trend appears to be accelerating. This significant growth demonstrates that flooring retailers are increasingly selling imported synthetic and wool carpets to end customers. As outlined above, established importing practices and favourable conditions have further supported this trend.

³³ <https://moretextiles.in/blog/which-country-is-the-largest-carpet-producer-global-carpet-industry-insights/>.

³⁴ RNZ “FTA with India: ‘Bad deal’ or ‘strategically significant milestone’?” (22 December 2025) <www.rnz.co.nz>.



- 118 Imports constrain both the synthetic and wool carpet segments. Retailers' preference for imported carpets over domestically manufactured options provides strong evidence of this competitive constraint.
- 119 The shift in sales between Godfrey Hirst and Harrison's illustrates this constraint in operation. At the end of 2023, Harrison's made a strategic decision to prioritise imported products over those produced domestically. The sales figures for Godfrey Hirst and Harrison's, set out below, highlight the willingness and ability of retailers to transition quickly from domestically produced to imported carpets.



- 120 It is a misconception that imports only constrain synthetic carpets. As NERA's latest report (see *reference*) clarifies:

... when Bremworth's wool carpet output dropped in 2023 and 2024, Bremworth's subsequent fall in share of wool carpet sales was initially taken up by both Godfrey Hirst and imports, and then primarily by imports.

- 121 Imports have absorbed the majority of Bremworth's carpet share decline, this demonstrates the significant competitive constraint present within the wool carpet sector as well.
- 122 Overall, imports have fundamentally transformed the competitive landscape of the New Zealand carpet sector, now commanding half of all sales. This dramatic shift reflects not only changing consumer preferences, improved quality, cost advantages and increasingly favourable trade conditions, but also a decisive move by retailers to prioritise imported products over domestic alternatives. Far from being limited to synthetics, imports are now reshaping the wool carpet sector as



well, absorbing market share and setting new benchmarks for price and quality. The sustained rise of imports leaves no doubt that they are a powerful and ever-increasing constraint on local manufacturers.

Countervailing power

123 While acknowledging that countervailing power exists when a customer possesses a special ability to substantially influence the price the merged entity charges; the SoI specifically looks for a large carpet customer that could sponsor entry and/or expansion of an importer of carpet, or alternatively source a white label range from an overseas manufacturer or directly import itself: para 134 of the SoI. However, it is not yet satisfied that flooring retailers – particularly large retail groups – currently have the ability or incentive to do so.

124 No doubt, these reservations are due – at least in part – to the numerous assertions made in submissions by third parties regarding the alleged lack of countervailing power held by retailers. For example, there is the blunt assertion in the Matthews Law submission, that “*there is no countervailing power of resellers*”.

125 That claim is nonsense. Such assertions, presented as fact without supporting evidence, must be considered against the Commission’s own reasoned conclusions in Decisions 587 and 628.

126 In Decision 587, the Commission stated:³⁵

... retailers of carpet hold a degree of countervailing power when negotiating supply terms, including prices, with manufacturers due to the ease with which these retailers, particularly the large buying groups, could switch to alternative manufacturers or to imports.

127 In Decision 628, the Commission stated:³⁶

As importers only support through retailers, a key requirement for supply into New Zealand is to gain the support of one or more key retailers. Overall, the vast majority of industry participants were of the view that, given the right commercial incentives, retailers would easily be persuaded to carry an importer’s range.

³⁵ Godfrey Hirst NZ Limited and Feltex Carpets Limited (Commerce Commission Decision 587, 31 August 2006) at [115].

³⁶ Cavalier Corporation Limited and Norman Ellison Holdings Limited (Commerce Commission Decision 628, 17 November 2007) at [81].



- 128 The significance of the Commission's previous findings cannot be overstated when assessing the power retailers hold in the current market. Despite both decisions being nearly 20 years old, they emphasise that retailers could readily be persuaded to stock imported ranges, thereby exercising countervailing power over domestic manufacturers. At the time, imports accounted for less than 20% of the New Zealand carpet sector and significant tariffs remained in place. Given that imports comprise approximately 50% of the New Zealand carpet sector – even before the FTAs with UAE and India commence – barriers to importing flooring products continue to fall, and manufacturers such as Godfrey Hirst offering rebates and incentives to retailers to counter the growing threat of imports, it is simply not realistic to assert that retailers lack considerable countervailing power over domestic manufacturers.
- 129 The fact is that imports now comprise the major portion of the New Zealand flooring market, including the soft flooring segment. While various submissions have questioned the quality of imported carpets compared to domestically manufactured products, the analysis in the 'constraint of imports' response demonstrates that both imported and domestically manufactured wool and synthetic carpets of comparable weight are valued at similar prices by New Zealand consumers and retailers. Retailers are very willing to sell imported carpet - which they would not do if the imports were of poor quality and consumer claims compromised their profitability. This confirms that imported carpets are now regarded as being of similar quality to their domestic counterparts.
- 130 Overseas manufacturers benefit from government incentives, grants, and lower cost bases, such as reduced labour costs, enabling them to produce carpets of comparable quality at significantly lower prices. Coupled with the increasing number of favourable free trade agreements New Zealand has entered into, this has accelerated the growth of imported carpets in the market. This is not a speculative assumption; the share of imported carpets in New Zealand has increased from 30% to 50% since 2016 (and from 20% to 50% since 2006).
- 131 The claims that importing carpets into New Zealand is practically challenging or burdensome are not correct. While there are some additional obligations for retailers, importing has become a well-established and common practice. As the experienced industry source referred to above has explained, it is straightforward for a carpet retailer to establish an overseas supply line, and the import process is both simple and routine.



132 In this regard, the following account from [REDACTED

]:

[REDACTED

].

Importing carpet into New Zealand is a straightforward and well-established process. Retailers and buying groups commonly source products from countries such as China, Turkey, and Saudi Arabia, often by attending international trade shows like DOMOTEX. At these events, retailers are able to easily specify requirements, where manufacturers can produce almost any product requested (including those made to the same specifications as domestic products). Orders for containers can be placed with ease, and shipments can arrive within six weeks. The idea that it is difficult to import carpet is not supported by my experience. The practice is routine, with no significant constraints apart from minimum order sizes (typically a 40ft container), which is more a commercial consideration than a barrier.

*The quality of many imported carpets is excellent, as evidenced by manufacturers such as Shanhua Luxury Carpet (**SH Group**). Headquartered in China, SH Group is a recognised international manufacturer whose expertise is in premium carpet and rug production, with a global footprint of factories with installations in over 130 cities, and more than 1,200 production staff. SH Group utilises natural fibres, including New Zealand virgin wool, in its manufacturing processes. SH Group distributes its products globally, with notable New Zealand contracts including the SkyCity Casino in Auckland. These overseas manufacturers, such as SH Group, demonstrate that, with the appropriate technical specifications, they can deliver products to exact requirements – often at a lower cost and with comparable or superior quality to local options.*

Managing freight and exchange rate volatility is a normal part of business. However, these risks are equally relevant to local manufacturers, who themselves import raw materials and must manage currency fluctuations and freight charges. Therefore, these are not unique hurdles for importers of finished carpet. If buying groups or independent retailers prefer not to take on these risks, they have the option to purchase from the



many established importers already operating in New Zealand – which, in fact, many are currently doing.

There are very few regulatory barriers to importing carpet, and those that do exist are straightforward to comply with. Requirements such as fire ratings can be met locally and are simple to arrange. The main hurdles are commercial such as cash flow, risk, and convenience. The ability to navigate these factors is a matter of commercial skill rather than a barrier; if a business does not possess the requisite expertise, it may choose not to import. Many businesses may choose to buy locally to keep up with current trends or to maintain relationships with established suppliers. The market is dominated by large buying groups, who have the resources to import directly if they wish.

Importing carpet into New Zealand is a straightforward and routine process, with few regulatory or other barriers beyond those inherent to any business operation.

Countervailing power of large retailers

133 The SoI states that countervailing power is more than the ability of customers to switch to competing suppliers or indeed the mere size and importance of a customer. Rather, countervailing power exists when a customer possesses “a special ability to substantially influence the price the merged entity charges”.³⁷ The Commission’s Merger Guidelines similarly refer to the need for the customer to have “special characteristics enabling it to influence price”. Examples given include where the customer can:³⁸

- 133.1 switch or threaten to switch to suppliers in other geographic markets;
- 133.2 switch to suppliers of the other product it acquires from the merged firm;
- 133.3 give less favourable retail placement to the merged firm’s products;
- 133.4 sponsor new entry; and
- 133.5 self-supply itself by importing

134 We say all those circumstances apply in respect of the Proposed Transaction.

³⁷ Commerce Commission, above n 1, at [133].

³⁸ Commerce Commission *Mergers and acquisitions Guidelines* (May 2022) at 3.115.



135 Imports have fundamentally transformed the competitive landscape for carpet suppliers in New Zealand. Again, this is even before the most recent FTAs with the UAE and India commence. What was once merely a threat has now become a significant constraint, with major retail groups and independent retailers actively sourcing alternative carpet products directly. Retailers are no longer simply threatening to exercise their countervailing power; they are doing so in practice, often with immediate and substantial effect. This ongoing behaviour demonstrates a robust exercise of countervailing power that materially constrains domestic manufacturers.

136 As described in detail above, the general supply terms between Godfrey Hirst and retailers are largely generic, covering the supply of both carpet and hard flooring products. While specific terms – such as discounts, rebates, and incentive payments – are negotiated independently with each retailer, the core provisions, including termination rights, obligations, and payment schedules, remain broad. Notably, exclusivity arrangements are never included.

137 These supply terms set out basic contractual expectations but afford retailers considerable flexibility and negotiating power, particularly regarding service obligations and the allocation of incentives. With the ever-growing constraint that imports pose on Godfrey Hirst, retailers are not just threatening to use their significant countervailing power to negotiate more favourable terms; they are actively exercising it, switching to imports even after securing advantageous arrangements.

138 [REDACTED

].

139 Flooring Xtra's actions further illustrate the strong countervailing power retailer groups hold over suppliers like Godfrey Hirst. [REDACTED

].



- 140 It is evident that retailers do not hesitate to use both the threat and reality of withdrawing support to secure the most advantageous terms and outcomes from Godfrey Hirst. This conduct reflects a robust and active use of countervailing power, rather than any evidence of adverse or unfair pricing behaviour on the part of Godfrey Hirst.
- 141 There can be no doubt that retailers in the New Zealand carpet sector possess significant countervailing power, which they exercise without hesitation. The increasing prevalence of imports – now comprising approximately half of carpet sales – directly reflects retailers’ ability to source alternative products and negotiate highly favourable terms with domestic manufacturers.
- 142 Retailers are far from passive market participants. They actively shape supply arrangements and market outcomes by leveraging both the threat and reality of switching suppliers.
- 143 The evidence is clear: retailer countervailing power is not theoretical, but a robust and practical force that continues to decisively influence the industry.
- 144 Finally, the ACCC’s Merger Guidelines provide additional insight as to where the “something more” or “special circumstances” might apply. The ACCC considers the following factors:³⁹
- 144.1 threat to bypass is credible on commercial grounds;
- 144.2 bypass is likely;
- 144.3 a proportion of the market is able to wield a credible threat;
- 144.4 dynamic characteristics of the market.
- 145 Credibility and fact of bypass are both apparent in the case of major retailer, Harrisons, as they have increasingly bypassed supply from Godfrey Hirst in favour of imports.
- 146 Harrisons represent a significant proportion of the market. Further, the dynamic characteristics of the New Zealand flooring market must be apparent – with the increasing shift to innovative hard floor products and increasing imports of both hard and soft flooring.

³⁹ Australian Competition & Consumer Commission *Merger assessment guidelines* (June 2025) at 6.14-6.17.



147 Individually and collectively, the major retail groups noted, spend significantly more on marketing and media to drive consumer preference and choice. This is achieved through all media channels – including search engine optimisation, internet keyword search bidding, free-to-air TV, subscription TV platforms, radio, and social media. This extensive marketing activity undoubtedly plays a significant role in shaping consumer choice and further reinforces the substantial countervailing power held by retailers.

148 In short, the special circumstances required for countervailing power clearly exist.

Conglomerate Effects

149 The claim that a merged entity comprising Godfrey Hirst and Bremworth could compel retailers and distributors to accept bundled soft-flooring and hard-flooring products is wholly unfounded and incorrect. There is a wide range of alternative suppliers for both product categories, making enforced bundling or tying commercially unfeasible.

150 The Commission's Merger Guidelines outline the typical characteristics of a conglomerate merger:⁴⁰

Such bundled discounts or tying [seen in a conglomerate merger] may mean that competitors that cannot sell the same range of products as the merged firm may be foreclosed. This means that they would not provide a competitive constraint on the merged firm for the product both firms sell. This could occur where, for example, as a consequence of bundling selling, a competitor is denied access to sufficient market demand to achieve competitive scale.

151 As the SoI notes, the Mohawk brand encompasses both soft and hard flooring solutions, including ranges such as 'Quick-Step'. The SoI further states that Mohawk, through Godfrey Hirst and Floorscape, is considered an important trading partner for any flooring retailer.⁴¹

152 It should be made abundantly clear that, despite the Godfrey Hirst brand offering comprehensive flooring solutions, it has never engaged in conduct of the kind described in paragraph 5.14 of the Commission's Merger Guidelines. Godfrey Hirst currently supplies both hard and soft flooring products to the market without enforcing bundling, tying rebates to multi-category purchasing, or prioritising its

⁴⁰ Commerce Commission *Mergers and acquisitions Guidelines* (May 2022) at 5.14.

⁴¹ Commerce Commission, above n 1, at [161].



brand in retail showrooms. In fact, Appendix 1 of the 'Comments on submissions on SoPI (Cowes Bay and Anonymous A-D) demonstrates that Godfrey Hirst's brands are often located at the back of retail showrooms, with imported products frequently occupying more prominent positions.

- 153 In summary, Godfrey Hirst respects the independence of retailers and acknowledges the significant competitive pressures present in the current market. The addition of the Bremworth brand to Mohawk would not create a conglomerate effect; it merely adds similar products to an already existing range. Given the substantial constraint and opportunities presented by imports, independent retailers will continue to exercise complete discretion over the products they choose to stock and how those products are displayed both in-store and online.
- 154 Further the merged entity will not have market power. For conglomerate effects, such as bundling or tying strategies, to be anticompetitive, the merged entity must possess significant market power in at least one of the relevant segments – either soft flooring or hard flooring.
- 155 This is simply not the case. As the NERA report explains:
- ... the merged entity would not have a high degree of market power in carpets, because of the competitiveness of imports. Likewise, the merged entity would not have a high degree of market power in hard flooring. Because Bremworth does not supply hard flooring, there would not horizontal aggregation from the merger and Godfrey Hirst has only about [REDACTED] of the hard flooring market.*
- 156 As stressed throughout this submission, imports are now the most prevalent force in soft flooring in New Zealand, and their influence continues to grow as quality and costs improve and the ease of importing into New Zealand increases. Godfrey Hirst does not have a high degree of market power in carpet; and nor will the merged entity. With imports rising from 30% to approximately 50% of the carpet since 2016, and with retailers increasingly choosing to import directly, the constraint from imports must continue. The most recent FTAs with the UAE and India – both having significant carpet industries – will understandably open up many new opportunities for direct importing.
- 157 The suggestion that imports do not constrain the wool carpet segment is also unfounded. The SoI speculates that a wool carpet offering is a 'must have' for any retailer and identifies Godfrey Hirst and Bremworth as the two most prominent



brands in this segment.⁴² However, the presence and constraint of importers in the supply of wool carpet is steadily increasing, with brands such as Jacobsen, Belgotex, Robert Malcolm, Victoria Carpets, Wools of New Zealand, Nodi, and Brintons now well established.

158 NERA's latest report demonstrates that wool carpet imports are providing a greater constraint on Bremworth's wool carpets than any other domestically manufactured wool carpet, with imports capturing a significant share of the wool segment following Bremworth's recent challenges.

159 Therefore, whether considering synthetic or wool carpets, the merged entity would not possess a high degree of market power in carpet and would be unable to exercise conglomerate effects.

160 Additionally, as NERA's report confirms, with Bremworth not supplying hard flooring products, Godfrey Hirst accounting for only around [REDACTED] of hard flooring, and imports making up the majority of the remainder, the merged entity would not hold significant market power in the hard flooring segment.

161 The reality of the New Zealand flooring market is that Mohawk and Bremworth are not 'must have' brands as the SoI assumes. On the contrary, empirical market share evidence demonstrates that retailers have elected to give imports the majority share, thereby exerting a strong and effective constraint on domestic manufacturers. The claim that New Zealand end-customers are perceived to value "New Zealand made" carpets can largely be addressed by imports that are promoted as being manufactured from "virgin New Zealand wool".

162 Further, the prevalence of Home Brand carpets within the large retail groups – primarily promoted at the expense of manufacturers' brands – enables easy substitutability of products, as demonstrated in the case of Harrisons. The growing presence and influence of imports and Home Brands ensures that the merged entity cannot attain substantial market power in either the soft or hard flooring segments, and as a result, cannot introduce or enforce conglomerate effects.

Supply agreements do not impose bundling or tying

163 As the Commission is aware from Godfrey Hirst's RFI response dated 21 November 2025, the general supply terms between Godfrey Hirst and retailers are largely generic, covering both carpet and hard flooring products. While specific terms such as discounts, rebates, and incentive payments are negotiated separately, the core

⁴² At [159].



provisions remain broad. Importantly, the agreements do not include exclusivity arrangements or bundling provisions, and these factors have no influence on the rebates and incentive payments received by independent retailers.

164 Retailers possess significant negotiating power in their supply agreements with Godfrey Hirst. The combination of this countervailing power and the competitive constraint posed by imports actively prevents Godfrey Hirst from imposing onerous contractual terms. Specifically, the supply agreements do not seek to impose bundling or tying obligations on the retailer.

165 We note that the Commission's Misuse of Market Power Guidelines state in relation to tying and bundling:⁴³

Selling products together in this way [tying or bundling] can often be good for both consumers and suppliers but, sometimes, tying and bundling can harm competition. Where the firm engaging in the tying or bundling strategy has [substantial] market power, and the tying or bundling conduct impedes the ability of rival players to compete, this can harm competition.

166 Put simply, the mere presence of tying or bundling is not, in itself, anticompetitive. It is only problematic where a firm with substantial market power uses such conduct to impede rivals' ability to compete.

167 As set out by NERA and detailed in the analysis above, the merged entity would not have substantial market power in either hard or soft flooring. Ready access to imports from diverse sources prevents this. Further, given the significant countervailing power of retailers and their willingness to switch to imported products, the merged entity could not enforce tying or bundling conduct on rivals. Retailers – [REDACTED]

] – demonstrate their ability to exercise power over domestic manufacturers to secure the most favourable terms.

168 [REDACTED]

⁴³ Commerce Commission *Misuse of Market Power Guidelines* (March 2023) at [111].



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- 169 Fundamentally, in light of the substantial competitive constraint from imports, the strong countervailing power held by independent retailers, and the absence of exclusivity or bundling provisions in supply agreements, there is no realistic prospect of the merged entity engaging in conglomerate effects.
- 170 That is consistent with the conduct of retailers themselves, who increasingly project themselves as providing “total flooring solutions” rather than merely purveyors of carpet or specific hard flooring products. By providing a similar total package supply at wholesale level, Mohawk is simply offering retailers the same convenience. Crucially, however retailers are not compelled to avail themselves of that option; as Mohawk faces significant competition – primarily from imports – for both its soft flooring and hard flooring products. And, as the various product lines offered by most retailers and displayed in their various showrooms will readily demonstrate, there is no foreclosure of suppliers. Nothing will change as a result of the Proposed Transaction.
- 171 The merged entity would not possess substantial market power in either soft or hard flooring, nor could it compel retailers to accept bundled products or foreclose rivals. Retailers remain free to choose from a wide range of alternative suppliers and have consistently demonstrated their willingness and ability to switch to imports when it suits their commercial interests. The current market dynamics and supply arrangements ensure that any attempt to impose tying or bundling would be commercially unfeasible and immediately constrained. Accordingly, concerns regarding conglomerate effects are unfounded and unsupported.

Efficiencies

- 172 While the SoI acknowledges that the substantial lessening of competition test is a “net test” requiring pro-competitive outcomes of a merger to be taken into account, these are broadly dismissed by the subsequent statement that in a clearance application process, efficiency gains are “rarely of the required type, magnitude or credibility”: para 14.1.
- 173 There is an acknowledgement that “long term survival of the Bremworth brand” might be a benefit from the Proposed Acquisition, but the Commission cannot



exclude the real chance that “Bremworth would continue as a growing concern” in any event: para 143.

- 174 The relevance and consideration of efficiencies is discussed in much more detail in para 3.118 to 3.125 of the Commission’s Merger Guidelines.
- 175 In particular the Guidelines acknowledge that efficiencies may be relevant because they lower a firm’s marginal costs or product enhancements that will increase demand; and those savings and improvements will prevent customers from being materially adversely affected by the merger.
- 176 With the Proposed Acquisition those efficiencies are obvious. Acquisition of Bremworth’s carpet tufting and yarn making plant and operations as a going concern will enhance Godfrey Hirst’s (and Mohawk’s) production capacity and capability within New Zealand. Meanwhile Mohawk’s extensive reach into overseas markets will provide Bremworth with a unique opportunity to grow recognition of Bremworth’s premium carpet brand, especially in Europe and North America. Within New Zealand, the efficiency gains will better enable the merged entity to compete against the increasing volume and value of imported carpet.
- 177 Without the Proposed Acquisition, there is a real risk that the iconic Bremworth brand would be lost to New Zealand forever. Bremworth’s manufacturing capacity and manufacturing jobs will also be lost.
- 178 Successive New Zealand governments have proclaimed the Free Trade mantra – most recently with India, which country is now the largest purchaser of a raw New Zealand wool. The effect on manufacturing of carpet has been profound. In the 20 years since the Commission considered the mergers involving carpet manufacturers in Decision 587, imported carpet has increased from 19% to 50% of wholesale carpet supply. And remaining New Zealand manufacturers are disadvantaged in terms of scale, labour costs, distance from markets and overt government support, in responding to that competition.
- 179 The Proposed Acquisition will offset some of those disadvantages, to the benefit of the merged entity, Bremworth’s current shareholders and employees and New Zealand consumers for whom competition will be enhanced and the value of the Bremworth brand will be preserved.
- 180 This is a case where the merging parties are looking to level the playing field for local producers through achieving additional efficiencies in response to increasing scope for incursion by imports, which already provide the closest competition effect for both Godfrey Hirst and Bremworth.



Constraint from hard flooring products

- 181 Paragraph 3.12 of the Commission's Merger Guidelines recognises that products outside the defined market can still impose competitive constraints on market participants. Therefore, even if the Commission excludes hard flooring products from the relevant market for assessing the Proposed Transaction, it must acknowledge that these products exert a significant constraint on soft flooring options.
- 182 Again, the High Court's decision in *Brambles New Zealand Ltd v Commerce Commission* demonstrates the importance of considering actual market dynamics. The Court accepted the Commission's market definition of reusable plastic crates but found that the Commission underestimated the competitive pressure from cardboard boxes. This precedent highlights the need to look beyond rigid market boundaries and assess the real-world constraints that alternative products impose.
- 183 In the flooring sector, consumers now choose from an extensive range of products, including carpet, timber, hybrid flooring, vinyl plank, laminate, and sheet vinyl. These options reflect evolving consumer preferences and market diversity. Factors such as personal taste, aesthetic appeal, durability, and maintenance requirements increasingly influence purchasing decisions. The substantial degree of substitutability between carpet and hard flooring products means that hard flooring acts as a genuine competitive constraint on soft flooring.
- 184 Manufacturers and retailers continue to expand the range and quality of hard flooring products, further increasing their appeal. Flooring choices now reflect the diversity of consumer taste, with product differentiation extending well beyond price. Consumers consider factors such as style, longevity, and ease of care. Mitchell Grant, Head of Marketing at Harrisons Carpet & Flooring, reports a notable shift in consumer behaviour. Harrisons changed its name to include 'flooring' to reflect the rising popularity of hard flooring, which now accounts for approximately 50% of its sales. Mr Grant observes that customers increasingly mix carpet and hard flooring throughout their homes, selecting products strategically for different areas.⁴⁴
- 185 Industry data reinforces the constraining effect of hard flooring on soft flooring. In Australia, revenue figures for 2025 show carpet making up 47.4% of the flooring market, with hard flooring comprising 32.5%. Godfrey Hirst's internal calculations currently estimate that carpet comprises [REDACTED] of the New Zealand flooring

⁴⁴ Sharon Stephenson "Hardwood floors no longer the preserve of the poor" (27 March 2023) Stuff <www.stuff.co.nz>.



market, with hard flooring accounting for [REDACTED]. These figures highlight the competitive pressure hard flooring exerts on soft flooring products.

- 186 The growing range and popularity of hard flooring options have introduced robust competition into the flooring market. Hard flooring products, due to their widespread adoption and strong consumer appeal, represent a substantial constraint on the soft flooring segment. It would be appropriate to take these constraints into account when assessing the competitive effects of the Proposed Transaction.

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Appendix A	Analysis of Bremworth's Annual Reports – FY2020 to FY2025
Appendix B	[Confidential] NERA Report – Godfrey Hirst/Bremworth – review of SOI
Appendix C	[Confidential] Letter to wholesaler for Brintons
Appendix D	[Confidential] Example of Godfrey Hirst pricing decisions
Appendix E	[Confidential] Harrisons Flooring year-on-year change



Appendix A: Analysis of Bremworth's Annual Reports – FY2020 to FY2025

	2020	2021	2022	2023	2024	2025
Chair/CEO Statement	<p>"From FY23 onwards, we expect growing revenues as new sales replace and eclipse the previous synthetic carpet sales and as the economy recovers from COVID-19; with the full benefits of the transformation expected from FY25 onwards."⁴⁵</p> <p>"We are fully committed to the resumption of payment of annual dividends once the company is in a financial position to do so."⁴⁶</p>	<p>"We are fully committed to the resumption of payment of annual dividends once the company is in a financial position to do so... The board will keep this matter under constant review and fully understands and agrees with shareholders' desire to see Bremworth returned to a dividend-paying investment."⁴⁷</p>	<p>"the Board declared no dividend for FY22 as we continue to invest for the future. Profitable growth and a return to dividends are expected from FY24 onwards."⁴⁸</p>	<p>"while no dividend has been declared for FY23, our goal is to return to dividends by FY26."⁴⁹</p> <p>"FY23 year is my second year as Bremworth's CEO and I would like to acknowledge it has also been the most challenging year in our corporate history."⁵⁰</p>	<p>"FY24 was a very challenging year for Bremworth. ... we acknowledge, at least from the outside, it was a standstill year for shareholders."⁵¹</p> <p>"The inability to access Napier's yarn capacity since the floods has severely impacted our ability to meet demand and supply the market, let alone grow."⁵²</p>	<p>"FY25 proved to be the most testing period in Bremworth's modern history."⁵³</p> <p>"As shareholders, you have a right to expect more."⁵⁴</p> <p>"The past year was the most challenging in Bremworth's modern history. Consumer confidence remained weak across New Zealand and Australia, and competition in the flooring market intensified."⁵⁵</p>

⁴⁵ Bremworth Ltd, "Bremworth Annual Report 2020" (2020) 2020 Annual Report Amended <www. bremworth.co.nz> at 14.

⁴⁶ George Adams "Chair & CEO Speeches" (23 December 2020).

⁴⁷ George Adams "Bremworth Annual Meeting 2021 Speeches" (25 November 2021).

⁴⁸ Bremworth Ltd, "Sustained Progress Annual Report 2022" (2022) Bremworth Releases FY22 Annual Report and Audited Results <www. bremworth.co.nz> at 28.

⁴⁹ George Adams "Bremworth AGM Speeches" (Auckland, 27 November 2023).

⁵⁰ Greg Smith "Bremworth AGM Speeches" (Auckland, 27 November 2023).

⁵¹ George Adams "AGM Speeches" (Auckland, 27 November 2024).

⁵² George Adams "AGM Speeches" (Auckland, 27 November 2024).

⁵³ Bremworth Ltd, "Rest Rebuild Return Annual Report 2025" (2025) Release of FY25 Annual Report <www. bremworth.co.nz> at 9.

⁵⁴ Bremworth Ltd, "Rest Rebuild Return Annual Report 2025" (2025) Release of FY25 Annual Report <www. bremworth.co.nz>.

⁵⁵ Craig Woolford "BRW 2025 Annual Meeting Speeches" (Papatoetoe, Auckland, 12 November 2025).



Annual Report ⁵⁶	<u>2020</u> ⁵⁷	<u>2021</u> ⁵⁸	<u>2022</u> ⁵⁹	<u>2023</u> ⁶⁰	<u>2024</u> ⁶¹	<u>2025</u> ⁶²
P&L						
Revenue from contracts with customers	117,981,000 <i>at 39.</i>	111,577,000 <i>at 53.</i>	95,485,000 <i>at 57.</i>	89,689,000 <i>at 51.</i>	80,294,000 <i>at 39.</i>	88,424,000 <i>at 29.</i>
Cost of sales	(94,443,000) <i>at 39.</i>	(80,145,000) <i>at 53.</i>	(65,785,000) <i>at 57.</i>	(64,967,000) <i>at 51.</i>	(60,812,000) <i>at 39.</i>	(76,903,000) <i>at 29.</i>
Cyclone Gabriel related income	-	-	-	35,500,000 <i>at 51.</i>	26,500,000 <i>at 39.</i>	39,662,000 <i>at 29.</i>
Profit before income tax	(15,869,000) <i>at 39.</i>	2,005,000 <i>at 53.</i>	2,605,000 <i>at 57.</i>	10,999,000 <i>at 51.</i>	4,944,000 <i>at 39.</i>	19,436,000 <i>at 29.</i>
Profit before income tax – CG related income	-	-	-	(24,501,000)	(21,556,000)	(20,226,000)
EBITDA (GAAP)	(8,872,000) <i>at 115.</i>	4,738,000 <i>at 132.</i>	4,918,000 <i>at 144.</i>	13,381,000 <i>at 138.</i>	6,365,000 <i>at 124.</i>	21,584,000 <i>at 110.</i>
EBITDA (normalised)	2,300,000 <i>at 115.</i>	3,385,000 <i>at 132.</i>	4,918,000 <i>at 144.</i>	(200,000) <i>at 138.</i>	(5,181,000) <i>at 124.</i>	(13,545,000) <i>at 110.</i>
Net Profit/Loss	(21,451,000) <i>at 39.</i>	1,729,000 <i>at 53.</i>	2,240,000 <i>at 57.</i>	10,736,000 <i>at 51.</i>	4,643,000 <i>at 39.</i>	19,103,000 <i>at 29.</i>

⁵⁶ Where figures for a given year vary between reports, the value shown is as reported in the original year.

⁵⁷ Bremworth Ltd, "Bremworth Annual Report 2020" (2020) 2020 Annual Report Amended <www. bremworth.co.nz>.

⁵⁸ Bremworth Ltd, "Natural Progression Annual Report 2021" (2021) Bremworth Releases FY21 Annual Report and Audited Results <www. bremworth.co.nz>.

⁵⁹ Bremworth Ltd, "Sustained Progress Annual Report 2022" (2022) Bremworth Releases FY22 Annual Report and Audited Results <www. bremworth.co.nz>.

⁶⁰ Bremworth Ltd, "Resilience Through Adaptation Annual Report 2023" (2023) Bremworth releases FY23 Annual Report <www. bremworth.co.nz>.

⁶¹ Bremworth Ltd, "Positioned for Growth Annual Report 2024" (2024) Bremworth releases FY24 Annual Report <www. bremworth.co.nz>.

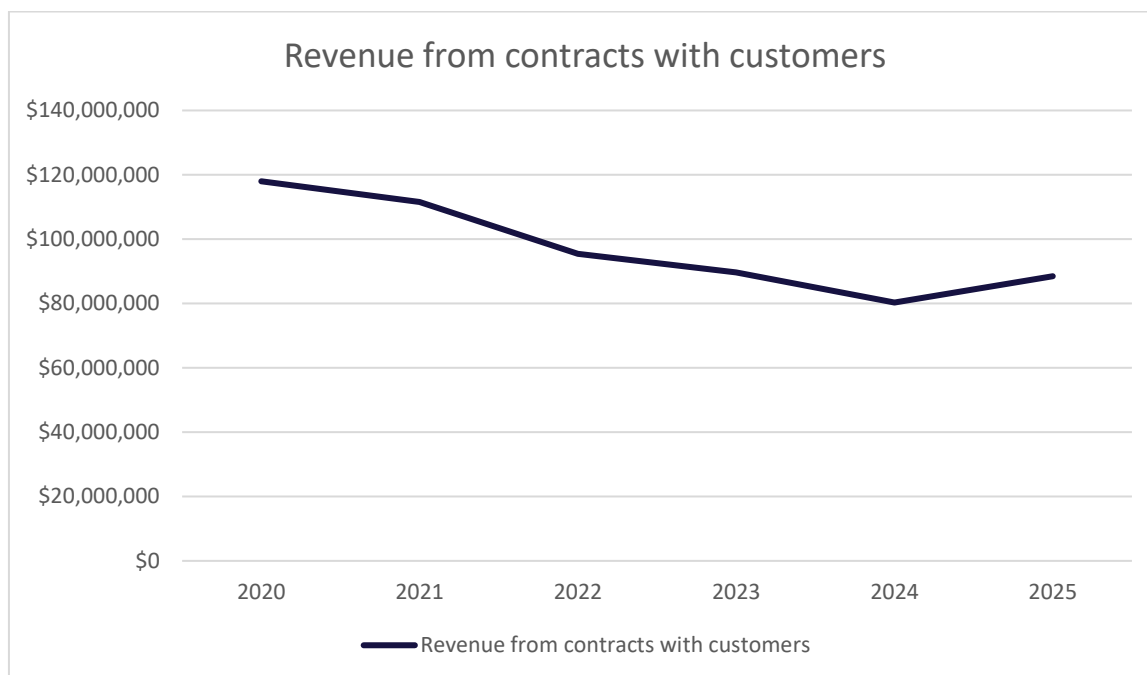
⁶² Bremworth Ltd, "Rest Rebuild Return Annual Report 2025" (2025) Release of FY25 Annual Report <www. bremworth.co.nz>.



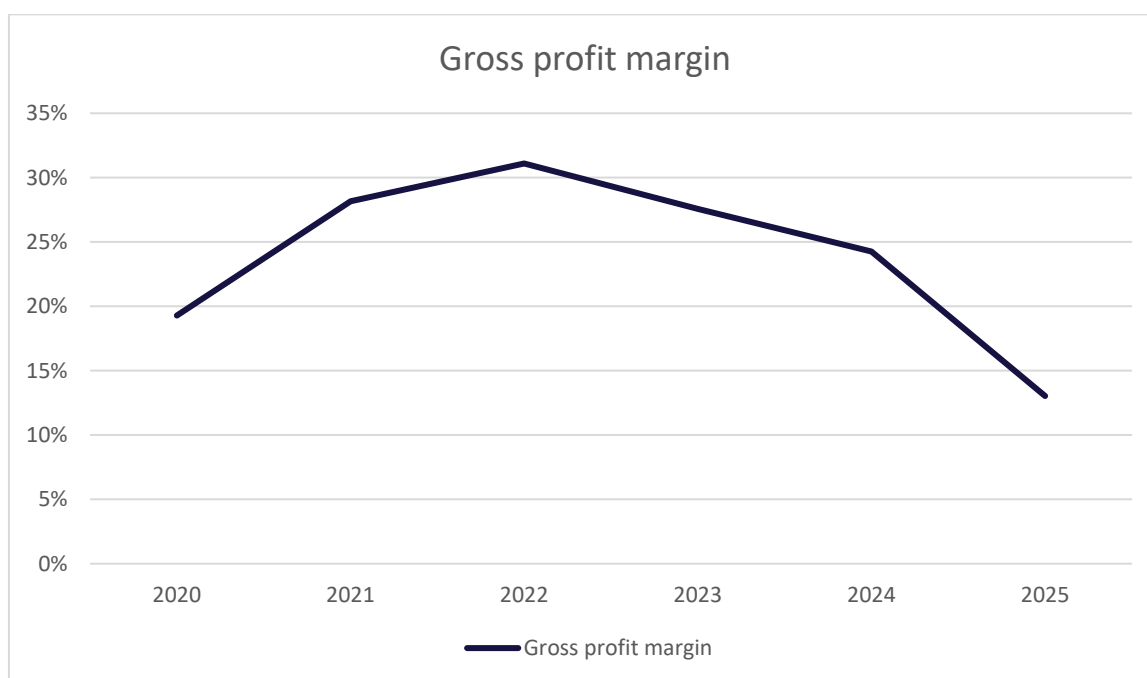
Annual Report ⁵⁶	2020 ⁵⁷	2021 ⁵⁸	2022 ⁵⁹	2023 ⁶⁰	2024 ⁶¹	2025 ⁶²
FS						
Cash and bank	1,276,000 <i>at 43.</i>	22,508,000 <i>at 57.</i>	14,874,000 <i>at 61.</i>	39,319,000 <i>at 55.</i>	31,645,000 <i>at 43.</i>	42,245,000 <i>at 33.</i>
Cash flow hedging reserve	(120,000) <i>at 41.</i>	55,000 <i>at 55.</i>	(576,000) <i>at 59.</i>	938,000 <i>at 53.</i>	378,000 <i>at 41.</i>	349,000 <i>at 31.</i>
Total assets	69,981,000 <i>at 43.</i>	78,023,000 <i>at 57.</i>	78,902,000 <i>at 61.</i>	91,136,000 <i>at 55.</i>	94,918,000 <i>at 43.</i>	107,163,000 <i>at 33.</i>
Total liabilities	36,344,000 <i>at 43.</i>	42,431,000 <i>at 57.</i>	41,131,000 <i>at 61.</i>	40,913,000 <i>at 55.</i>	40,495,000 <i>at 43.</i>	33,869,000 <i>at 33.</i>
Total equity	33,637,000 <i>at 43.</i>	35,592,000 <i>at 57.</i>	37,771,000 <i>at 61.</i>	50,223,000 <i>at 55.</i>	54,423,000 <i>at 43.</i>	73,294,000 <i>at 33.</i>
Notes to FS						
Basic earnings per share	(0.312) <i>at 39.</i>	0.0252 <i>at 53.</i>	0.0324 <i>at 57.</i>	0.1539 <i>at 51.</i>	0.0663 <i>at 39.</i>	0.2704 <i>at 29.</i>
Diluted earnings per share	(0.312) <i>at 39.</i>	0.0250 <i>at 53.</i>	0.0317 <i>at 57.</i>	0.1504 <i>at 51.</i>	0.0653 <i>at 39.</i>	0.2666 <i>at 29.</i>
Revenue from contracts with customers <ul style="list-style-type: none"> Carpet Rugs Wool Other 	Carpet: 98,985,000 Wool Fibre: 16,846,000 Carpet yarn: 1,014,000 <i>At 58.</i>	Carpet: 94,700,000 Wool fibre: 16,029,000 Carpet yarn: 605,000 <i>At 67.</i>	Carpet: 72,296,000 Rugs: 773,000 Wool: 19,178,000 Other: 2,130,000 Carpet yarn: 598,000 <i>At 69.</i>	Carpet: 70,234,000 Rugs: 1,122,000 Wool: 18,187,000 Other: 145,000 <i>At 70.</i>	Carpet: 55,426,000 Rugs: 1,209,000 Wool: 23,213,000 Other: 446,000 <i>At 56.</i>	Carpet: 58,160,000 Rugs: 1,164,000 Wool: 28,920,000 Other: 180,000 <i>At 46.</i>



Time series illustrating selected data points above are included for ease of reference:

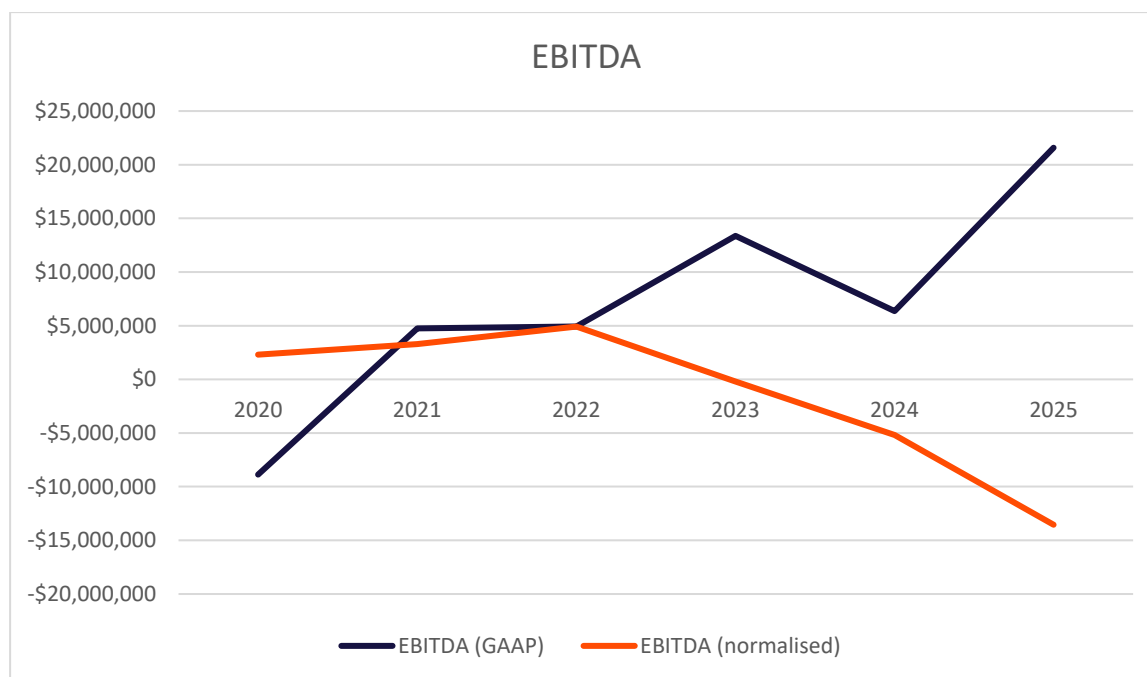


Bremworth's revenue from contracts with customers has consistently declined from FY20 to FY24, dropping from \$118 million to \$80 million, before a modest recovery to \$88 million in FY25. This trend reflects ongoing challenges, with only a slight improvement shown in FY25.





Bremworth's gross profit margin improved from 19.3% in FY20 to a peak of 31.1% in FY22, before declining to 13% in FY25. The initial improvement was followed by a notable deterioration (has more than halved between FY22 to FY25), indicating increased cost pressures.



EBITDA (GAAP) refers to earnings before interest, tax, depreciation, and amortisation. EBITDA (normalised) refers to earnings before abnormal costs, interest, tax, depreciation, and amortisation. The Directors of Bremworth consider non-GAAP financial information, such as normalised EBITDA, to be useful for investors as it excludes insurance claims, restructuring costs, provisions for onerous contracts, and other gains or losses that are not expected to occur regularly, whether due to their quantum or nature. As the Directors place greater emphasis on the normalised calculation, we should do the same.

While the EBITDA (GAAP) has shown a strong improvement, moving from a loss of \$8.87 million in 2020 to a positive \$21.6 million in FY25, the normalised EBITDA has declined. After remaining positive from FY20 to FY22, the normalised EBITDA turned negative in FY23 and declined further in FY24 and FY25. This contrast indicates that, although the reported EBITDA reflects improved performance, Bremworth's underlying profitability, less one-off payments such as insurance income, has actually worsened in recent years.



Appendix B: [Confidential] NERA report – Godfrey Hirst/Bremworth – review of SOI

Godfrey Hirst/Bremworth – review of SOI

Report for Chapman Tripp

5 February 2026

Project Team

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Contains confidential Godfrey Hirst information.

Contains confidential Bremworth information, shaded by the colour [blue] (as is analysis from which Bremworth confidential information could be backed out).

1. Introduction

1. At the request of Chapman Tripp, counsel to Godfrey Hirst, we have reviewed the Commerce Commission's 23 December 2025 statement of issues in respect of the proposed Godfrey Hirst/Bremworth merger ("**the SOI**"). We set out our comments in this report.

2. Market definition

2. In the SOI, the Commission states its current view is that there is a single differentiated product market for carpet.¹
3. For the demand- and supply-side reasons set out in our 15 October 2025 report, we agree with this market definition. This view is also supported by the analysis captured in Figure 1 below, which shows Godfrey Hirst carpet SKU average prices in 2025. This figure shows a material price overlap between SKUs made from synthetic carpet fibres such as polyester and SDN, and wool carpet SKUs. This provides further evidence to support the Commission's definition of a single differentiated product market for carpet.
4. We think some caution is appropriate when considering the very left-hand end of the distribution depicted in Figure 1. The very low prices and preponderance of wool carpets at that low end could be caused by discounting of SKUs that are to be discontinued. But even if we disregard this left-hand end, the overlap in polyester, SDN and wool carpet SKUs throughout the rest of the distribution is striking. Likewise, how far to the right the SDN carpets go and how interspersed they are with wool carpets.

¹ [56] of the SOI.

Figure 1: 2025 Godfrey Hirst polyester, SDN, and wool carpet SKU prices (\$NZD per broadloom metre)

[REDACTED]

]

Source: NERA analysis of Godfrey Hirst carpet SKU data.

Notes: The figure includes all polyester, SDN and wool carpets sold by Godfrey Hirst with sales in 2025. SDN includes SDN carpets sourced from Mohawk. For each carpet, we calculate the average sale price across its colour options by dividing the total net sales by the total volume to estimate an average sales price. We also remove all SKUs with "seconds" in their name, as they may not accurately represent the price of the carpet type.

3. Competition from imports

5. The Commission's primary concern regarding imports appears to relate to wool carpets.

6. At [81] of the SOI the Commission states:

However, we understand that there are fewer existing suppliers of wool carpet compared to synthetic carpet. Because of this, Godfrey Hirst and Bremworth tend to compete closely in the supply of wool carpet and this competition would be lost as a result of the Proposed Acquisition.

7. It is not clear why the number of suppliers affects the closeness of competition between Godfrey Hirst and Bremworth. What is relevant to closeness of competition is the relative diversion ratios between the various suppliers, not the number of them. As we will now explain, there is evidence to suggest that wool carpet importers (as a whole) are at least as close to Bremworth as Godfrey Hirst is.

8. Bremworth's yarn-making plant was heavily damaged and taken offline as a result of Cyclone Gabrielle in February 2023.² The 27 November 2025 report by Link Economics states this lasted for two years.

² [35] of the 27 November 2025 Link Economics report.

Figure 2: Shares of wool carpet segment (by value)

[REDACTED]

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Source: NERA analysis of Godfrey Hirst market share data, Godfrey Hirst sales data, Stats NZ data, and Bremworth sales data.

Notes: Graph shows shares for the value of wool sales from 2021-2024. Wool revenue for Bremworth was estimated using sales data provided by Bremworth. The revenue data was only available in financial year format, so to convert to calendar year format, we first calculated the average sales price by using the revenue and sales volume from each financial year. We then multiplied this average sales price by the sales volume for each calendar year to obtain the estimated revenue for each calendar year. We have also adjusted import values, first by removing the wool imports by Godfrey Hirst itself (which are already captured in Godfrey Hirst's wool sales). Then, following assumptions provided by Godfrey Hirst, we apply a markup to account for wholesalers. This markup assumes 20% of imports are by wholesalers, who then apply a 20% markup.

9. As shown in Figure 2 above, when Bremworth's wool carpet output dropped in 2023 and 2024, Bremworth's subsequent fall in share of wool carpet sales was initially taken up by both Godfrey Hirst and imports, and then primarily by imports.³ The values underpinning these shares, and the shares themselves, are shown in Table 1 below. This shows that the value of imports increased materially more between 2022 and 2024 than the value of Godfrey Hirst sales.

³ Note that we do not currently include Carpet Mill in our estimates.

Table 1: Value of wool carpet sales (\$NZD) and wool segment shares from 2021 to 2024

	Bremworth	Godfrey Hirst	Imports	Total
2021	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2022	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change from 2022 to 2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change from 2023 to 2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Change from 2022 to 2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: NERA analysis of Godfrey Hirst market share data, Godfrey Hirst sales data, Stats NZ data, and Bremworth sales data.

Notes: Wool revenue for Bremworth was estimated using sales data provided by Bremworth. The revenue data was only available in financial year format, so to convert to calendar year format, we first calculated the average sales price by using the revenue and sales volume from each financial year. We then multiplied this average sales price by the sales volume for each calendar year to obtain the estimated revenue for each calendar year. We have also adjusted import values, first by removing the wool imports by Godfrey Hirst itself (which are already captured in Godfrey Hirst's wool sales). Following assumptions provided by Godfrey Hirst, we then apply a markup to account for wholesalers. This markup assumes 20% of imports are by wholesalers, who then apply a 20% markup. Note slight discrepancies across percentages are due to rounding.

10. Furthermore, as shown in Figure 3, Godfrey Hirst's gross margins on its wool carpets have generally decreased since 2021.

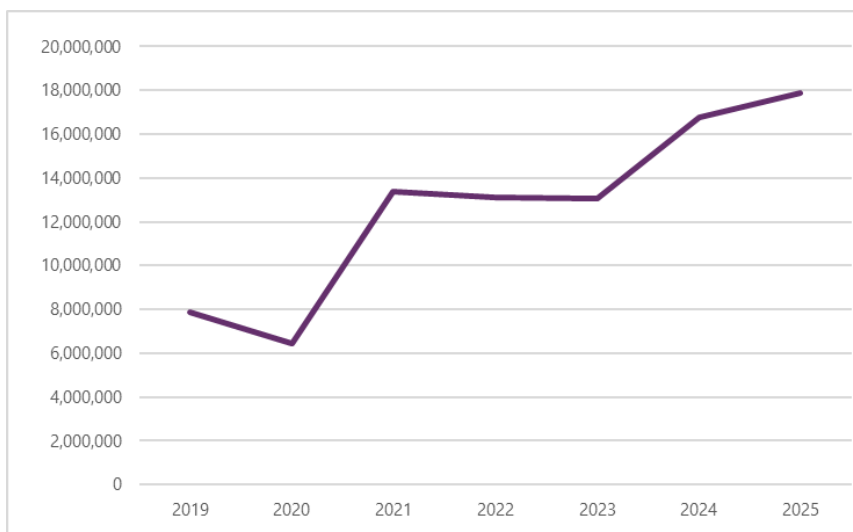
Figure 3: GHNZ gross margin % for Wool carpets

[REDACTED]

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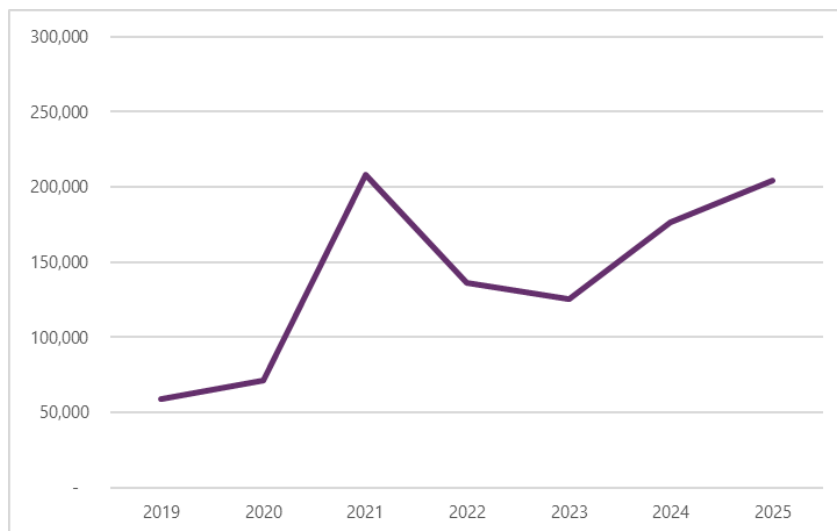
Source: Godfrey Hirst margins analysis.

11. The value of wool carpet imports has also generally been increasing (although volumes have varied more) – see Figures 4, 5 and 6 below, which are updated from our 15 October 2025 report in light of more recent data now being available.

Figure 4: Wool carpet import values (\$NZD)

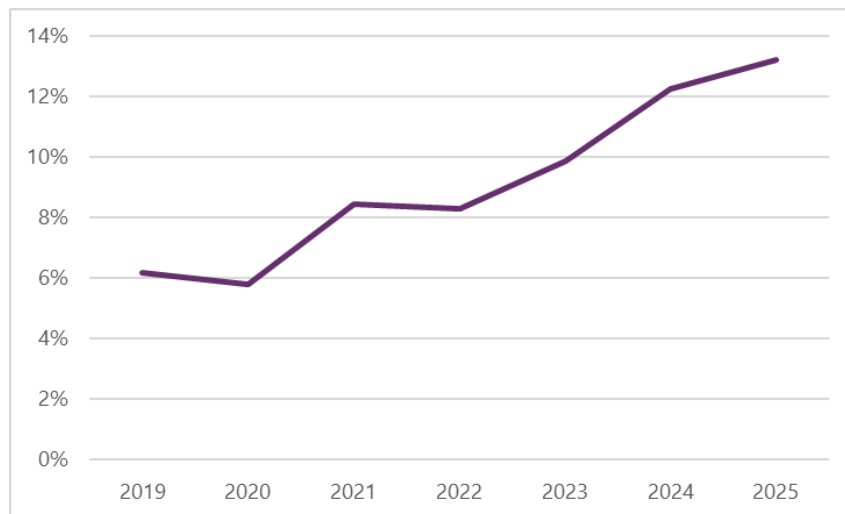
Source: Stats NZ

Notes: The graph shows the value of wool imports based on cost plus insurance and freight. Note that for 2019-2024, the values reflect years ending December, however the 2025 value only covers up to November 2025. Note that these values include wool carpet imports by domestic manufacturers like Godfrey Hirst. We do not have the relevant data to be able to adjust for these imports across the entire time series.

Figure 5: Wool carpet import quantities

Source: Stats NZ

Notes: The graph shows the quantity of wool imports in broadloom metres. Note that for 2019-2024, the values reflect years ending December, however the 2025 value only covers up to November 2025. Note that these values include wool carpet imports by domestic manufacturers like Godfrey Hirst. We do not have the relevant data to be able to adjust for these imports across the entire time series.

Figure 6: Wool share of total carpet import value

Source: Stats NZ

Notes: The graph shows what percent of the value of total imports (based on cost plus insurance and freight) can be attributed to wool fibre carpets. Note that for 2019-2024, the values reflect years ending December, however the 2025 value only covers up to November 2025. Note that these values include wool carpet imports by domestic manufacturers like Godfrey Hirst. We do not have the relevant data to be able to adjust for these imports across the entire time series.

12. We have also been provided with updated gross margin figures for Bremworth's carpet sales from FY22 to FY25. Figure 7 below is an updated version of Figure 16 from our 15 October 2025 report, showing that Bremworth's carpet gross margins have [REDACTED] significantly over time. This is also consistent with increasing competitive pressure from imports.

Figure 7: Bremworth carpet gross margins FY22-FY25 (%)

[REDACTED]

]

Source: Bremworth

Notes: This data covers the financial years of 2022 to 2025. These margin values are for all carpets sold by Bremworth, and therefore still include some synthetic carpet sales in FY22 (although less than [REDACTED] lineal metres). The values exclude rugs and other non-carpet products (such as stain removers).

4. Conglomerate effects

13. [162] of the SOI states:

Given this feedback, in addition to the unilateral effects outlined above, we are continuing to consider whether the Proposed Acquisition has the potential to give rise to conglomerate (or portfolio) effects, for example, by:

162.1 strengthening Mohawk (through Godfrey Hirst and Floorscape)'s negotiating position in its commercial arrangements with retailers in the supply of soft and/or hard flooring. For example, by Mohawk potentially leveraging its position in one product segment in order to boost sales in another segment; and/or

162.2 increasing barriers for other suppliers of soft and/or hard flooring to supply to retailers by limiting their access to retail floor space. For example, by Mohawk (through Godfrey Hirst and Floorscape) offering pricing and rebate structures to reward retailers for using Mohawk as a preferred supplier.

14. When describing conglomerate mergers in its *Mergers & Acquisitions Guidelines*, the Commission gives the specific behaviours of bundling and tying.⁴ In this section, we:

- A. Briefly describe the economics of bundling and tying and the conditions for bundling or tying to be anticompetitive; and
- B. Assess whether those conditions apply in the case of the proposed merger of Godfrey Hirst and Bremworth.

4.1. The economics of bundling and tying

15. Bundling is the selling of two (or more) goods at a single price.⁵ “Pure bundling” occurs when two products, A and B, are only sold together in fixed proportions, while “mixed bundling” is when A and B are sold together but are also offered separately at a standalone price.⁶ In mixed bundling, the seller typically incentivises consumers to buy the bundle by selling it at a lower price relative to the combined standalone prices of its component goods.⁷
16. Tying occurs when a seller conditions the purchase of A (the tying good) on the purchase of B (the tied good).⁸ Tying is distinct from both types of bundling because while it requires all buyers of A to also purchase B, it allows buyers of B to purchase the good on its own.⁹

⁴ Page 36.

⁵ Barry Nalebuff, *Bundling, Tying, and Portfolio Effects: Part 1, Conceptual Issues* (DTI Economics Paper No. 1: United Kingdom: Department of Trade and Industry, June 2003) (“DTI Report on Bundling and Tying”), p. 9, version archived on 14 February 2006. Retrieved from the UK Government Web Archive: https://webarchive.nationalarchives.gov.uk/ukgwa/20060214213341mp_/http://www.dti.gov.uk/ccp/topics2/pdf2/bundle1.pdf (accessed 17 October 2025).

⁶ Nalebuff, *DTI report on Bundling and Tying*, pp. 13-14.

⁷ Herbert Hovenkamp and Erik Hovenkamp, “Tying Arrangements,” in *The Oxford Handbook of International Antitrust Economics*, ed. Roger D. Blair and D. Daniel Sokol, vol. 2 (Oxford University Press, 2014), p. 330.

⁸ Jeffrey Church, “Conglomerate Mergers,” in *Issues in Competition Law and Policy*, vol. 2 (ABA Section of Antitrust Law, 2008), p. 1519.

⁹ Nalebuff, *DTI report on Bundling and Tying*, p. 15.

Moreover, a bundle is generally not divisible, but buyers can typically choose how many units of the tying good to purchase.¹⁰

17. Bundling and tying strategies are common practice in competitive markets.¹¹ For example, electronic stores typically sell computer hardware and software in a pure bundle, fast food restaurants offer meal bundles at a lower price than if the bundled items are purchased individually, and airlines tie meals and/or baggage transport to passenger seat tickets. The economic literature attributes the existence of these strategies to the efficiencies they generate for buyers and sellers.¹²
18. In the context of a merger involving two complementary goods, bundling and tying strategies benefit consumers because they lead to a pricing efficiency by eliminating horizontal “double marginalisation.”¹³ When products are complements, an increase in the price of one product reduces demand for the other, and vice versa. If separate firms produce the complementary products, they will not take this externality into account.
19. By contrast, a merged firm would internalise this effect. That is, the merged firm captures the increase in demand for one complementary good when it lowers the price of the other complementary good. As Choi (2008) discusses, by internalising the pricing externality between the complementary goods, it is profit maximising for the merged firm to lower the price of both products, since this will increase the sales and profits for both products.¹⁴ This effect is known in the economic literature as the “Cournot effect.”
20. Aside from pricing, bundling and tying strategies can also be procompetitive by promoting customer convenience through packaged offerings, reducing transaction costs, such as negotiation costs or the cost of installing components together, and introducing quality improvements from joint production.¹⁵

¹⁰ Church, “Conglomerate Mergers,” p. 1520. For example, a tie requiring two units of B to be purchased with every unit of A is not the same as a (predetermined) bundle offering two units of A and four units of B at a set price. The economic literature lacks a unified view on the distinction between bundling and tying. For example, Nalebuff treats tying as a special case of bundling, while Hovenkamp and Hovenkamp characterise bundling as “two-way tie” (Nalebuff, DTI report on Bundling and Tying, p. 15; Hovenkamp and Hovenkamp, “Tying arrangements,” p. 330). For an extended discussion, see footnote 17 in Bruce H. Kobayashi, “Does Economics Provide a Reliable Guide to Regulating Commodity Bundling by Firms? A Survey of the Economic Literature,” *Journal of Competition Law and Economics* 1, no. 4 (2005): pp. 710-11.

¹¹ Kobayashi (2005), “Does Economics Provide a Reliable Guide to Regulating Commodity Bundling by Firms?” pp. 707-08.

¹² For a summary of the economic literature on the efficiency of bundling see sections 7.3.2.1 and 7.3.2.2 of Massimo Motta, *Competition Policy: Theory and Practice*, (Cambridge University Press, 2004); pp. 598-599 of Dennis W. Carlton, Patrick Greenlee and Michael Waldman, “Assessing the Anticompetitive Effects of Multiproduct Pricing”, *Antitrust Bulletin* 53, no. 3 (2008); and pp. 39-42 of David S. Evans and Michael Salinger, “Why Do Firms Bundle and Tie? Evidence from Competitive Markets and Implications for Tying Law,” *Yale Journal on Regulation* 22, no. 37 (2005).

¹³ Church, “Conglomerate Mergers,” p. 1521.

¹⁴ Jay P. Choi, “Mergers with Bundling in Complementary Markets,” *Journal of Industrial Economics* 56, no. 3 (2008): p. 563.

¹⁵ Church, “Conglomerate Mergers,” p. 1524; Evans and Salinger, “Why Do Firms Bundle and Tie?” p. 52.

21. Lastly, supply-side efficiencies can arise from economies of scope when the integrated firm can spread fixed costs associated with production, marketing, and/or distribution across multiple products, which can lead to lower prices for consumers.¹⁶

4.2. The conditions for bundling or tying to be anticompetitive

22. For a merged firm's bundling or tying strategy to be anticompetitive, the following conditions must hold:
- A. The merged firm would need a high degree of market power in one of the goods in the bundle/tie.¹⁷ In the literature, this is sometimes characterised as the merged firm including a "must-have" product in the bundle/tie.¹⁸
 - B. Bundling or tying is profitable for the merged firm, or the incremental gains from the consumers who accept the bundle/tie is greater than the losses from consumers that forgo the good that the firm has market power in because they do not accept this good in a bundle/tie.¹⁹
 - C. The merged firm is able to leverage its market power to foreclose its competitors for the other (tied) good(s) in the bundle/tie. In other words, the merged firm would need to:
 - i. First undermine the competitiveness of its rivals (for example, by reducing their market share to the point they are sub-scale, or their marginal costs rise);²⁰ and

¹⁶ Church, "Conglomerate Mergers," p. 1524. Alternatively, fixed cost savings can promote non-price efficiencies, such as quality improvements discussed at [20].

¹⁷ Models of the anticompetitive effects of bundling and tying mostly assume that a firm has monopoly or duopoly over one of the linked goods. See for example: Michael D. Whinston, "Tying, Foreclosure, and Exclusion," *American Economic Review* 80, no. 4 (1990), p. 841; Kobayashi (2005), "Does Economics Provide a Reliable Guide to Regulating Commodity Bundling by Firms?" pp. 712-13. In a 2005 report for the UK Office of Fair Trading, RBB Economics points out that (paragraph 4.39), "Economic theories of foreclosure are better developed for what might be deemed 'super dominant' firms. Foreclosure theories would appear to be less well developed (and hence less robust) in situations where dominant firms face some, albeit not fully effective, competition." Adrian Majumdar et al., *Selective Price Cuts and Fidelity Rebates* (OFT804, London: RBB Economics, 2005) ("RBB Economics Report"), p. 113, Office of Fair Trading Website: Economic Research, published July 2005, version archived on 2 April 2014. Retrieved from the UK Government Web Archive: <https://webarchive.nationalarchives.gov.uk/ukgwa/20140402161718/http://www.oft.gov.uk/OFTwork/publications/publication-categories/reports/Economic-research/oft804> (accessed 10 October 2025).

¹⁸ Enrique Ide and Juan-Pablo Montero, "Monopolization with Must-Haves," *American Economic Journal: Microeconomics* 16, no. 3 (2025): pp. 284-89; Section 2 of Richard M. Steuer, "Musthavedness," *Antitrust Law Journal* 81, no. 2 (2017): 447-474.

¹⁹ For a detailed discussion on firms' rationale for bundling and tying see Dennis W. Carlton and Michael Waldman, "Tying," in *Issues in Competition Law and Policy*, vol. 3 (ABA Section of Antitrust Law, 2008), pp. 1866-1872; Carlton and Michael Waldman, "Upgrades, Switching Costs and the Leverage Theory of Tying," *Economic Journal* 122, no. 561, (June 2012): 682-85; Nicholas Economides, "Tying, Bundling, and Loyalty/Requirement Rebates," in *Research Handbook of the Economics of Antitrust Law*, ed. Einer Elhauge (Edward Elgar, 2012): p. 130 and pp. 134-135; James Mancini and Gaetano Lapenta, *Roundtable on Conglomerate Effects of Mergers - Background Note by the Secretariat* (Organisation for Economic Co-operation and Development, 10-12 June 2020) ("OECD Note on the Conglomerate Effects of Mergers"), pp. 12-14, available at [https://one.oecd.org/document/DAF/COMP\(2020\)2/en/pdf](https://one.oecd.org/document/DAF/COMP(2020)2/en/pdf).

²⁰ See Carlton, Greenlee and Waldman (2008, p. 611), who state that "For a pricing strategy to have an anticompetitive effect on rival firms, the strategy must alter the ability of rival firms to compete. This can be accomplished by denying a rival firm sales which otherwise would insure its survival or reduce its marginal costs". Similarly, Murphy, Snyder and Topel (2015) state that bundling practices that "do not impair the rival's ability to compete – that is, do

- ii. Then exercise market power (for example, by raising price).²¹
23. It is important to emphasise this last requirement ([20C]). By itself, reduced sales by rivals in the tied product market is not sufficient to create a competitive detriment. The competition concern is whether the merged entity can sustainably raise price (or lower quality) in the tied product market. It could only do so if the competitiveness of rivals has been undermined, which does not necessarily follow just because those rivals are selling less.
24. A merged firm's ability to foreclose rivals in the other (tied) good market can also depend on the ability of consumers to exercise buyer power²² and the extent to which the strategy is irreversible.²³
25. In the economic literature, reversibility is discussed in terms of the merged firm's "commitment" to or the "credibility" of the strategy.²⁴ The commitment effect is strong if the costs of undoing the strategy are very high, so it is difficult to reverse it as in, for example, a technical tie that involves modifying the bundled or tied products so that they are incompatible with individual components manufactured by rival firms. By contrast, the effect is weak if the bundle or tie occurs at the marketing or packaging level as it can be easily reversed.²⁵
26. The OECD notes that technical ties *"are more likely to be credible, meaning they are more likely to cause competitors to leave a market, or to avoid entering the market. For example, an investment by a firm in changes to its production process in order to limit the compatibility of rivals' complements could be more credible than a tying provision in a sales contract [references omitted]."*²⁶

not drive the rival from the market or raise its marginal costs – do not impinge the rival's ability to discipline market prices." Kevin M. Murphy, Edward A. Snyder, and Robert H. Topel (2015), "Competitive Discounts and Antitrust Policy", in *The Oxford Handbook of International Antitrust Economics*, ed. Roger D. Blair and D. Daniel Sokol, vol. 2 (Oxford University Press, 2014), p. 102.

²¹ For example, Carlton and Waldman (2008) state (at p. 1237) that "the key issue is whether the price of [the competitive good in the bundle] can ultimately be elevated above the competitive level as a result of the competitive impairment of the rival." Dennis W. Carlton and Michael Waldman, "Safe Harbors for Quantity Discounts and Bundling," *George Mason Law Review* 15, no. 5 (2008), p. 1237. Carlton, Greenlee and Waldman (2008) make a similar point at p. 613.

²² Carlton and Waldman, "Upgrades, Switching Costs and the Leverage Theory of Tying," pp. 694-95; Church, "Conglomerate Mergers," pp. 1529-30, 1532-33, 1537.

²³ See: Motta, *Competition Policy: Theory and Practice*, p. 467; Choi, "Mergers with Bundling in Complementary Markets," pp. 570-71; OECD Note on the Conglomerate Effects of Mergers, pp. 12-14.

²⁴ Whinston, "Tying, Foreclosure, and Exclusion," pp. 839-49, 852-55; Alden F. Abbott and Joshua D. Wright, "Antitrust Analysis of Tying Arrangements and Exclusive Dealing," Research Paper No. 08-37 (George Mason University Law and Economics Research Paper Series, June 16, 2008), pp. 10-12;

²⁵ Motta, *Competition Policy: Theory and Practice*, p. 467; Choi, "Mergers with Bundling in Complementary Markets," pp. 570-71; OECD Note on the Conglomerate Effects of Mergers, pp. 12-14.

²⁶ OECD Note on the Conglomerate Effects of Mergers, pp. 13.

4.3. Application to the Godfrey Hirst/Bremworth merger

27. The conglomerate effects theory of harm in the SOI is quite vague, making it difficult to respond to. However, it seems clear that the requirements for anticompetitive bundling or tying are not met. In particular:
- A. For the reasons already explained in this and our 15 October 2025 report, the merged entity would not have a high degree of market power in carpets, because of the competitiveness of imports. Likewise, the merged entity would not have a high degree of market power in hard flooring. Because Bremworth does not supply hard flooring, there would be no horizontal aggregation from the merger²⁷ and Godfrey Hirst has only about [REDACTED] of the hard flooring market.²⁸
 - B. It would not be possible to undermine the competitiveness of import rivals of soft or hard flooring (for example, by reducing their market share to the point they are sub-scale, or their marginal costs rise). We understand there is no specificity in the assets required to transport or warehouse hard or soft floorings. It is also likely that services such as warehousing and transport could be contracted out to third parties. Accordingly, from a conceptual perspective we would not anticipate economies of scale being particularly material for the import of soft or hard floorings into New Zealand.
28. Regarding the importing of carpets, at [118] of the SOI the Commission states, *"we have also received feedback that importers can face some practical issues when supplying their product in New Zealand."* The SOI then lists these issues and concludes, *"we are still assessing how these practical issues have changed over time and whether they materially impact the reliance we can place on importers of synthetic carpets."*
29. The SOI acknowledges that imports make up 50% of the market ([113]). This implies that the identified "practical issues" are not issues in fact.

²⁷ [67.2] of the SOI.

²⁸ [REDACTED]



Appendix C: [Confidential] Letter to wholesaler from Brintons

[REDACTED]



Appendix D: [Confidential] Examples of Godfrey Hirst pricing decisions

[REDACTED]



Appendix E: [Confidential] Harrisons Flooring year-on-year change

Harrisons NZ – Carpet Purchases

Year	Broadloom Metres	Square Metres	YoY Change	Net Sales \$NZD	YoY Change
2021	[REDACTED]	[REDACTED]		[REDACTED]	
2022	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2025	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Grand total	[REDACTED]	[REDACTED]		[REDACTED]	
5-year CAGR			[REDACTED]		[REDACTED]

SDN

Year	Broadloom Metres	Square Metres	YoY Change	Net Sales \$NZD	YoY Change
2021	[REDACTED]	[REDACTED]		[REDACTED]	
2022	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2025	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Grand total	[REDACTED]	[REDACTED]		[REDACTED]	
5-year CAGR			[REDACTED]		[REDACTED]



Wool

Year	Broadloom Metres	Square Metres	YoY Change	Net Sales \$NZD	YoY Change
2021	[REDACTED]	[REDACTED]		[REDACTED]	
2022	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2025	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Grand total	[REDACTED]	[REDACTED]		[REDACTED]	
5-year CAGR			[REDACTED]		[REDACTED]