

SUBMISSION ON COMMISSION'S SOUI

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 Unresolved Issues (**SoUI**) dated 14 April 2026 in relation to Mohawk's proposed acquisition of 100% of the shares of Bremworth Limited (**Bremworth**) (**Proposed Acquisition**).
- 2 Although dated 14 April, a public version of the SoUI containing reference to the confidential materials provided previously to the Commission by Mohawk was not in fact made available to us until 17 April. Further, a response to our Official Information Act request dated 15 April for access to confidential information contained or referred to in the SoUI was not available to us until 7 May. Both those delays were factors in the lateness of this submission, for which we apologise.

SUMMARY

- 3 In response to the issues which the Commission continues to test (as set out in paragraphs 8 to 13 of the SoUI), we say that the position shown by the information we have already provided in relation to the Proposed Acquisition, together with the further information that we now provide, is as follows:
 - 3.1 The Commission is correct in its definition of a soft flooring market (including all types of carpet supplied to all types of customers). Orthodox economic analysis and commercial common sense confirm this. However, demand for hard flooring options continues to increase;
 - 3.2 Given the volume, value and diversity of soft flooring products that now are imported for wholesale supply, and the undisputed fact of ongoing tariff reductions that must result in significant further imports, the Commission cannot reasonably now have remaining concerns that the Proposed Acquisition would have, or would be likely to have, the effect of substantially lessening competition in the soft flooring market;
 - 3.3 As imports already comprise around 50% of wholesale supply of carpet, the merged entity could not profitably increase price above, and/or reduce quality or innovation below, the competitive level that would prevail without the merger;
 - 3.4 Closeness of competition demonstrably comes from imports, not a weakened Bremworth. On the contrary, competition from Bremworth continues to decline, especially in relation to wool carpet. That decline is manifest not only in the volume and value of wool carpet supplied by Bremworth, but also in [REDACTED]. Such decline will continue as increasing costs of wool impact adversely on demand for wool carpet;
 - 3.5 Importer competitors will continue to, and increasingly, provide the strongest competitive constraint in the wholesale supply of both wool and synthetic carpets;
 - 3.6 High quality synthetic carpets (such as SDN) face the same significant constraint from imported carpet as carpets of other fibre. NERA's previous



analysis has demonstrated that there is a single differentiated product market for carpet, with price, quality, colour and other purchasing preferences determining choice. Imported carpet produced by overseas manufacturers using SDN is readily substitutable for locally produced SDN carpet;

- 3.7 While environmental and/or sustainability factors may influence some end users and government-mandated procurers, for most consumers other factors predominate, including price, durability, ease of cleaning and colour. Although a slight increase in wool carpet sales occurred from FY21 to FY24 – including increasing imports of wool carpet – that perceived trend will be reversed as manufacturers and importers pass on significantly increased wool supply costs;
- 3.8 As is shown in the detailed legal analysis by Chapman Tripp (attached as **Appendix A**), the assertion (in paragraph 12 of the SoUI) that it is sufficient if there is an appropriate degree of a lessening of competition in a significant section of a broader market [i.e., for there to be a substantial lessening of competition in the broader soft flooring market] is simplistic and wrong. The correct legal and orthodox economic position is that, where a potential lessening of competition in a segment of the market is identified, the dynamics of competition in the broader market proper still must be assessed;
- 3.9 In other words, a lessening of competition in relation to wool carpet alone is not sufficient for the section 47 of the Commerce Act prohibition to apply. Further, the SoUI's perceived need to focus on the significance of "wholesale wool carpet supply within a soft flooring market" is factually flawed. While wool carpet may make up a changing proportion of the flooring market in accordance with import costs and consumer preference, the factors affecting supply of wool carpet are essentially the same as for synthetic carpet and other forms of soft flooring. In particular, the processes involved in, and factors affecting (other than price), manufacture of wool carpet and synthetic carpet are the same;
- 3.10 Similarly, there is no significant difference between importing wool carpet and importing other soft flooring, including synthetic carpet;
- 3.11 No evidence showing practical differences in manufacturing or importing wool carpet, compared with synthetic carpet, has been demonstrated by any submission opposing the proposed acquisition;
- 3.12 There are no trade barriers to expansion by wool carpet importers. On the contrary, further reductions in tariffs (especially in relation to carpets from India and the UAE) mean any remaining barriers to importing wool carpet are fast disappearing;
- 3.13 Importers already are of a scale to provide meaningful constraint on the merged entity in the supply of wool carpet;
- 3.14 In summary, given the above, there is no proper basis for the Commission not now being satisfied that the Proposed Acquisition will not have, or will not be likely to have, the effect of substantially lessening competition in a market in



New Zealand. The Commission should therefore grant clearance for the Proposed Acquisition.

- 4 Notwithstanding, we turn now to address, so far as we are able, the specific matters on which the Commission are interested in receiving further information (as set out in Attachment A to the SoUI). In responding to that request, we have sought further expert economic assistance from NERA (whose further report is attached as **Appendix B**). In summary, NERA say:

The declining competitiveness of Bremworth under the counterfactual

1. *Bremworth's financial difficulties mean it is likely to be a diminishing competitive force under the counterfactual. In particular, on its current trajectory Bremworth will [REDACTED] under the counterfactual, affecting its ability to invest and consequently its [REDACTED].*

Constraints from imports

2. *When Bremworth's wool carpet output reduced following the Cyclone Gabrielle damage to its yarn plant:*
- A. *Most of the output gap was filled by wool carpet imports; and*
- B. *Far from being able to raise its price for wool carpets, Godfrey Hirst's wool carpet gross margins have [REDACTED] since 2021.*
3. *This natural experiment is analogous to an exercise of market power (both involving a reduction in output) and implies that if the merged entity raised price or reduced quality, there would be sufficient expansion by wool carpet importers to offset this.*
4. *One of the tensions within the SOUI is:*
- A. *Acceptance by the Commission that imports of synthetic carpets have constrained Godfrey Hirst; but*
- B. *A concern that imports of wool carpet would not constrain the merged entity.*
5. *For the latter to be correct in light of the former, there would have to be something materially different about the economics of selling imported wool carpets than selling imported synthetic carpets. Demonstrably, however, this is not the case. Rather:*
- A. *There are no material barriers to expansion by wool carpet importers; and*
- B. *There are no material differences between the economics of selling imported wool carpets and imported synthetic carpets.*



Efficiencies

6. *It is difficult to reconcile the SOUI's finding that Bremworth's re-entry to SDN would lower Bremworth's average costs and improve Bremworth's competitive position across its full range of carpet products with the SOUI's cursory rejection of the filed evidence that the merger would lead to pro-competitive efficiencies. Some of the analysis in the SOUI is also at odds with the Commission's own Mergers and Acquisitions Guidelines.*

7. *Many of the synergies/cost savings identified by Godfrey Hirst are variable over the two-year timeframe typically analysed by the Commission.*

8. *Analysis by Godfrey Hirst implies its acquisition of Bremworth would enable the merged entity to produce the Bremworth volumes at a materially lower cost, taking advantage of economies of scale and scope. This would better enable the merged entity to compete against imports. Over time, the competitive pressure from imports would result in merger-induced cost savings being passed on to retailers (and ultimately carpet consumers).*

- 5 We also commissioned an expert survey on carpet purchasing behaviour carried out during April 2026 by Baseline Consultancy, whose synopsis and report are attached as **Appendix C (Survey)**. In summary, Baseline say:

Over the total sample of 204 recent purchasers of new carpet, 135 (66%) had a specific fibre preference before they started the purchase process and 69 (34%) either did not have an initial preference or did not know the difference between fibre types.

81 of these 135 had an initial preference for wool carpets.

Of the 135, 18% (approximately 24) switched from preferring wool to buying synthetic (or a blend). This is equivalent to 24 out of 81 initial wool carpet preferers switching to buying synthetic, implying a switching percentage of 30%. A further 7 people switched from preferring synthetic (or a blend) carpet to buying wool carpet.

Furthermore, 60 purchasers started the process without a fibre preference. A further 9 did not know the difference between fibre types. Of these, only 20% (approximately 12) decided to buy wool carpet.

Only 25% of the total sample held a very strong predetermined preference for a certain type of carpet fibre, and this was strongly skewed towards those people who eventually bought wool carpet.

- 6 Baseline Consultancy also carried out a research report for Godfrey Hirst in April 2026 measuring brand metrics in flooring (**Brand Report**). That survey and report were commissioned for advertising purposes unrelated to the proposed acquisition. The Brand Report is attached as **Appendix D**. In summary, Baseline say:

[REDACTED]



]

- 7 Market survey expert Murray Campbell, a Fellow and Life Member of the Market Research Association, administered the Survey and Brand Report. The results in Appendices C and D constitute quantifiable statistical evidence. For the Survey, which included 204 participants, the maximum margin of error at a 95% confidence level is $\pm 6.9\%$. Accordingly, within those statistical parameters, the Survey, together with the Brand Report, provides a fair and accurate representation of the preferences and behaviours of New Zealand carpet buyers.
- 8 The Appendices referred to and summarised above provide, so far as possible, a quantitative response to the Commission's further information requests. They comprise a combination of detailed legal analysis, expert economic analysis and public opinion and brand awareness surveys. No comparable analysis in relation to the Proposed Acquisition has been provided either by the SoUI itself or by other parties making submissions on it.
- 9 We stress that, so far as possible, the Commission's determination must be fact-based, and not speculative.

OUR RESPONSE TO COMMISSION'S FURTHER INFORMATION REQUESTS IN ATTACHMENT A (as set out below in italics)

Market Definition

Demand side considerations

- *the proportion of end-consumers that are willing to substitute a soft flooring product, but particularly a wool carpet proposed for a common living space or a bedroom, for any type of hard flooring product;*
- 10 Industry data provided previously to the Commission (i.e. 2025 IBIS World Industry Report on Floor Coverings Retailing in Australia) show carpet as making up 47.4% of the flooring market in Australia, with hard flooring comprising 32.5%. There is no comparable report for New Zealand; but Godfrey Hirst calculates that carpet currently comprises 53% of New Zealand flooring. On that basis, it may be assumed that hard flooring comprises around 30% of New Zealand flooring, requiring retailers to provide both options.
 - 11 The IBIS Report further explains how consumers' flooring preferences are changing. In particular:

"Carpet remains consumers' most popular floor covering option, thanks largely to its durability, affordability and insulation properties. However, demand of timber and laminate flooring has continued to climb, owing to the low maintenance and aesthetic appeal of floor boards over carpet ..."
 - 12 The IBIS Report goes on to say:

"Seasonal colour trends and interior design fads shape retailers' product ranges. Factors like a consumer's age, decorating style and budget can also



influence demand. Retailers like Carpet Call have tried to stand out by offering niche products like hand-made custom rugs, which allow customers to choose the quality, shape, size, design and colour of their purchases.”

- 13 In short, there is now no “one size fits all” with regard to consumers’ choice of floor covering, whether it be for use in a bedroom, common living space or elsewhere.
- 14 The growing popularity of online shopping, and retailers’ investment in virtual reality technology is enabling consumers to make more informed, more individual purchasing decisions when selecting between an increasing range of flooring options. That includes use of hard flooring products especially when complemented with rugs.
- 15 All these factors apply with regard to the retail supply of flooring products in New Zealand, too, with consumers very aware of their increasing choice of flooring products; and being increasingly willing to exercise that choice.
- 16 That increased willingness of consumers to exercise choice in relation to flooring products is shown in the Survey, which found that 12% of recent purchasers switched from wool carpet to synthetic or blended fibre carpet mainly because of perceived affordability and durability. While not a direct response to the Commission’s request for the proportion of end customers willing to substitute a wool carpet for any type of hard flooring product, it does illustrate initial wool preferers’ willingness to change to an alternative product.
- 17 A well-known Auckland retailer, who wishes to remain anonymous, has observed that approximately 5% to 10% of consumers are switching from carpet to hard flooring in common living areas such as lounges. The retailer also notes that around 20% of consumers who initially prefer wool ultimately switch to synthetic carpet, which is consistent with the survey evidence. These observations provide further practical support for the broader trend of substitution across flooring types and fibres.
 - *the proportion of end-consumers that are only willing to purchase a particular type of carpet, particularly wool carpet, and would not be prepared to switch to another type of carpet in response to price or other changes; and*
- 18 The Survey provides detailed analysis of end-consumers’ willingness to switch. Significantly, among the 131 consumers who had a specific fibre preference before they started their purchase process, almost 24% switched to a different fibre, with more going from wool to synthetic (19%) than from synthetic to wool (5%). The remainder (76%) stayed with their original fibre choice.
 - *the extent to which end-consumer decisions on whether to buy a synthetic carpet or a wool carpet are impacted by changes in price (for example, if the number of consumers buying wool carpet reduces as the price of wool carpet increases or the relative price of synthetic carpet reduces).*
- 19 The Survey does not explore reasons for end-consumer decisions – which in practice will likely involve a mix of personal preference factors, but instead examines the dynamics of carpet fibre and switching. Significantly, only 25% of the total sample had a very strong predetermined preference for a certain type of fibre, which was strongly skewed towards those people who eventually bought wool carpet.



- 20 In contrast, the majority of people held a moderate to mild level of fibre preference; and were open to alternative fibres. The major differences occur as those who move from a set preference to actual purchase elect to buy synthetic (16% to 28%) or a wool-synthetic blend (11% to 30%) carpets.
- 21 Very clearly, price and affordability are significant factors in the actual purchase for many of those switching.

Supply side considerations

- *the costs and/or requirements involved in increasing the volume of yarn/fibre manufacturers/importers use and/or source;*
- 22 The principal cost of manufacturing carpet is the cost of raw materials, particularly fibre. In the case of wool carpet, strong wool prices have risen sharply and are now at 10-year highs, reaching \$5.55 per kilogram on 30 April 2026.¹ That increase has materially raised the cost of wool carpet production. For synthetic carpet, raw material costs are also influenced by international supply conditions, including the cost of sourcing fibre from overseas.
- 23 Accordingly, raw material input costs are a critical determinant of manufacturing cost, product pricing and margin across both wool and synthetic carpet. Any assessment of competitive dynamics in the carpet sector must take those cost pressures into account.
- 24 Godfrey Hirst and Feltex use only New Zealand wool, which is processed through their three specialist New Zealand plants in Dannevirke, Lower Hutt and Oamaru. As shown in Godfrey Hirst's Clearance Application Addendum dated 22 October 2025, Godfrey Hirst's fibre sourcing and preparation process is vertically integrated, which enables it to maintain control over fibre quality, colour and texture. The process includes:
- 24.1 Scouring – Woolworks scours freshly shorn wool to remove natural oils, lanolin, dust and vegetable matter;
 - 24.2 Dyeing – Godfrey Hirst dyes the loose scoured fibre to ensure even colour distribution and achieve subtle tonal variation and natural depth of colour;
 - 24.3 Blending and carding – clean wool is blended to achieve consistent colour and fibre length. Carding machines then comb and align the fibres into soft, continuous webs known as slivers, helping to ensure uniformity across production runs;
 - 24.4 Pinning and drawing – multiple slivers are combined and drawn into a more refined and uniform strand. This improves fibre alignment and consistency, which is critical for spinning smooth and strong yarn;
 - 24.5 Spinning and twisting – rovings are spun into yarn using ring or worsted spinning systems, depending on the carpet type. This twisting process binds

¹ <https://woolimpact.com/strong-wool-indicator/>



the fibres together and creates strength and elasticity. Manufacturers can also ply multiple yarns together to create additional bulk or texture; and

- 24.6 Heat-setting and finishing – the yarn is heat-set using controlled steam and temperature to stabilise the twist and preserve its shape during tufting and use. The finished wool yarn is then wound onto cones or spools and tested for tensile strength, colour fastness and consistency.
- 25 For synthetic carpet, Godfrey Hirst and Feltex source three primary fibre types, each selected for particular performance characteristics. To ensure consistent quality and colour stability, Godfrey Hirst sources its synthetic yarn directly from the Middle East as ready-made yarn. That approach enables an efficient and high-quality tufting process. It also illustrates that local synthetic carpet production – like importing synthetic carpet – already depends on established international supply chains for key inputs. The principal synthetic yarn types are triexta, polyester and solution-dyed nylon.
- 26 The same tufting machine can be used for either yarn type. When switching a tufter from synthetic to wool, or vice versa, the only operational change required is to replace the knife blades. That process takes approximately [REDACTED]. Accordingly, from an operational perspective, increasing the volume of yarn or fibre used by a manufacturer or importer requires little more than a knife blade change and an increase in yarn supply, subject to demand. The production process is flexible; and switching between fibre types does not encounter operational barriers.
- *the degree to which existing manufacturers of synthetic and/or wool carpets have spare/excess production capacity to start producing or produce additional wool carpets for supply in New Zealand;*
- 27 The existence of spare or excess capacity to commence or increase wool carpet production depends primarily on customer demand for wool carpet. The SoUI notes that some wholesalers have reduced the share of synthetic carpet and slightly increased the share of wool carpet in their offerings over the last four years. Godfrey Hirst has responded to such market demands, expanding its residential and commercial wool carpet ranges by [REDACTED] between 1 January 2025 and 31 March 2026. That expansion demonstrates that suppliers can adjust their product mix and increase wool carpet output relatively readily when demand supports it.
- 28 However, while the Commission notes that some wholesalers have shifted the balance of their synthetic and wool offerings over the last four years, a critical factor for many customers has also changed. Since the start of 2021, the price of strong wool has risen from \$1.63 per kilogram to \$5.55 per kilogram as at 30 April 2026. As strong wool is the principal input cost for wool carpet, that increase is now be flowing through to customer prices.
- 29 As the Survey shows, 19% of customers who identified wool as their preferred carpet fibre ultimately switched to synthetic carpet because they perceived it to be more affordable and durable. If strong wool prices continue to rise, demand for wool carpet is likely to decline further. That decline in demand will, in turn, influence the level of wool carpet production capacity required in New Zealand. Accordingly, any assessment of future wool carpet capacity must take into account weakening demand conditions, not simply current production capability.



- 30 The extent of spare or excess production capacity depends on demand. Manufacturers require efficient forecasting and planning to ensure they utilise available capacity effectively. At Godfrey Hirst, [REDACTED] to determine the production volumes to be manufactured at its plants, subject to expected demand. To the extent that manufacturers in New Zealand do have capacity to commence or increase wool carpet production, that will depend on whether sufficient demand exists to support that output. Demand, rather than operational capability, is the only limiting factor.
- *how manufacturers/importers of wool and synthetic carpet manage their production runs of each product and the extent to which an increase in supply of one type of product (say wool carpet) would impact on their supply of another product (say synthetic carpet);*
- 31 Godfrey Hirst manages its production runs through a deliberate and methodical planning process, not through estimation or guesswork. That process does not focus on whether supplying one product type, such as wool carpet, comes at the expense of another. Instead, actual and anticipated demand drives production and planning.
- 32 Godfrey Hirst receives detailed reports and forecasts from its sales team, including information on special promotions, new product launches, and special orders received or expected. It then provides that information to its production analysts, who plan the sequencing of manufacturing of product required to meet that demand. Those analysts structure production runs to ensure that the business meets customer demand efficiently and in full. This is a demand-led system designed to optimise output, not a rigid process constrained by product category.
- 33 This approach is standard practice among carpet manufacturers globally. Manufacturers of both wool and synthetic carpet manage production output according to demand for particular carpet variants. The relevant consideration is therefore the balance of demand across the product mix, not any supposed trade-off between different carpet types.
- *the likely costs and time involved in switching the yarn used in a tufting production line and whether there are any minimum production volumes/runs that impact on a supplier's incentive and/or willingness to switch production between different yarns;*
- 34 At Godfrey Hirst, [REDACTED]]. Switching the yarn used in tufting involves very limited time and cost. As noted above, the principal requirement is to change the knife blades to ensure, particularly for wool yarn, that the knife blades are new and capable of cutting the fibre effectively. Thus, the tufting process can switch between fibre types with relative ease.
- 35 For bespoke orders, Godfrey Hirst is prepared to undertake runs as low as [REDACTED], although it does so only in special circumstances. With bespoke orders and minimum production runs, Godfrey Hirst places particular weight on planning and forecasting to ensure that any special request can be manufactured efficiently and to the required standard. Undertaking a minimum run therefore depends not only on



machine capability, but also on whether the order can be accommodated efficiently within the broader production schedule.

- *the extent to which manufacturers have previously changed their product mix (eg, to produce more or less wool or synthetic carpet) in response to relative price changes by competitors;*

36 Godfrey Hirst relies on information provided by its sales representatives, which directly informs the forecasting undertaken by its production analysts. Feedback from retailers and customers influences the production mix, because retailer and customer demand is the primary driver of what is manufactured.

- *estimates for how much synthetic carpet can be produced in the same amount of time it takes to make a certain amount of wool carpet (for example, a comparison between how much synthetic carpet or wool carpet can be produced using the same machinery in a one hour period, or how much synthetic carpet could be produced for every square metre of wool carpet produced in the same time period using the same machinery);*

37 In the SoUI, a carpet supplier told the Commission that for every 1000m of synthetic carpet its machinery can produce in one day, that same machinery would only be capable of producing 200m of wool carpet.

38 Those figures are at odds with Godfrey Hirst's considerable experience. While producing the same quantity of wool carpet does take longer than producing synthetic carpet, because wool yarn comprises multiple fibres twisted together rather than a single filament, Godfrey Hirst's current production rates are approximately [REDACTED]

[REDACTED]. That difference reflects the greater production intensity of wool carpet. It does not constitute any constraint on manufacturing capability.

- *how the margins earned by manufacturers and/or wholesalers in synthetic carpet compare with those earned by manufacturers and/or wholesalers of wool carpet (and vice versa) and the extent to which margin considerations can, and do, impact on production and/or supply decisions; and*

39 Between 2022 and 2025, Godfrey Hirst's gross margin for SDN carpet increased modestly from [REDACTED] to [REDACTED], after reaching [REDACTED] in both 2023 and 2024. Over the same period, its gross margin for polyester carpet rose from [REDACTED] to [REDACTED], although it had already been [REDACTED] in 2021. These figures show that margins for synthetic carpet fluctuate materially from year to year, largely in response to changes in raw material costs.

40 As NERA's 5 February report shows, Bremworth's gross margins for wool carpet declined from [REDACTED] to [REDACTED] between 2022 and 2025. Godfrey Hirst's wool carpet margins performed slightly better, but also fell from [REDACTED] in 2021 to [REDACTED] in 2025. Although part of the difference between Bremworth's and Godfrey Hirst's gross margins may reflect Bremworth's previous poor management and the effects of Cyclone Gabrielle, both sets of figures point to the same underlying issues; namely, increasing competition from imports, and more recently, the rising cost of strong wool.



- 41 As strong wool is the principal input cost for wool carpet, and that cost is expected to continue increasing, wool carpet margins for New Zealand manufacturers (who also face much higher costs than overseas manufacturers in a number of areas, such as labour and energy costs) are expected to come under further pressure.
- 42 For Godfrey Hirst, margin considerations do not drive production or supply decisions. Margins are a bottom-line measure that is too removed from the operational decisions involved in determining production volumes or product supply. The key consideration is customer demand for a particular product, which is itself influenced largely by input costs. As raw materials – i.e. strong wool and synthetic yarn – are the single largest cost driver in carpet pricing, they are far more likely than margins to influence production decisions. The relevant commercial driver is therefore demand shaped by input costs, rather than margin analysis in isolation.
- *in addition to any production considerations, the likely costs and time involved in order for manufacturers/importers to either enter/or expand their sales of wool carpet in New Zealand (such as for product development, branding, marketing and/or distribution relationships).*
- 43 Various anonymous submissions overstate the practical difficulty and supposed cost of importing. As we have explained previously, and as discussed further below, importing of carpet is now a straightforward and well-established practice. Overseas manufacturers benefit from lower input costs, government assistance and other advantages, which enable them to build strong relationships with importers and retailers to supply consumers with lower-priced, good quality carpet in a market where manufacturer brand awareness in fact is limited.
- 44 The Brand Report shows [REDACTED
].
- 45 By comparison, [REDACTED
].
- 46 This clearly demonstrates that brand awareness among the general population is more strongly associated with retailers – with whom they interact – than with manufacturers. That greatly reduces the supposed significance of manufacturers’ or importers’ brand recognition as a barrier to entry or expansion.
- 47 The Survey meanwhile found that, among purchasers who did not have a preferred fibre, retail salespeople were the key influence on fibre selection. That finding underscores the importance of retailer recommendation and in-store positioning in shaping customer choice.
- 48 It follows that, if a wool carpet manufacturer seeks to enter or expand in New Zealand, brand recognition is unlikely to be the decisive factor. Instead, the critical requirements are strong in-store promotion and well-priced and otherwise attractive products that retailers are willing and able to sell (i.e. feel, design, colour, low maintenance). In practical terms, access to retailers and a competitive product offering matter much more than supposed manufacturer brand awareness.



- 49 The SoUI acknowledges that many existing carpet suppliers in New Zealand are importers that already supply both synthetic and wool carpet. In addition, our own desktop research (attached as **Appendix E**) identifies a number of domestic and overseas wool carpet manufacturers producing a wide range of available products. That material shows that wool carpet manufacturing is far from being unique to New Zealand and access to overseas carpets manufacturers is readily available. The manufacturers referred to are illustrative, not exhaustive.
- 50 And, with the continued expansion of New Zealand's free trade arrangements, remaining barriers to importing wool carpet from those overseas manufacturers are fast disappearing. All the evidence points to a market in which overseas supply is increasingly accessible, commercially viable and sustainable.
- 51 In short, all the requirements of the Commission's "LET" test are met.

COUNTERFACTUAL

General

- *any further information and/or submissions on our view that we cannot exclude as a likely scenario that Bremworth, absent the Proposed Acquisition, would operate as a going concern independently of Godfrey Hirst (either under its current structure or under new ownership).*
- 52 At paragraph 78 of the SoUI, the Commission acknowledges that, in assessing the without acquisition scenario, "it must assess other possible scenarios that might arise and discard those that are unlikely (or not a real chance)". Godfrey Hirst – which has carried out detailed due diligence of its fellow carpet manufacturer using its own extensive industry expertise – submit that, on a stand-alone basis, Bremworth's market position must continue to deteriorate, especially given the increasing competition from importers of carpet.
- 53 In particular, Bremworth's Chair has forewarned that, if the Proposed Acquisition does not proceed, it is likely that the deterioration of Bremworth's cash position will continue. While remaining funds from Bremworth's insurance settlement may be sufficient to sustain the company technically as a "going concern" for the interim, sales are falling short of expectations. Again, trading losses for the latest period were only avoided by insurance payouts. That is against a background of subdued consumer demand for carpet. Meanwhile, there have been delays in reinstatement of the Napier plant and reintroduction of synthetic carpet into Bremworth's product mix.
- 54 More generally, since Bremworth's Chair's Commentary to that effect on 25 February, there have also been significant increases in the price of wool; which – as indicated above – inevitably will need to be passed on to consumers, resulting in suppressed demand for Bremworth's previous mainstay product, wool carpet.
- 55 All that is in addition to increasingly subdued consumer demand resulting from New Zealand's current economic malaise and continuation of the Iran conflict. For a company like Bremworth – which is already [REDACTED] sustained losses over a number of years, a flawed and abandoned wool-only strategy and increasing pressure from imports – the current economic environment [REDACTED].



- 56 We previously described Bremworth's situation as "urgent and grave". [REDACTED], as trading conditions have deteriorated further, due to economic and political factors beyond Bremworth's control. In particular, since our previous submission on the Commission's SoI:
- 56.1 Parliamentary support for the Free Trade Agreement with India (which now has been executed) has been confirmed;
 - 56.2 energy costs and wool prices have substantially increased, as have other input costs;
 - 56.3 New Zealand's productivity performance has continued to decline, adversely affecting consumer confidence; and
 - 56.4 New Zealand's financial outlook has been downgraded to negative by Moody's because of the risks now posed by global economic and geopolitical uncertainty.
- 57 Against that "perfect storm" for New Zealand manufacturers, overseas manufacturers of carpet continue to benefit from lower labour costs; proximity to major markets; government support; and ease of entry to the New Zealand market. It is not an equal competition.
- 58 These external factors cannot be ignored [REDACTED] in an environment that has already seen other major primary sector manufacturers close due to international competition and high operational costs.
- 59 The Commission claims (at paragraph 81 of the SoUI) that "additional information" it has received indicates that, "while Bremworth is facing challenges, we cannot rule out the likelihood that Bremworth would continue to operate as an ongoing concern for the foreseeable future". In support, it cites comments in Bremworth's half-year results to 31 December 2025.
- 60 But, when looked at objectively, those statements do no more than indicate that [REDACTED]. That situation cannot continue; and those statements now are dated. In reality the Commission has no indication as to when, or if, Bremworth might reasonably return to profitability. [REDACTED].
- 61 [REDACTED] reviewed unspecified "information" from unidentified "other industry participants". But, there is no way those anonymous sources could have relevant factual information that outweighs the information that Bremworth itself, and Godfrey Hirst, have provided to the Commission. Speculative assertions from anonymous sources, which cannot be tested, should be given no weight.
- 62 The alternative scenario the SoUI points to is the prospect of another party acquiring and operating Bremworth. To that end, Cowes Bay Group (**CBG**) purports to have stepped forward as a potential rescuer of Bremworth having "expressed to the Board of Bremworth an interest in acquiring Bremworth". Kim McKendrick on behalf of



CBG, self-proclaims as having the experience, governance and management capability and financial resources to revive Bremworth as a domestic manufacturer of carpet. That experience presumably he gained as the former guardian of his long since relinquished family interests in Godfrey Hirst. Also, possibly, from his involvement in CBG's abandoned endeavour to rescue Metro Performance Glass.

- 63 Godfrey Hirst is not aware of the detail of any offer by CBG, or any other party, to acquire Bremworth, or of the reasonable prospects of any such offer (if it were to eventuate) being accepted by Bremworth's Board. These are matters on which the Bremworth Board can comment with greatest authority. However, if there were an offer from CBG, given McKendrick's previous decision to exit carpet manufacturing in New Zealand and CBG's seeming abandonment of Metro Performance Glass, the prospect of any such offer by CBG resulting in a completed transaction must be unlikely.
- 64 Even if an offer by CBG were to prove successful, there is nothing to indicate CBG would return Bremworth to profitability; or if it did manufacture in New Zealand, produce wool carpet as opposed to synthetic carpet.
- 65 Put simply, we submit that there is no proper basis for the SoUI's conclusion that [REDACTED
]. Nor is there any proper basis for the prospect of CBG being a prospective alternative rescuer.
- 66 The SoUI does recognise (at paragraph 83) it would be appropriate to take the current challenges facing Bremworth into account in assessing the level of competition that Bremworth would provide as a going concern, absent the proposed acquisition. A means of testing this empirically is through investment, which over time will afford quality and product variety, as well as allowing for improvement of plant and equipment and other enhancement of performance.
- 67 To that end, we asked NERA to compare the average percentage of its revenue that Godfrey Hirst spends each year on plant and equipment (and other activities).
- 68 NERA say that, on its current trajectory, it [REDACTED
] is likely to be a diminishing competitive force under the counterfactual. Bremworth's ability to innovate will therefore deteriorate. Indeed, as will be shown below, Bremworth's financial challenges are already [REDACTED
].

UNILATERAL EFFECTS

Closeness of competition between parties

- *extent to which Godfrey Hirst's and Bremworth's pricing and/or quality decisions relate to each other's decisions or actions (as opposed to other factors such as changes in input costs);*

- 69 The IBIS Report cited above recognises that:

"Growing competition between floor covering retailers and external businesses has made price and product variety the primary competitive factors". Those



same factors apply at the manufacture or import and wholesale supply level of the market.

- 70 It follows that Godfrey Hirst, like all other wholesale suppliers of carpet, must pay regard to both the range and pricing of rival suppliers' products. But, that does not mean that Godfrey Hirst's and Bremworth's pricing and/or quality decisions relate more closely to each other's decisions or actions than to other suppliers' prices or product ranges.
- 71 With regard first to "quality", we take product range as a finite measure of innovation and quality of offering. NERA compared the change in the number of residential and commercial wool carpet SKUs for Godfrey Hirst and Bremworth over a largely similar 15-month period. The results show [REDACTED] between Godfrey Hirst and Bremworth over that time period. Whereas Godfrey Hirst expanded both its residential and commercial wool carpet product ranges, with an overall [REDACTED] in SKUs, by comparison Bremworth's overall SKUs [REDACTED].
- 72 Clearly, Godfrey Hirst's and Bremworth's actions with regard to quality of offering are not closely related – with Bremworth's wool carpet range being severely constrained by its financial condition.
- 73 With regard to synthetic carpet, meanwhile, Bremworth effectively took itself out of production of that range for five years. The quality of its synthetic carpet production has deteriorated as a result. During that five-year gap Godfrey Hirst continued to innovate, improve and expand its own synthetic production with new and enhanced products to counter the growing threat of increasing and improving imported synthetic carpet ranges.
- 74 Bremworth meanwhile has reintroduced a synthetic carpet range that is now dated, having fallen behind with innovation and customer preferences. There is no "closeness of competition" between Godfrey Hirst and Bremworth with regard to quality of synthetic carpet as a consequence.
- 75 [REDACTED
].
- 76 [REDACTED]. However, such consolidation will not mean less product variety (as the SoUI suggests). Rather, the merged entity will offer an enhanced product range that is contemporary, diverse, competitive with imports and sustainable.
- 77 Turning to price, we stress again that it is not accurate to claim that Godfrey Hirst and Bremworth tend to compete more closely with each other, particularly in the supply of wool carpet. Godfrey Hirst's pricing is affected in the first instance by changes to raw material input costs; and as has been outlined, subsequently by its analysis of pricing by **all** competitors, not simply Bremworth.
- 78 Godfrey Hirst's approach to pricing was explained in considerable detail in paragraphs 78 to 81 of its submission to the SOI. Since then, however, wool fibre in particular has been subject to further significant cost increases.



- 79 Those increases in cost of wool fibre will likely affect Godfrey Hirst's own pricing of wool carpet; but ultimately, any contemplated price increases may be mitigated by the pricing of rival suppliers, whether by rival local manufacturers Bremworth or by importers, and whether synthetic or wool.
- 80 In summary, Godfrey Hirst's pricing and/or quality decisions relate very little to Bremworth's. Bremworth's recent reintroduction of a dated synthetic carpet range has had very little impact. And for wool carpet, any perceived closeness of competition must include imports of wool carpet (that is especially so as the range of wool carpet SKUs produced by Bremworth continues to reduce) as well as competition with other fibre types. Bremworth's website was updated three times in April and again already in May to show further deletions from its product range. Some of the deleted SKUs were only recently introduced and include colours from "Galet", one of their most popular ranges.
- 81 As Bremworth's product range does reduce, the resulting shortfall in supply will be contested by increasing imports of wool and synthetic carpets. That phenomenon has occurred previously, when Bremworth experienced a significant reduction in wool carpet output following Cyclone Gabrielle damage to its yarn plant. As NERA explained in its report of 5 February 2026, this "natural experiment" was analogous to an exercise of market power, because an exercise of market power is analytically equivalent to a reduction in output. Following Bremworth's reduction in wool carpet output:
- 81.1 most of the output gap was filled by wool carpet imports; and
- 81.2 far from being able to raise its prices for wool carpets, Godfrey Hirst's wool carpet gross margins have generally decreased since 2021.
- 82 This direct evidence refuting Godfrey Hirst's supposed closeness of competition was ignored in the SoUI. It is therefore restated and expanded in NERA's attached report.
- *the extent to which Godfrey Hirst's and Bremworth's pricing decisions relate to other competitors in the soft flooring market (as opposed to each other);*
- 83 The above comments refer.
- *the extent to which flooring retailers (and end-consumers) switch between the Parties and other competitors in response to price changes. For example, over recent years, we are aware of announcements by some suppliers of proposed wholesale price increases for certain carpet types and we are seeking further information and analysis that shows the specific impact of any subsequent price increases; and*
- 84 The provisional conclusion expressed in the SoUI that Godfrey Hirst and Bremworth are each other's closest competition, particularly for the supply of wool carpet in New Zealand, is not fact-based. Paragraph 113 of the SoUI sets out the supposed reasoning as follows:
- they are "the only two domestic manufacturers and wholesalers (at scale) of wool carpet." But, that ignores both the existence and capacity of Carpet Mill and the fact that a significant number of overseas manufacturers do supply



into New Zealand wool carpet that is wholly substitutable for New Zealand manufactured carpet.

“feedback from almost all industry participants”. But, like the Commission, they are mistakenly equating “closeness” with physical proximity rather than relative capacity to compete in the New Zealand market. That is implying that a much-weakened Bremworth is a more effective competitor than those global suppliers like Jacobsen, Belgotex, Robert Malcolm and Victoria Carpets all of which are very active in the New Zealand market, advertising a significant range of SKUs predominately from wool sourced in New Zealand.

- 85 What is clear from the comments of those other industry participants is that their “feedback” is mostly speculative.
- 86 The SoUI speculates that Bremworth’s re-entry into SDN carpet has the potential to increase closeness there, too. But that ignores the reality that Bremworth’s financial difficulties persist; its Papatotetoe plant requires substantial remedial work; its strategy of reinstating synthetic carpet is acknowledged by Bremworth itself to be facing significant challenges; and the New Zealand economy is now encountering significant “head winds” that are cooling consumer demand.
- 87 While Bremworth took itself out of synthetic production for five years, Godfrey Hirst continued to innovate, enhance and improve its own production range.
- 88 In support of its theory of “closeness”, the SoUI cites comments made in internal documents provided to it by both Godfrey Hirst and Bremworth. In Godfrey Hirst’s case, specific reference is made to [REDACTED

].

- 89 But those supposed “advantages” – i.e. convenience of support and warehousing, local wool production, and “Government supports NZ made” must be viewed in proper context. [REDACTED

]. Godfrey Hirst is effectively seeking to highlight the supposed advantages of investing further in New Zealand-based manufacturing capacity in preference to competing investment proposals and possibilities available [REDACTED].

- 90 It is not only wrong in principle but also misguided for the Commission to risk deterring much-needed foreign investment in New Zealand manufacturing by holding those seeking to promote that investment to account for their encouragement. There is no inconsistency in the materials now being provided to the Commission with what Godfrey Hirst said earlier in the [REDACTED]. Any perceived change simply reflects the different forum.

- *the extent to which flooring retailers (and end-consumers) switch between the Parties and other competitors in response to non-price changes such as changes in product quality, level of service or supply terms and/or the level of innovation and product development.*



91 Although price is an important factor in consumer purchasing decisions, it is not the only one. Quality also plays a significant role. For example, [REDACTED

]. This is one of many examples showing that factors such as quality can materially influence purchasing decisions.

92 Innovation is also an important competitive factor, as carpet designs and manufacturing techniques continue to evolve. This is illustrated by feedback concerning Bremworth's synthetic carpet offering, which suggests that it has been poorly received because it relies on the same now dated techniques used by Bremworth before it exited the synthetic market. That feedback indicates that innovation has continued during Bremworth's absence and that Bremworth has fallen behind.

93 Conversely, in Godfrey Hirst's experience, the number and variety of SKUs brought in by an importer can increase suddenly in response to demand.

Existing competition from domestic manufacturers

- *the extent to which carpet suppliers have recently lost sales to Carpet Mill, particularly sales of wool carpet;*

94 The evidence shows that, while other domestic manufacturers have continued to lose market share to imports, Carpet Mill's sales have remained relatively stable. Between 2019 and 2024, Carpet Mill increased its share of the synthetic carpet segment by value by [REDACTED]. Rather than focusing on Carpet Mill's relative size, as the Commission has done, the better focus would be on its demonstrated ability to maintain its position and compete through stability and innovation in a challenging market. That performance is a strong indicator of competitive resilience.

95 Carpet Mill has not experienced the same loss of market share to imports as Godfrey Hirst and Bremworth. While imports have captured most of the share lost by those suppliers, Carpet Mill has maintained a steady position. That outcome shows that Carpet Mill can compete effectively despite a growing import presence and would continue to constrain the merged entity post-acquisition. Given Carpet Mill does not use retailers, it also demonstrates the extent to which retailers use their countervailing power by switching customers to imports.

96 As the Brand Report shows, [REDACTED

]. Those brand metrics reflect a supplier with genuine market traction and strong competitive appeal.

97 The Brand Report confirms that [REDACTED



]. That points to continued sales strength and an ability to increase market share. It also indicates that Carpet Mill is well placed to continue winning sales from competing suppliers, including Godfrey Hirst and Bremworth, in the future.

98 It is also wrong for the Commission to focus on Carpet Mill's sales of wool carpet when Carpet Mill's [REDACTED

].

- *the extent to which flooring retailers have recently lost consumers to Carpet Mill, particularly for sales of wool carpet; and*

99 See below in relation to Godfrey Hirst's information regarding Carpet Mill.

- *the extent to which Carpet Mill is a close competitor to Godfrey Hirst and/or Bremworth.*

100 We stress again that the Commission cannot reasonably dismiss competition from a stable and highly visible Carpet Mill while at the same time assuming a close competitive relationship between Godfrey Hirst and a much-weakened Bremworth that is offering a reducing product range. That gives insufficient weight to actual consumer behaviour of the prime carpet buying age cohort; and overstates the competitive significance of Bremworth.

101 Notably, Bremworth's own brand recognition is greatest with the age cohort least likely to buy carpet; while Carpet Mill is most recognised by the age cohort most likely to.

102 Carpet Mill has managed its operations and scale prudently. It maintains its plant well and operates within its financial means, rather than pursuing bold expansive strategies. By contrast, Bremworth's recent share of wholesale carpet supply based on value has declined from [REDACTED] in 2019 to [REDACTED] in 2024. While that decline results in part from growth in imports, it is also a consequence of Bremworth's previous wool-only strategy and the profligate marketing spend that accompanied that strategy. Bremworth's radical "Going Good" approach contrasts starkly with Carpet Mill's focus on supplying those products that most consumers already actually want, and importantly, can afford.

103 Carpet Mill has proved itself to be a genuine innovator that responds quickly to market demand by providing distinctive and bespoke products. Carpet Mill engages customers directly through its "mobile showroom" model, actively targeting trade customers and promoting direct manufacturer supply, a seamless rebate system, and flexible payment and other commercial terms. Those capabilities enable Carpet Mill to compete effectively but cheaply, in ways that differ from both Bremworth and Godfrey Hirst.

104 Again, the result is that Carpet Mill enjoys stronger brand awareness than Bremworth or Godfrey Hirst. The Brand Report shows [REDACTED

]. This proves that Carpet Mill in fact is a close and credible competitor of Bremworth at present. Carpet Mill's presence as an alternative local



manufacturer does impose a competitive constraint on Godfrey Hirst – and will continue to do so on the merged entity.

Existing competition from carpet importers

- *the level of constraint that existing importers, with a limited number of SKUs of wool carpet, currently provided on either Godfrey Hirst or Bremworth, who each offer a large number of SKUs of wool carpet;*

105 The fact that Godfrey Hirst and Bremworth each offer a number of wool carpet SKUs does not mean that importers impose only a limited competitive constraint. On the contrary, the market share and industry data show that importers already constrain both Godfrey Hirst and Bremworth significantly in the wool carpet segment and the trends indicate that this constraint is increasing.

106 The relevant question is not how many SKUs each importer offers in absolute terms. Rather, the issue is whether importers provide sufficiently credible alternatives to influence the pricing and commercial behaviour of domestic suppliers. All the evidence demonstrates that they do.

107 The clearest evidence arises from the period following Cyclone Gabrielle, when Bremworth's wool carpet output declined. NERA found that both Godfrey Hirst and importers initially captured Bremworth's lost wool sales, and that imports subsequently accounted for the greater share of that displaced demand. As NERA's most recent report illustrates, imports' share of the wool carpet segment by value increased from [REDACTED] in 2019 to [REDACTED] in 2024. That report, which also measures market shares by volume, shows an even stronger competitive position. In 2024, imports accounted for [REDACTED] of the wool carpet segment by volume, exceeding Bremworth's [REDACTED] share and sitting only slightly below Godfrey Hirst's [REDACTED] share. These figures provide compelling evidence that importers are not peripheral participants, but major competitive forces in all segments of the market.

108 The SoUI states that the Commission has received feedback that no other importer of wool carpets matches the range and breadth of offering provided by Godfrey Hirst or Bremworth. The market evidence cannot be reconciled with that statement. Imports' share of the wool carpet segment by volume increased from [REDACTED] in 2019 to [REDACTED] in 2024. Over the same period, Godfrey Hirst's share remained relatively stable, while Bremworth's share fell sharply from [REDACTED] in 2019 to [REDACTED] in 2024. Those market outcomes strongly suggest that customers are willing to switch to imported wool carpet and that imported products exert a meaningful competitive constraint on domestic manufacturers.

109 There is nothing qualitatively unique about New Zealand strong wool. Retailers plainly do not require an importer to replicate the full domestic SKU range before regarding imported wool carpet as a credible alternative. Retailers source from multiple suppliers and increasingly offer a mix of products across brands, fibres and countries of origin. What matters is whether an importer offers sufficient range, quality and price competition to win sales. The growing share of imported wool carpet shows that importers meet that standard. Actual switching behaviour is far more probative than general assertions about the relative breadth of product ranges.



110 If the breadth of wool carpet SKU offerings were truly decisive, Godfrey Hirst and Bremworth would have remained insulated from import competition. In fact, the evidence shows the opposite. Existing importers already impose a real and substantial competitive constraint on both Godfrey Hirst and Bremworth in the wool carpet segment, notwithstanding that some importers may offer fewer wool carpet SKUs. Loose “feedback” about product range should be afforded no weight.

- *the reactions and/or responses from Godfrey Hirst and/or Bremworth to the introduction of a new wool carpet product from an existing importer;*

111 As discussed above, importers impose a significant competitive constraint on domestic manufacturers and require them to respond quickly. For example, [REDACTED

]. That is a clear example of import competition driving product development and pricing responses in the market.

112 Another example is that [REDACTED

]. That example further demonstrates the strength of import competition and the extent to which it shapes sourcing and supply decisions.

- *the extent to which the merged entity would be constrained in the wholesale supply of both SDN carpet and wool carpet by importers of SDN carpet using their existing product ranges; and*

113 NERA’s analysis in its 5 February 2026 report identifies material price overlap between synthetic and wool carpet SKUs. Against that background, it is artificial to separate the segments and assess whether importers of SDN carpet or wool carpet, viewed in isolation, constrain the merged entity. Put simply, there is a single differentiated product market. While import volumes may differ across those segments, imports impose a competitive constraint in each segment and across the soft flooring market as a whole. Any competitive assessment should therefore reflect the market as defined by the Commission, rather than proceed on an unduly segmented basis.

114 With imports now accounting for at least 50% of the soft flooring market, existing importers materially constrain the merged entity in the wholesale supply of both SDN carpet and wool carpet using their current product ranges. That level of market participation is inconsistent with any suggestion that importers operate only at the margins of competition.

115 In any event, even if the synthetic segment were considered separately, the evidence shows that importers impose a sufficient competitive constraint using their existing product ranges. In NERA’s most recent report, shares in the synthetic



carpet segment were calculated by both value and volume. By value, imports increased their share by [REDACTED] between 2019 and 2024. Over the same period, Godfrey Hirst's share fell by [REDACTED], Carpet Mill's share increased modestly by [REDACTED], and before Bremworth's exit in 2022 it had declined from [REDACTED] in 2019. The position is similar by volume. In 2024, imports accounted for [REDACTED] of the synthetic carpet segment by volume, while Godfrey Hirst's share fell to [REDACTED], Carpet Mill's share increased slightly to [REDACTED], and Bremworth had exited the market after holding [REDACTED] in 2019.

- 116 These figures irrefutably confirm that importers already supply the major proportion of synthetic carpet and exert a strong competitive constraint on domestic suppliers. They also reflect broader industry dynamics that increasingly favour overseas manufacturers.
- 117 As explained previously, importers benefit from materially lower manufacturing costs; cheaper labour; lower compliance costs; and Government policies in key exporting jurisdictions which reinforce those cost advantages. For example, the UAE promotes domestic manufacturing through its "Make it in the Emirates" campaign, Indian carpet manufacturers receive significant support under the Production Linked Incentives Scheme, and Chinese manufacturers benefit from substantial rebates and financing support. These measures provide overseas suppliers with enduring cost advantages that New Zealand manufacturers cannot readily match.
- 118 New Zealand manufacturers receive no comparable support. In the current cost environment, they face increasing difficulty competing with lower-cost overseas producers. As has been stressed, the effects of free trade agreements are no longer speculative; they are either already in force or have been formally agreed by the Government. For example, on 27 April 2026, Trade Minister Todd McClay travelled to India to sign the New Zealand–India Free Trade Agreement with India's Minister of Commerce and Industry. India already supplied more than \$5.5 million worth of carpet to New Zealand in 2024. That new trade agreement promises a further increase in carpet imports into New Zealand. It cannot be disputed that import competition must intensify as a consequence.
- 119 Godfrey Hirst's previous submissions have addressed the practicalities of importing carpet into New Zealand in detail. While some third parties have portrayed importing as operationally difficult or burdensome, actual market behaviour simply does not support that characterisation. In practice, retailers source from importers with relative ease – true for both synthetic and wool carpet. Other distributors also directly import wool carpets for supply to end-customers, for example Heritage Carpets² (which imports 80% / 20% wool/nylon broadloom from Denmark, which is made using 70% New Zealand wool).³ The continued growth in import market share in recent years, and the inevitability of further growth, demonstrates that importing is not only feasible, but commercially effective.
- 120 Taken together, the market data and industry practice show that imports already impose a substantial competitive constraint and will exert an even stronger

² <https://www.heritagecarpets.co.nz/>

³ https://www.heritagecarpets.co.nz/hojer_kontrakt_by_fletco/



constraint in the future. All the evidence shows that import competition is not only significant, but increasing in volume, value and diversity across the soft flooring market.

- *the extent to which the merged entity would be constrained in the wholesale supply of both SDN carpet and wool carpet by importers of wool carpet using their existing product ranges.*

121 Again, it is artificial to question whether the merged entity will be constrained in the wholesale supply of both SDN carpet and wool carpet only by importers of wool carpet using their existing product ranges. That approach is particularly unrealistic given that demand for wool carpet, despite a recent modest increase, is likely to decline due to increased input costs. Again, the price of strong wool has risen from \$1.63 per kilogram at the start of 2021 to \$5.55 per kilogram as at 30 April 2026.⁴ Given the substantial 241% increase in the principal input cost for wool carpet, and the Survey showing that 19% of customers who preferred wool fibre switched to synthetic carpet because of price, there is a real prospect that demand for wool carpet will weaken. In those circumstances, it is wrong to assess the competitive constraint on the merged entity by focusing narrowly on importers' existing wool product range. Inevitably, that range will change in accordance with demand and price.

122 Within the wool segment, the evidence shows that importers already constrain both Godfrey Hirst and Bremworth. Godfrey Hirst's share of the wool carpet segment has remained relatively stable since 2019, while importers have captured substantial share from Bremworth. Between 2019 and 2024, Bremworth's share of the wool carpet segment by volume fell by [REDACTED], while imports' share increased by [REDACTED]. Those figures demonstrate a significant competitive constraint, where actual substitution is occurring, not merely a theoretical possibility of switching. Bremworth's decision to reverse its wool-only strategy and re-enter the synthetic segment further underscores the competitive pressure. That strategic response is itself consistent with a market in which import competition is already strong and increasing.

123 Although retailer feedback cited in the SoUI suggests that logistical complexity and quality concerns make importing difficult, particularly for wool carpet, the market share data contradicts that view. What the evidence does show is that imported wool carpet volumes have increased materially since 2019; and that retailers and importers continue to stock and profit from those products. With competition from imports increasing in both the wool and synthetic segments, the merged entity will remain constrained by imports. Existing importers of wool carpet already impose a real and increasing competitive constraint on the merged entity through their current product ranges.

Potential entry and expansion

- *further information and/or submissions on our view that the current conditions of expansion at scale in wool carpet are higher than for expansion at scale for synthetic carpet;*

⁴ <https://woolimpact.com/strong-wool-indicator/>



124 In support of that view, the SoUI states that wholesale wool carpet supply is “where it appears the merged entity faces fewest competitive constraints”. The SoUI at paragraph 202 again attributes its conclusion that importers of wool carpet are at an ongoing competitive disadvantage to factors suggested [REDACTED], being:

124.1 domestic manufacturer’s ability to source wool locally;

124.2 retailer support because of post-sales support, warehousing and inventory advantages; and

124.3 government sector support for New Zealand wool.

125 But, as already explained, these claimed local manufacturer advantages must be viewed in the context of the [REDACTED], namely, [REDACTED]. While those factors may be put forward as relevant in that specialised investment context, no weight should be attached to them more generally. To look at those same factors objectively:

125.1 strong wool used for carpet manufacture is a globally traded commodity, with well-established supply lines. As shown previously, large volumes of New Zealand sourced wool are acquired by carpet manufacturers in Australia, UAE, China and more recently India, as well as elsewhere;

125.2 post-sales support, warehousing and inventory are all matters with which established importers such as Belgotex, Victoria Carpets, Robert Malcolm and Jacobsen are fully familiar. All are core elements of their business – whether in relation to wool carpet, SDN, other synthetic or hard flooring products. Wool carpet gives rise to no special needs;

125.3 government sector support for New Zealand wool in fact provides little in the way of practical advantage. The much vaunted change to government procurement policy has done no more than remove the previous procurement preference for synthetic carpet; and even with that change, no preference can be given to locally manufactured product over imported wool carpets.

126 Put bluntly, none of these factors comprises a strategic disadvantage to an importer seeking to expand their presence in the soft flooring market, particularly as it relates to wool carpet supply.

127 In reality, the only deterrent to expanding the presence of importer brands in the New Zealand market is the present cooling of demand resulting from significantly higher price for wool and general constraint of consumer spending. That same constraint will affect the merged entity.

128 To the extent that wool carpet attracts a higher price than most other soft flooring options, the impact of price increases will likely be greater on demand for wool carpet than those other options.

- *the extent to which Godfrey Hirst’s existing conduct, including (but not limited to) its existing commercial arrangements with flooring retailers does, or does not, create*



incentives for a significant proportion of retailers' sales to be allocated to Godfrey Hirst products;

- 129 The SoUI deals at considerable length with Godfrey Hirst's purported existing conduct as a major supplier of flooring products, including its current arrangements with flooring retailers. In particular:
- 129.1 paragraphs 178 to 182 deal with the current market position of Mohawk/Godfrey Hirst including its "total flooring strategy" and hard flooring arrangements with major retailers Flooring Xtra, Carpet Court and Harrisons;
 - 129.2 paragraphs 184 and 185 and Attachment B discuss Godfrey Hirst's rebates and loyalty arrangements with retailer customers (including Flooring Foundation);
 - 129.3 paragraph 186 states there is "some indication" that supply arrangements, pricing strategies and rebate structures are effective in obtaining preferential status for Godfrey Hirst;
 - 129.4 paragraph 187 suggests rebates may increase barriers to entry and expansion when an entrant or small supplier may not have the funds to compete.
- 130 Unhelpfully, most of the feedback received by the Commission in this regard takes the form of expunged interviews with anonymous parties. As such, their claims cannot be properly tested. Some of them are also contradictory. For example, a combination of rebates, overbilling and lump sum payments are keenly sought by all three of the major flooring retailer groups. But, they do not prevent those same retailers from sourcing product elsewhere.
- 131 Further, those retailers have their own advantages vis-à-vis wholesale suppliers in that they control both product placement in their outlets and the pre-eminence given to suppliers' products in advertising and virtual display presentation.
- 132 The provisional view (expressed at paragraphs 186 and 187 of the SoUI) that Mohawk's supply arrangements with retailers are "effective in obtaining preferential status for Godfrey Hirst" and more generally "can also increase barriers to entry and expansion to the extent that ... an entrant or small supplier may not have free funds to compete" overlooks the practical and commercial reality that the parties to these terms voluntarily enter into mutually beneficial commercial arrangements.
- 133 There is presumably no suggestion here that the form of Godfrey Hirst's supply arrangements or rebates are unlawful. If they were, section 27 of the Commerce Act would apply to them. But, the Commission presumably has received no complaint about Godfrey Hirst's commercial arrangements or conduct; and has had no other cause to investigate Godfrey Hirst's arrangements or conduct.
- 134 Presumably, too, retailers enter into the rebate and other arrangements of their own volition and because they recognise the commercial advantages that they bestow on them, not only in their dealings with suppliers, but also vis-à-vis other retailers.
- 135 It must be stressed that those retailers giving adverse feedback are for the most part entities which themselves have recourse to considerable resources. That is



true, too in the case of the overseas manufacturers of carpet listed in the SoUI's Table 6 as key wool carpet importers.

- *the extent to which recent entrants in wool carpet supply (such as Jacobsen and Robert Malcolm) are strongly competing with Godfrey Hirst and Bremworth;*

136 Both Jacobsen and Robert Malcolm launched two new wool products under their own brands last year. They are distributing those products, together with their existing ranges, widely throughout New Zealand. The new products are mid-weight wool carpets of approximately 40oz. Godfrey Hirst competes with those products and suppliers on a day-to-day basis, as it does with other competitors.

- *whether any existing barriers to expansion are significantly different for wool carpet compared to synthetic carpet. For example, whether importers have particular reasons for importing synthetic carpets at scale instead of wool carpet, such as different supply and/or stocking arrangements with flooring retailers for wool carpets compared to synthetic carpets;*

137 There are no material differences in any perceived barriers to importing wool carpet as compared with synthetic carpet. Commercial factors drive the difference in import volumes between synthetic and wool carpet, including:

137.1 synthetic carpet represents a larger market opportunity for importers and is therefore a more attractive segment to target; and

137.2 manufacturers in the Middle East, such as Standard Carpets, enjoy a cost advantage because of their proximity to the petroleum and chemical inputs used to produce the monomers and polymers required for synthetic yarn extrusion. That proximity gives them an advantage over synthetic products manufactured in the Australasian region.

138 But these commercial factors are not "barriers". As Wools of New Zealand observed last week, conversely there is increasing investment in wool carpet manufacturing around the world, including increasingly in countries that have much lower costs of doing business than New Zealand.

- *why Godfrey Hirst's existing conduct and commercial arrangements do not create barriers to expansion in the supply of synthetic carpet and/or wool carpet;*

139 Manufacturing carpet involves high fixed costs, making scale of production important. In its wholesale supply of carpet to the domestic market, Godfrey Hirst therefore seeks to gain and retain loyalty of retailers and grow volume and value of its sales. But, in doing so, Godfrey Hirst — like other New Zealand-based manufacturers — faces unconstrained and increasing competition from imported carpet, which have much greater scale economies. NERA's report illustrates how great a challenge Godfrey Hirst faces from those increasing imports.

140 Significantly, the market share of imports is increasing both in value and volume for all carpet types, as well as for both the synthetic and wool segments individually.

141 To maximise production, Godfrey Hirst manufactures and supplies all carpet types. Bremworth's now abandoned wool-only strategy demonstrated the futility of focusing solely on one segment, especially the segment for which demand is least.



- 142 Paragraph 190 of the SoUI states “for many retailers, Bremworth currently plays a more significant role than its market share figure suggests”. This is said to be because Bremworth is the second largest supplier of carpet products, with a similar volume of sales to Godfrey Hirst in one anonymous category.
- 143 NERA’s market share analysis shows clearly that this is no longer the case. Except for share of the wool carpet segment based on value, Bremworth now has the lowest share in all categories. And its share of the wool carpet segment based on value is now rapidly declining.
- 144 The suggestion (at paragraph 191 of the SoUI) that there are some retailers, particularly those that have a focus on wool carpet, for whom Bremworth is a key supplier, can no longer apply. Whatever those wool-focused retailers may want, the facts and commercial commonsense indicate that they should now be seeking alternative supply. While the SoUI asserts that Bremworth “arguably [may be] the most recognised brand in New Zealand”, that recognition is clearly not now driving sales or market share. And, under present cash-strained ownership, that market share must inevitably continue to decline. In any event, the Brand Report shows that that claim as to Bremworth’s brand primacy is no longer true.
- 145 For the retailer concerns to be relevant, they must be realistic. Imports’ growing share of total carpet market, as well as imports’ shares of both the wool and synthetic segments, result from retailers actively seeking, and availing themselves of, that alternative supply. Clearly, Godfrey Hirst’s conduct and commercial arrangements are not preventing them from doing so.
- 146 Further, at the same time as they are availing themselves of imports, the same retailers are availing themselves of supply arrangements with Godfrey Hirst. Clearly, these arrangements are not seen as unduly onerous.
- *the impact of the Proposed Acquisition on any existing barriers to expansion including whether, post-acquisition, any commercial arrangements between Godfrey Hirst and flooring retailers, would increase the barriers to entry and expansion for importers of synthetic carpet and/or wool carpet; and*
- 147 To the extent that any commercial arrangements between Godfrey Hirst and flooring retailers are seen to be barriers to entry and expansion for importers, the SoUI speculates [at paragraph 201] that similar arrangements could be deployed post-acquisition to exclude rivals from accessing volume or space; and could be employed across an enlarged set of products.
- 148 Again, it is the retailer, not Godfrey Hirst, that determines space at the individual retail outlet. Similarly, the retailer exercises its own choice whether to avail itself of the rebates and other “loyalty” benefits proffered by Godfrey Hirst’s commercial arrangements, or to seek the pricing and other benefits accruing from imports. Or indeed, to actively pursue both supply options.
- 149 Importantly, it is not the purpose of the Commerce Act to protect the interests of the individual retailer or group of retailers; but to preserve the integrity of the competitive process for the long-term benefit of consumers. Godfrey Hirst’s commercial arrangements have not been impugned to date either by the Commission or other persons. There is no evidence to suggest that these arrangements would become more onerous, or attract more uptake by retailers,



post-acquisition. Certainly, there is nothing to indicate that they might become so onerous as to be potentially unlawful. Godfrey Hirst is very aware of all the obligations that the Commerce and Fair Trading Acts impose on suppliers.

150 Further, while Godfrey Hirst may have an “enlarged set of products” post-acquisition, all those additional products will have equivalent products that are available from other suppliers, including via importing. There is nothing that will be unique in the merged entity’s product range.

151 Paragraph 202 of the SoUI seeks again to assert Godfrey Hirst’s previous claims [REDACTED

].

152 But again, those comments must be seen in proper context — namely, [REDACTED

].

- *the extent, or scale, that new entry or expansion would need to reach for it to provide a meaningful constraint on the merged entity in the supply of wool carpet.*

153 Imports of wool carpet already provide meaningful constraint on local manufacturers individually, and will do so on the merged entity.

Countervailing power

- *evidence and examples of a flooring retailer self-supplying its entire wool carpet requirement using an importer or importers;*

154 It is artificial to look for examples of a flooring retailer self-supplying its entire wool carpet requirement through one or more importers. As NERA explains, the relevant question is whether the merged entity would lose enough sales to render a price increase unprofitable, not whether it would lose all sales. Most flooring retailers already rely on importers to stock hard flooring products, a category that is expected to increase its share of the broader flooring market. Similarly, many retailers also use importers to supply or supplement their soft flooring ranges.

155 That said, some flooring retailers do source their entire wool carpet range through imports, with Nodi being a recent example. Nodi and Wools of New Zealand, a New Zealand-headquartered business that manufactures offshore, have both demonstrated that New Zealand’s expanding free trade agreement regime is creating new avenues for imported wool carpet to enter the market. Imports already accounted for approximately 50% of the New Zealand carpet sector even before the India and UAE FTAs take effect. Barriers to importing continue to fall, and imports continue to expand their presence across all soft flooring categories.

156 As NERA’s report shows, imports of wool carpet now comprise [REDACTED] by value and [REDACTED] by volume of the wool carpet segment in 2024. Godfrey Hirst’s figures at FY25 indicate that the import figure has now increased to approximately [REDACTED] by value. That growth reflects deliberate retailer purchasing decisions, with retailers driving this shift. And as imports increase, their countervailing power continues to strengthen.



157 The SoUI recognises that flooring retailers do hold some degree of countervailing power. In that respect, that scenario bears clear similarities to Fonterra Co-operative Group Ltd and New Zealand Dairy Foods Ltd (Decision 562), which the Merger and Acquisition Guidelines cite as an example of the Commission’s practical assessment of countervailing power. There, the Commission found that supermarkets regarded butter as a headline product and placed considerable emphasis on ensuring that it remained competitively priced.

158 The Commission therefore found that supermarkets would exercise considerable countervailing power over Fonterra’s ability to raise prices after the acquisition. In particular, supermarkets could:⁵

threaten or impose sanctions on Fonterra across its portfolio of products, such as in those markets where Fonterra faces competition (eg yoghurt);

facilitate entry or expansion by existing or potential competitors through allocating shelf space and promotional spots; and

encourage contestability for the house brand contracts and tightly monitor contract performance. The threat of imports would give the supermarket operators further leverage and enhance this countervailing power.

159 The same reasoning applies here. Flooring retailers – especially the three large retailer groups – would be able to:

159.1 threaten or impose sanctions on the merged entity across its broader product portfolio, including in segments where the merged entity faces competition, such as synthetic carpet or hard flooring;

159.2 facilitate entry or expansion by existing or potential competitors by allocating favourable floor space and promotional exposure, as retailers already do in practice; and

159.3 promote contestability for house-brand contracts, including white-label carpet supply arrangements, and closely monitor supplier performance.

160 Significantly, unlike in Decision 562, imports here are not merely a potential threat. They are already a substantial and growing market presence. Existing import competition already gives retailers added leverage and materially strengthens their countervailing power.

161 Notably, in Decision 562, the Commission did not dismiss supermarkets’ countervailing power because it might involve additional effort or operational complexity, as some flooring retailers suggest in the present SoUI. Instead, the Commission focused on the practical options available to customers and the commercial outcomes those options could produce. That same approach should apply here.

⁵ At [174].



162 In any event, their responding to the Proposed Acquisition would not require flooring retailers to adopt any novel business model or operating method. Retailers already have the capability, commercial relationships and practical experience necessary to sell imported carpet in their stores. And many do so. Smaller retailers can source imported products through established New Zealand importers, while larger retailers and buying groups already have the scale and capability to import directly in meaningful volumes. The relevant infrastructure, expertise and supply channels are already in place.

163 Further, it is clear major flooring retailers are willing to take steps to preserve their own position of strength at the retail level and resulting countervailing power at the wholesale level. [REDACTED

].

164 [REDACTED

].

165 In summary, flooring retailers in the New Zealand carpet sector plainly possess significant countervailing power, and they exercise it readily. The growing prevalence of imports directly reflects retailers' ability and willingness to source imported soft flooring products and use that willingness to negotiate favourable terms with domestic manufacturers. That buyer power will continue to constrain the merged entity post-acquisition.

- *evidence and examples of a flooring retailer, currently self-supplying any type of synthetic carpets, using this supply to its advantage in pricing negotiations with a domestic manufacturer for any type of carpet;*

166 As previously discussed, the shift in sales between Godfrey Hirst and Harrison's illustrates the competitive constraint imposed by imports. Harrison's has also actively used the threat of imports in its pricing negotiations with Godfrey Hirst. For example, [REDACTED

]. That conduct provides direct evidence that retailers can and do use imported alternatives to secure better terms or switch supply altogether.

- *price increases from a domestic carpet manufacturer being passed on, or incorporated into, the final price paid by the end-consumer, particularly in regard to wool carpet; and*

167 Godfrey Hirst recently announced a [REDACTED] price increase on all wool carpet, effective from 13 April 2026. Higher input costs for both wool fibre and jute backing necessitated that increase. Retailers typically incorporate those increases into their own cost base and, in turn, raise prices to consumers. In this instance, however,



Godfrey Hirst is unlikely to have passed through the full extent of those cost increases and is therefore absorbing part of the increase itself.

- *evidence and examples of a domestic carpet manufacturer revising or withdrawing a proposed price increase to a flooring retailer in response to feedback from the retailer, particularly in regard to wool carpet.*

168 As illustrated above, discussions with retailers such as Harrisons involve active pricing negotiations, and Godfrey Hirst takes retailer feedback into account when setting prices. That process is consistent with a market in which retailers exercise meaningful bargaining power and influence wholesale pricing outcomes.

Efficiencies

- *the extent to which the price of wool carpet is linked to the cost of production;*

169 As has been explained above, the manufacture of wool carpet involves a number of preliminary stages whereby the raw wool is scoured, dyed, blended, combined and drawn into yarn before being tufted. By contrast, all three primary synthetic fibre types, are purchased as ready-made yarn from suppliers in the Middle East.

170 Both wool and synthetic yarn are exposed to increased costs – but these are different in kind and quantum. As outlined above, yarn produced for wool is currently affected by increasing costs of raw wool; while synthetic yarn currently faces increasing costs due to increases in the raw materials used to extrude synthetic yarn. These raw materials are petrochemical derived and have been driven up by the costs of crude oil related to the Middle East conflict.

171 At the assembly stage, both wool and synthetic carpet face similar energy costs, as well as increases in cost of latex backing.

172 Price of wool carpet is necessarily linked to overall cost of production, which must take into account all of the input costs. However, management must also ensure that an acceptable net profit margin is maintained.

173 The Proposed Acquisition will enable higher production volume, which will reduce per-unit costs. That will allow more flexibility to adjust pricing downwards in response to import competition.

- *whether Godfrey Hirst and/or Bremworth have previously reduced the price of their wool carpets in response to cost reductions;*

174 Godfrey Hirst has not had any recent significant cost reductions.

175 [REDACTED

].

- *whether price increases by Godfrey Hirst and/or Bremworth are being driven by increased costs;*



176 As explained above, increased cost of raw wool is necessarily resulting in price increases.

- *how closely the wholesale pricing decisions for synthetic carpet align with, or are linked, to those for wool carpet; and*

177 Whether pricing decisions for synthetic carpet align with those for wool carpet depends on the factors driving the price change. Where the relevant cost pressures arise from general inflation, freight or labour costs – that is, factors not specific to a particular fibre type – price changes are typically applied across all products at the same time.

178 By contrast, where the relevant cost drivers affect one fibre type but not another, pricing decisions may differ in both timing and magnitude to reflect those specific cost pressures.

179 For example, Godfrey Hirst's recent decision to increase wool carpet prices, effective from 13 April, resulted from the significant increase in the cost of wool fibre over the preceding 6 to 12 months. The cost of jute backing, which Godfrey Hirst uses only for wool carpet, also increased materially. That price increase therefore applied only to wool carpet and not to synthetic carpet or hard flooring.

180 Similarly, following the outbreak of conflict in the Middle East, the raw material costs for synthetic carpet, including synthetic yarn and backing, increased significantly because those inputs contain petroleum- and oil-based chemical content.

[REDACTED

]. These examples show that the underlying cost structure of each product category drives pricing decisions, rather than any uniform pricing approach across the business.

- *how any constraint from a competing supplier of synthetic carpet would impact on the production and/or pricing decisions of the merged entity in the supply of any type of wool carpet.*

181 As explained, management endeavours to ensure that an acceptable net profit margin is maintained across the whole operation and prices for all products – including wool carpet – are set to that end. But, proposed price changes must always be considered against the background of competitors' pricing, especially in relation to imported carpet as foreign manufacturers have greater flexibility owing to their scale, lower input costs and government assistance. These advantages enjoyed by foreign manufacturers apply to synthetic carpet as well as wool carpet. The fact that purchasers of wool carpet are prepared to switch is therefore taken in account for pricing of wool carpet.

182 Crucially, however, the response to competing supply from foreign manufacturers across all carpet types must be considered more broadly than its effect on isolated production and/or pricing decisions. As was outlined in Mohawk's previous submission on the SoI, the purpose of the Proposed Acquisition is to access efficiencies that will lower the merged entity's marginal costs and enable product enhancements through innovation that will increase demand. These savings and



product improvements cannot otherwise be achieved, especially in the current economic environment.

- 183 To reiterate: 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, value and diversity of imported carpet. It will enable the merged entity – especially Bremworth – to access the innovation and urgently needed capital that is not available to it domestically.
- 184 That innovation is vital to survival. In a speech entitled "Beyond the Cycle" delivered last year, the Chief Economist of the Reserve Bank commented on New Zealand's declining labour productivity, observing that since the early 2000s, GDP per capita in New Zealand has fallen from around 95% to just under 90% of the OECD average. Meanwhile hours of work per capita have increased.

185 He said:

"New Zealanders now work almost 20% more hours per person but produce around 25% less output per hour compared to the OECD average."

- 186 The Proposed Acquisition provides an opportunity to access innovation, investment, and other resources from global manufacturer Mohawk to help reverse that trend.

Out of market constraints

- *the extent to which end-consumers compare the price of hard and soft flooring when making purchasing decisions;*

- 187 Although the Commission has excluded hard flooring products from the relevant market for assessing the proposed transaction, it must still recognise that those products exert a significant competitive constraint on soft flooring. Market definition does not reduce the need to assess real-world substitution and competitive pressure from increasing demand for hard flooring products.
- 188 As explained in detail previously, soft flooring now accounts for a little over 50% of total flooring sales, and that share is expected to decline further in response to practicality, evolving consumer preferences and price. Australia and other developed markets have already experienced a clear shift from soft flooring to hard flooring, and the same trend is evident in New Zealand. That trend reflects a structural change in consumer demand, not a temporary fluctuation.
- 189 As the Court recognised in *Brambles New Zealand Ltd v Commerce Commission* (2003) 10 TCLR 68 (HC), competition analysis must consider actual market dynamics; looking beyond rigid market boundaries and assess the real-world constraints imposed by alternative products. For example, it is apparent that hotels and group home builders are increasing the amount of hard flooring installed in their premises. Consumers too are also increasingly choosing lower-cost hard flooring for



bedrooms, hallways and lounges, areas that were previously more commonly carpeted. These developments show a clear and growing shift in demand towards hard flooring alternatives.

- 190 Consumers can now choose from an extensive range of flooring products, including carpet, timber, hybrid flooring, vinyl plank, laminate and sheet vinyl. Those options offer specific functional and aesthetic qualities; and reflect both evolving consumer preferences and the increasing diversity of the flooring market. They also increase the practical alternatives available to customers when making flooring decisions.
- 191 The SoUI states that the Commission did not receive compelling evidence that hard flooring products would materially constrain the merged entity in the soft flooring market. Godfrey Hirst's internal estimates challenge that premise, showing that carpet currently accounts for [REDACTED] of the New Zealand flooring market, while hard flooring accounts for [REDACTED]. Those figures underscore the competitive significance of hard flooring.
- 192 It is also significant that flooring retailers, responding directly to consumer demand, now stock the full range of flooring solutions and allocate space in ways that reflect product differentiation extending well beyond price alone. If hard flooring did not impose a meaningful competitive constraint on soft flooring, it is difficult to explain why Harrisons Carpet rebranded as Harrisons Flooring, why carpet manufacturers such as Carpet Mill stock imported hard flooring products, and why most flooring retailers allocate prominent floor space to hard flooring alternatives. Those commercial decisions reflect how market participants actually view competitive alternatives in practice.
- 193 In addition, Godfrey Hirst runs regular sales throughout the year that include soft flooring products at discounted prices. One recurring promotion focuses on wool carpet and also includes hard flooring products, typically timber and laminate (that contain wood content) products.
- 194 Godfrey Hirst markets this promotion as the "Wool and Wood" sale. The sale runs for two months, usually May and June, and is promoted through radio, digital media, and local point-of-sale material for retailers who wish to participate and support it and has at times also been promoted through catalogues. That promotion reflects the way in which wool carpet and hard flooring products are marketed together to consumers as competing or complementary flooring options.
- *the extent to which decisions on the production of synthetic and/or wool carpet have related to the supply and/or prices of any hard flooring product; and*
- 195 Not directly. However, the total volume of carpet sold into the market will be affected by the increasing sale of hard flooring products. As hard flooring gains share at the expense of soft flooring, demand for soft flooring products will decline, which in turn will reduce the volume produced by manufacturers.
- *the extent to which wholesale pricing decisions in the supply of synthetic and/or wool carpet have related, or responded, to the supply and/or price of any hard flooring products.*
- 196 As discussed in the example above, hard flooring pricing responds to general inflationary costs in the same way as soft flooring. In addition, it is affected by its



own product-specific input costs, such as petrochemical content. Accordingly, hard flooring pricing is influenced by both common cost pressures and category-specific cost drivers, with future pricing decisions also depending on demand.

PROVISIONAL CONCLUSION

Assessing substantiality in a significant section of a market

- 197 As set out in Chapman Tripp’s legal analysis at Appendix A, considerable caution is required in assessing substantiality in a significant section of a market, to avoid conflation of the statutory test (substantially lessening competition “*in a market*”) with impermissible reasoning to the effect that it is sufficient to decline a clearance if there is a substantial lessening of competition in a *sub-market*. Where a potential lessening of competition in a segment of the market is identified, attention is still required to the dynamics of competition in the market to assess whether a substantial lessening of competition in the market as a whole is more than a speculative prospect.
- 198 The following responses should be read with the conclusions of the legal opinion at Appendix A in mind.
- *the proportion of the soft flooring market that wool carpet sales currently account for and any expected changes to this proportion;*
- 199 While wool carpet sales currently account for around 20-25% of the soft flooring market, that proportion will decrease in response to price increases due to the increasing price of strong wool globally.
- *why the Commission should, or should not, consider that wool carpet makes up a significant section of the soft flooring market; and*
- 200 We consider that the wool segment should not be regarded as a “significant” section of the broader soft flooring market wool carpet for competition purposes. As we have explained, “significant” is an imprecise term that is highly dependent on the context in which it is used, but should in this context indicate that the segment has some significance for the competitive dynamics of the market as a whole.
- 201 For the reasons explained above, wool and synthetic carpets are substitutable in the soft flooring market and there are no credible dynamics that have identified how a position in relation to wool carpet influences (improperly or otherwise) competition between wool and synthetic carpets or for the market as a whole.
- 202 Clearly, for some (unidentified and unidentifiable) consumers wool has a unique appeal that overcomes other considerations including relative price. Equally clearly, however as the Survey shows, a similar or greater proportion with an initial preference for wool carpet in fact switch by time of purchase. Similarly, it is clear from the Survey that retailers themselves play an important role in those customers’ decisions to switch.
- 203 In relation to the soft flooring market, even if wool carpet may be considered to currently comprise a material but decreasing proportion, synthetic carpet already comprises a much more material proportion and is increasing.



- *the implication of an assessment of a substantial lessening of competition in a significant section of a market for the Commission's overall assessment of the Application which is that, in order to grant clearance, we must be satisfied that the Proposed Acquisition will not have, or would not be likely to have, the effect of substantially lessening competition in a market in New Zealand.*

204 Refer to legal opinion at Appendix A.



TABLE OF APPENDICES

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**APPENDIX A: CHAPMAN TRIPP – MOHAWK / BREMWORTH: “SUBSTANTIALLY
LESSEN COMPETITION IN A MARKET”**

Memorandum

Date: 11 May 2026

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By Email

MOHAWK / BREMWORTH: "SUBSTANTIALLY LESSEN COMPETITION IN A MARKET"

Summary

- 1 This memorandum responds to your request for clarification on the application of the legal test for clearance of the acquisition of 100% of the shares in Bremworth Limited (**Bremworth**) by Mohawk Industries, Inc (**Mohawk**) pursuant to the Commerce Act 1986 (the **Transaction** and the **Act**, respectively).
- 2 The Commission, in its Statement of Unresolved Issues dated 14 April 2026, records its view that (at paragraph [12]):

... we recognise that the lessening of competition does not need to be felt equally across an entire market for that lessening to be substantial. It is sufficient if there is an appropriate degree of a lessening of competition in a significant section of a broader market (eg, wool carpet) for there to be a substantial lessening of competition in the broader soft flooring market.
- 3 The authority cited for these propositions, aside from the Commission's own *Mergers and Acquisition Guidelines (2022)*, are two first instance authorities and an appeal of one of those authorities, decided in the context of the Australian provisions prohibiting exclusive dealing and New Zealand provisions prohibiting agreements or understandings that have, or are likely to have, the effect of substantially lessening competition (**SLC**) in a market.¹
- 4 We agree that the first sentence reflects established authority,² including the cases cited. However, the second sentence requires considerable caution to avoid conflation of the statutory test (SLC "in a market") with impermissible reasoning that it is sufficient to decline a clearance if there is a SLC in a *sub-market* (the effective position in the United States, rejected by the legislatures of both Australia and New Zealand). In particular, the words "appropriate" and "significant" in the

¹ *Dandy Power Equipment Pty Ltd v Mercury Marine Pty Ltd* (1982) 64 FLR 238; *Commerce Commission v Port Nelson Ltd* (1995) 6 TCLR 406, 436 (HC); and *Port Nelson Ltd v Commerce Commission* [1996] 3 NZLR 554 (CA).

² In particular, *Port Nelson Ltd v Commerce Commission* [1996] 3 NZLR 554 (CA) at 571.



second sentence should not be interpreted to mean that a mere numerical comparison of the current scale of the relevant segment of the market to the entire market is sufficient. Instead, relevant authorities demonstrate, consistent with orthodox economic principles, that where a potential lessening of competition in a segment of the market is identified, attention is required to the dynamics of competition in the market to assess whether a SLC in the market as a whole is more than a speculative prospect.

- 5 Applying these principles to the defined market for soft flooring products, we have reviewed in draft the joint opinion of James Every-Palmer KC and James Mellsop of NERA Economics and agree with their analysis and conclusions.

SLC “in a market”

- 6 The legal and economic principles relevant to market definition and the concept of “*substantially lessening competition*” for the purposes of ss 47 and 66 of the Act have been set out by the senior courts and are not in dispute.³ The threshold of “substantially” is relative rather than absolute and requires lessening competition that is “*more than insubstantial or nominal*”.⁴ “[M]erely ephemeral and minimal” lessening of competition is insufficient.⁵
- 7 The starting point is the statutory standard is SLC “*in a market*”. As the Courts have repeatedly stated, this necessitates a focus on the dynamics of competition in the relevant market;⁶ a departure in New Zealand and Australia from, and express rejection of, the position under the Sherman Act where competition in sub-markets may be directly considered in anti-trust analysis.⁷
- 8 In this context, *Dandy Power Equipment Pty Ltd v Mercury Marine Pty Ltd* is primarily cited for its endorsement of the need for a counterfactual analysis in assessing the impact of conduct on a market.⁸ In that context, Smithers J went on to indicate that:⁹

³ See generally *ANZCO Foods Waitara Ltd v AFFCO New Zealand Ltd* [2006] 3 NZLR 351 (CA); *Commerce Commission v Woolworths Ltd* (2008) 12 TCLR 194 (CA); and *Woolworths Ltd v Commerce Commission* (2008) 8 NZBLC 102 (HC).

⁴ *Commerce Commission v Port Nelson Ltd* (1995) 6 TCLR 406 at 433-434 (HC), cited with approval in *ANZCO Foods Waitara Ltd v AFFCO New Zealand Ltd* [2006] 3 NZLR 351 (CA) at [239]-[240].

⁵ *ANZCO Foods Waitara Ltd v AFFCO New Zealand Ltd* [2006] 3 NZLR 351 (CA) at [239].

⁶ *Dandy Power Equipment Pty Ltd v Mercury Marine Pty Ltd* (1982) 64 FLR 238 at 259-260.

⁷ *New Zealand Magic Millions v Wrightson Bloodstock Ltd* [1990] 1 NZLR 731 (HC) at 752.

⁸ *Dandy Power Equipment Pty Ltd v Mercury Marine Pty Ltd* (1982) 64 FLR 238 at 259-260 referred to in *ANZCO Foods Waitara Ltd v AFFCO New Zealand Ltd* [2006] 3 NZLR 351 (CA) at [245]; *Auckland Regional Authority v Mutual Rental Cars (Auckland Airport) Ltd* [1987] 2 NZLR 647 (HC) at 674-675; *Commerce Commission v Bay of Plenty Electricity Ltd* CIV-2001-485-917, 13 December 2007 (HC) at [350]; *Commerce Commission v Carter Holt Harvey Building Products* (2000) 9 TCLR 535 at [52]; *Commerce Commission v Ophthalmological Society of New Zealand Inc* (2004) 10 TCLR 994 (HC) at [119], [123] and [197]; *Commerce Commission v Port Nelson Ltd* (1995) 6 TCLR 506 (HC) at 433; *Fisher & Paykel Ltd v Commerce Commission* [1990] 2 NZLR 731 (HC) at 740; *Transpower New Zealand Ltd v Todd Energy Ltd* [2007] NZCA 302 at [111]; *Tru Tone v Festival Records Retail Marketing Ltd* [1988] 2 NZLR 352 (CA) at 362.

⁹ *Dandy Power Equipment Pty Ltd v Mercury Marine Pty Ltd* (1982) 64 FLR 238 at 260.



Although the words “substantially lessened in a market” refer generally to a market, it is the degree to which competition has been lessened which is critical, not the proportion of that lessening to the whole of the competition which exists in the total market. Thus a lessening in a significant section of the market, if a substantial lessening of otherwise active competition may, according to circumstances, be a substantial lessening of competition in a market.

- 9 Smithers J did not, however, go on to use any analysis of a “significant section” of the relevant markets in that case.
- 10 That (obiter dicta) passage has nonetheless been cited with apparent endorsement by the New Zealand High Court.¹⁰ Those cases do not go on, however, to elaborate on the passage or indicate what is meant by “significant” nor, in the Commission’s words, what the “appropriate” degree of lessening in a part of the market must be for SLC in the market. The most elaborate discussion of the dicta is provided by McGechan J in *Commerce Commission v Port Nelson Ltd*. There the Court indicated:¹¹

Moreover, within such a “market” there may be so called “submarkets”; less confusingly called “parts” or “sectors”. To illustrate from decided cases, a market for the sale by auction of thoroughbred yearlings may have “A” and “B” submarkets differentiated by quality and resulting price (*NZ Magic Millions*); a market for flour may have both geographical submarkets and a submarket for “bakers flour” (*Re Queensland Co-Op Milling Assn Ltd; Re Defiance Holdings Ltd* (1976) 8 ALR 481, 516); and an “Australian” market for large harbour tug services may have “submarkets” at various different Australian ports (*Re Howard Smith Industries* (1977) 15 ALR, 645, 664).

...

There is, however, a place for “submarkets”. Action within a submarket, or market sector, may have repercussions for the pleaded market as a whole. Thus in *NZ Magic Millions*, a s 36 case, the pleaded market (sale by auction of thoroughbred yearlings) was broken down into the two “submarkets” ... Dominance was alleged as to the whole pleaded market; but by virtue of dominance in the A submarket, and the ability to tie in the B submarket.

...

In the present case, the Commerce Commission as a first step must prove the existence of its chosen and pleaded crucial markets; pilotage, and to the extent necessary, tugs. If it cannot do so – if for example the true market is a vessel movement services market – it cannot succeed. If the Commission proves its pilotage services market, the Commission must also prove (s 27) purpose or effect of substantially lessening competition in that market, or (s 36) dominance in that market and use of dominant position for proscribed purposes in relation to (on the pleadings) that market. It is possible, however, as a matter of law, to do so by showing

¹⁰ *Auckland Regional Authority v Mutual Rental Cars (Auckland Airport) Ltd* [1987] 2 NZLR 647 (HC) at 675; *Commerce Commission v Carter Holt Harvey Building Products Ltd* (2000) 9 TCLR 535 (HC) at 557; and *Commerce Commission v Port Nelson Ltd* (1995) 6 TCLR 406 (HC) at 435; and *Fisher & Paykel Ltd v Commerce Commission* [1990] 2 NZLR 731 (HC) at 759.

¹¹ At 435-436.



(s 27) an appropriate degree of lessening of competition in a "significant section" of that market; or (s 36) a dominance in a section of that market which levers into the entire pleaded market. Whether either can be shown will be a question of fact.

- 11 The need for caution in considering so-called "sub-markets" is expressly identified by the learned authors of *Gault on Commercial Law*:¹²

While the concept of submarket may be seen as a useful analytical tool in some cases, caution must be exercised in its application. The concept has the potential to invite analytical confusion and distort the assessment of market power if there is an unduly narrow focus on the competitive significance of the submarket.

- 12 Consistent with this, the Federal Court of Australia has accepted leading authors' commentary that the concept of a "sub-market":¹³

has no explicit statutory role, but refers to an area of competition narrower than a market and intended as a tool of analysis rather than an element of a legal standard of liability. Submarkets may be used to examine how competition works in the broader market by identifying its nature and intensity in various segments.

- 13 The learned author of *New Zealand Competition Law and Policy* has similarly identified this point:¹⁴

Some early cases discussed the potential relevance of the United States concept of sub-markets – the idea being that identifying a firm's position in one sector of the market informs the assessment of the market as a whole. It is not clear, however, how much the concept adds to the competition analysis. Talk of sub-markets has the potential to confuse the application of the competition tests in the Commerce Act – are they to be applied across the proposed sub-market or the wider market? The notion of sub-market is best avoided in modern New Zealand competition law.

- 14 We are not aware of any case which has taken or endorsed a purely numerical analysis to the meaning of a "significant section" of a market (which would appear inconsistent, on its face, with the judgment in *Dandy Power*). Such an approach would be inconsistent with the need for caution identified by the later authorities, and the proper focus on the dynamics of competition in a market and the fact that it is inherent in the definition of a market that the products within it are substitutable with each other (or exist within a common chain of substitution) as a matter of economic theory and commercial common sense. To take a simplified example, taking a numerical approach would suggest that a merger of two entities with domestic licences to supply a particular brand of product within a differentiated product market would be problematic if each entity currently comprised 10% of the

¹² Barry Allan and others *Gault on Commercial Law* (online ed, Thomson Reuters) at [CA3.10].

¹³ *Singapore Airlines Ltd v Taprobane Tours WA Pty Ltd* (1991) 33 FCR 158 (FCA) at 181. Affirmed by a Full Court in *Rural Press Ltd & Ors v Australian Competition and Consumer Commission* (2002) 118 FCR 236 (FCA) at [131]-[132]. See also *Epic Games Inc v Apple Inc* [2025] FCA 900 at [1337], indicating a potential utility of sub-market analysis to conceptualise short-run effects of change. However, as that decision itself notes (at [1329]-[1332]), Australasian competition law is concerned with substitution possibilities in the long run and not with short run, transitory situations.

¹⁴ Matt Sumpter *New Zealand Competition Law and Policy* (CCH, Auckland, 2010) at [408].



overall market, even where they faced competition from five other competitors each supplying 20% of the market using other brands that are substitutable with that licensed brand.

15 To the contrary, all the Australian and New Zealand cases that have considered sub-markets have paid close attention to the dynamics of competition in the overall market resulting from conduct affecting a segment of the market. By way of example:

15.1 In determining an application for an injunction relating to a breach of s 36 of the Act in *New Zealand Magic Millions Ltd v Wrightson Bloodstock Ltd*, Tipping J identified the relevant market as “*the service of facilitating the sale of yearlings by auction*”.¹⁵ In analysing dominance in that market, the Judge accepted the plaintiff’s analysis which involved sub-markets, to the extent that “[*the Defendant’s*] dominance in the A sub-market, when added to the fact that the [A submarket] and [B submarket] sales were effectively tied together, leads to the conclusion that [*the Defendant*] is dominant in the market as a whole”.¹⁶ As to the utility of an analysis involving sub-markets, his Honour specifically noted that “*it is helpful to divide that market into an A sector and a B sector for ease of analysis and for the purpose of considering competition or lack of it within that market*”.¹⁷

15.2 The Court of Appeal in *Port Nelson Ltd v Commerce Commission* accepted two separate markets for “*pilotage services*” and “*tug services*”.¹⁸ However, in assessing whether a minimum pilotage charge in the pilotage services market had the effect of SLC, the Court identified “*small vessel*” and “*large vessel*”-submarkets.¹⁹ The Court made use of these submarkets in assessing competition in the pilotage services market as a whole by noting the effect of a tug-tie (whereby the Appellant would not make its tugs available for vessel being piloted by other entities) and a discount for exclusive use of the Appellant’s services (which was greater, the larger the vessel), was that competitors in pilotage were confined to the smaller vessel end of the market.²⁰ In then assessing competition in the pilotage services market as a whole, the Court considered that for a competitor to compete in the pilotage services market (by offsetting under-recovery in small vessels by recovery on large vessels), it would need to enter the separate tug services market. The need to do so was “*obstructive to competition in the pilotage market*”.²¹

¹⁵ *New Zealand Magic Millions v Wrightson Bloodstock Ltd* [1990] 1 NZLR 731 (HC) at 752 and see also 755.

¹⁶ At 752.

¹⁷ At 753.

¹⁸ *Port Nelson Ltd v Commerce Commission* [1996] 3 NZLR 554 (CA) at 562.

¹⁹ At 571.

²⁰ At 571 and 572.

²¹ At 571.



Application to Mohawk acquisition

- 16 In light of the analysis set out above, we consider that the relevant test for the Commission to apply is whether it can be satisfied that the consequences of the Transaction will not have the overall effect of SLC in the relevant market, being the market for soft-flooring products. The Commission is entitled to have regard to any potential lessening of competition in the wool segment of the market, where this is a realistic prospect; however, it must be satisfied that this has the effect of SLC in the market as a whole.
- 17 We consider that such an effect is implausible on these facts as a matter of economic and commercial-common sense.
- 18 The Commission's working market definition is "*the national market for the manufacture or import and wholesale supply of soft flooring products*".²² The Commission's market definition rightly accepts that soft flooring products made from synthetic fibres, such as SDN and polyester, are substitutable for soft flooring products made from wool for most consumers.
- 19 That market definition, and the substitutability of synthetic fibre and wool soft flooring, is supported by the evidence. As set out in Chapman Tripp's Submission on the Commission's SOI dated 10 February 2026 and [REDACTED]:²³
- 19.1 for most consumers, all soft flooring products serve the same functional applications, whether made from synthetic fibres or wool;
 - 19.2 while environmental and/or political considerations may affect purchasing preferences of some customers as to fibre type, carpet of all fibre types serves the same function;
 - 19.3 while a small (but unknown and unknowable) number of consumers may be unwilling to substitute synthetic fibres for wool, the majority of consumers will take fibre type into account in making purchasing decisions along with other relevant factors, including price; and
 - 19.4 there is accordingly a material price overlap between soft-flooring products made from synthetic fibre and wool carpet products.²⁴
- 20 Further, Baseline Consultancy's survey of carpet purchasers' behaviour confirms the substitutability between synthetic fibre and wool soft flooring, finding that:²⁵

²² Commerce Commission *Statement of Unresolved Issues, Godfrey Hirst / Bremworth*, 14 April 2026 at [40].

²³ Chapman Tripp *Submission on the Commission's SOI*, 10 February 2026 at [17].

²⁴ NERA *Godfrey Hirst/Bremworth – review of SOI: Report for Chapman Tripp*, 5 February 2026 at [2].

²⁵ Baseline Consultancy *Carpet Purchasing – A synopsis of key findings*, May 2026 at 5.



- 20.1 of those who preferred a specific type of carpet fibre, 24% switched from their initially preferred fibre type to purchase a different type of carpet;
- 20.2 5% switched to wool from synthetic or blended preferences because of its feel and aesthetics; and
- 20.3 19% switched in the other direction, from wool to synthetic or blended carpet, mainly because of perceived affordability and durability.
- 21 The substitutability of synthetic fibre and wool soft flooring acts as a price constraint on wool flooring. An attempt to increase the price of wool soft flooring would inevitably threaten sales to marginal consumers who must be assumed by the merged entity (because they cannot be reliably identified as 'wool only' customers) to be at risk of substituting to competitor synthetic flooring products. Such a strategy would therefore place at risk wool carpet sales volume and ultimately margin, and thus be irrational.
- 22 That effect can be expected to be more pronounced, rather than less, because the woollen carpets form a minority of the total volume and value of the soft-flooring market, indicating that consumer preference currently favours synthetic carpets when all attributes are taken into account.
- 23 It is implausible, therefore, to find on these facts, a realistic substantial competitive effect on the soft-flooring market as a whole. Even if the Transaction were seen to substantially lessen competition in the wool segment of the market (which in any event is inconsistent with the evidence demonstrating that imported wool carpets are already a significant competitive constraint), the substitutability of products in the wool segment of the market with the products in the synthetic fibre segment of the market means that there is no competitive dynamic that could plausibly lead to a substantial lessening of competition in the overall soft flooring market.
- 24 We are not aware of any posited dynamic that would alter this conclusion. This is not a case where there is evidence (for example) that entry into the soft-flooring market would be obstructed by a change in conduct in the wool segment of the market or where conduct at one functional level of a market could lessen competition. Rather, the straightforward dynamic is a continuation of competition between substitutable products, in which the merged entity is constrained by the presence of competition for the supply of those products, in particular from foreign imports.

Tim Smith / Honor Kerry
Managing Partner Wellington / Senior Associate



**APPENDIX B: [CONFIDENTIAL] NERA REPORT – GODFREY HIRST/BREMWORTH –
REVIEW OF SOUI**

Godfrey Hirst/Bremworth – review of SOUI

Report for Chapman Tripp

12 May 2026

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Version for external counsel only – contains Godfrey Hirst and Bremworth confidential information

Confidential information is coded as follows:

- Godfrey Hirst confidential information is shaded in [green].
- Bremworth confidential information is shaded in [blue].
- Information that is confidential to both Parties is shaded in [red].

1. Introduction

1. At the request of Chapman Tripp, counsel to Godfrey Hirst, we have reviewed the Commerce Commission's ("the Commission") 14 April 2026 statement of unresolved issues in respect of the proposed Godfrey Hirst/Bremworth merger ("the SOUI"). We set out our comments in this report.
2. We have also been asked by Chapman Tripp to update our market share calculations, using the latest data we have available. We do this in Appendix A to this report.

2. The declining competitiveness of Bremworth under the counterfactual

3. [83] of the SOUI states:

However, we recognise that, when industry participants are facing challenges, as is the case with Bremworth, this can affect the level of competition that the party would provide in the counterfactual scenario. To this extent, we consider it appropriate to take the current challenges facing Bremworth into account in assessing the level of competition that Bremworth would provide as a going concern, absent the Proposed Acquisition.

4. We agree that it is appropriate to take the current challenges facing Bremworth into account in assessing the level of competition that Bremworth would provide as a going concern under the counterfactual. One way this might manifest itself is through reduced investment, which over time would be expected to negatively affect quality and product variety.
5. For example, we note that both Godfrey Hirst and Bremworth invest in plant and equipment every year. Figure 1 shows Godfrey Hirst's annual expenditure on the cash flow statement category "payment for property, plant, and equipment and intangible assets" from the 2018 to 2025 financial years. Similarly, Figure 2 shows Bremworth's annual expenditure on the cash flow statement category "acquisition of plant and equipment" over the period from 2015 to 2025 (financial years).



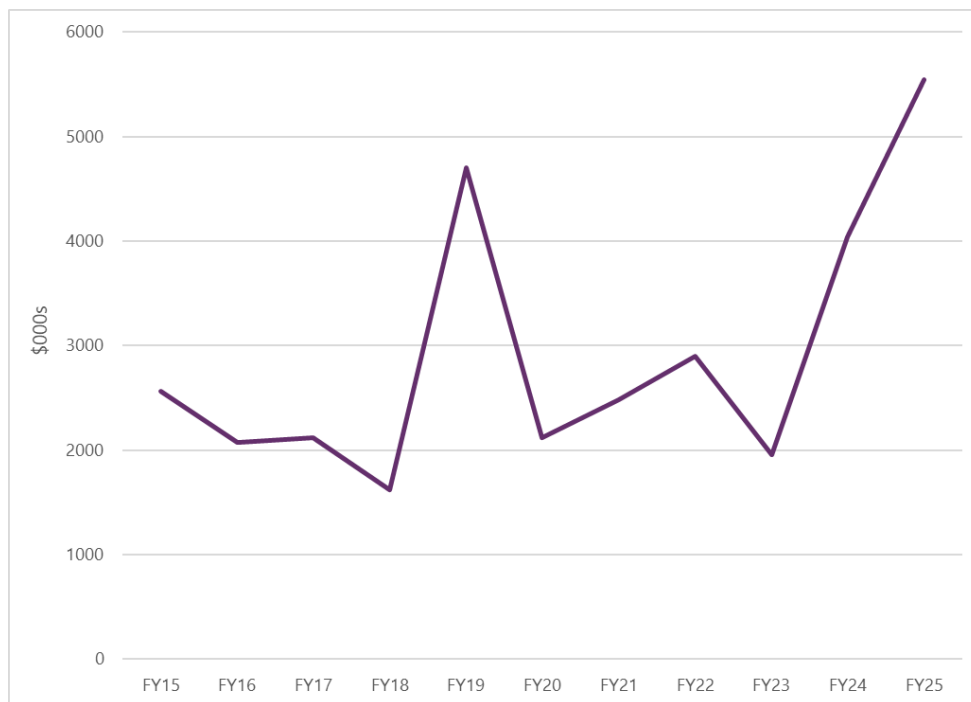
Figure 1: Godfrey Hirst's payments for property, plant, and equipment and intangible assets

[REDACTED

]

Source: NERA analysis of Godfrey Hirst's financial statements (particularly cash flow statements)

Figure 2: Bremworth’s payments for acquisition of plant and equipment

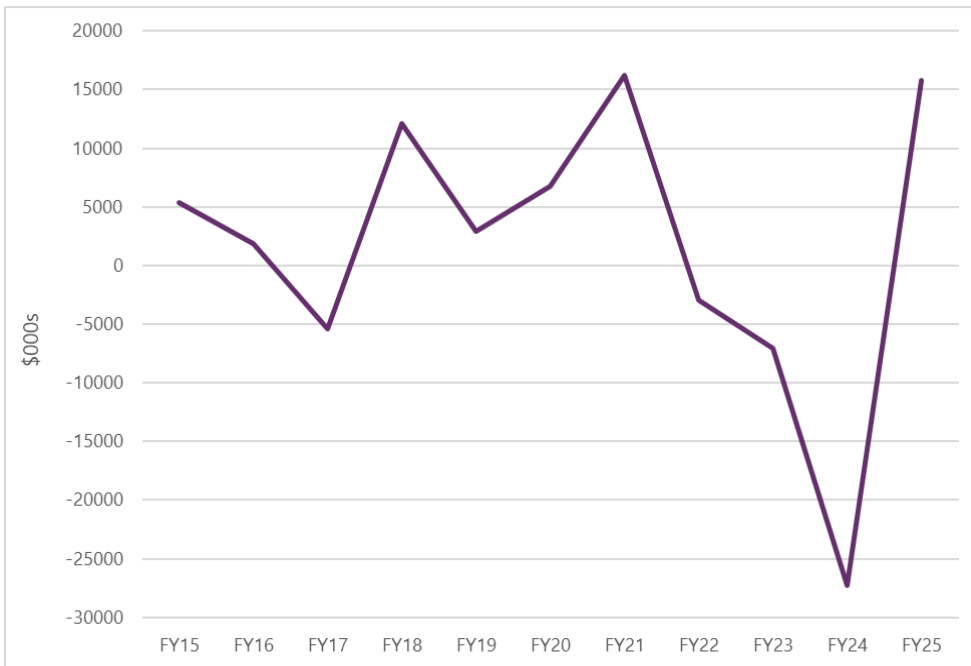


Source: NERA analysis of Bremworth’s financial statements (particularly cash flow statements)

6. It appears that the recent spike in Bremworth’s investment in plant and equipment is largely driven by reinstatement of the Napier plant following Cyclone Gabrielle damage.¹
7. There are also likely to be other expenditures required to compete on quality and product variety. For example, on research and development, supply chain and inventory management, and marketing.
8. These investments require cash. As Figure 3 shows, Bremworth’s cash flows from operating activities have in recent years been negative. While they were positive in 2025, this is solely due to a \$42 million Cyclone Gabrielle related insurance income, which is presumably a one-off.

¹ See page 10 of the Bremworth Annual Report 2025.

Figure 3: Bremworth’s net cash flow from operating activities



Source: NERA analysis of Bremworth’s financial statements (particularly cash flow statements)

- Table 1 presents Bremworth’s cash flows from operating activities for the 2025 financial year. It shows that while net cash flow from operating activities was \$15.7 million, net cash flow would have been negative \$26.5 million without the \$42 million Cyclone Gabrielle related insurance income.

Table 1: Bremworth’s cash flows from operating activities, FY 2025

CASH FLOWS FROM OPERATING ACTIVITIES	\$000
Cash receipts from customers	86,886
Cash paid to suppliers and employees	-108,784
	-21,898
Government grants received	176
Other receipts	10
GST (paid)/refunded	-2,097
Interest paid - loans and borrowings	-35
Interest component of lease payments	-825
Interest received	1,113
Income tax paid	-217
Cyclone Gabrielle related insurance income	42,230
Cyclone Gabrielle related expenses	-2,721
Net cash flow from operating activities	15,736

Source: Bremworth’s financial statements (particularly cash flow statements)

10. Accordingly, on its current trajectory it [REDACTED] under the counterfactual, affecting its ability to invest and consequently its [REDACTED]. Perhaps cash could be injected by an alternative acquirer under the counterfactual, although we query how attractive this would be given the operating cashflow difficulties of Bremworth and without the sort of synergies the Godfrey Hirst merger would create (which we discuss further below in section 4 of this report).

11. [91.2] of the SOUI contains the following sentence:

However, we have also received feedback that Bremworth is a ‘leader’ in terms of product innovation, and some parties have raised concerns that innovation will be lost with the Proposed Acquisition.

12. The analysis set out above raises questions about the ability of Bremworth to remain a product innovation leader under the counterfactual. It seems more likely that its ability to innovate would deteriorate.

13. While we cannot be sure about the reasons for it, there is evidence consistent with the proposition that [REDACTED]

14. Table 2 below captures the number of residential and commercial wool carpet stock keeping units (“SKUs”) for Godfrey Hirst and Bremworth. We compare the change in SKUs between 1

January 2025 and 31 March 2026 for Godfrey Hirst and 1 January 2025 and 7 April 2026 for Bremworth.²

Table 2: Residential and commercial wool carpet SKUs for Godfrey Hirst and Bremworth³

	Godfrey Hirst			Bremworth		
	1-Jan-25	31-Mar-26	% change	1-Jan-25	7-Apr-26	% change
Residential	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
Commercial	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]	[REDACTED]%

Source: NERA analysis of data collected by Godfrey Hirst

15. Table 2 shows a [REDACTED] between Godfrey Hirst and Bremworth across the time period. Godfrey Hirst [REDACTED]

⁴ [REDACTED].

16. [REDACTED]

]

3. Constraint from imports

3.1. What happened when Bremworth’s yarn plant was damaged?

17. The Commission’s concern is that the merger would lead to a substantial lessening of competition in the wool carpet segment of the carpet market. In particular, the Commission is concerned that if the merged entity raised price or reduced quality, there would not be sufficient expansion by wool carpet importers to offset this.

18. The Commission has before it evidence relating to an analogous “natural experiment”, being the reduction in wool carpet output by Bremworth following the Cyclone Gabrielle damage to

² The time periods in the data we were provided do not match exactly, so we have used the closest comparable date ranges for consistency.

³ Table 2 is based on data collected by Godfrey Hirst. Bremworth has undertaken its own analysis of its wool SKUs, using slightly different categorisations. Using that data provides similar results and does not affect our conclusions. Bremworth’s analysis shows that between January 1, 2025, and April 22, 2026 [REDACTED]

].

⁴ [REDACTED].

Bremworth's yarn plant. This is analogous because an exercise of market power (the Commission's concern with the merger) is analytically equivalent to a reduction in output.⁵

19. In our 5 February 2026 report, we explained that following Bremworth's reduction in wool carpet output:
 - A. Most of the output gap was filled by wool carpet imports; and
 - B. Far from being able to raise its price for wool carpets, Godfrey Hirst's wool carpet gross margins have [REDACTED] since 2021.
20. The SOUI does not consider this analysis, despite it being squarely relevant. Indeed, in light of this analysis it is not clear to us how the Commission can state at [165] of the SOUI that "... we do not have any other direct evidence that we consider clearly shows that Bremworth's volumes are being lost to importers rather than to Godfrey Hirst."

3.2. Are there barriers to expansion of wool carpet imports?

21. One of the tensions within the SOUI is:
 - A. Acceptance by the Commission that imports of synthetic carpets have constrained Godfrey Hirst (noting that prior to introducing a new range in 2025, Bremworth had not produced synthetic carpets since May 2021⁶);⁷ but
 - B. A concern that imports of wool carpet would not constrain the merged entity.
22. For the latter to be correct in light of the former, there would have to be something materially different about the economics of selling imported wool carpets than selling imported synthetic carpets. In our view, the SOUI does not explain why this would be the case.
23. The SOUI identifies a variety of claimed barriers to expansion for wool carpet. We list these in Table 3 and comment on them, including whether we would expect these claimed barriers to apply asymmetrically to wool and synthetic carpets.

⁵ See, e.g., footnotes 4 and 28 of the Commission's *Mergers and Acquisition Guidelines*, May 2022.

⁶ Bremworth, Annual Report 2021, November 2021, p.37.

⁷ For example, [155.2] of the SOUI states: "There are also a number of existing importers supplying SDN carpet including Jacobsen, Belgotex, Victoria Carpets and Robert Malcolm. Because Bremworth has not been supplying any SDN carpet until very recently, we understand that these suppliers have been providing some competitive tension on Godfrey Hirst in the supply of SDN carpet."

Table 3: Claimed barriers to expansion of wool carpet imports

SOUI paragraph	Claimed barrier	NERA comment
152.1	<i>"... importing introduces additional uncertainties and risks that domestic manufacturers may not have to face."</i>	<p>This is correct, but the fact that material (and growing) volumes of synthetic and wool carpet are imported⁸ implies these uncertainties and risks are manageable at today's prices, as does the fact that since FY24 Jacobsen and Robert Malcolm have begun wholesaling wool carpet in New Zealand (SOUI [98]).</p> <p>Any additional uncertainties and risks are also likely to be offset by cost advantages enjoyed by overseas manufacturers (e.g., greater scale and lower labour costs).</p> <p>Finally, we have not seen any evidence that any additional uncertainties and risks would be greater for wool carpets than for synthetic carpets (we return to the issue of raw wool fibre first being exported and then reimported below).</p>
156.4	<i>"Further, as shown in Table 5, the number of products of imported wool carpet available from each individual importer supplier is substantially smaller than the number of products on offer by each of Godfrey Hirst and Bremworth. We consider this is important because retailers (and end-consumers) value having a broad range of carpet to sell (and choose from)."</i>	<p>Even if it is correct that the product range of wool carpet importers today is narrower than that of Godfrey Hirst and Bremworth, the issue is whether there are any impediments to importers increasing their range if the merged entity attempted to reduce its range (or otherwise exert market power). If there are any economies in producing a broader range of products, it seems reasonable to assume those economies would be more material at the factory and R&D level of a manufacturer than at the transport level, although this is ultimately an empirical question.</p> <p>In respect of the statement about end-consumers in particular, it might be expected that at least some retailers would take on the role of supplying from a variety of manufacturers/importers so as to offer end-consumer variety.</p>

⁸ See our 15 October 2025 and 5 February 2026 reports.

157.3 *"... switching a material proportion of wool carpet supply to imports would require a much more significant price increase that (sic) in the synthetic category (including because the raw material fibre is from New Zealand and there would be a long supply chain highly exposed to exchange rate volatility)."*

It is difficult to reconcile this concern with the facts that:

- 748,056 square metres of wool carpets were imported into New Zealand in 2025 at existing market prices;⁹ and
- [REDACTED]

].¹⁰

These facts imply that even a minor increase in wool carpet price by the merged entity would see switching to further imports.

160.2 *"there can be some complicating logistics for importers, such as extra costs (eg, international freight and exchange rate volatility), longer lead times, and fewer warranties/after sales service capability."*

At least some of this is correct,¹¹ but the fact that material (and growing) volumes of synthetic and wool carpet are imported¹² at today's prices implies these logistics are manageable, as does the fact that since FY24 Jacobsen and Robert Malcolm have begun wholesaling wool carpet in New Zealand (SOU1 [98]).

Any additional logistics are also likely to be offset by cost advantages enjoyed by overseas manufacturers (e.g., greater scale and lower labour costs).

Finally, we have not seen any evidence that any additional logistics would be greater for wool carpets than for synthetic carpets. (We discussed the issue of raw wool fibre first being exported and then reimported above).

176.1 *"the current offering, strength and bargaining position of Mohawk/Godfrey Hirst may already incentivise flooring retailers not to materially expand their working relationships (including dedicated shelf space or level and share of overall sales support) with competitors to*

This claim does not reconcile with the fact that retailers have been stocking an increasing volume of imported carpets, both synthetic and wool.

⁹ Stats NZ import data.

¹⁰ [REDACTED]

¹¹ The extra costs and longer lead times. Whether there are fewer warranties/after sales service capability is a factual issue.

¹² See our 15 October 2025 and 5 February 2026 reports.

Mohawk/Godfrey Hirst, so as to not impact the flooring retailer's overall supply or commercial terms received from Mohawk/Godfrey Hirst;"

24. We conclude that:

- A. There are no material barriers to expansion by wool carpet importers; and
- B. There are no material differences between the economics of selling imported wool carpets and imported synthetic carpets.

4. Efficiencies

4.1. Internal tensions and inconsistency with Guidelines

25. [126.2] of the SOUI states (footnote omitted):

In addition, Bremworth considers that additional volume and scale associated with the re-entry to SDN, would over time, enable it to harness economies of scale to lower its fixed production overheads per lineal metre of carpet. In our view, lower average costs would theoretically improve Bremworth's competitive position across its full range of carpet products, including SDN and wool carpets.

26. It is difficult to reconcile this finding with the SOUI's cursory rejection of the filed evidence that the merger would lead to pro-competitive efficiencies.¹³ We do not use the term "cursory" lightly - we think it is appropriate here because:

- A. The SOUI rejects the relevance of efficiencies in five paragraphs without explicitly referring to or engaging with the filed evidence (e.g., that set out in section 4 of our 15 October 2025 report);
- B. The SOUI (at [237.1]) finds that "*we do not consider we have evidence to conclude that the claimed efficiencies would not likely be realised without the Proposed Acquisition*", without providing any reasoning; and
- C. At [240] the Commission appears to undermine its own *Mergers and Acquisitions Guidelines*. The SOUI acknowledges that even a monopolist would pass on marginal cost efficiencies ([240.1]), referring to the *Guidelines*. But the SOUI then says the merged entity would not pass these on. This would be inconsistent with the *Guidelines* even if the merged entity would be a monopolist. But even on the Commission's own analysis the merged entity would not be a monopolist in the wool segment, yet alone the broader carpet market.

¹³ [236-240] of the SOUI.

27. Indeed, despite emphasising at [236] that the substantial lessening of competition test is a “net” test in each relevant market (emphasis added), the SOU’s analysis of efficiencies is focused on competitive constraints in the wool segment of the carpet market, and ignores the competitive constraint the SOU acknowledges in the synthetics segment. Even if it was correct that the merged entity would face less competitive constraint in the wool segment (which we do not think it would), the merged entity would be under competitive pressure in the carpet market more broadly.

4.2. The relevance of fixed cost savings

28. The other intriguing thing about [126.2] of the SOU is its focus on fixed costs, as opposed to variable costs. For the reasons we set out below, we think it is reasonable to consider fixed cost efficiencies, and this same approach should be applied to the merger.

4.2.1. Costs that are fixed in the short-run become variable over time

29. The distinction between variable and fixed costs is only a matter of timeframe; in the long-run, all costs are variable. Price in many models of competitive markets equals the marginal cost of the marginal firm. Of course, that marginal firm will also seek to recover its fixed costs. Consider the investment decision that the marginal firm made when it entered the market; the marginal firm would have entered only at the point when its expected revenues from entry equalled or exceeded its expected entry costs, both capital and operating.

30. Also consider the long-term effect of a fixed cost reduction applying to all market participants, including potential entrants. If this results in price exceeding that required to recover entry cost, entry would (eventually) occur until the point at which price covers average cost.

31. Rubinovitz (2008) discusses increasing evidence that fixed cost savings can improve consumer welfare, but that it occurs over a longer time horizon than the effects from marginal cost savings.¹⁴ His study extends traditional models to include the effects of a decrease in fixed cost and shows that this improves consumer welfare and, therefore, should be given weight in antitrust analysis of mergers:¹⁵

When a decrease in the fixed cost of producing a given level of quality is introduced into this type of model, either because of some exogenous change or a merger, it is shown that consumer welfare increases, as quality-adjusted prices generally decrease. The clear implication of this model is that fixed cost savings should be given weight in the analysis of the potential effects of a merger on consumer welfare.

¹⁴ Robert Rubinovitz, “The Role of Fixed Cost Savings in Merger Analysis”, *Journal of Competition Law and Economics*, Vol. 5, no. 2, June 2009, 233-248, p. 3.

¹⁵ *Ibid*, p. 4.

32. It is noteworthy that many of the synergies/cost savings identified by Godfrey Hirst relate to [REDACTED]¹⁶ [REDACTED].¹⁷ [REDACTED] are clearly variable. And over the two-year timeframe typically analysed by the Commission,¹⁸ we think it would be appropriate to treat [REDACTED] as variable, given they can probably be scaled up or down over that timeframe as volumes vary.

4.2.2. Competition against imports

33. As we noted at [28] of our 15 October 2025 report, analysis by Godfrey Hirst implies its acquisition of Bremworth would enable the merged entity to produce the Bremworth volumes at a materially lower cost, taking advantage of economies of scale and scope.¹⁹ This would better enable the merged entity to compete against imports. Over time, we would expect the competitive pressure from imports to result in merger-induced cost savings being passed on to retailers (and ultimately carpet consumers).

34. To provide some feel for the materiality of the efficiencies, Godfrey Hirst is expecting to achieve, following the merger:²⁰

A. \$[REDACTED] in synergies over the first five years; and

B. \$[REDACTED] in cost savings over the first five years.

35. It is not clear to us why Godfrey Hirst has characterised some of the efficiencies as “synergies” and some as “cost savings”. On our reading, they are all cost savings. On this basis, if we add them then the total cost savings would total \$[REDACTED] over the first five years. With the exception of the “[REDACTED]” line (\$[REDACTED] over the five years), we assume the remaining cost savings (\$[REDACTED]) relate to New Zealand.

36. Godfrey Hirst’s New Zealand carpet revenue for calendar year 2024 was approximately \$[REDACTED].²¹ Excluding Elco, Bremworth’s New Zealand calendar year 2024 carpet revenue was approximately \$[REDACTED].²² For present purposes we will simplistically assume the

¹⁶ [REDACTED]

¹⁷ [REDACTED]

¹⁸ For example, footnote 95 of the Commission’s *Mergers and Acquisitions Guidelines* states: “In general, we consider entry and expansion within two years is sufficiently timely. However, this timeframe may vary depending on the facts of the case. For example, in *Commerce Commission v New Zealand Bus Ltd*, see n 57 above, at [155] the court adopted a three year timeframe.”

¹⁹ The synergies and savings cover both fixed and variable costs.

²⁰ See section 4 of our 15 October 2025 report.

²¹ Godfrey Hirst 2024 sales data.

²² Bremworth revenue & volume data.



merged entity would earn (in New Zealand) the sum of these two figures for each of the first five financial years, giving a total revenue over the five years of \$[REDACTED].

37. Accordingly, the expected synergies/cost savings over the five years would equate to approximately [REDACTED]% of revenues, which is material.

Appendix A. Expanded market/segment share analysis

38. In this Appendix we set out the expanded market share analysis that we have conducted using the latest data available.
39. The data sources and assumptions used to estimate the market shares can be found in Appendix A.4 below.

A.1. All carpet types (synthetic and wool)

40. Figure 4 and Figure 5 show estimated market shares for the New Zealand carpet market from 2019 to 2024. Figure 4 assesses market shares on the value of carpet sold, and Figure 5 assesses shares based on the volume of carpet sold (in broadloom metres).

Figure 4: Market shares of total carpet market - shares based on value

[REDACTED

]

*Source: Godfrey Hirst, Bremworth, Stats NZ
Notes: Values are for calendar years ending Dec.*

Figure 5: Market shares of total carpet market - shares based on volume

[REDACTED]

]

Source: Godfrey Hirst, Bremworth, Stats NZ
 Notes: Values are for calendar years ending Dec.

41. Table 4 and Table 5 set out the data underlying Figure 4 and Figure 5, respectively.

Table 4: Market shares of total carpet market - shares based on value

	2019	2020	2021	2022	2023	2024
Imports	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
GHNZ	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bremworth	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Carpet Mill	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Godfrey Hirst, Bremworth, Stats NZ
 Notes: Values are for calendar years ending Dec.

Table 5: Market shares of total carpet market - shares based on volume

	2019	2020	2021	2022	2023	2024
Imports	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
GHNZ	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bremworth	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Carpet Mill	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Godfrey Hirst, Bremworth, Stats NZ

Notes: Values are for calendar years ending Dec.

A.2. Wool carpets

42. Figure 6 and Figure 7 show shares for the wool segment of the New Zealand carpet market from 2019 to 2024. Figure 6 assesses shares on the value of carpet sold, and Figure 7 assesses shares based on the volume of carpet sold (in broadloom metres).

Figure 6: Shares of wool carpet segment - shares based on value

[REDACTED]

]

Source: Godfrey Hirst, Bremworth, Stats NZ

Notes: Values are for calendar years ending Dec.

Figure 7: Shares of wool carpet segment - shares based on volume

[REDACTED

]

Source: Godfrey Hirst, Bremworth, Stats NZ

Notes: Values are for calendar years ending Dec.

43. Table 6 and Table 7 set out the data underlying Figure 6 and Figure 7 respectively.

Table 6: Shares of wool carpet segment - shares based on value

	2019	2020	2021	2022	2023	2024
Imports	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
GHNZ	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bremworth	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Godfrey Hirst, Bremworth, Stats NZ

Notes: Values are for calendar years ending Dec.

Table 7: Shares of wool carpet segment - shares based on volume

	2019	2020	2021	2022	2023	2024
Imports	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
GHNZ	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bremworth	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Godfrey Hirst, Bremworth, Stats NZ

Notes: Values are for calendar years ending Dec.

A.3. Synthetic carpets

44. Figure 8 and Figure 9 show shares for the synthetic segment of the New Zealand carpet market from 2019 to 2024. Figure 8 assesses shares on the value of carpet sold, and Figure 9 assesses shares based on the volume of carpet sold (in broadloom metres).

Figure 8: Shares of synthetic carpet segment - shares based on value

[REDACTED]

]

Source: Godfrey Hirst, Bremworth, Stats NZ
 Notes: Values are for calendar years ending Dec.

Figure 9: Shares of synthetic carpet segment - shares based on volume

[REDACTED]

]

Source: Godfrey Hirst, Bremworth, Stats NZ
 Notes: Values are for calendar years ending Dec.

45. Table 8 and Table 9 set out the data underlying Figure 8 and Figure 9, respectively.

Table 8: Shares of synthetic carpet segment - shares based on value

	2019	2020	2021	2022	2023	2024
Imports	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
GHNZ	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bremworth	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Carpet Mill	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Godfrey Hirst, Bremworth, Stats NZ
 Notes: Values are for calendar years ending Dec.

Table 9: Shares of synthetic carpet segment - shares based on volume

	2019	2020	2021	2022	2023	2024
Imports	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
GHNZ	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bremworth	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Carpet Mill	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Godfrey Hirst, Bremworth, Stats NZ

NERA
 Level 11
 15 Customs Street West
 Auckland 1010, New Zealand
 www.nera.com

Notes: Values are for calendar years ending Dec.

A.4. Data sources and assumptions

46. We make the following assumptions for all analysis shown in this Appendix.
47. Godfrey Hirst values are based on sales data provided to us by Godfrey Hirst. This data covered 2019 to 2024 and includes both residential and commercial sales.
48. Bremworth values are provided to us by Bremworth and cover annual revenues and volumes for wool and non-wool carpets.
49. For import values:
 - A. Import values are taken from Stats NZ. All countries are included, and we selected all categories that fall under the "Carpets and other textile floor coverings" HS code.
 - B. Out of the subcategories in this HS code, we exclude categories that do not exceed 4m² and carpets for motor vehicles, with the exception of categories for carpet tiles.
 - C. Similarly, we follow this definition when selecting categories referring to wool carpets.
 - D. Additionally, import data was measured in square metres, so a ratio of 3.66 m² = 1 blm was used to align import quantities with Godfrey Hirst and Bremworth sales data.
 - E. We remove the value of imports by New Zealand manufacturers. These manufacturers are Carpet Mill and Godfrey Hirst (this also includes imports from Mohawk) – we are assuming that Godfrey Hirst/Mohawk imports are contained in the sales data supplied to us by Godfrey Hirst. Note that an estimate by Godfrey Hirst is used for Carpet Mill's import values. However, we do not know these values for volumes, so we use proportion of dollar value of domestic imports relative to the total imports and apply this same percentage to the volume of total imports, in order to estimate the volume of domestic imports.
 - F. We now follow the Commission's approach, which is based on Godfrey Hirst's and our previous analysis, when applying a mark-up to account for wholesalers.²³ The Commission assumes 40% of imports are by wholesalers (instead of the previous 20% assumption), who then apply a 20% mark-up.
50. Carpet Mill revenue estimations by Godfrey Hirst are used, which assume a stable market share around 4%.
51. Mohawk NZ values are Mohawk imports to CCNZ. For the market share analysis, we combined the revenues for Mohawk NZ and Godfrey Hirst NZ.

²³ The notes for Table D2 of the SOUI (p.102) notes the adjustments the Commission makes to account for mark-ups by importers.



52. When assessing shares by volume, as we do not have estimates for Mohawk or Carpet Mill, we assume that their market shares are the same as when assessing shares by value.
53. Additionally, we do not include Mohawk or Carpet Mill in our wool segment analysis, and therefore we assume that all their sales are synthetic carpets.
54. When assessing synthetic carpets, we assume that all non-wool carpet sales to be synthetic carpet sales.



**APPENDIX C: BASELINE CONSULTANCY – CARPET PURCHASING – A SYNOPSIS
OF KEY FINDINGS**

Carpet Purchasing

A synopsis of key findings

Prepared for Chapman Tripp
By Baseline Consultancy
May 2026

About the author of this report : Murray Campbell

1. I am the sole director of Baseline Consultancy Limited, a company I set up in 2007 that provides, among other things, market research services to private and public sector organisations.
2. I have an undergraduate degree in social science, including statistics, and a First Class Masters degree in Demographics from the University of Auckland
3. I have been professionally involved in Market Research since 1988, in New Zealand and for a period in the mid 2000's, internationally as regional and Global Director for TNS (Ltd)
4. During that period, I have conducted many research studies across many categories of business activity (including banks, airlines, telecommunications, tourism) and social political issues (including political polling, secondary and tertiary education, and efficacy of aid programmes).
5. I was inducted as a Fellow of the Market Research Association in the early 2000's and made a Life Member in 2021 for services to the industry, particularly in the specialist research area of political polling.

The key question

- The principal purpose of this survey is to test the retailers' ability to switch consumers between wool and synthetic, and where a customer has no preference to direct them to one of the other types of fibre.
- This survey also measured:
 - The incidence of carpet purchasing amongst the NZ population of 18 years plus.
 - Carpet buyer sensitivity to switching preferred fibre based on 10% and 5% price rises.

Research Survey Parameters

- An online survey was conducted via Dynata's online panel from 15 April to 22 April 2026.
- An initial sample of 1007 people aged 18 plus was drawn from across New Zealand's main metropolitan, urban and provincial rural areas.
- From that initial sample of 1007, 545 people qualified as homeowners(with or without a mortgage).
- Of that group of homeowners, 204 stated that they had purchased carpet in the last 3 years between 2026 and 2023 with 204 New Zealand homeowners who had purchased new carpet in the last 3 years.
- The maximum margin of error for a sample of 204 at 95% confidence level is +/- 6.9 % points .
 - This means that if a sample's data point is measured at 50% we are 95% confident that the population of recent NZ carpet purchasers would be at most 56.9 % or at least 43.1% for the same data point.
 - In practice, the margins of error of much of the data points of interest were less than 50%, so the margin of error would be lower. For example, the research found that 25% of the total sample held a very strong predetermined preference for a certain type of carpet fibre. With the margin of error of this 25% data point being +/- 5.9 points we can predict with 95% confidence that between 19.1% to 30.9 % of the population would behave similarly.
- With these statistical parameters in place, we can be confident that the results highlighted in this synopsis are a fair and accurate representation of the preferences and behaviours of New Zealand carpet buyers

Key Findings :

- Over the total sample of 204 recent purchasers of new carpet, only 25% of the total sample held a very strong predetermined preference for a certain type of fibre , and this was strongly skewed towards those people who eventually bought wool carpet.
- The majority of people 41% held a moderate to mild level of preference and were open to buying carpet made from alternative fibres
- Along the process of buying carpet 24% of those who preferred a specific type of carpet fibre (n= 135) switched from their intended-preferred carpet fibre to purchase a different type of carpet:
 - 5% switched to wool from synthetic or blended preferences because of better feel and aesthetics
 - 19% switched the other way from wool to synthetic or blended carpet mainly because of perceived affordability and durability
 - The remainder held their original preference of wool (42%) or synthetic/blend (34%).
- Most non-preferers of carpet fibre elect to buy synthetic (40%) or blended (38%) carpet rather than wool (20%). And their choice is driven to a considerable extent by the retail salespeople, and the core benefits of cheaper prices and the durability of synthetic fibres
 - Non Preferers who eventually bought wool were twice as likely to do so if they had NOT sought or received advice from a salesperson (29% vs 14%).
 - Conversely those that ended up buying a blended carpet were almost as twice as likely to do so on the advice of a salesperson (47%) vs 25% who purchased blended carpet without such advice.
 - Those who bought synthetic carpets were as likely to do so irrespective of their interaction with salespeople.

Sample profile

Initial screening questions

Which of these statements best describes your situation?

I live in my own home with a mortgage	276	27%
I live in my own home without a mortgage/freehold	269	27%
I live in a rented home/flat	346	34%
I live with my parents/guardians	84	8%
Something else (rent free, boarding house, hostel, retirement village etc.)	32	3%
Total	1,007	100%

Have you purchased floor carpet for your home in the last three years?

No	341	73%
Yes – I have purchased carpet within the last three years	204	37%
2026	27	5%
2025	68	12%
2024	66	12%
2023	43	8%
Base	204	12%

20% of all households (204 /1007) or 37% of homeowners (204/545) have purchased new carpet in the last 3 years.

Approximately 12% of homeowners purchase new carpet in each year. (204 in 3.25 years = 63 per year average, over 545 homeowners.)

Sample profile continued

Age (years)	N=204
18-24	8%
25-34	18%
35-44	22%
45-54	15%
55-64	17%
65 +	21%
Gender	N=204
Male	55%
Female	45%
Home ownership	N=204
I live in my own home with a mortgage	53%
I live in my own home without a mortgage/freehold	47%

Region	N=204
Northland	2%
Auckland	37%
Waikato	8%
Bay of Plenty	7%
Gisborne / Hawke's Bay	5%
Taranaki / Manawatū-Whanganui	6%
Wellington	7%
Nelson / Tasman / Marlborough	4%
Canterbury	14%
West Coast	1%
Otago	4%
Southland	2%

Carpet purchasing context : Key facts

- Why did people need to buy new carpet?

Moving into a new-build home	12%
Renovation or refurbishment of an existing home	42%
Replacement of worn-out carpet	45%

- What did people have before their new carpet?

First home	8%
Other flooring	10%
All wool carpet	25%
All non-wool or synthetic carpet	27%
A combination of synthetic and wool carpets	25%
Don't know	5%

Carpet purchasing context : Key facts cont.

Preferred carpet fibre



When people first started thinking about purchasing carpet, 40% preferred wool

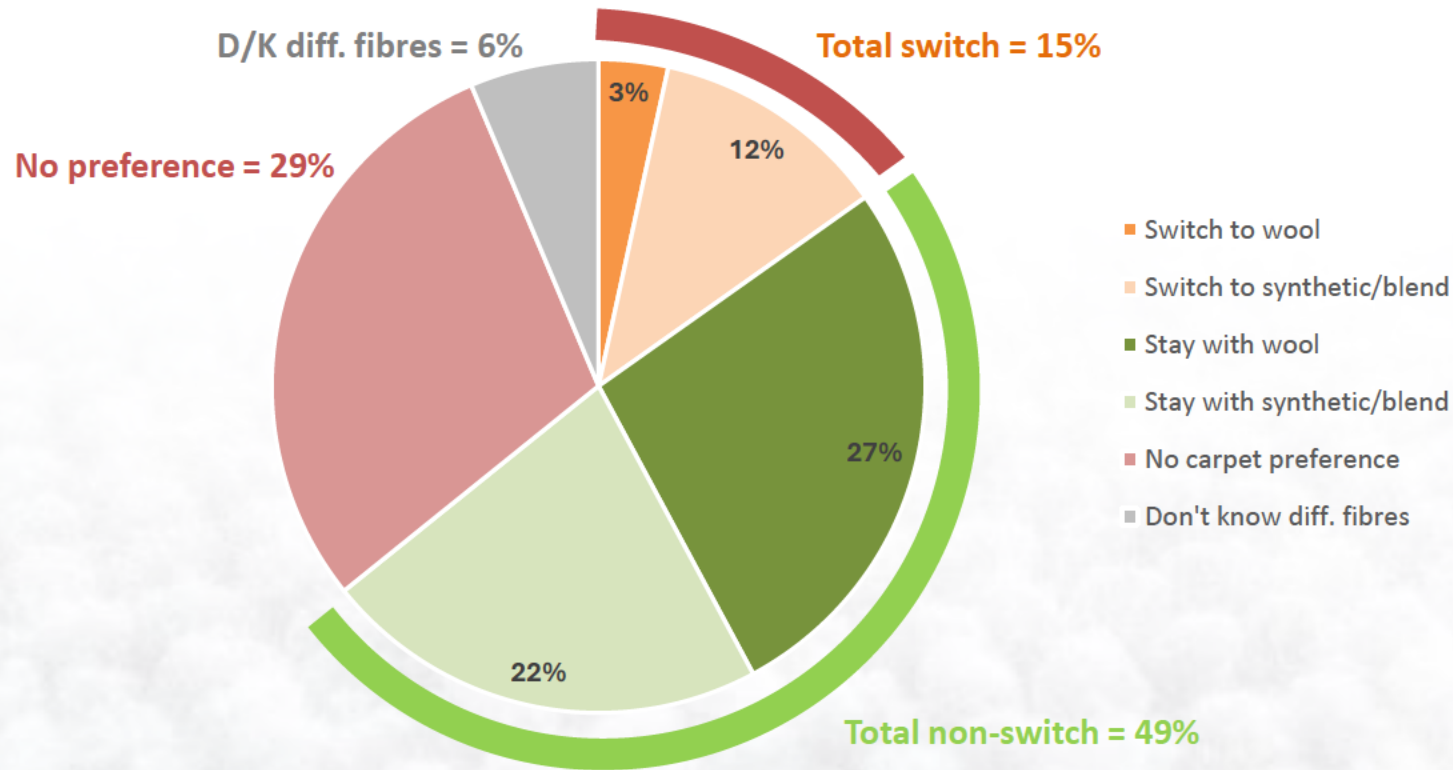
Some leaned towards synthetic (16%), or a blend of wool and synthetic (11%).

A third preferred no carpet fibre (29%), or at that time didn't know the difference (4%).

People's preferences were not "set in stone":

- **Only 25% of the total sample held a very strong predetermined preference for a certain type of fibre**, and this was strongly skewed towards those people who eventually bought wool carpet.
- The majority of people 41% held a moderate to mild level of preference **but were open to alternative fibres.**
- **This is important context to understand the impact of the retail experience on some consumers' final choice of carpet**

The dynamics of carpet fibre switching

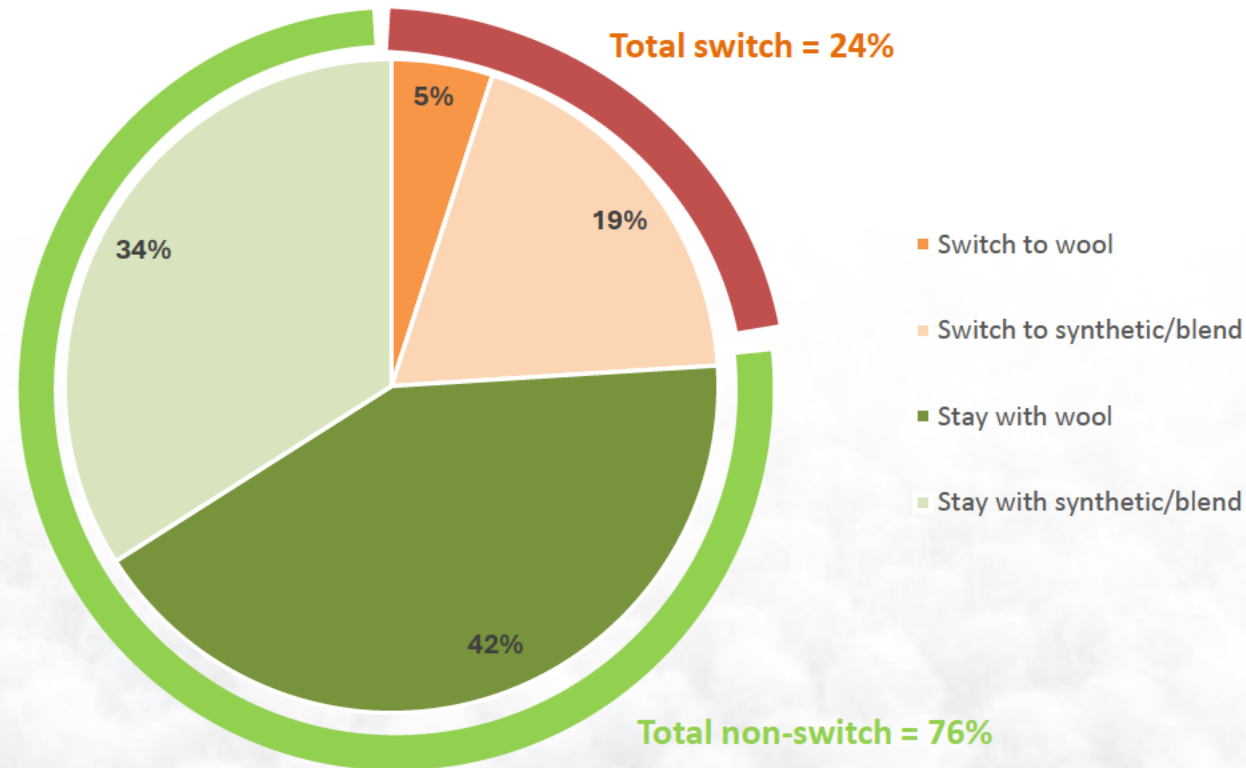


Looking at the difference between preference and behaviour at an individual case level, only 15% of the total market switch their choice of fibre; just 3% switch to buy wool from some other fibre, 12% are moving in the opposite direction from wool to synthetic/blend.

Higher proportions stick to their original preference of wool (27%) or synthetic/blend (22%).

Most change occurs within the mind set of the non-preferers

The dynamics of carpet fibre switching amongst those with a fibre preference

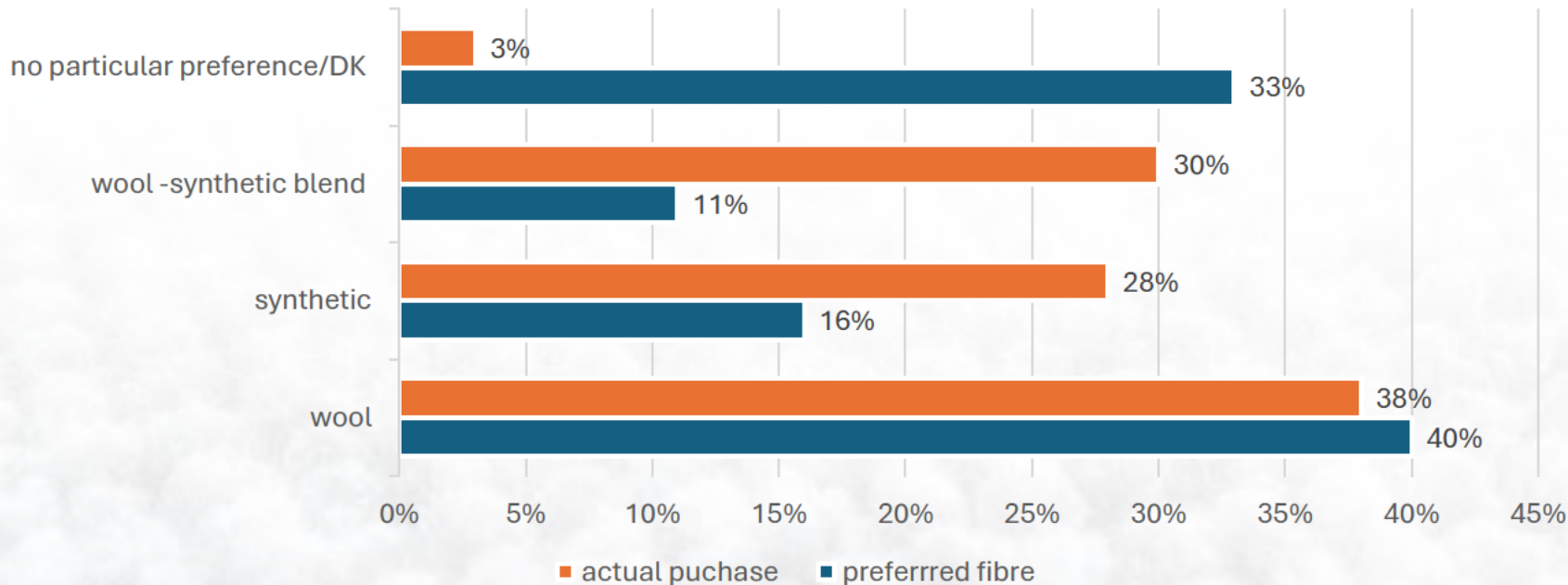


Amongst the 135 consumers who had a specific fibre preference before they started their purchase process, almost 24% switched to a different fibre, with more going from wool to synthetic/blend (19%) than from synthetic to wool (5%).

The remainder stayed with their original fibre preference of wool (42%) or synthetic/blend (34%)

The dynamics of carpet fibre switching

Initial preferred vs actual purchase carpet fibre



The net difference between those that preferred wool (40%) and actually bought that style of carpet (38%) is very close.

Most change occurs within the mind set of the non-preferers, the majority of whom elect to buy synthetic (40%) or blended (38%) carpet rather than wool (20%).

This drove a marked increase from no-preference to buy synthetic (16% to 28%) or a wool-synthetic blend (11% to 30%) carpets

Carpet purchasing context : Key facts cont.

- Pre-purchase search behaviour
 - Most people searched more than one online (66%) and visited more than one carpet retailer (70%).
 - Only 5% of people purchased a carpet without visiting a show room

	In store	Online
One	25%	15%
Two	40%	15%
Three	21%	13%
Four or more	6%	19%
Don't know/not sure	3%	19%
None	5%	19%

- Most carpet stores (82%) stocked both wool and synthetic carpet options

The role of the salesperson

Did a salesperson discuss or recommend carpet fibres with you ?	
Total	N=204
Yes	63%
No	26%
I cannot recall	11%

Just over 60% of carpet buyers remembered a salesperson discussing or recommending carpet fibres with them .

Which fibre types did the salesperson recommend or encourage you to consider ?	Those who received advice	Total
Total	N=128	N=204
Wool	59%	37%
Synthetic	59%	37%
Other (please specify)	2%	1%
I cannot recall	6%	4%
Received no advice from salesperson	-	37%

For those who did receive a salesperson's advice on carpet fibre, the split was even between encouragement to consider wool (59%) or synthetic(59%).

Across the total sample 37% felt that they had been recommended to consider either wool, or synthetic fibred carpet. In some cases, one person felt they had been recommended to consider both types of fibres

What impact did a carpet salesperson peoples' choice of carpet?

Switchers from one fibre to another & converters from no preference

This question is answered in two ways:

- 1) Analysing the different behaviours between those who did or didn't interact with salespeople
- 2) Measuring explicit stated importance of salespeople vs other drivers of consumers choice

1) What impact did a carpet salesperson have on people switching their choice of carpet between wool and synthetics?

Switching behaviour	Retail Interaction	Those who Switched N=	Base Those who had a preference N=	% Switching
From Wool to Synth/Blend	Salesperson	16	51	31%
	No salesperson/ don't recall	8	30	27%
From Synth/Blend to Wool	Salesperson	5	36	14%
	No salesperson/ don't recall	2	18	11%

Although there is higher % of homeowners switching their preference from wool to synthetic/blended carpets than in the opposite direction there is no significant variation in the % who switched from wool to synthetics between those who received advice from a carpet salesperson (31%) and those who didn't (27%).

The net out-take is that carpet salespeople are not influencing switching between fibres significantly more than what might be happening through customers own information gathering and decision making.

1) What impact did a carpet salesperson have on people who initially had no preferred style of carpet fibre ?

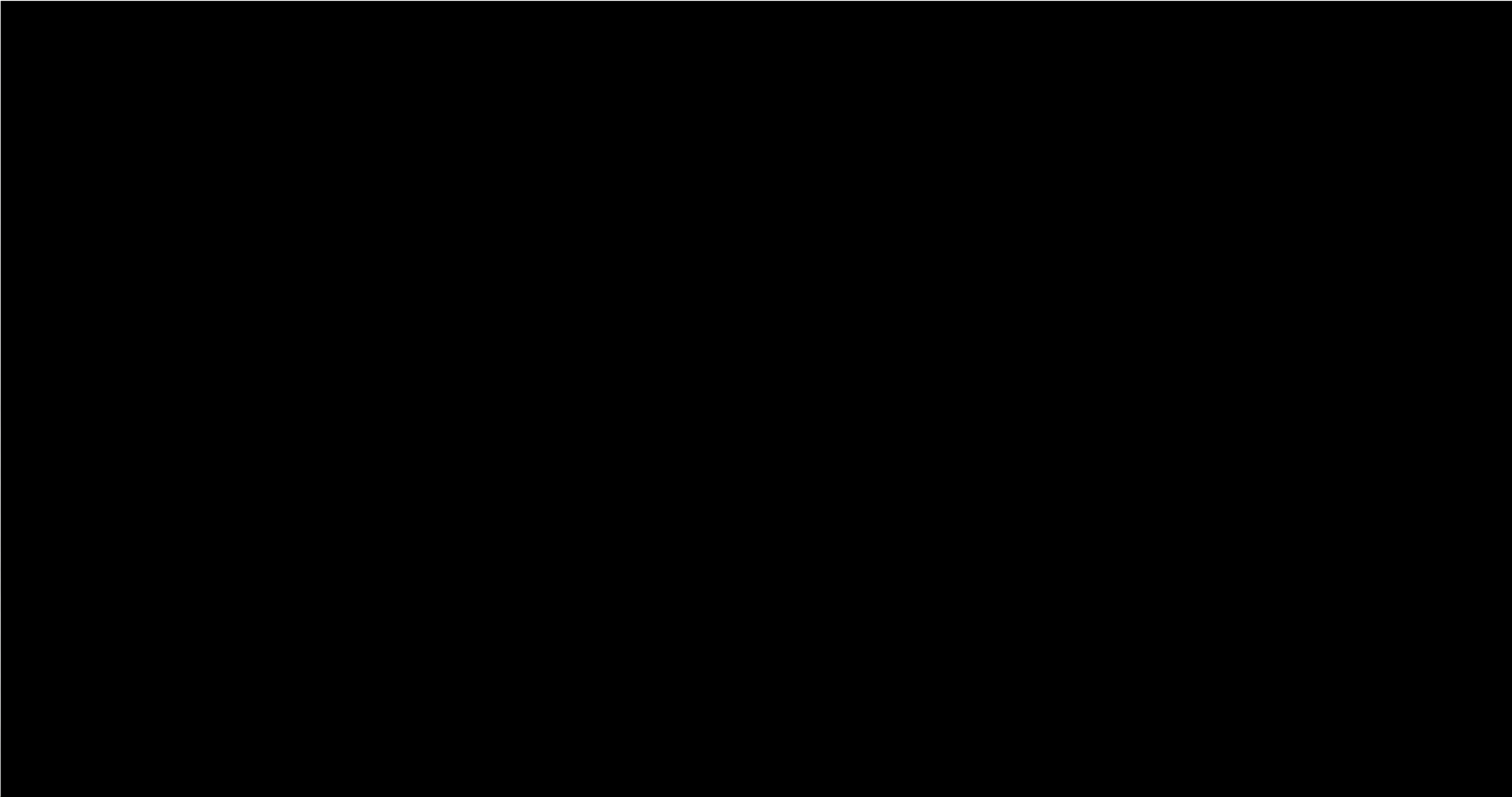
Carpet type purchased among those with no fibre preference, split by retail interaction

	Retail Interaction		Total
	Salesperson	No salesperson/ don't recall	
Purchased:			
Wool	14%	29%	20%
Synthetic	39%	42%	40%
Blend	47%	25%	38%
Don't recall	0%	4%	2%

Base: No carpet type preferred
(n=60, 29% of total sample)

Carpet salespeople had a much bigger impact on those who initially had no preferred type of carpet fibre.

- Non Preferers who eventually bought wool were twice as likely to do so if they had NOT sought or received advice from a salesperson (29% vs 14%).
- Conversely those that ended up buying a blended carpet were almost as twice as likely to do so on the advice of a salesperson (47%) vs 25% who purchased blended carpet without such advice.
- Those who bought synthetic carpets were as likely to do so irrespective of their interaction with salespeople



The role of the salesperson on reasons for changing carpet choice verbatims

Non Preferers choosing synthetic/blend
It was recommended by the carpet company to suit circumstances
The salesperson recommend not to use 100% wool because of our circumstances
Recommend by sales personnel
On advice from friends and also after talking to salesperson
The shopkeeper said it will last long
Took the advice from a professional
Retailer sold the idea and the benefits of choosing this based on my preferences and lack of knowledge to what would suit my home
Because the all wool brand was a lot more expensive.
Was good value for money and found a colour and design that suited the house
Price/price and doesn't fade as quickly as wool
Firstly the colour! Secondly it seemed a good compromise!
Because it was going to be rented out and they said it was more durable
It felt good, the carpet we felt in store seems like it was the one for us/We liked the quality and feel of it. It just suited our needs
I wanted part synthetic as it will not mark and fade as much as wool but I also want some wool fibre to make it softer and also support the NZ farmer and its origin.
It was because of the location next to large floor to ceiling windows, we were advised to pick this to avoid fading
better wearing/Hard wearing but look great. Soft/I liked the feel and the price was right/Because it was cheaper and would last longer
better fit for house in some areas and price
Price was the reason/Price was the overwhelming reason/the cheapest optionit came down to managing costs for our new build.
We wanted something affordable, easier to clean but also warm
Because its easier to maintain and looks nicer
Was on special

2) The role of the salesperson on final purchase relative to other choice drivers

The overall top 3 factors that influenced your carpet purchasing decision.	Total N=204	Bought wool N=77	Bought 100% synthetics N=58	Bought blend N=62
The salesperson recommendation	16%	16%	12%	18%
brand or manufacturer reputation	14%	18%	19%	6%
Value for money / was more affordable	58%	38%	72%	68%
durable or longer-lasting	50%	43%	60%	48%
Appearance, colour or style	42%	52%	26%	44%
feel and comfort underfoot	40%	53%	21%	42%
easier to clean or more stain-resistant	33%	23%	43%	35%
Non allergenic	14%	16%	14%	13%
Same carpet as we had before	8%	13%	5%	3%
environmentally sustainable	10%	14%	5%	10%

At an explicit level the salespeople's recommendation of fibre or the carpet brand were definitely secondary drivers of choice vs value for money (esp. synthetic and blend) durability (synthetic) appearance or comfort underfoot (esp. wool buyers).

Price sensitivity : 10% price increase

10% increase	Total (A)	Wool (B)	100% Synthetic (C)	Wool-nylon blend (80/20 or similar) (D)
Total	N=204	N=77	N=58	N=62
I would still purchase the same fibre type at the higher price	40%	56%	33%	27%
Switch to a cheaper version of the same type of fibre	38%	30%	47%	42%
I would switch to a different carpet fibre type (please specify which: Wool or Synthetic)	2%	0%	7%	0%
I would delay my carpet purchase	6%	5%	2%	10%
I would choose a different type of flooring altogether (e.g. timber, vinyl, laminate)	3%	1%	2%	5%
I am not sure	11%	8%	10%	16%

Those who bought 100% synthetic or a blend are much more price sensitive than wool buyers, being significantly likely to switch to a cheaper version of the same type of carpet they originally bought

Imagine that the price of the carpet fibre type you purchased increased by 10% relative to all other carpet fibre types, while the quality, features, and availability of all carpets remained the same. What would you most likely do?

Price sensitivity : 5% price increase compared with 10%

5% increase	Total (A)	Wool (B)	100% Synthetic (C)	Wool-nylon blend (80/20 or similar) (D)
Total	N=204	N=77	N=58	N=62
I would still purchase the same fibre type at the higher price	53%	66%	47%	47%
Switch to a cheaper version of the same type of fibre (5%)	28%	19%	34%	31%
Switch to a cheaper version of the same type of fibre (10%)	38%	30%	47%	42%

At a smaller price increase of 5% those who bought 100% synthetic or a blend are still much more price sensitive than wool buyers, less than 50% would stick with their original purchase vs 66% who would stay with wool

Imagine that the price of the carpet fibre type you purchased increased by 5% relative to all other carpet fibre types, while the quality, features, and availability of all carpets remained the same. What would you most likely do?



**APPENDIX D: [CONFIDENTIAL] BASELINE CONSULTANCY – MEASURING
ESSENTIAL BRAND METRICS IN THE FLOORING CATEGORY**

[REDACTED]



APPENDIX E: WOOL CARPET MANUFACTURERS

Wool carpet manufacturers

Search parameters: history/company origin; size of business; amount of wool carpet options (SKUs); do they export to New Zealand; can we infer a potential to export to New Zealand; where do they source their wool.

Manufacturer	Notes
New Zealand	
Carpet Mill ¹	<p>About:</p> <p>Carpet Mill is a New Zealand owned and operated company based in Hamilton. They state that they lay on average 1464 square metres of flooring every day. They have three stores and a Mobile Showroom Service where they allow customers to view carpet at home. This they claim is beneficial to the customer not only for convenience but so that they can see the flooring in the light of its location. This is particularly beneficial for carpeting which may change appearance significantly depending on lighting.</p> <p>They sell carpets, as well as hard and commercial flooring. They sell carpet in three fibres – 100% Solution Dyed Nylon, 100% Polyester, and 100% NZ Wool.</p> <p>Products offered on website:</p> <ul style="list-style-type: none">- 14 100% NZ Wool Options
Wools of New Zealand ²	<p>About:</p> <p>Wools of New Zealand both produce their own wool carpets and provide wool fibre to global carpeting brands. The company was founded by farmers and has a focus on sustainability as well as ensuring value for suppliers. They are owned by approximately 2200 farmers who produce over 30 million kg's of wool each year. The carpet they manufacture as well as the commercial tiles use New Zealand wool sourced from their shareholders.</p>

¹ <https://www.carpetmill.co.nz/>

² <https://woolsnz.com/>

	<p>Their own wool carpet is stocked in approximately 50 stores across New Zealand.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 44 Home Wool Carpet Options - 18 Wool Commercial Tiles Options
Nodi ³	<p>About:</p> <p>Nodi is a natural carpet and rug company based in Auckland, that manufactures hand woven products. Their products are available through approximately 17 stockists as well as through their Auckland show room. They have a range of already produced and made to order wool carpets. Their carpets range from \$165 per square metre to \$288 per square metre.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 16 Core Wool Carpet Options - 34 Made to Order Wool Carpet Options
Jacobsen ⁴	<p>About:</p> <p>A New Zealand owned flooring company that has been operating since 1962. They supply a range of commercial and residential flooring options.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 16 Wool Carpet Options.
Belgotex ⁵	<p>About:</p> <p>One of New Zealand's leading flooring distributors – they design, make and distribute high-quality flooring options. They are a member of the multinational Bolgotex International Group which operates seven</p>

³ <https://nodi.co.nz/>

⁴ <https://jacobsen.co.nz/>

⁵ <https://belgotex.co.nz/>

	<p>companies on four continents. They have approximately 298 suppliers in New Zealand as well as three showrooms across Auckland, Wellington, and Christchurch. The wool that they use in their carpet appears to be mainly sourced from overseas (including the Netherlands and China).</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 262 Wool Carpet Options
Robert Malcolm ⁶	<p>Established in 1884, this is possibly NZ's longest trading flooring company. Imports flooring from international manufacturers as well as manufacturing their own carpet with an emphasis on quality. Their carpets are available at approximately 302 retailers throughout New Zealand. Sources their wool from New Zealand.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 16 Wool Carpet Options
Brintons ⁷	<p>A UK and International Company, with an office in New Zealand. Their carpets have an 80/20 standard blend of 80% wool and 20% nylon. They specialise in woven carpets and partner with British organisations to source their wool. They have a domestic range which has limited availability in New Zealand and a commercial range. They do not have their own stores or showrooms in New Zealand, but their residential range is available through nineteen different retailers throughout the country.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - Approximately 17 Wool Carpet Options in New Zealand (minimum)
Australia	
Victoria Carpets ⁸	About:

⁶ <https://www.robertmalcolm.co.nz/>

⁷ <https://www.brintons.net/>

⁸ <https://www.victoriacarpets.com/>

	<p>Started in Scotland in 1895 and began their operations in Australia in 1954. Operate across two sites in Victoria and employ more than 200 people across both Australia and New Zealand. Their presence in New Zealand is limited to a sales office. They are evolving from primarily using wool to a wider range of materials in their carpets. They source their wool from New Zealand.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 205 Wool Carpet Options <p>Exporting Relationship with New Zealand:</p> <p>Has a strong exporting relationship in New Zealand – is stocked in the following stores:</p> <ul style="list-style-type: none"> - Flooring Xtra (61 Stores in NZ) - Harrisons Flooring (28 Stores in NZ) - NZ Choices Flooring Limited (8 Stores in NZ) - Carpet Court (120 Stores in NZ) <p>Have dedicated sales offices in both Christchurch and Auckland, as well as a website dedicated to New Zealand.</p>
Quest Carpets ⁹	<p>About:</p> <p>Established in 1978, Quest Carpets manufacture their products in Melbourne and distribute them throughout Australia and New Zealand via a dealer network. The majority of their wool carpets offered are made with 100% New Zealand Wool.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 21 Wool Carpet Options

⁹ <https://questcarpet.com.au/>

	<p>New Zealand Relationship: Website states that they distribute their carpet in Australia and New Zealand.</p>
EC Carpets ¹⁰	<p>About: Established in 1963, EC Carpets (formerly known as Edwardstown Carpets) is a family-owned business based in Adelaide that employs over 110 people. They use 100% New Zealand Wool in their Wool carpet range.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 25 Wool Carpet Options <p>New Zealand Relationship: Distribute their carpet in New Zealand via Jacobsen stores. There are four Jacobsen locations where they are stocked – in Auckland, Wellington, and Christchurch.</p>
Supertuft ¹¹	<p>About: Established in 1980 they produce their carpets in Melbourne. They exclusively produce wool carpets. All of their carpets have 100% New Zealand wool pile.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 100 Wool Carpet Options - Additional custom colour service <p>New Zealand Relationship:</p>

¹⁰ <https://www.eccarpets.com.au/>

¹¹ <https://supertuft.com.au/>

	They are stocked at two locations in New Zealand. Their own store in Auckland and Floorpride in Christchurch.
Prestige Carpets ¹²	<p>About:</p> <p>An Australian company that focuses on design and using innovative construction methods. Their wool carpets make up the majority of the brands production and are made with 100% New Zealand Wool.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 179 100% Wool Carpet Options - 56 Majority Wool Carpet Options - Additional custom colour service
Europe	
Best Wools ¹³ (Netherlands)	<p>About:</p> <p>Established in 1982 they are based in Best and focus exclusively on woolen carpets and rugs. They design, manufacture, and distribute their products.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 129 European Wool Carpet Options - 147 100% New Zealand Wool Carpet Options <p>New Zealand Relationship:</p>

¹² <https://prestigecarpets.com.au/>

¹³ <https://www.bestwoolcarpets.com/>

	<p>The Netherlands as an EU member state is a party to the New Zealand and European Union Free Trade Agreement. Under this agreement there is no tariff on the import of wool carpets to New Zealand.</p>
Dansk Wilton ¹⁴ (Denmark)	<p>About:</p> <p>A family-owned company that was established in 1953, Dansk Wilton has one production and design facility located in Herning, Denmark. They use a combination of New Zealand and British wool. Their focus is on commercial customers.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - Custom design process means that there are not a set number of Wool Carpet Options. - There are four Wool Carpet collections that customers can customise within. <p>New Zealand Relationship:</p> <p>Denmark as an EU member state is a party to the New Zealand and European Union Free Trade Agreement. Under this agreement there is no tariff on the import of wool carpets to New Zealand.</p>
Object Carpet ¹⁵ (Germany)	<p>About:</p> <p>Focused on commercial carpets but also offer residential carpet. Object Carpet has a production facility in Germany and have been operating for over 50 years. The company has three brands;</p> <ul style="list-style-type: none"> - Object Carpet – which is the family brand that all carpets are produced and distributed under. - Object Carpet Manufaktur – which creates customised handmade silk and wool carpets. - RUGX – which offers customised rugs <p>There is no publicly available information about where the</p> <p>Products offered on website:</p>

¹⁴ <https://danskwilton.com/>

¹⁵ <https://www.object-carpet.com/en>

	<ul style="list-style-type: none"> - 16 Pure Wool Carpet Options <p>New Zealand Relationship:</p> <p>Germany as an EU member state is a party to the New Zealand and European Union Free Trade Agreement. Under this agreement there is no tariff on the import of wool carpets to New Zealand.</p>
Alarwool Carpet ¹⁶ (Spain)	<p>About:</p> <p>A family-owned business that was founded in 1950. They focus on manufacturing luxury, custom-designed wool carpets. 90% of their production is destined for international projects. They focus on commercial customers.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 6 Wool Carpet Options <p>New Zealand Relationship:</p> <p>Spain as an EU member state is a party to the New Zealand and European Union Free Trade Agreement. Under this agreement there is no tariff on the import of wool carpets to New Zealand.</p>
Rols Carpet ¹⁷ (Spain)	<p>About:</p> <p>Established in 1917 it is a family-owned business that focuses on carpet manufacturing and is based in Crevillent, Spain.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 55 Wool Carpet Options

¹⁶ <https://alarwool.com/>

¹⁷ <https://www.rolscarpets.com/en/>

	<p>New Zealand Relationship:</p> <p>They currently have one official distributor in Auckland, New Zealand – Source Mondial Rugs, Carpet and Sisal.</p> <p>Spain as an EU member state is a party to the New Zealand and European Union Free Trade Agreement. Under this agreement there is no tariff on the import of wool carpets to New Zealand.</p>
Melikhan Carpets ¹⁸ (Turkey)	<p>About:</p> <p>A manufacturer of machine-made rugs and carpets. They primarily supply wholesalers and chain stores. They are one of the largest exporters of carpets and rugs in Turkey.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - Offer the ability of a number of their carpet ranges to be made with wool
Gulseven Carpets ¹⁹ (Turkey)	<p>About:</p> <p>Established in 1966 Gülseven Carpet manufactures wool carpets using integrated manufacturing systems. They service both residential and commercial carpets. They exclusively make personalised carpets rather than offering general products.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - Custom design process means that there are not a set number of Wool Carpet Options.
Zenova Carpets ²⁰ (Turkey)	<p>About:</p>

¹⁸ <https://www.melikhancarpets.com/>

¹⁹ <https://gulsevenscarpets.com/>

²⁰ <https://zenovacarpets.com.tr/>

	<p>Family-owned carpet manufacturer that started in 1960. They have an annual capacity of over 1 million m² and export to over four continents. They focus on commercial customers. They are supplied by Wools of New Zealand – using New Zealand Wool in some of their carpeting.</p> <p>Products offered on website:</p> <p>Custom design process means that there are not a set number of Wool Carpet Options.</p> <p>New Zealand Relationship:</p> <p>Brand partner with Wools of New Zealand – using them to source New Zealand Wool for their carpets.</p>
Kalida Hali ²¹ (Turkey)	<p>About:</p> <p>The company focuses on producing customisable carpets for living and worship areas. They export their Kalida branded carpets to 59 countries across the world. They focus on commercial customers. They are supplied by Wools of New Zealand – using New Zealand Wool in some of their carpeting.</p> <p>Products offered on website:</p> <p>Custom design process means that there are not a set number of Wool Carpet Options.</p> <p>New Zealand Relationship:</p> <p>Brand partner with Wools of New Zealand – using them to source New Zealand Wool for their carpets.</p>
United Kingdom	
Brockway Carpets ²²	<p>About:</p> <p>Family-owned company started in 1964 – a well-established British brand that labels themselves as ‘the home of wool carpet’. They exclusively manufacture wool carpets and use British wool.</p>

²¹ <http://www.kalida.com.tr/en/>

²² <https://www.brockway.co.uk/>

	<p>Products offered on website:</p> <ul style="list-style-type: none"> - 361 Wool Carpet Options <p>New Zealand Relationship:</p> <p>The New Zealand United Kingdom Fair Trade Agreement imposes no tariffs on the importing of carpets.</p>
Axminster Carpets ²³	<p>About:</p> <p>Started in 1937 Axminster Carpets is a premium and well-established carpet brand. They hold a Royal Warrant and source their wool from select British sheep breeds.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 171 Wool Carpet Options <p>New Zealand Relationship:</p> <p>The New Zealand United Kingdom Fair Trade Agreement imposes no tariffs on the importing of carpets.</p>
Cormar Carpet Co ²⁴	<p>About:</p> <p>A family-run business that manufactures carpets at two mills in Lancashire. They have over 3000 retailers across the UK and Ireland.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 137 Wool Carpet Options

²³ <https://www.axminster-carpets.co.uk/>

²⁴ <https://www.cormarcarpets.co.uk/>

	<p>New Zealand Relationship: The New Zealand United Kingdom Fair Trade Agreement imposes no tariffs on the importing of carpets.</p>
Wools of Cumbria Carpets ²⁵	<p>About: Wools of Cumbria Carpets manufacture 100% wool carpets using wool from the rare and distinctive sheep found on the Cumbrian fells. They manufacture and sell their products directly to customers.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 20 Wool Carpet Options - Additional custom colour service <p>New Zealand Relationship: The New Zealand United Kingdom Fair Trade Agreement imposes no tariffs on the importing of carpets.</p>
Newhey Carpets ²⁶	<p>About: Newhey Carpets focuses on efficient and sustainable production of wool carpets in West Yorkshire. They source all their raw materials from within a 35 mile radius of their factory. They focus on commercial clients and do not have stockists, instead working directly with clients.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - Approximately 618 Wool Carpet Options <p>New Zealand Relationship: The New Zealand United Kingdom Fair Trade Agreement imposes no tariffs on the importing of carpets.</p>

²⁵ <https://www.wocc.co.uk/>

²⁶ <https://newheycarpets.co.uk/>

Westex Carpets²⁷

About:

Manufacture carpets in West Yorkshire. They focus on durability – using 2- and 3-fold yarns rather than the traditional single yarns. Their focus is on wool carpets but they also offer other options such as silk carpets. They use British Wool.

Products offered on website:

- 509 Wool Carpet Options

New Zealand Relationship:

The New Zealand United Kingdom Fair Trade Agreement imposes no tariffs on the importing of carpets.

China and India

Haima Carpets²⁸ (China)

About:

A large-scale carpet manufacturer that specialises in commercial customers. They make both wool and synthetic carpets. They source their wool from the United Kingdom and New Zealand.

Products offered on website:

- Custom design process means that there are not a set number of Wool Carpet Options.

New Zealand Relationship:

Under the New Zealand-China Fair Trade Agreement all imports from China are eligible for tariff-free access.

²⁷ <https://www.westexflooring.com/>

²⁸ <https://haimacarpets.com/>

Shanhua Carpets²⁹ (China)

About:

A luxury carpet and rug manufacturer which focuses on commercial customers such as hotels. The company contains 'SH Australia' which creates luxury floor coverings for Aircrafts, private jets, cruises, yachts, residencies, and boutiques. Shanhua source their wool from a range of places – they hold certification from Wools of New Zealand.

Products offered on website:

- Custom design process means that there are not a set number of Wool Carpet Options.

New Zealand Relationship:

Under the New Zealand-China Fair Trade Agreement all imports from China are eligible for tariff-free access.

Shengyan³⁰ (China)

About:

Have been operating since 1995 and focus on developing a wide range of carpets. They cater for both commercial and domestic customers.

Products offered on website:

- Approximately 25 Wool Carpet Options
- Custom design process means that there are not a set number of Wool Carpet Options.

New Zealand Relationship:

Under the New Zealand-China Fair Trade Agreement all imports from China are eligible for tariff-free access.

²⁹ <https://shanhualuxurycarpet.com/>

³⁰ <https://www.yancarpets.com/>

Hengjiu Carpets ³¹ (China)	<p>About:</p> <p>Hengjiu Carpets specialise in manufacturing high end carpets across four categories – Axminster, Wilton, Printed, and Tufted. They focus on commercial customers and wholesale clients. They source their wool from New Zealand.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - Custom design process means that there are not a set number of Wool Carpet Options. <p>New Zealand Relationship:</p> <p>Under the New Zealand-China Fair Trade Agreement all imports from China are eligible for tariff-free access.</p>
Ruixin Carpet ³² (China)	<p>New Zealand Relationship:</p> <ul style="list-style-type: none"> - Have a brand partnership agreement with Wools of New Zealand. This enables them to use the Wools NZ logo on products that contain at least 60% Wools NZ supplied fibre. - Under the New Zealand-China Fair Trade Agreement all imports from China are eligible for tariff-free access.
Foshua Nanhoi Anmoa Textiles ³³ (China)	Yarn supplier of Wools of New Zealand
Sabosi ³⁴ (China)	<p>New Zealand Relationship:</p> <ul style="list-style-type: none"> - Have a brand partnership agreement with Wools of New Zealand.

³¹ <https://hengjiucarpet.com/>

³² <https://woolsnz.com/brandpartners>

³³ <https://woolsnz.com/brandpartners>

³⁴ <https://woolsnz.com/brandpartners>

	<ul style="list-style-type: none"> - Under the New Zealand-China Fair Trade Agreement all imports from China are eligible for tariff-free access.
Jacaranda Carpets and Rugs ³⁵ (India)	<p>About:</p> <p>Although they manufacture their carpets in India, the head office is in the United Kingdom, and they have an emphasis on sales here. They export widely.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 130 Wool Carpet Options - A bespoke service
Obeetee ³⁶ (India)	<p>About:</p> <p>India's largest carpet maker they have manufacturing bases around India and have a focus on ethical production. They produce rugs rather than carpet. They use New Zealand wool.</p> <p>Products offered on website:</p> <ul style="list-style-type: none"> - 55 Wool Rug Options - 53 Wool & Silk Rug Options - 233 Wool & Viscose Rug Options - 3 Wool & Jute Rug Options
Jaipur ³⁷ (India)	<p>About</p>

³⁵ <https://jacarandacarpets.com/>

³⁶ <https://obeetee.com/trade/Home.aspx>

³⁷ <https://www.jaipurrugs.com/>

	<p>A large rug manufacturer that operates across India they make hand knotted rugs.</p> <p>Products offered on website:</p> <ul style="list-style-type: none">- 5843 Wool Rug Options- 1574 Wool & Viscose Rug Options- 746 Wool & Silk Options <p>New Zealand Relationship:</p> <p>Available in New Zealand at some speciality rug stores, including Abainee Persian Rugs and Aladdin Rugs NZ.</p>
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